

# MinnesotaCare Tax Newsletter

July 2002

Route this to the person who handles your MinnesotaCare taxes.

## Law changes

### Tax rate remains at 1.5 percent

The MinnesotaCare tax rate remains at 1.5 percent until January 2004.

### Exemption for amounts paid for legend drugs

Legislation passed in 2002 clarifies that reimbursements you receive for the cost of legend drugs can be deducted only once from your gross revenues.

If you are a hospital, surgical center or health-care provider and you receive reimbursements for the cost of legend drugs from government agencies or under the Federal Employees Health Benefit Act (FEHBA), be sure to include these amounts on either line 4 (government agencies) or line 5 (FEHBA) of your annual return. Do not include these amounts again on line 6 (legend drug deduction).

### Drug deduction formula

A formula is now provided in state law for you to use if you cannot determine the actual amount you paid to purchase legend drugs for which you received payment. This is the same formula that is provided in the MinnesotaCare tax instruction booklet.

### Guest dentists

Effective May 16, 2002, Minnesota Statutes, Section 150A.06, allows the Minnesota Board of Dentistry to grant:

- guest licenses to dentists and dental hygienists to practice in Minnesota if certain conditions are met, and
- guest registrations to dental assistants to practice in Minnesota if certain conditions are met.

## Need help?

### Forms and information

For worksheets, instructions and other information, including Revenue Notices, please visit our website at [www.taxes.state.mn.us](http://www.taxes.state.mn.us).

You can also reach us by email at [MinnesotaCare.tax@state.mn.us](mailto:MinnesotaCare.tax@state.mn.us) or by FAX at 651-282-3933.

You can call us at 651-282-5533 between 8:00 a.m. and 4:30 p.m., Monday through Friday.

If you have any questions about the new licensing or registration, call the Board of Dentistry at 612-617-2250.

If you received a guest license or registration from the Minnesota Board of Dentistry, the payments you receive for providing services in Minnesota may be subject to MinnesotaCare tax.

You are required to file an annual return and pay MinnesotaCare tax on the services you provide in Minnesota if:

- you were issued a guest license or guest registration from the Minnesota Board of Dentistry, and
- you are not employed by a Minnesota dentist who is subject to the MinnesotaCare tax.

If you are required to pay MinnesotaCare tax and you don't have a Minnesota tax ID number, you must apply for one. To apply, call 651-282-5225 or complete Form ABR, *Application for Business Registration*, which is available on our website.

If you have questions about your possible MinnesotaCare tax obligations, call 651-282-5533.

### Tax assistance

Are you interested in attending a seminar or having a tax specialist visit with you about your MinnesotaCare tax obligations?

If yes, please send us an email or call us (*see information at left*). In addition to your name and how we can reach you, be sure to tell us:

- your preferred time of day to attend a seminar or to schedule an information visit,
- your location, and
- the topics that interest you.

## Other changes

### Toll-free number eliminated

Due to recent budget cuts, the Department of Revenue has discontinued its toll-free tax help lines. See "Need help?" on this page for additional ways to reach us.

### Mailings combined or discontinued

To reduce printing and mailing costs, the department has made a few changes in the MinnesotaCare tax information it automatically sends to taxpayers.

### Annual tax return worksheet is now included in the instruction booklet.

Beginning in 2002, we will no longer mail your annual tax return worksheet at the end of each calendar year. The annual tax return worksheet—now called Worksheet C—and the information you need to file your return at the end of the year are included in the MinnesotaCare Worksheet and Instruction Booklet.

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## Changes *(continued)*

### **Instruction booklet revised as needed.**

The MinnesotaCare Worksheet and Instruction Booklet is designed to be used for multiple years. You will no longer receive a booklet every year.

Be sure to make copies of the blank Worksheets A, B and C from the instruction booklet to use for future years.

If laws are enacted or changes are made that affect your MinnesotaCare taxes, we will send you a summary of the changes.

The instruction booklet and worksheets are available on our website and will be kept up-to-date.

### **Payment vouchers**

If you are a health-care provider—tax type 399—and you have not made your deposits electronically, you should have received all four payment vouchers in one mailing. If you make your payments electronically, discard your vouchers.

**Important:** You will not receive a voucher or any reminder to make your July 15, October 15 or January 15 payments.

If you want to pay by check and you do not have a voucher, send a note with your check indicating your:

- Minnesota tax ID number,
- name and address, and
- tax type (provider, hospital, surgical center or wholesale drug distributor tax).

Even if you received vouchers in the mail, you can make your payments electronically using *e-FILE Minnesota*. Go to [www.taxes.state.mn.us](http://www.taxes.state.mn.us) or call 1-800-570-3329. No advance registration is necessary. Refer to your instruction booklet for assistance.

If you are not required to make regular payments throughout the year, or if your tax for any tax period is zero, you can discard your voucher. Do not mail it in to us and do not mail the worksheet used to calculate the amount of tax. You will still need to file a return for that year.

## Tips and reminders

### **Common mistakes**

#### **MinnesotaCare is a gross receipts tax.**

Do not subtract expenses, MinnesotaCare tax, collection agency fees, etc. from your total receipts for health-care services on line 1 of Worksheet C.

#### **Include free and reduced-fee services.**

If you provided free or reduced-fee health-care services to your employees and their family members—or to other patients or providers based on the patient's obligation to provide goods or services in return—you must report as receipts the amount you would receive for the same service if you had provided the service under a group health-care insurance plan negotiated between you and the third-party insurer.

**Refunds.** If you made refunds to patients or patients' insurers, subtract those refunds from your total gross receipts before entering line 1 of your Worksheet C.

**Exemptions.** If an amount is not included in your gross receipts on line 1, you cannot subtract it as an exemption on lines 2 through 9 of your Worksheet C.

### **Using e-FILE Minnesota**

**To make quarterly or monthly deposits,** select "make a payment only." You will be asked to enter your bank's routing and account numbers, the amount of your payment, and the date you want the amount taken from your bank account.

**To reconcile your deposits and file your return after December 31,** select "file a return." You will be asked to enter the amounts from your Worksheet C.

#### **You can also use e-FILE Minnesota to:**

- make other types of payments, such as the return payment due when you file your return, or a payment toward a tax bill you may have with us.
- cancel a payment up to one day prior to the scheduled payment date.
- file past due original returns.
- file an amended return.
- set up multiple users to allow more than one person to file and pay your business's taxes.

The first time you use *e-FILE Minnesota*, you will be asked to create a password and enter your banking information. Once entered, you will use your password for future transactions for all tax types. You will not be asked to enter your banking information again unless you want to change it.

If you received a confirmation number when you filed your return or made a payment, the transaction was successful and complete. Record the confirmation number and time-and-date stamp.

Do not send in your worksheets or the confirmation pages.

If you don't receive a confirmation number, your transaction was not successful. Call us as soon as possible if you are not sure.

### **Electronic postmark**

You can now make your electronic payment on the due date. Even though it may not be taken out of your bank account until the next day, it is still considered timely.

### **Electronic payment requirements**

Some taxpayers that meet a certain dollar threshold are required by state law to make *all* Minnesota tax payments electronically, including MinnesotaCare, sales and withholding taxes. A 5 percent penalty may be assessed if you're required to make payments electronically and the payments are remitted by some other means.

For more information regarding electronic payment requirements, refer to your instruction booklet.

### **Charge for underpayment of tax and penalties**

An interest charge may be assessed if you are required to make regular quarterly or monthly deposits and the deposits are not made on time or in the required amount.

When filing your annual return, the *e-FILE Minnesota* system will calculate the charge automatically and add it to your tax amount. This charge is in addition to the penalty and interest charge for paying late.

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# Making deposits and filing the return

## Minnesota tax ID number

Your Minnesota tax ID number is the 7-digit number you received when you registered your business with the Department of Revenue. It is not your Social Security number.

## Business changes

If you change your business, you may need to apply for a new Minnesota tax ID number. A new ID number is required under the following circumstances:

- If you change your legal entity (e.g., a sole proprietor becomes a corporation or partnership).
- Your business is a partnership and a change of partners has resulted in a change of ownership greater than 50 percent.
- There has been a change in corporate structure for which the IRS has issued a new Federal Employer ID Number (FEIN).
- A sole proprietorship changes ownership. Tax ID numbers are not transferable.

To obtain a new ID number or report changes, call 651-282-5225.

You will *not* need a new ID number under the following circumstances:

- You have filed *Amended* Articles of Incorporation or Organization to change the legal name.
- You are a sole proprietor or partnership and have changed your business name.
- If a change in corporate ownership or structure did *not* result in a new FEIN.

*Making deposits and filing your annual return are not the same. A common mistake is that taxpayers make regular deposits—payments—throughout the year and think they have “filed” their return. You must file an annual return at the end of the year to report your actual tax for the year and to reconcile the tax to deposits you’ve made.*

## Making deposits

If your total annual MinnesotaCare tax will be \$500 or more, you must make regular deposits during the year.

Deposits are due:

- quarterly, if you are a health-care provider or wholesale drug distributor, or
- monthly, if you are a hospital or surgical center.

Follow the steps below to make a deposit:

- 1 Determine the amount of your deposit by:
  - completing Worksheet A, which is included in your instruction booklet, OR
  - estimating the amount of tax you owe for the period (see your instruction booklet for required amounts).

- 2 Pay your deposit by the due date.

If you pay electronically using *e-FILE Minnesota*, be sure to select **make a payment only**. If the transaction was successful, you will be given a confirmation number and a date-time stamp.

For other payment options, see your instruction booklet.

- 3 Record your deposit information on Worksheet B, which is included in your instruction booklet. Keep the worksheet with your records.

## Filing the annual return

You must file an annual tax return at the end of each calendar year—even if you don’t have a tax liability—to reconcile your deposits made during the year to the actual tax you owe.

Your annual return is due by March 15 following the end of the year in which you received the receipts.

Follow the steps below to file your return:

- 1 Complete Worksheet C, which is included in your instruction booklet.

- 2 Between January 1 and March 15, file your return electronically using *e-FILE Minnesota*. Be sure to select **file a return**.

See your instruction booklet for detailed filing instructions, including payment options if you owe additional tax.

- 3 If your return was successfully filed, you will be given a confirmation number and a date-time stamp. Record the confirmation number and date-time stamp and keep with your records.

## Taxpayer satisfaction survey results

Earlier this year, we surveyed 250 MinnesotaCare taxpayers to measure their satisfaction with the process of filing and paying taxes and to identify ways we can improve our services to you.

Here’s what we heard:

- Our forms and instructions—for the most part—are complete and easy to understand.

- Taxpayers find *e-FILE Minnesota* is easy to use.

- Taxpayers are interested in attending information seminars. In particular, many of those surveyed expressed interest in wanting to learn how to arrive at the correct gross receipts and exemptions.

- Most taxpayers have been able to find the information they need on our website.

MINNESOTA • REVENUE

**MinnesotaCare Tax Division**

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**Law changes and information about  
MinnesotaCare tax**

**Is your name and address correct?**

If the name or address is not correct or other changes have been made to your business, please call us at 651-282-5533 so we can update our records.