

**MinnesotaCare Tax**

**2019 Provider, Hospital, and Surgical Center Taxes**

*Information and instructions for filing your MinnesotaCare tax return (Minnesota Statutes, Chapter 295)*

**Information and Assistance**

**Website/e-Services**

www.revenue.state.mn.us

**Email**

MinnesotaCare.tax@state.mn.us

**Phone**

651-282-5533

(Weekdays, 8 a.m. to 4:30 p.m.)

**Fax**

651-556-5233

**Business Registration**

Email:

business.registration@state.mn.us

Phone:

651-282-5225 or 1-800-657-3605

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*This information is available in alternate formats.*

**Your 2019 Annual Return is Due March 16, 2020**

File your return electronically starting January 22, 2020.

Go to our website and log in to e-Services to file or pay.

**What's New**

**New Law Changes Starting 2020 for MinnesotaCare Taxes**

**MinnesotaCare Taxes Continue After 2019**

You must continue to file and pay MinnesotaCare taxes after December 31, 2019. The taxes were scheduled to end after 2019, but a law change extended them beyond this year.

**Tax Rate Change**

The tax rate will be 1.8% in 2020. The new 1.8% rate applies to taxable revenue you receive starting January 1, 2020.

**Remote Sellers of Hearing Aids and Related Equipment or Prescription Eyewear**

Businesses that sell or distribute hearing aids and related equipment or prescription eyewear into Minnesota are subject to tax if they have taxable presence, or nexus, in Minnesota. Taxable presence includes having either physical presence or economic presence in the state. (See Minnesota Statute 295.51, subdivision 1a.) Businesses that sell, deliver, or distribute hearing aids and related equipment or prescription eyewear into Minnesota without having physical presence in the state are remote sellers. These remote sellers now have economic presence in Minnesota and are subject to tax, unless they qualify for the applicable Small Seller Exception.

For more information about taxable presence and requirements for remote sellers, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter the following in the Search box:

- **MinnesotaCare Taxable Presence** to help determine if you have physical or economic presence in Minnesota and for information on Small Seller Exceptions.
- **MinnesotaCare Remote Sellers** for information on requirements for remote sellers with economic presence.

**Sign Up to Receive Email Updates**

Stay informed about MinnesotaCare taxes! Sign up to receive email updates about:

- filing and payment due date reminders
- new or updated publications
- educational tax seminars
- tax law changes

To sign up, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and subscribe for email updates. Enter your email address and select **MinnesotaCare Tax Updates** from the list.

# Registering for a Minnesota Tax ID Number

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Before you can file a MinnesotaCare tax return and/or make estimated tax payments, you must have a Minnesota Tax ID Number. This is a seven-digit number assigned to you when you register with the Minnesota Department of Revenue.

If you do not have a Minnesota ID number, you must apply for one. You can apply on our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) or by contacting Business Registration (see *Information and Assistance* on Page 1).

If your business currently has a Minnesota ID number for other Minnesota taxes, you can add a MinnesotaCare tax account to your number. To add an account, go to our website and log in to e-Services or contact Business Registration.

## General Information

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### Electronic Filing and Payments

#### Annual Returns

You must file your annual return electronically using our online e-Services system or by phone (see Page 6).

#### Payments

You are required to pay electronically if your tax liability was more than \$10,000 for any one Minnesota business tax during the previous fiscal year (July 1 - June 30).

If you are required to pay any Minnesota business tax electronically for one year, you must pay all Minnesota business taxes electronically *for all future years*. We will send you a notice the first year you are required to pay electronically.

A 5% penalty will be assessed on any non-electronic payments if you fail to pay electronically when required.

### Filing Due Date

#### Annual Tax Return

The regular due date to file your annual MinnesotaCare tax return and pay any additional tax due for the previous calendar year is March 15.

The return must be filed even if there is no additional tax due. If March 15 falls on a weekend or holiday, returns filed on the next business day are considered timely.

#### Extension of Time to File

If you cannot file your return by the regular due date, you may request a 60-day filing extension. To request an extension for your 2019 return, call 651-282-5533 no later than March 16, 2020.

A filing extension does not extend the time you have to pay your tax. You must pay any tax you owe by the regular due date or you will be assessed penalties and interest. For 2019 returns, the regular due date is March 16, 2020. To pay electronically, go to our website and log in to e-Services.

### Estimated Tax Requirements

You are required to make estimated tax payments for the year if your total annual MinnesotaCare tax was more than \$500 for the previous year and will be more than \$500 for the current year.

If your total annual tax will be \$500 or less, you may pay your tax when you file your annual tax return and are not required to make estimated payments for the year.

#### Due Dates

Estimated tax payments are due quarterly for health care providers and monthly for hospitals and surgical centers.

- **Health Care Providers:** Your quarterly estimated tax payments are due by the 15th day of April, July, and October of the current year and January 15 of the following year.
- **Hospitals and Surgical Centers:** Your monthly estimated tax payments are due by the 15th day of each month. The first payment for the year is due February 15 and the last payment is due January 15 of the following year.

If a due date falls on a weekend or holiday, payments electronically made or postmarked the next business day are considered timely.

Each estimated tax payment must be at least the lesser of either:

- 90% of one-fourth (or one-twelfth, if you are a hospital or surgical center) of your actual tax for the current year
- one-fourth (or one-twelfth, if you are a hospital or surgical center) of your actual tax for the previous year if you were in business for the entire year and you had a tax liability

To determine your estimated tax payments, see the *MinnesotaCare Estimated Tax Instructions* available on our website.

### Additional Tax Charge for Underpayment of Estimated Tax

If any payment is paid late or is less than the required amount, an additional tax charge (ATC) for underpayment of estimated tax will be assessed.

When you file your annual tax return, our e-Services system will calculate any ATC for you.

# General Information (continued)

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## Reporting Business Changes

Be sure to update your business information if you do any of the following:

- change the name, address, owner/officers, or ownership of your business
- make any other changes (such as email address, phone number, or contact person)
- need to add or close a tax account
- close your business
- are no longer required to file and pay MinnesotaCare tax

To update business information, go to our website and log in to e-Services. For additional information, see *Managing Your Account Profile in e-Services* on Page 13.

## Recordkeeping

Keep all internal accounting records and external third-party documentation that support the amounts reported on your MinnesotaCare tax return.

This includes any paper records and any records you receive or store electronically. Some examples of paper and electronic records include:

- bank statements
- collection agency statements
- credit card processing vendor statements
- patient financing company statements
- explanations of benefits (EOBs) from Medicare, FEHBA, TRICARE, and other government agencies
- 1099 tax statements from payers
- detailed records of nonpatient income
- audited and compiled financial statements
- legend drug purchase invoices
- all other summary and detail reports, schedules, ledgers, and journals
- computer system or software back-ups

All documentation should be made available on request for the department to review. If you are audited, you will be asked to provide between 4 and 6 years of records. Exemptions may be denied if your documentation is incomplete.

## Statute of Limitations

The department may audit your return within 3½ years from the due date of the return or the date you filed the return, whichever is later. If there is an error in the amount of tax you reported, and the difference between the original amount and the correct amount is 25% or more, we have 6½ years to audit the return. There is no time limit if we find you have filed a false or fraudulent return, or if you have not filed a return.

## Payment Options

### e-Services

You can make payments using our online e-Services system or by phone. If you pay through e-Services, you will be able to view a record of your payments online once they are processed.

- To pay online, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.
- To pay by phone, call 1-800-570-3329 to use our automated phone system.

You will need your bank's routing number and your account number. To be timely, you must submit your payment and receive a confirmation number on or before the payment due date. When paying electronically, you may not use an account associated with a foreign bank.

### Credit or Debit Card

For a fee, you may charge your payments to your Visa, MasterCard, American Express, or Discover credit or debit card. To do so, have your card ready and go to [www.paystatetax.com/mn](http://www.paystatetax.com/mn) or call 1-855-947-2966.

### ACH Credit

ACH credit payments are initiated by you through your bank. You authorize your bank to transfer funds to the state's bank account. The bank must use ACH file formats, which are available on our website. Your bank may charge you a fee for these payments.

### Bank Wire

You can authorize a direct transfer from your bank account to the department. For information on how to make a bank wire transfer, call us at 651-556-3003 or 1-800-657-3909.

### Check Payments

If you are not required to pay electronically and you choose to pay by check, you must mail a personalized payment voucher with your check to help ensure the payment is credited correctly. Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and select **Make a Payment**.

## General Information (continued)

### Revenue Notices

Revenue Notices are policy statements that provide interpretation, details, or additional information about Minnesota tax laws or rules. The following are related to MinnesotaCare taxes. Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) to download copies.

- 17-11 — Fair Market Value of Patient Services Furnished at a Reduced Price or No Charge
- 07-06 — Patient Services – Massage Therapy
- 06-13 — Patient Services – Community Support and Family Community Support
- 06-12 — Patient Services – Cosmetology Services
- 06-07 — Exemptions and Credits – Research
- 01-09 — Business Transactions in Minnesota
- 00-07 — Hospital Gross Revenues
- 99-13 — Examinations for Utilization Reviews, Insurance, Litigation and Employment
- 98-20 — Receipts from the Sale of Chiropractic Medical Supplies, Appliances and Equipment
- 98-10 — Legend Gas Distributors
- 98-05 — Sale of Drugs by Hospitals and Health Care Providers
- 97-11 — Dietetic and Nutrition Care Services
- 97-10 — Social Work
- 94-20 — Industrial/Organizational Psychologists
- 94-18 — Employee Assistance Programs
- 94-14 — Health Care Providers/Patient Services – Who/What is Taxable
- 94-12 — Who is the Taxpayer?
- 94-03 — Patient Services
- 93-18 — Government Payments
- 93-15 — Charitable Donations
- 93-13 — Health Care Providers

Look for **Check or Money Order** to create a voucher. Print and mail the voucher with a check made payable to Minnesota Department of Revenue.

Your check authorizes us to make a one-time electronic fund transfer from your account. You may not receive your canceled check back.

## Who Must File

*Health care providers, hospitals, and surgical centers are required to file an annual MinnesotaCare tax return and pay tax on amounts received for providing health care services to patients.*

### Who Must File

#### Health Care Providers

You are required to file a MinnesotaCare Provider Tax Return if you are any of the following:

- a self-employed health care provider who is regulated or required to be regulated by the state of Minnesota and provides medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic goods and/or services directly to a patient or consumer (see list of common occupations on the next page)
- an employer of a health care provider who is regulated or required to be regulated by the state of Minnesota. Employers also include professional associations and staff model health plan companies
- eligible for reimbursement from the Medical Assistance (MA) program for the health care goods or services you provide
- a seller who sells or repairs hearing aids and related equipment
- a seller who sells or repairs prescription eyewear
- a licensed ambulance service (nonvolunteer)
- a person who provides patient services and employs or contracts with a health care provider to perform, supervise, otherwise oversee, or consult with about patient services

#### Hospitals and Surgical Centers

You are required to file a MinnesotaCare Hospital or Surgical Center Tax Return if you are a licensed hospital or an outpatient surgical center.

## Who Must File (continued)

### Health Care Occupations Regulated or Required to be Regulated by Minnesota *(not all inclusive)*

Examples include, but are not limited to:

- acupuncture practitioner
- alcohol and drug counselor
- ambulance service (licensed nonvolunteer)
- audiologist
- chiropractor
- dental assistant
- dental hygienist
- dentist
- dietitian
- emergency medical technician
- hearing instrument dispenser
- marriage and family therapist
- medical doctor/physician
- midwife, traditional
- naturopathic doctor
- nurse, advanced practice registered
- nurse, practical
- nurse, public health
- nurse, registered
- nursing assistant
- nutritionist
- occupational therapy practitioner
- optometrist
- osteopath
- paramedic
- physical therapy practitioner
- physician assistant
- podiatrist
- professional counselor
- psychologist
- respiratory care practitioner
- social worker\*
- speech language pathologist
- staff model health plan company

\*See Revenue Notice 97-10 for more information on taxability of services provided by social workers.

### Who Is Not Required to File

The following are not considered health care providers under MinnesotaCare tax law and are not required to file a MinnesotaCare Provider, Hospital, or Surgical Center Tax Return:

- adult foster homes and day care centers
- assisted living facilities
- board and lodging establishments that provide only custodial services and are registered to provide supportive and health supervision services
- boarding care homes
- bus and taxicab transportation services, or any other providers of transportation services other than licensed ambulance services
- community mental health centers
- community residential mental health facilities
- congregate housing programs
- day training and habilitation services for adults with developmental disabilities
- educational institutions that employ providers solely for student health care services, provided that the students do not pay additional fees for services and do not pay for extended health care coverage
- employers who employ health care providers solely to provide health care services to their employees
- home health agencies
- hospice care facilities
- housing with services establishments
- licensed home care providers that exclusively provide home care services under Minnesota Statutes 144A
- licensed residential treatment programs for children with severe emotional disturbance
- medical supply distributors, except distributors that sell or repair hearing aids and prescription eyewear or health care providers that sell medical supplies or equipment to their patients
- nursing homes
- pharmacies, except pharmacies that sell prescription eyewear or hearing aids. (**Note:** Pharmacies may be subject to the MinnesotaCare Legend Drug Use Tax. See separate instructions available on our website.)
- supervised living facilities for persons with developmental disabilities
- qualified providers and supervisors of personal care services
- providers of home care nursing services ordered by a physician
- volunteer ambulance services

## Who Must File (continued)

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You are also not required to file a return if ALL your receipts are from the following:

- another health care provider, hospital, or surgical center who is subject to the tax
- sales of hearing aids and related equipment, or sales of prescription eyewear, delivered outside of Minnesota
- services provided outside of Minnesota
- services that are not considered “patient services” under MinnesotaCare tax law (see instructions for *Gross Receipts, What Not to Include*, on Page 8)
- any source of funds that is exempt from MinnesotaCare taxes (see instructions for *Exemptions* starting on Page 8)

If you are not required to file, you do not need to register for MinnesotaCare taxes. If you are already registered and are no longer required to file a return, you must notify us. If you do not, you may be assessed penalties for not filing a return. You can update your business information in e-Services or by contacting us.

## How to File Your Annual Return

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**Your 2019 MinnesotaCare tax return is due March 16, 2020.**

*File your return using our e-Services system starting January 22, 2020.*

### Information You Will Need to File Your Return

You must file your MinnesotaCare tax return electronically using our online e-Services system or by phone. Before you can file your return, you will need the following:

- your username (or Minnesota Tax ID Number, if filing by phone) and password
- dates and amounts of any MinnesotaCare estimated tax payments you made for the year
- total gross receipts received during the year
- total amount for each exemption you are claiming
- if you are making a payment with your return, your bank’s nine-digit routing number and bank account number

See the *Line Instructions* on this page for help calculating these amounts.

**You must have a MinnesotaCare Provider, Hospital, or Surgical Center Tax account to file a return.** To add an account, log in to e-Services or contact Business Registration (see Page 2).

### To File Online

Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.

You will need internet access with a browser that supports 128-bit encryption, such as Internet Explorer 8.0 to 11.0, Firefox 3.0 or higher, Google Chrome, or Safari 5.X.

### To File by Phone

If you do not have internet access, call 1-800-570-3329 to file using our automated phone system. Follow the prompts for a business to file a MinnesotaCare Provider Tax, Hospital Tax, or Surgical Center Tax Return.

After each entry, the system will verify the amount you entered. You will be able to make any corrections before you continue to the next step.

You will receive a confirmation number and the date and time you successfully filed your return. If you hang up before you receive a confirmation number, the information you entered will not be saved and your return will not be filed.

### Line Instructions

*A worksheet is available on the last page of these instructions to help prepare your return information. You will need this information when you electronically file your return.*

### Gross Receipts

Report the gross receipts, including MinnesotaCare tax expense charges, you received during the year for patient services you provided in Minnesota. Include both taxable and exempt receipts. Any exempt receipts will be subtracted from gross receipts on the exemption lines of your return.

If you provided services outside of Minnesota, see Revenue Notice 01-09, which is available on our website.

# How to File Your Annual Return (continued)

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## What to Include

Gross receipts **include** amounts you received from:

- patients or their insurers, including MinnesotaCare tax expense charges, finance charges, and fees for missed appointments
- government agencies, including federal, state, and county programs, for health care services provided
- health care plans of federal, state of Minnesota, and Minnesota local government employees
- nursing home residents or their insurers
- staff model health maintenance organizations, reported on Form 1099
- sponsors of health care research for services you provided as part of a formal program of health care research

Gross receipts **include** amounts you received for:

- legend and nonlegend drugs and gases included in health care services
- medical supplies and equipment included in health care services, or sold to someone you provided health care services to
- patients' room and food
- diagnostic, therapeutic, and laboratory services
- outpatient services, including physical rehabilitation and counseling for mental health conditions
- preventative and x-ray services
- sales or repairs of prescription eyewear and hearing aids
- ambulance services, except volunteer ambulance services
- health and fitness classes prescribed as part of a course of treatment
- services provided to other health care providers

Gross receipts **include** amounts you received as:

- performance bonuses and supplemental payments received from insurers
- settlement adjustment payments from Medicare and other insurers
- charitable donations used for health care services

## Educational Institution Health Care Services

If you are a health care service of a public or private educational institution, include only the following in gross receipts:

- fees for services paid directly by patients or their insurers
- fees for extended coverage

**Do not include** in gross receipts amounts designated for student health care services that are paid from any of the following:

- student activity fees
- student health care service fees included in student activity fees
- allocations from the institution's budget for your health care service
- donations or grants

## Collection and Other Fees

When you use another business to process or collect payments for you, any fee or commission they retain before paying you is taxable. You must include it with the amount you received in gross receipts.

Common entities that may retain a fee before remitting payment include:

- billing services
- collection agencies
- credit card processing vendors
- patient financing companies

Any fees retained by these entities must be included in gross receipts.

## Free or Discounted Services

When you receive goods or services (not money) in exchange for providing free or discounted patient services, the fair market value of the services you provide is taxable. Common examples include providing services to:

- employees and their families as part of the employee's compensation package
- other professionals through professional discount agreements
- other individuals when bartering or trading for goods or services

Determining the taxable amount in these cases depends on how you are reimbursed for the service. For more information on how to calculate the taxable amount for free or discounted services, see MinnesotaCare Tax Fact Sheet 5, *Free and Discounted Patient Services*. To access the fact sheet, go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **MinnesotaCare Fact Sheets** in the Search box.

# How to File Your Annual Return (continued)

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**Note:** If you provide discounted services to individuals who do not provide any goods or services in return, the taxable amount is the actual amount you receive. If the service is provided free of charge, there is no tax due on the service.

## What Not to Include

**Do not include** in gross receipts amounts received from providing:

- hospice care services
- home and community-based waived services
- targeted case management services
- examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviewing medical records and providing expert witness testimony for these purposes
- patient services outside of Minnesota
- copies of records to patients and insurers
- general education services to the public
- exercise classes to the public
- room and food to nonpatients
- services under the following programs:
  - day treatment services (M.S. 245.462, subd. 8)
  - assertive community treatment (M.S. 256B.0622)
  - adult rehabilitative mental health services (M.S. 256B.0623)
  - adult crisis response services (M.S. 256B.0624)
  - children’s therapeutic services and supports (M.S. 256B.0943)
  - children’s mental health crisis response services (M.S. 256B.0944)

**Do not include** in gross receipts amounts received from providing services to:

- nursing homes
- licensed community residential mental health facilities
- licensed residential treatment programs for children with severe emotional disturbance
- community mental health centers
- assisted living programs and congregate housing programs
- supervised living facilities for persons with developmental disabilities
- housing with services establishments
- board and lodging establishments that provide only custodial services and are registered to provide supportive and health supervision services
- adult foster homes
- day training and habilitation services for adults with developmental disabilities
- boarding care homes
- adult day care services
- Medicare-certified home health agencies

When calculating gross receipts, also **do not include**:

- refunds to patients or their insurers
- sales of medical supplies and equipment sold to someone you have not provided health care services to
- receipts from gift shops, parking ramps, cafeterias, and rents
- amounts received from retail sales of products subject to Sales Tax (such as vitamins, supplements, toothbrushes, pillows, etc.)

## Exemptions

Amounts you report as exempt must be included in gross receipts. When reporting exemptions, do not claim the same amount on more than one exemption line.

### Medicare

Of your total gross receipts, report the amount you received from:

- Medicare for Medicare-covered services
- Medicare managed-care plans for Medicare-covered services



# How to File Your Annual Return (continued)

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The exemption **includes**:

- deductibles, coinsurance, and copayments required by Medicare for Medicare-covered services, whether paid by patients and/or supplemental insurance plans
- settlement adjustment payments from Medicare

The exemption **does not include** payments from:

- third-party insurers when Medicare is not the primary insurer
- patients or their insurers for health care services not covered by Medicare

For more information on Medicare-covered services and plans, go to [www.medicare.gov](http://www.medicare.gov).

## Other Government Agencies

Of your total gross receipts, report the amount you received from government programs — except from Medicare, Medical Assistance (MA), or MinnesotaCare — for health care services you provided.

The exemption **includes** payments from certain government sources. These government sources include, but are not limited to:

- Chemical Dependency Fund
- Federal Head Start programs
- Federal, state, or local government agencies for services provided to prison inmates
- Migrant Health Service Project
- Minnesota Board of Medical Practice
- Minnesota Department of Employment and Economic Development
- Minnesota Department of Public Safety
- Minnesota Department of Veterans Affairs (**Note:** Payments received from this state agency are exempt; however, payments received from the U.S. Department of Veterans Affairs are taxable.)
- Minnesota State Services for the Blind
- State of Minnesota for detoxification services
- State of Minnesota for rehabilitation services
- U.S. Bureau of Prisons
- U.S. Indian Health Service
- U.S. Public Health Service

The exemption also **includes** payments from the following entities or programs, if funded entirely by federal, state, or local government agencies:

- adult detention centers
- crime victims reparation programs
- gambling treatment programs
- home schools
- juvenile detention centers

The exemption **does not include** payments from:

- CHAMP VA
- Federal, state, or local government employee insurance plans (**Note:** If the employee is a federal employee and the patient services are paid by FEHBA or TRICARE, see the FEHBA and TRICARE information on Page 10.)
- Medical Assistance (MA)
- Minnesota Comprehensive Health Association (MCHA)
- MinnesotaCare
- Prepaid Medical Assistance Programs (PMAP)
- U.S. Department of Veterans Affairs (**Note:** Payments received from this federal agency are taxable; however, payments received from the Minnesota Department of Veterans Affairs are exempt.)
- Workers Compensation

# How to File Your Annual Return (continued)

## Medical Assistance Supplemental Payments

Certain Medical Assistance supplemental payments are exempt from MinnesotaCare Provider and Hospital Taxes, effective July 1, 2016. By law, only a few providers and hospitals qualify to receive these payments. (See Minnesota Statutes 256B.196 and 256B.197.)

The exemption includes Medical Assistance supplemental payments received for:

- Inpatient Hospital Services
- Outpatient Hospital Services
- Physician and Other Practitioner Services
- Ambulance Services
- Enhanced Hospital Payment (EHP)

Eligible recipients vary depending on the type of payment, but are currently limited to:

- Hennepin County Medical Center
- Regions Hospital
- City of St. Paul
- University of Minnesota
- University of Minnesota Physicians
- Government-Owned and Operated Ambulance Services. (**Note:** Only nonvolunteer ambulance services are subject to Provider Tax.)

### How to Claim the Exemption

You must file your MinnesotaCare tax return electronically using our online e-Services system.

If this is the first time you are claiming this exemption, contact us at 651-282-5533 or [MinnesotaCare.tax@state.mn.us](mailto:MinnesotaCare.tax@state.mn.us) before filing your annual return. We will update your e-Services account to include the exemption lines on your return.

### What to Include

Of your total gross receipts, report the amount you received as Medical Assistance supplemental payments during the year.

**For EHP payments**, enter the total amount received during the year, less any amounts recouped during the year by the Minnesota Department of Human Services through managed care organizations.

If you did not receive an EHP payment, but an amount was recouped during the year from a previous year's payment, enter the recouped amount as a negative number on the exemption line.

For additional information on the Medical Assistance Supplemental Payments Exemption, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **Supplemental Payments** in the Search box.

## Federal Employees Health Benefits Act (FEHBA) and TRICARE

Of your total gross receipts, report the amount you received from FEHBA and TRICARE. Enrollee deductibles, coinsurance, and copayments are taxable.

The exemption **does not include** payments from the following sources:

- CHAMP VA
- FEDVIP
- Project Hero

For more information on participating FEHBA and TRICARE insurance carriers, go to:

- FEHBA's website at [www.opm.gov/insure](http://www.opm.gov/insure)
- TRICARE's website at [www.tricare.mil](http://www.tricare.mil)

## Payments from Other Health Care Providers, Hospitals, and Surgical Centers

Of your total gross receipts, report the amount you received from:

- other health care providers, hospitals, and surgical centers responsible for paying MinnesotaCare tax on health care services you provided
- other entities, including those not subject to tax, that are reimbursed for health care services you provide by any of the following:
  - Medicare, including Medicare deductibles, coinsurance, and/or copayments
  - Chemical Dependency Fund
  - Federal, state, or local government programs, not including Medical Assistance (MA) and MinnesotaCare
  - FEHBA or TRICARE, not including enrollee deductibles, coinsurance, and/or copayments

## Payments from Sponsors of Health Care Research

Of your total gross receipts, report the amount you received from sponsors of health care research and other entities (such as medical device manufacturers) for providing patient services through a formal health care research program. Research must be conducted in conformity with federal regulations governing research on human subjects.

# How to File Your Annual Return (continued)

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The exemption **does not include** payments from patients or their insurers for services you provided as part of the research.

## Charitable Donations or Home Health Care Services

**Charitable Donations.** Of your total gross receipts, report the amount you received as charitable donations that were used for health care services not designated for a specific individual or group. Charitable donations that are designated for a specific individual or group are taxable.

Private grants in the nature of a charitable donation qualify for this exemption. Government grants do not qualify for this exemption. However, grants from government agencies that are not funded by Medical Assistance may be exempt as a government payment (see *Other Government Agencies* on Page 9).

**Home Health Care Services.** Home health care services are services provided in a patient's residence by a licensed home health agency, personal care provider, or home care nursing service that is eligible to participate in the Medical Assistance program, or home care providers licensed by the Department of Health.

Of your total gross receipts, report the amount you received from patients or their insurers for home health care services you provided in a patient's residence.

The exemption **includes** payments from the retail sale of health care supplies and equipment, including drugs, used as part of the licensed home health care services you provided in the patient's residence.

## Legend Drugs

Legend drugs are drugs or gases required by federal law to be sold or dispensed in a container labeled with one of the following statements:

- "Caution: Federal law prohibits dispensing without prescription"
- "Rx only"

To claim the exemption, legend drugs or gases must be:

- classified by the U.S. Food and Drug Administration (FDA) as a drug and not a device. Devices, equipment, and/or supplies are not legend drugs.
- purchased from a wholesale drug distributor who is subject to MinnesotaCare Wholesale Drug Distributor Tax. To determine if a wholesaler is subject to tax, check your purchase invoice for a MinnesotaCare tax expense charge or contact the wholesaler for verification.

Nutritional products, blood, and blood components are not considered legend drugs and cannot be used to claim the exemption.

Blood derivatives, however, that are derived from blood, plasma, or serum through a chemical manufacturing process, are considered legend drugs.

**Calculating the Exemption.** There are two methods you can use to calculate the exemption. If you cannot use Method 1, you must use Method 2.

**Method 1:** You may claim the actual amount you paid for the legend drugs, less any reimbursements you received for the drugs that are exempt under MinnesotaCare tax law (such as drugs reimbursed by Medicare). These reimbursements are included in the other exemption amounts reported on your return.

In order to use this method, you must be able to determine the portion of the amounts reported on other exemption lines that are for legend drug reimbursements, and have records verifying the actual drug costs and exempt reimbursement amounts.

**If you cannot determine the actual drug costs and exempt reimbursement amounts, you must use Method 2.**

**Method 2:** If you cannot determine the actual drug costs and exempt reimbursement amounts, you must use the calculation at the top of Page 12 to determine your allowable exemption.

A Legend Drug Exemption Calculator is available on our website that will make this Method 2 calculation for you. To access the calculator, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **Legend Drug Calculator** in the Search box.

## Determining Your Tax

When you file your return online through e-Services or by phone, your total exemptions, taxable receipts, and tax will be calculated for you based on the information you enter. The tax rate is 2%.

## Estimated Payments

Any estimated payments you made for the year will be applied to your return. You will be asked to review the payments in e-Services when filing your return. If there are discrepancies between the payments in e-Services and your records, please contact us.

## Penalties and Interest

### Late Payment

A late payment penalty is assessed on any tax not paid by March 15. The penalty is 5% of the unpaid tax for every 30-day period (or part of a 30-day period) that your return payment is late, up to 15%.

### Late Filing

There is also a penalty for filing your return after the due date. The late filing penalty is 5% of any unpaid tax.

# How to File Your Annual Return (continued)

## Method 2: Legend Drugs Exemption Calculation

If you cannot determine the actual legend drug costs and exempt reimbursement amounts, you must use the calculation below to determine your allowable exemption.

- 1 **Legend Drug Purchases.** The total amount you paid during the year for legend drugs or gases .....
- 2 **Gross Receipts.** The total gross receipts you received during the year (that you are reporting on your annual return) .....
- 3 **Total Exemptions.** The total of all other exemptions for the year (that you are reporting on your annual return) .....
- 4 Subtract Step 3 from Step 2 .....
- 5 Divide Step 4 by Step 2 (should be preceded by a decimal point).....
- 6 **Allowable Legend Drug Exemption.** Multiply Step 1 by Step 5. ....

Enter the result from Step 6 on the Legend Drug Exemption line when you file your annual return.

## Extended Delinquency

If the department sends a written demand to file a tax return and the return is not filed within 30 days, an extended delinquency penalty of 5% of the unpaid tax or \$100, whichever is greater, will be assessed.

This penalty is in addition to any late filing penalty that may be assessed and applies to all unfiled returns, even if you paid the correct amount of tax on time, or do not have a tax liability.

## Payment Method

If you are required to make your tax payments electronically and do not, a 5% penalty will be assessed on any non-electronic payments (such as paper checks or money orders).

## Interest

You must pay interest on unpaid tax and penalty from the regular due date until the total is paid. The interest rate is determined each year.

The interest rate for 2019 is 5%.

## Paying the Balance Due

If you owe additional tax, you can use e-Services to pay at the same time you file your return. Follow the prompts online or on the phone system. You will need your bank's routing number and your account number.

If you pay through e-Services, you will be able to view a record of your payments online once they are processed.

If you choose to pay electronically another way or if you pay by check, see the additional payment options on Page 3.

## Research Credit

Health care providers and hospitals may be eligible for a credit against their MinnesotaCare tax liability if they used their health care receipts received during the year to fund qualifying health care research.

To qualify, the research must be part of a formal research program conducted in conformity with federal regulations and be subject to review.

The health care receipts used to fund the research must be reported on your annual return and subject to MinnesotaCare tax. Receipts that are exempt from tax cannot be used to calculate the credit.

The credit is equal to a percentage of expenditures used to fund the qualifying research and is limited to the amount of your MinnesotaCare tax liability for the year. For 2019, the percentage is 1%.

To claim the credit, you must file your annual return electronically using our online e-Services system. If you believe you are eligible for the credit, but have not claimed it in the past, contact us so we can update your e-Services account.

For additional information on qualifying research and eligibility retirements, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **MinnesotaCare Research Credit** in the Search box.

# How to Amend Your Return

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To adjust your return, you must file an amended return electronically using our online e-Services system or by phone using our automated phone system.

To claim a refund, you must file your amended return within 3½ years of the regular due date for the year you are amending.

Keep all supporting documentation for any amended return you file. All documentation should be made available on request for the department to review. All amended returns are subject to audit.

## Filing Instructions

**To amend a return online**, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services. Choose your MinnesotaCare tax account and select **View Return** next to the period you want to amend. Then, select **Change** on the return screen and enter the corrected amounts that should have been reported on your original return. You will also need to enter the reason you are amending your return.

You will receive a confirmation number if your amended return is filed successfully.

**To amend a return by phone**, call 1-800-570-3329 to use our automated phone system.

Follow the prompts to file a MinnesotaCare tax return for the year you want to amend. Enter the corrected amounts that should have been reported on your original return.

You will receive a confirmation number if your amended return is filed successfully.

If you need help or have questions about amending a return, please contact us.

# Managing Your Account Profile in e-Services

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Our e-Services system lets you:

- update your web profile information
- store your email address, phone number, and banking information
- create access to your and other people's accounts
- add additional users with varying security, as well as request and approve third-party access

## Set Up and Manage Users

There are two types of users in e-Services: e-Services Master and Account Manager. An e-Services Master can manage other users as well as view, file, and/or pay for specific account types. An Account Manager can view, file, and/or pay for specific account types depending on the access an e-Services Master has set up for the user.

e-Services has the following access level options:

- **All Access**—allows user total access to update the account, file, and pay
- **File**—allows user to view all information and file returns
- **Pay**—allows user to view all information and make payments
- **View**—allows user to only view all information

For instructions on how to create additional logons for users, see Help in e-Services.

## Two-Step Verification

Two-step verification adds a second layer of security to prevent unauthorized access to your account. You must enter a username, password, and a verification code we send you to log in to your account.

## Third-Party Access

Third-party access is for accountants and other non-employees who file returns and/or make payments on behalf of another business. In order to receive third-party access, the non-employee must request access from the taxpayer. The taxpayer must then grant the access and manage the login of the non-employee before the request can become active.

Both parties must be active in e-Services and work together to establish third-party access. For detailed instructions on how to request third-party access, go to our website.

# Worksheet for Filing Provider, Hospital, and Surgical Center Tax Returns

You may use this worksheet to record the amounts you will need to electronically file your annual return. Keep this worksheet for your records. **Do not mail or fax it to the Minnesota Department of Revenue.**

Record your annual gross receipts and exemption amounts below. Round all amounts to the nearest whole dollar.

**Gross Receipts** (All exemption amounts must be included in Gross Receipts.)

**Gross Receipts.** Enter the total amount received during the year for providing health care services. See instructions for what to include in gross receipts . . . . . \_\_\_\_\_

**Exemptions** (Do not claim the same receipts on more than one line. See instructions.)

Enter the total amount received from:

**Medicare**, including deductibles, coinsurance, and copayments from patients and/or Medicare supplemental plans for Medicare-covered services . . . . . \_\_\_\_\_

**Other Government Agencies** in connection with a government program. Do not include payments received from Medical Assistance or MinnesotaCare . . . . . \_\_\_\_\_

**FEHBA/TRICARE.** Do not include deductibles, coinsurance, and copayments . . . . . \_\_\_\_\_

**Other Health Care Providers, Hospitals, and Surgical Centers** who are liable for MinnesotaCare tax on services you provided . . . . . \_\_\_\_\_

**Health Care Research** sponsors for services you provided through a formal program of health care research . . . . . \_\_\_\_\_

**Charitable Donations or Home Health Care Services.** Include donations that were not designated for a specific individual or group, and amounts for home health care services provided in patients' residences by a licensed home health care agency or home care provider. . . . . \_\_\_\_\_

**Medical Assistance Supplemental Payments.** By law, only certain providers and hospitals qualify to receive these payments. See Page 10 of the instructions. . . . . \_\_\_\_\_

Enter the amount paid for:

**Legend Drugs.** If you are claiming any of the exemptions above, you must reduce the amount you paid for legend drugs using a calculation. See instructions for how to calculate. . . . . \_\_\_\_\_

The following amounts will be calculated for you when you file your return electronically. You may record the amounts here for your records.

**Total Exemptions.** . . . . . \_\_\_\_\_

**Taxable Receipts** . . . . . \_\_\_\_\_

**MinnesotaCare Tax Liability** . . . . . \_\_\_\_\_

## How to File Your Return Electronically

You must file your return electronically either online or by phone. Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services, or call **1-800-570-3329** to file using our automated phone system.

You will receive a confirmation number if your return is filed successfully. If you file online, keep a copy of the confirmation page for your records.

If you file by phone, you may record the following information, if applicable, for your records.

Amount Due (before penalty and interest) . . . . . \_\_\_\_\_ Confirmation Number

Additional Tax Charge (ATC) for Underpayment of Estimated Tax . . . . . \_\_\_\_\_

Penalty . . . . . \_\_\_\_\_ Date and Time

Interest. . . . . \_\_\_\_\_

**TOTAL DUE or REFUND** . . . . . \_\_\_\_\_