

INFORMATION BULLETIN #43

SALES TAX

JANUARY 2003

(Replaces Bulletin #43 dated April 18, 1983)

DISCLAIMER: Information Bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is inconsistent with the law, regulations, or court decisions is not binding on the Department or the taxpayer. Therefore, information provided in this Bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

SUBJECT: Nursing Homes

REFERENCES: IC 6-2.5-5-18; IC 6-2.5-4; IC 6-2.5-5-19

For purposes of this bulletin, the term "nursing home" shall mean those facilities which qualify as "health care facilities" under IC 16-10-2-2.

I. Nursing Homes Not Required to Register as Indiana Retail Merchants

A nursing home located in Indiana is not required to register as an Indiana Retail Merchant and collect sales tax in regard to providing health care services to its resident patients for a fixed sum.

Meals, linens, or other tangible personal property normally furnished to the patient as a part of fixed fee charges to the patient are considered to be an incidental part of the service and as such are not subject to the collection of sales tax from the patient.

All purchases by the nursing homes of supplies, medicines, equipment furnishings, or other tangible personal property or taxable services to be used or consumed in the operation of the nursing home are subject to sales tax at the time of purchase by the nursing home. The purchase of grocery type food which is exempted by statute is not subject to sales tax.

Nursing homes as such, providing health care services for a fixed sum are not authorized to issue exemption certificates for any of its purchases.

Sales of nonlegend drugs as defined in IC 16-18-2-101(a) are exempt from the sales tax if the nonlegend drug is dispensed upon an original prescription or a drug order, and the user of the drug is a person confined to a nursing home.

II. Nursing Homes Required to Register as Indiana Retail Merchants

If the nursing home conducts the sale or leasing of tangible personal property to employees or persons other than their patients of the nursing home (such as the sale of meals to visitors and guests), or sells or leases property (such as medicine, clothing, supplies, television sets, etc.) to its patients which is separately billed or charged, the nursing home must register as an Indiana Retail Merchant and must collect and remit Indiana Sales Tax on such transactions.

Tangible personal property which is purchased by the nursing home for rental purposes as outlined in the preceding paragraph is not subject to sales tax at the time of purchase, and the nursing home registered as an Indiana Retail Merchant, may issue exemption certificates at such time for such purposes.



Kenneth L. Miller
Commissioner