

**This notice was modified on November 15, 1999 by
Revenue Notice # 99-13.**

Minnesota revenue notice

Revenue Notice # 94-20 MinnesotaCare: Industrial/Organizational Psychologists

Under the MinnesotaCare law, patient services provided by health care providers are subject to tax. Health care providers include persons who furnish services that qualify for reimbursement under the medical assistance program, persons whose health care professions are required to be licensed or registered, and organizations that employ such persons.

Under Minnesota Stat. § 295.50 subd. 9b, patient services include various health care goods and services provided to a patient or consumer. These services include diagnostic and therapeutic services.

Following is an explanation of these terms as it applies to services provided by Industrial/Organizational (I/O) Psychologists:

All services provided by I/O Psychologists that may be performed only by licensed psychologists are subject to the MinnesotaCare tax.

All diagnostic and therapeutic services provided by health care providers are taxable, including diagnostic and therapeutic services provided by employees who are not licensed or registered.

Diagnostic Services. As explained in Revenue Notice # 94-14, diagnostic services are services that enable a health care provider to identify a mental condition through critical scrutiny. Generally, these are services that use diagnostic tools such as the Minnesota Multiphasic Personality Inventory (MMPI), that provide evidence which allows a health care provider to ascertain whether an individual has a mental disorder, impairment, behavior or condition which leads to a diagnosis of conditions such as those listed in the most recent version of the Diagnostic and Statistical Manual of Mental Disorders (DSM). Services that use diagnostic tools to identify mental disorders, impairments or conditions are considered diagnostic regardless of the purpose of the services in specific cases, if used for the evaluation of an individual. These services are not taxable if used as part of training only. Psychological examinations that are considered medical examinations for purpose of the Americans with Disabilities Act (ADA), and thus may be conducted by an employer only after a conditional offer has been extended, are diagnostic and subject to the MinnesotaCare tax.

Therapeutic Services. As explained in Revenue Notice # 94-14, therapeutic services include services of a healing, curing, rehabilitative or remedial nature. For purpose of services of I/O Psychologists, therapeutic services are those services that are provided in response to diagnostic services provided by a health care provider.

Examples of taxable services

- Psychological tests used to diagnose mental or emotional disorders, that are considered medical examinations under the ADA;
- Testing used for purpose of measuring mental and emotional characteristics of applicants for jobs involving public safety (e.g. 'fitness for duty' testing of law enforcement personnel);
- Return to duty fitness evaluations where mental health issues are involved.

Examples of non-taxable services

Assessments of candidates for employment, that measure an individual's capacity to successfully perform a job and do not involve diagnostic tools that provide evidence regarding a person's mental disorders, nor are they considered medical tests for purpose of the ADA;

Testing employees for management skills when the tests do not involve tools aiding in diagnosing mental impairments and are not tests that may be conducted by an employer only after a conditional offer has been extended ;

Assisting managers in increasing work effectiveness and improving leadership skills;

Vocational counseling that does not involve the use of diagnostic tools that measure a person's mental health;

Employee surveys that measure job satisfaction;

Seminars given to groups on issues such as stress management and team building;

Conflict resolutions in an employment setting that do not involve diagnostic tools designed to identify mental disorders, impairments or conditions;

Outplacement services that do not involve diagnostic tools designed to identify mental disorders, impairments or conditions;

Team building workshops;

Research services designed to help organizations to implement certain programs and systems.

Patricia A. Lien
Assistant Commissioner for Tax Policy

Dated: August 29, 1994

MG