

Health Products

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Fact
Sheet

Sales of most over-the-counter drugs, medicines and health products are taxable. There are exemptions for prescription drugs, diabetic supplies, analgesic products, therapeutic and prosthetic devices and several other health-related items used by humans. The following sections provide information on various taxable and exempt health products.

Prescription drugs

Prescription drugs and medicines are exempt from sales tax. *Over-the-counter* drugs, including vitamins and minerals, are usually taxable, unless one of the following applies:

- They are prescribed in writing by a licensed physician. A licensed physician means a medical doctor or osteopath licensed under Minnesota Statute 62A.46, Subd. 7, to prescribe drugs or medicines to a person. Chiropractors are prohibited from prescribing drugs or medicines.
- They are purchased by a licensed health care facility for administering to patients.
- They are analgesics, as described below.

Analgesics

Products made up mainly of aspirin (acetylsalicylic acid), acetaminophen (for example, Tylenol), or ibuprofen (for example, Advil), ketoprofen (for example, Orudis KT), naproxen (for example, Aleve) and other nonprescription analgesics approved by the U. S. Food and Drug Administration are exempt. To be exempt, these products must be for internal use, not for topical application. Products that have a combination of ingredients, such as cold tablets, are exempt if they are made up *mainly* of one or more of these products, determined by weight of all ingredients.

Prosthetic devices

Prosthetic devices are exempt from sales and use tax. A prosthetic device replaces an injured, diseased or missing part of the human body, either temporarily or permanently. Hearing aids, artificial limbs, walkers, crutches, wheelchairs and similar electric carts are examples of exempt prosthetic devices.

Therapeutic devices

Therapeutic devices are exempt from sales and use tax. A therapeutic device must be used in the preservation of

health and must also be used to cure or heal. To be considered a therapeutic device, an item must *meet all of* the following criteria:

- it is used primarily and customarily for medical purposes;
- it is generally useful only in the presence of illness, injury, or physical incapacity; and
- it is attached or applied to the diseased or injured body part or administers a curative agent. Examples of items that administer a curative agent include hypodermic syringes to inject medications, oxygen delivery systems, and IV equipment.

Diagnostic items

Diagnostic *equipment* is taxable. Most diagnostic *agents* are taxable. There are three exceptions:

- Fever thermometers are exempt.
- Products used to diagnose, monitor and treat *diabetes* (blood glucose monitoring machines, blood glucose test strips, finger-pricking devices, lancets and syringes) are also exempt.
- Contrast media administered to patients is exempt.

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Exempt products

The following items are examples of exempt products:

Abdominal belts and supports	Contact lenses (prescription)	Hot water bottles	Shoe insoles
Ace bandages	CPAP (pumps air into lungs when patient stops breathing)	Hot packs	Scooters (for handicapped use)
Accuback (cushion for wheelchair)	CPM device (continuous passive motion device used during and after surgery to keep joint mobile)	Hypodermic syringes	Slings
Acupuncture needles	Crutches	Ice bags	Slippers
Adult diapers, briefs, and inserts (cloth or disposable)	Diabetic items when used for testing, monitoring and treatment of diabetes: blood glucose monitoring machines, insulin, blood test strips, sugar test tablets, clinitest tablets, lancets (needles for finger pricking), Tes-Tape, urine glucose test strips, urine ketone test strips	Incontinent briefs and inserts (incontinent bed pads are taxed)	Splints
Air splints	Dialysis treatment equipment and supplies	Infant products (see Baby)	Suction pumps
Alternating pressure pads (help eliminate bed sores)	Diapers, briefs and inserts, (cloth or disposable)	Inflatable rubber rings (medical)	Suspensories
Analgesics (see page 1)	Douche kits	Infra-red lamps and bulbs	Syringes (fountain, rectal, ear, etc.)
Aqua K pumps and pads (heating pad for circulation)	Elastic bandages	Infusion pumps and supplies	Tampons
Arch supports	Elastic stockings	Insoles for shoes	TENS units
Arm slings	Elastic supports (wrist, ankle, knee, etc.)	Intravenous tubes	Thermometers (oral, rectal, ear)
Arterial prostheses (artificial arteries implanted into humans)	Eyeglasses, prescription	IUD's	Thermometer probe covers
Aspirins	Feeding pumps and supplies	Latex gloves	Three wheel scooters or carts (for handicapped use)
Aspirators (suction pumps)	Feminine hygiene products	Leg bags	Tracheostomy supplies
Athletic supporters	Fever thermometers (oral, rectal or ear)	Medical atomizers	Traction devices
Baby lotion, oil, powder, shampoo, bottles, ointments, pacifiers, rubber pants, syringes, teething rings, thumb sucking preventatives, diapers (cloth or disposable), diaper liners, formula, nipples, Pedialyte	Finger pricking devices (for diabetes)	Medijector (same as hypodermic syringe)	Trusses
Batteries, hearing aid and wheelchair	Glasses, prescription	Nasal cannula	Ultrasonic nebulizer
Bed-wetting prevention devices	Gloves (cloth, rubber, vinyl)	Nebulizers	Vaginal preparations and douche liquids, powders and kits (for hygiene purposes)
Birth control implants (Norplant)	Hearing aids and batteries	Needles and syringes for therapeutic use	Vaporizers (general home humidifiers are taxable)
Braces	Heating pads	Neuromuscular stimulators	Walkers
Breast pumps and kits	Heel protectors	Nurses' caps and uniforms	Wheelchairs
Breast pads (disposable and reusable)	Hospital beds and mattresses	Nursing pads (disposable or reusable)	Wheelchair batteries
Canes	Hospital gowns	Oxygen (for medical use)	Wheelchair cushions
Cannula, nasal		Oxygen concentrator	Wheelchair safety belts
Casts, foam padding inside, any part of cast		Oxygen masks	
Catheters, catheter tubes, and bags		Oxygen regulator	
Cold packs		Oxygen tanks (for medical use)	
Colostomy devices		Oxygen tents	
		Oxygenators	
		Panty shields or liners	
		Paper hats	
		Pedialyte	
		Prescription drugs	
		Prescription eye wear	
		Probe covers for thermometers	
		Pulmo-aid (when used in conjunction with nebulizer)	
		Resuscitators	
		Rubber gloves	
		Rubber rings (medical)	
		Sanitary napkins	

Related fact sheets that may be of interest:

- 118 Hospital and Nursing Home Meals
- 132 Occasional Sales of Business Equipment and Goods
- 151 Chiropractors

Taxable products

The following items are examples of taxable products. Keep in mind that any *prescription* drugs and medicines (see page 1) are exempt, as well as supplies purchased by a licensed health care facility or professional, *if the supplies are applied directly* to the patient or resident (see page 4).

Adjustable height toilet seats	Contraceptives	KM (food supplement)	Slings to lift patients
AIDS testing kits	Copies of medical records	Laboratory equipment, supplies and reagents	Specimen bags
Air conditioners and purifiers	Cosmetics	Lancets (except when used for testing and monitoring diabetes)	Specimen containers
Alcohol	Cotton applicators (Q-tips)	Laxatives	Stethoscopes
Amplifiers	Cough syrups, drops, and lozenges (unless the main ingredient is an analgesic - see page 1)	Lift chairs	Sun lamps
Anesthesia equipment	Cubicle curtains	Lights (bed, exam, etc.)	Sunscreens
Antacids	Cups for dispensing medications	Liniments	Suntan preparations
Antiseptics	Cushions	Listening devices for TV, telephones, cassette recorders	Suppositories (unless analgesic)
Apnea monitors	Dehumidifiers	Masks (filter)	Surgical equipment
Appetite suppressants and stimulants	Dental, oral hygiene products	Massage appliances and furniture	Surgical laser devices
Atomizers for cosmetic and grooming use	Deodorants	Mattress pads	Surgical needles
Autoclaves	Diagnostic and monitoring equipment (except diabetic)	Medic alert bracelets	Syringes and needles for diagnostic use
Baby needs such as bottle sterilizers, car seats, disposable wipes, furniture, Q-tips, toys, Dreft	Dietary supplements such as vitamins and minerals	Medical forms	Tape
Baby wipes	Disinfectants	Medical records (including retrieval fee)	Telephone amplifiers
Back massagers	Ear drops	Medication carts	Telephone devices for hearing impaired
Band-Aids and bandages	Ear plugs (custom or regular)	Medication dispensers	Therapeutic pillows
Bath blankets	Electronic air purifiers	Minerals	Therapy tables
Bathtub lift	Emesis basins	Mini dopplers (diagnostic device used to measure blood flow and rate)	Tilt tables
Bathtub whirlpools	Enema preparations	Needles and syringes for diagnostic use	Timers
Battery testers	Exam tables	No-skid strips	Tissues
Bed blocks	Exercise equipment	Nonprescription eye wear	Toilet seats
Bed pans	Eye solutions, drops, ointments, and washes	Nose pads	Tongue depressors
Bed wedge cushions	Eye charts	Ostioscopes	Transfer belts
Beds and mattresses - all kinds except hospital beds	Face masks	Oxygen tanks (for non-medical use)	Transfer benches
Ben-Gay	Fiber optic instruments	Parallel bars	Trays
Billie lights (used for babies with yellow jaundice)	Filter masks	Patient lifts	Tubs
Birth control devices, nonprescription	Finger pricking devices (except used for diabetes)	Percussor/pulsator	Ultrasound gels
Blankets	First-aid products and kits	Pesticides and insect repellents	Ultra-violet (sun) lamps and bulbs
Blood pressure machines and cuffs	Food supplements	Pillows	Urinals
Body creams and lotions	Foot sprays, creams, powders, medications	Portable toilets	Vacuum tubes for diagnostic use
Burn remedies	Forceps	Pregnancy test kits	Vaseline
Carts	Gauze pads and strips	Privacy curtains	Visine
Chapstick	Genetic test kits	Prone cart (patients lie on)	Vitamins (nonprescription)
Cleaning supplies and chemicals	Grab bars	Rectal preparations	Waterproof sheeting
Closed caption devices	Hair care items	Rubs (Vicks, Ben-Gay, etc.)	Weights
Cold decongestants, antihistamines, and aerosol inhalants (unless the main ingredient is an analgesic - see page 1)	Hand creams and lotions	Scales	Wet wipes
Colognes and perfumes	Heat lamps	Scissors	Wheelchair pouches
Combs	Home pregnancy tests	Shaving products	Wheelchair ramps (see page 5 for refund information)
Commodities	Humidifiers (general home)	Sheeting (plastic and rubber)	Whirlpool baths
Communication devices	Incontinent pads (to place on bed or furniture)	Shopping bags or pouches for wheelchairs or walkers	X-ray equipment and film
Condoms	Insect repellents	Shower chairs and stools	Yeast infection medications
Contact lens solutions	Intravenous stands	Silicone gel	
		Sleeping pills	
		Shampoo	

Purchases by hospitals, nursing homes and outpatient surgical centers

Nonprofit hospitals. Purchases by licensed nonprofit hospitals are exempt from sales and use taxes. To be exempt, the hospital must be organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code and be licensed as a hospital under Chapter 144 of the Minnesota Statutes. To claim exemption, a copy of the exemption letter issued by the Department of Revenue should be given to the seller.

If the hospital is located outside Minnesota, it must be licensed as a hospital by the other state or country.

Hospital components such as clinics, rehabilitation centers, outpatient surgical centers, and ambulance services may qualify for exemption if they have been formally approved to operate under the hospital's license and Medicare certification. Billing for Medicare services must be through the hospital's Medicare provider number. Medical facilities that are separate legal entities, or that are not hospital components, are not exempt under this provision.

Purchases made by units that perform administrative functions, dietary services, janitorial services, laboratory, x-ray and pharmacy services are exempt if they are a part of and operated by the same legal entity as the qualifying hospital. If these units are separate legal entities or are not hospital components, they are not exempt under this provision and must pay tax.

Nursing homes, supervised living facilities, and boarding care homes are not included in this exemption because they are not licensed under Chapter 144 of Minnesota Statutes. However, other sales tax exemptions may apply, such as for medical supplies (described in the next section) or for nonprofit organizations.

Nonprofit surgical centers are exempt if the purchases are used in providing outpatient surgical care and urgent care at the center. To claim exemption, a copy of the exemption letter issued by the Department of Revenue should be given to the seller.

Government facilities. Purchases by hospitals and nursing homes owned and operated by local governments, or the University of Minnesota, are exempt.

Exclusions. These exemptions for nonprofit hospitals and government facilities do not apply to meals, lodging, or motor vehicles leased or purchased by a hospital or nursing home. The exemptions do not apply to construction materials purchased by a contractor as part of a lump sum contract with a hospital or nursing home.

Purchases by licensed health care facilities and professionals

Non-exempt health care facilities such as clinics, physicians' offices, rehabilitation centers, ambulance services, and any other medical facilities that do not qualify for the exemptions explained in the previous section, must pay sales or use tax on the purchase, lease or rental of taxable items, such as:

- taxable medical equipment and furniture
- administrative supplies and equipment such as computers, software, furniture for rooms and offices, safety equipment, toys and books
- medical manuals, books, charts and pamphlets
- taxable services such as building and grounds cleaning and maintenance, laundry, and paging services
- laboratory supplies and equipment.

Sales tax is generally charged by the seller at the time of sale. However, if the seller does not charge Minnesota sales tax on equipment, supplies, or other taxable items used in your business, you must pay **use tax**. Use tax is due on your cost of the item. Report state and local use tax electronically at the same time you file your sales and use tax return. See Fact Sheet 146, Use Tax for Businesses, for more information.

Medical supplies. Purchases of medical supplies by a licensed health care facility or licensed health care professional are exempt from tax if they are *used directly on patients or residents as part of treatment*. This exemption applies to adhesive and nonadhesive bandages, gauze pads and strips, cotton applicators, antiseptics, nonprescription drugs, eye solutions and other similar supplies used directly on residents or patients in providing medical services.

This exemption does not apply to items such as tongue depressors, lancets, electrodes, and rolls of paper to cover exam tables. Even though these items have direct contact with the patient, they are not used as part of treatment, but rather are used for diagnostic or sanitary purposes.

This exemption also does not apply to medical equipment, components of medical equipment, tools including scalpels or clamps, laboratory supplies, radiological supplies, and other items that are not applied directly to the patient or resident.

Feminine hygiene products

Feminine hygiene products such as tampons, feminine napkins and douche kits are exempt. Nonprescription medications such as yeast infection medications are taxable.

Food, diet and nutritional products

General grocery store type food is not taxable. Meal substitutes labeled with “Nutrition Facts” are not taxable. Dietary supplements, including vitamins and minerals, labeled with “Supplement Facts” are taxable. See Fact Sheets 102A through 102E for more information about food and beverage products.

Note: All food and drinks sold through vending machines or prepared by the seller are taxable.

Pharmaceutical samples

Items listed in this fact sheet as exempt are also exempt from sales or use tax when given by manufacturers or distributors as samples. Drugs and medicines labeled, “Federal law prohibits dispensing without prescription,” that can be distributed only by a licensed physician are exempt from tax when given as samples. Accounting records must clearly identify exempt samples from taxable samples.

If a manufacturer gives free samples of taxable items to distributors in Minnesota, the manufacturer owes Minnesota tax on their cost of the samples. If a manufacturer sells samples to Minnesota distributors who will give them away, the tax is due on the manufacturer’s selling price to the distributors.

Medical records

Charges for copies of medical records by health care facilities are taxable. The taxable amount includes retrieval fees even if these fees are separately stated on the invoice.

Meals and general sales

Meals and snacks provided to patients as part of their routine care and included in a hospital’s charges are exempt from tax. Meals and snacks sold in the cafeteria, coffee shop, at a candy stand, in vending machines, or elsewhere, are taxable to residents, employees and visitors. Crafts, flowers, cards, books, magazines and other items sold in hospital gift shops or stands are also taxable.

Sales to nonprofit organizations

Qualifying nonprofit organizations may make purchases without paying tax by giving you the following:

- Nonprofit hospitals and nonprofit outpatient surgical centers must give you a copy of their exemption letter issued by the Department of Revenue.
- Charitable, religious and educational organizations must give you a Certificate of Exemption, Form ST3, to claim exemption.

Sales to governments

All sales to the *federal* government, its agencies and instrumentalities are exempt.

No sales tax should be charged on any medical equipment or supplies that are billed directly to and paid for by *Medical Assistance (MA), General Assistance Medical Care (GAMC), or Medicare*.

Don’t charge sales tax to Minnesota state agencies. The State of Minnesota uses a Direct Pay Permit, which means *state agencies* do not pay tax to the seller on *most* purchases. (They pay the Department of Revenue directly.) The *University of Minnesota* is an exempt organization and should not be charged sales tax on health products. See Fact Sheet 142, Sales to Governments, for more information.

Purchases of items by *hospitals and nursing homes* and purchases of medical supplies and equipment by *ambulance services* owned and operated by *local governments* are exempt. Purchases of items by schools and school districts are exempt. Most sales to other local governments (cities, counties, etc.) are taxable. See Fact Sheet 143, Cities, Counties, and Other Local Governments, for more information.

Billing procedures

If a health care item is taxable, charge tax when billing individuals or insurance companies. Sales to government agencies and nonprofit organizations should follow the above guidelines.

Chair lifts, ramps and elevators

You may claim a refund of sales tax paid on a chair lift, ramp or elevator installed at your homesteaded residence if it is authorized by a physician. To apply for a refund, file a Special Purchase Refund Claim, Form ST-11P, and attach a physician’s prescription for the items purchased and copies of vendor invoices showing the tax was paid. Form ST-11P is available on our web site or call our office for a copy.

Handicapped-accessible vehicles

If a vehicle is modified to make it handicapped accessible, parts, accessories and the labor to modify it are exempt from tax. To claim exemption on a vehicle that you're buying, attach a statement describing the modifications and their value to the application for title.

If the modifications are made after the vehicle is purchased, the purchaser must give the seller a Certificate of Exemption, Form ST3.

Equipment sales

If you sell or lease equipment or other items that were used in your business, the sale may be subject to tax. For additional information, see Fact Sheet 132, Occasional Sales of Business Equipment and Goods.

Local sales and use taxes

If you are located in an area with a local tax, local sales or use tax may also be due. Local taxes are listed and explained in detail in Fact Sheet 164, Local Sales and Use Taxes.

Duluth administers its own sales tax. For more information, contact Duluth Sales Tax, 105 City Hall, Duluth, MN 55802, phone 218-723-3271.

References

M. S. 297A.67, Subd. 7
M. S. 297A.70, Subd. 2
M. S. 297A.70, Subd. 7
M. S. 62A.46, Subd. 7, Physician
Revenue Notice 98-02, Hospital Exemption

Other fact sheets you may need:

Local Sales and Use Taxes, #164