

#42 HEALTH CARE

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help health care providers and others who sell health care products understand the sales tax laws that apply to their business. This information is based on the laws and rules in effect on September 1, 2009.

Are sales of medical supplies and equipment taxable?

Yes. However, sales tax doesn't apply to sales of the following if they're prescribed, administered, or distributed by a licensed practitioner:

- Drugs, vitamins, oxygen, and insulin
- Syringes
- Prosthetic devices, including catheters
- Durable medical equipment
- Orthopedic appliances
- Urinary and colostomy supplies
- Enteral and parenteral feeding equipment and supplies
- Hemodialysis and peritoneal dialysis drugs and supplies
- Chemicals and equipment used to test or monitor the blood or urine of a diabetic
- Orthodontic and dental appliances, including fillings

Eyeglasses and contact lenses aren't tax exempt.

Is everything a practitioner prescribes tax exempt?

Only the items listed above are exempt from sales tax. *For example*, a doctor may prescribe a health club membership for a patient who needs physical conditioning. The membership is taxable, even under prescription, because it's not one of the listed exempt medical items.

Who qualifies as a practitioner?

The term "practitioner" includes:

- Physicians
- Surgeons
- Podiatrists
- Chiropractors
- Dentists
- Optometrists
- Psychologists
- Audiologists
- Ophthalmologists

- Denturists
- Hearing aid dealers and fitters
- Nurse practitioners

What is durable medical equipment?

Durable medical equipment (DME) is equipment that:

- Can withstand repeated use,
- Is primarily used to serve a medical purpose,
- Generally isn't useful to a person who's not ill or injured, and
- Can be used in the home.

Examples of exempt DME, when sold or rented under prescription, are: oxygen equipment, ultrasonic nebulizers, respirators, leg weights, hospital beds, patient lifts, and other health care aids. A prescribed hot tub, however, doesn't qualify because it's useful to a person who isn't ill or injured.

What is a prosthetic device?

A prosthetic device replaces a missing part or function of the human body and includes supplies physically attached to the devices. Examples are artificial limbs, heart valves, replacement voice boxes, artificial eyes, and hearing aids. Eyeglasses and contact lenses don't fall into this category and are taxable.

What are orthopedic appliances?

Orthopedic appliances include braces and other external supports used to correct or relieve defects, diseases, or injuries to bones and joints. Examples are braces, crutches, and arch supports.

Who can buy these items tax exempt?

Sales tax doesn't apply to qualifying items when purchased by:

- A practitioner who administers or gives them to patients,
- An individual with a prescription from a practitioner, or
- A health care provider (hospital, nursing home, or home health care business, etc.), when:
 - The provider makes the purchase for a patient under a prescription or work order issued by a practitioner, or
 - Only a doctor will administer the item

The seller must document the exempt sale by keeping the prescription or work order on file or by getting form ST-101, Sales Tax Resale or Exemption Certificate, from the buyer.

Is tax due on orthodontic and dental appliances?

Practitioners don't pay sales tax when they buy orthodontic and dental appliances (dentures, dental bridgework, braces, fillings, etc.) or related parts for their patients.

Which health care providers can buy all goods tax exempt?

Organizations and health care providers that can buy all goods tax exempt include:

- American Cancer Society
- American Diabetes Association

- American Heart Association
- American Lung Association of Idaho
- American Red Cross
- Arc, Inc., The
- Arthritis Foundation
- Children’s Home Society of Idaho
- Easter Seals
- Family Services Alliance of Southeast Idaho
- Federal government
- Idaho Community Action Agency members
- Idaho Cystic Fibrosis Foundation
- Idaho Diabetes Youth Programs
- Idaho Epilepsy League
- Idaho Primary Care Association and its community health centers
- Idaho Ronald McDonald House
- Idaho state- or county-operated health facilities
- Idaho Women’s and Children’s Alliance
- Licensed emergency medical service agencies
- March of Dimes
- Mental Health Association
- Muscular Dystrophy Foundation
- National Multiple Sclerosis Society
- Nonprofit children’s free dental service clinics
- Nonprofit type I hospitals
- Qualifying senior citizen centers
- Rocky Mountain Kidney Association
- Special Olympics Idaho
- United Cerebral Palsy

To claim an exemption, the above institutions must give vendors a completed form ST-101. Once on file, this form is valid for all future exempt sales. (The federal government may use form ST-101 or the supplier can keep other forms of documentation). For more information, see Brochure #5—Retailers and Wholesalers: Making Exempt Sales.

How does sales tax apply to for-profit hospitals?

For-profit hospitals must pay tax on all purchases, except for items bought for resale and the other exempt medical goods listed at the beginning of this brochure. Resale items, like food for a hospital cafeteria, are subject to the same rules that apply to all retail businesses.

Are doctors, nursing homes, specialty hospitals, and out-patient clinics exempt from tax?

Nursing homes, shelter homes, drug and alcohol rehabilitation hospitals, dentists, doctors, etc. must pay tax on all purchases, except for resale items and the other exempt medical goods listed at the beginning of this brochure. If these providers buy taxable goods from a supplier who doesn’t charge sales tax (such as an out-of-state medical equipment supplier), they must pay use tax. (See Brochure #2—Use Tax.)

Are drugs and medical supplies prescribed for animals tax exempt?

Purchases of medical supplies are taxable. Drugs administered by a veterinarian are taxable when bought by the veterinarian, whether they're administered to a farm animal or a domestic pet. However, the production exemption may apply to drugs administered by a farmer or rancher. (See Brochure #31—Farming and Ranching.)

For more information, read:

Brochure #2	Use Tax
Brochure #4	Retailers
Brochure #5	Retailers and Wholesalers: Making Exempt Sales
Brochure #50	Nonprofit Groups & Churches
Brochure #52	Government
Rule 50	Veterinarians and Veterinary Supplies
Rule 85	Sales to and Purchases by Nonprofit Organizations
Rule 100	Prescriptions

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.