

This notice was revoked on April 16, 2007 by Revenue Notice # 07-04. Technical corrections were made to this notice on December 2, 2002 by Revenue Notice # 02-20.

Minnesota revenue notice

Revenue Notice # 93-05 MinnesotaCare

Gross Revenues Subject to Tax

1. Minnesota Statutes, section 295.50, subd. 3 defines gross revenues as 'total amounts received in money or otherwise . . . ' The word 'otherwise' means the fair market value in money, of services, or property given in lieu of money.

When a hospital provides inpatient or outpatient services to its employees at a reduced price or free of charge, the taxable amount is the higher of either the amount actually paid, or the average price at which the hospital provides similar inpatient or outpatient services to other similarly situated paying patients.

2. Revenues resulting from inpatient or outpatient services provided by the hospital are subject to the tax unless otherwise excluded.

Examples: Collection agency payments and any money the hospital receives to cover bad debts generated by inpatient or outpatient services, are subject to the tax. In the case of a collection agency, the total amount paid by the patient, representing payments for inpatient or outpatient services, including the portion the hospital pays the agency as a fee, is subject to the tax.

Regional Centers

The tax status of regional centers is currently under discussion. The Department of Revenue will request the 1993 legislature to exempt these centers as defined in Minn. Stat. § 253B.02, subd. 18 and named in §§ 252.025, subd. 1 and 253.015, subd. 1. The Department will therefore not require these regional centers to make estimated payments of the taxes.

If the request for the exemption is unsuccessful, the Department will abate penalties and interest related to the late filing and payment. The regional centers will then make the estimated tax payments the next due date.

Grants and Donations

All hospitals licensed under chapter 144 of the Minnesota Statutes are subject to a 2 percent tax on the gross revenues the hospitals receive for inpatient or outpatient services.

Payments received from Medicare, medical assistance, general assistance medical care, and the MinnesotaCare program are excluded from the tax.

Minnesota Statutes, section 295.50, subd. 3(b) provides that gross revenues subject to the tax exclude 'governmental, foundation, or other grants or donations to a hospital or health care provider for operating or other costs.'

This exclusion exempts all grants which are not directly related to providing inpatient or outpatient services. Grants and donations are directly related to providing inpatient or outpatient services when they are given to a hospital for the purpose of providing treatment, diagnosis, observation or care for a particular person or a class of people.

Exempt Grants and Donations

Examples

- Grants to build a new emergency room;

- Research grants;
- General donations to a hospital;
- Donation of an MRI machine.

Nonexempt Grants and Donations

Examples

- Grants to provide inpatient or outpatient services for indigents;
- Donations for treatment of a specific patient.

This definition of grants and donations supersedes the definition provided in the instruction sheet sent out in December 1992.

Michael E. Boekhaus, Director
Appeals, Legal Services & Criminal Investigation Division

Dated: January 25, 1993

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