

Minnesota revenue notice number 97-02

MinnesotaCare: Sales of Medical Supplies to a Patient or Consumer

(Update: Revenue Notice #97-02 has been revoked by Revenue Notice #07-04.)

This revenue notice supplements and clarifies revenue notices # 93-26 and # 94-03.

The MinnesotaCare tax is imposed on gross revenues received from the sale, rent or repair ("sale") of medical supplies, appliances and equipment ("supplies") by health care providers and pharmacies to patients and consumers. For purposes of the tax on the sale of medical supplies, a consumer is a buyer who purchases the product for purposes other than for resale. The law also states that payments received from hospitals, surgical centers and health care providers ("providers") for goods and services on which liability for the MinnesotaCare tax is imposed, are excluded from the gross revenues subject to tax. This means that a person who sells medical supplies to another provider, may exclude those receipts from the tax (the other provider is subject to tax). If the supplies are sold to a person who is not included in the definition of a hospital, surgical center or health care provider, the receipts are taxable unless the funds originated with Medicare, medical assistance, general assistance medical care, MinnesotaCare or the chemical dependency fund. If a person sells supplies to other providers exclusively, that person need not register with the MinnesotaCare Tax Division.

Examples:

The tax is imposed on payments received by the seller of the supplies; it is not imposed on the purchaser.

1. Receipts from the sale of medical supplies to a home health agency are **exempt** from tax. Home health agencies are included in the definition of a health care provider. While payments received for home health care services are exempt from tax, home health care agencies are health care providers, so the receipts from the sale of medical supplies to them are exempt from the tax.
2. Receipts from the sale of medical supplies to boarding care homes are **taxable**. Boarding care homes are excluded from the definition of a health care provider and since they consume the supplies they purchase as part of the service they provide, the gross revenues received from boarding care homes are subject to tax.
3. Receipts from the sale of medical supplies to a nursing home are **taxable** (nursing homes are not health care providers). If the source of the payment for the supplies can be traced back to an exempt source of payment such as Medicare, the receipts are exempt. If the taxpayer is unable to determine which of the payments he or she receives come from an exempt source, the taxpayer may estimate this amount by using a sample method (e.g., if 30% of the residents of the nursing home are Medicare patients, 30% of the amounts received from the nursing home are exempt).
4. Receipts from the sale of medical supplies to community residential mental health facilities are **exempt**. While payments received for services provided by these facilities are exempt, the facilities are included in the definition of health care provider, so the receipts from the sale to them are exempt.
5. Receipts from the sale of medical supplies distributed by a home health agency are **exempt** if provided at a recipient's residence since home health care services are exempt from the tax. The supplies are taxable if provided to a person residing in a hospital, nursing facility or intermediate care facility with mental retardation.
6. Receipts from the sale of medical supplies to the Veterans Administration (VA) hospital are **taxable** since the VA is not included in the hospital definition for purposes of the MinnesotaCare tax.

Dated: February 18, 1997

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