

# MINNESOTA • REVENUE

## SALES AND USE TAX Nonprofit Nursing Homes and Boarding Care Homes

April 4, 2013

Department of Revenue  
Analysis of S.F. 1492 (Rest) / H.F. 1659 (Fritz)

	Yes	No
DOR Administrative Costs/Savings	X	

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
Total – All Funds	(Negl.)	(Negl.)	(Negl.)	(Negl.)

Effective for sales and purchases made after June 30, 2013.

### EXPLANATION OF THE BILL

**Current Law:** In order for the Department of Revenue to grant an exemption from sales and use tax, a nonprofit organization must first have received an income tax exemption from the IRS under Section 501(c)(3) of the Internal Revenue Code. The organization must also be operated exclusively for charitable, religious, or educational purposes, and the goods or services purchased must be used in the performance of its charitable functions. There is no specific exemption in the sales tax statute for nursing or boarding care homes (other than nursing homes owned by local governments).

**Proposed Law:** The bill would provide a sales and use tax exemption to nursing homes licensed under state law and to boarding care homes certified as a nursing facility under title 19 of the federal Social Security Act. The facility must be exempt from income tax under section 501(c)(3) of the Internal Revenue Code and be certified to participate in the medical assistance program under title 19 of the Social Security Act, or certify to the Department of Revenue that it does not discharge residents due to the inability to pay.

### REVENUE ANALYSIS DETAIL

- In most cases, nonprofit nursing homes and boarding care homes qualify for sales tax exemption as a charitable organization. The proposal would affect a small number of facilities. The revenue impact is therefore shown as less than \$5,000, or negligible.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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