

Dental Care Providers

4

MinnesotaCare Tax Fact Sheet 4

Fact Sheet

This fact sheet explains how the MinnesotaCare Provider Tax applies to dental care providers.

Dental care providers are health care providers under MinnesotaCare tax law and are subject to Provider Tax. Dental care providers who are subject to tax include, but are not limited to:

- Dentists
- Endodontists
- Oral and Maxillofacial Surgeons
- Orthodontists
- Periodontists
- Prosthodontists

Gross Revenue

Dental care providers are subject to tax on “gross revenue” received for providing patient services. This includes total amounts received in money or other compensation for providing dental, medical, surgical, diagnostic, therapeutic, preventative, restorative, or cosmetic services.

Gross revenue received for any of the following is also subject to tax:

- Prosthetic devices, medical supplies, and drugs or gases included with, or used to provide, patient services
- MinnesotaCare Provider Tax charges collected
- Payments from sources that retain a fee
- Discounted services provided to individuals who provide goods or services in return

Gross revenue does not include any:

- Refunds paid to patients or insurers
- Retail sales of products subject to Sales Tax. Examples of products subject to Sales Tax include:
 - Athletic sport mouth guards
 - Medical record copies and retrieval fees
 - Non-prescription mouthwash and toothpaste
 - Tooth bleaching agents and trays (including whitening strips) for the patient to use at home
 - Toothbrushes

Prosthetic Devices, Medical Supplies, and Drugs

Amounts received for prosthetic devices, medical supplies, and drugs or gases that are included with, or used to provide, patient services are taxable.

Example 1: A dentist crowns a patient’s tooth. The dentist charges the patient for services performed to crown the tooth and for the cost of the crown included with the services. The total amount received (including the cost of the crown) is taxable.

Example 2: A dentist administers an anesthetic to a patient while providing dental services. The dentist charges the patient for the services, including the cost of the anesthetic and other medical supplies used to provide the service. The total amount received for the service (including the cost of the anesthetic and the supplies) is taxable.

Examples of items that are included with, or used to provide, patient services may include, but are not limited to:

Prosthetic Devices

- Acrylic, including tints
- Artificial teeth
- Clasp and bar wire
- Crowns and bridges
- Denture reline materials
- Dentures, complete and partial
- Implants
- Occlusal mouth guards
- Porcelain

Medical Supplies

- Adhesives
- Antiseptics
- Cements
- Cotton applicators
- Dental oral hygiene products (such as floss, mouthwash, and prophy paste)
- Gauze and bandages
- Needles and syringes

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Drugs and Gases

- Anesthetics
- Antibiotics
- Fluoride
- Nitrous Oxide
- Oxygen
- Pain medication
- Sedation drugs

MinnesotaCare Provider Tax Charges

Providers may pass the cost of the Provider Tax to patients or third-party payers (such as insurance companies). Any Provider Tax charges included in payments received from patients or third-party payers are taxable.

Example: A dentist charges \$1,000 for dental services and adds the current Provider Tax rate of 2 percent – or \$20 in this case – to the patient’s bill. If collected, the full \$1,020 is subject to tax.

Collection and Other Fees

Any amounts received from sources that keep a fee before paying you are taxable. The total amount is subject to tax, before any fees or commissions are withheld.

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 revenue.

Example: A collection agency collects \$100 from a patient for dental services you provided. The agency keeps \$30 as a commission and sends you the remaining \$70. The full \$100 is taxable.

Free or Discounted Services

Free or discounted services provided to individuals who provide goods or services in return are 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.

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 and type **MinnesotaCare Fact Sheets** in the Search box.

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 received. If the service is provided free of charge, there is no tax due on the service.

Provider Tax Exemptions

Certain exemptions are available for the Provider Tax. To claim an exemption, the amount must first be reported as gross revenue on your Provider Tax Return and then subtracted on the appropriate exemption line.

For a list of MinnesotaCare tax exemptions, go to our website at www.revenue.state.mn.us and type **MinnesotaCare Tax Exemptions** in the Search box.

The most common exemptions for dental care providers are the:

- Other Government Agencies Exemption
- Federal Employees Health Benefit Act (FEHBA) and TRICARE Exemption
- Legend Drug Exemption

Other Government Agencies Exemption

Certain payments from government sources are exempt from Provider Tax. Common examples include payments from:

- Minnesota Department of Veterans Affairs
- Federal, state, and local government agencies for services provided to prison inmates
- U.S. Indian Health Service

Note: Payments from the following sources are not exempt:

- U.S. Department of Veterans Affairs
- Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA)
- Medical Assistance (MA)
- MinnesotaCare Insurance
- Project Hero

For more examples of exempt and taxable government payments, go to our website at www.revenue.state.mn.us.

FEHBA and TRICARE Exemption

Payments from FEHBA and TRICARE are exempt from Provider Tax. Enrollee deductibles, coinsurance, and copayments are not exempt.

When verifying exempt FEHBA payments, note that some insurers administer FEHBA health care plans, but also administer Federal Employees Dental and Vision Insurance Program (FEDVIP) plans. Payments you receive through FEDVIP are not exempt.

For more information and a list of insurance carriers participating in the FEHBA and TRICARE programs, go to their websites:

- For FEHBA, www.opm.gov/insure
- For TRICARE, www.tricare.mil

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Legend Drug Exemption

You may deduct the cost of legend drug and gas purchases from Provider Tax. To qualify as exempt, the legend drug or gas purchases must be all of the following:

- Labeled with either “Caution: Federal law prohibits dispensing without prescription” or “Rx only”
- Classified by the FDA as a drug, and not a device
- Purchased from a drug wholesaler that is subject to the MinnesotaCare Wholesale Drug Distributor Tax on the sale

To determine if a wholesaler is subject to tax, check your invoice for a MinnesotaCare tax charge or contact the wholesaler for verification.

Note: Certain charges included with the purchase price of a legend drug or gas can be used to calculate the Legend Drug Exemption. Examples of common charges include:

- Shipping, delivery, and hazardous material charges
- MinnesotaCare tax charges
- Tank rental charges

Example: You purchase medical grade oxygen for use when providing dental services. Your purchase invoice from the wholesaler lists the oxygen price of \$75, a hazardous material fee of \$15, and a delivery charge of \$10. You later receive a separate invoice for a tank rental fee of \$50.

Both invoices list a charge for MinnesotaCare tax. You can use the full \$150 and the MinnesotaCare tax charges listed on both invoices to calculate the exemption.

Calculating the Legend Drug Exemption. There are two ways to calculate the Legend Drug Exemption. If you cannot use Method 1, you must use Method 2.

- **Method 1:** You may claim the actual cost of the drugs reduced by any reimbursements you receive for the drugs from exempt sources (such as TRICARE). To use this method, you must be able to determine the portion of exempt revenue attributable to legend drug reimbursements and have records verifying the actual drug costs and exempt reimbursement amounts.
- **Method 2:** If you cannot determine the actual drug costs and exempt reimbursement amounts, you must calculate the Legend Drug Exemption using our formula. A Legend Drug Exemption calculator is available on our website. Go to www.revenue.state.mn.us and type **Legend Drug Calculator** into the Search box.

Legal References

Minnesota Statutes 295.50
subdivision 3, Gross revenues
subdivision 4(a), Health care provider
subdivision 9b, Patient services
subdivision 15, Legend drug
Minnesota Statutes 295.52
subdivision 2, Provider tax
Minnesota Statutes 295.53
subdivision 1, Exemptions

Other MinnesotaCare Tax Fact Sheets

5, Free and Discounted Patient Services

Related Sales Tax Fact Sheets

175, Dentists
117A, Drugs
117D, Prosthetic Devices