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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 113

01/18/2011 Authored by Quam, Benson, M., Liebling and Davids
The bill was read for the first time and referred to the Committee on Health and Human Services Finance
03/16/2011 Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; gross revenues; exempting certain payments; amending
1.3 Minnesota Statutes 2010, section 295.53, subdivision 1.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2010, section 295.53, subdivision 1, is amended to read:

1.6 Subdivision 1. **Exemptions.** (a) The following payments are excluded from the
1.7 gross revenues subject to the hospital, surgical center, or health care provider taxes under
1.8 sections 295.50 to 295.59:

1.9 (1) payments received for services provided under the Medicare program, including
1.10 payments received from the government, and organizations governed by sections 1833
1.11 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42,
1.12 section 1395, and enrollee deductibles, coinsurance, and co-payments, whether paid by the
1.13 Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011,
1.14 subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social
1.15 Security Act. Payments for services not covered by Medicare are taxable;

1.16 (2) payments received for home health care services;

1.17 (3) payments received from hospitals or surgical centers for goods and services on
1.18 which liability for tax is imposed under section 295.52 or the source of funds for the
1.19 payment is exempt under clause (1), (7), (10), or (14);

1.20 (4) payments received from health care providers for goods and services on which
1.21 liability for tax is imposed under this chapter or the source of funds for the payment is
1.22 exempt under clause (1), (7), (10), or (14);

1.23 (5) amounts paid for legend drugs, other than nutritional products and blood and
1.24 blood components, to a wholesale drug distributor who is subject to tax under section

2.1 295.52, subdivision 3, reduced by reimbursements received for legend drugs otherwise
2.2 exempt under this chapter;

2.3 (6) payments received by a health care provider or the wholly owned subsidiary of a
2.4 health care provider for care provided outside Minnesota;

2.5 (7) payments received from the chemical dependency fund under chapter 254B;

2.6 (8) payments received in the nature of charitable donations that are not designated
2.7 for providing patient services to a specific individual or group;

2.8 (9) payments received for providing patient services incurred through a formal
2.9 program of health care research conducted in conformity with federal regulations
2.10 governing research on human subjects. Payments received from patients or from other
2.11 persons paying on behalf of the patients are subject to tax;

2.12 (10) payments received from any governmental agency for services benefiting the
2.13 public, not including payments made by the government in its capacity as an employer
2.14 or insurer or payments made by the government for services provided under general
2.15 assistance medical care, the MinnesotaCare program, or the medical assistance program
2.16 governed by title XIX of the federal Social Security Act, United States Code, title 42,
2.17 sections 1396 to 1396v;

2.18 (11) government payments received by the commissioner of human services for
2.19 state-operated services;

2.20 (12) payments received by a health care provider for hearing aids and related
2.21 equipment or prescription eyewear delivered outside of Minnesota;

2.22 (13) payments received by an educational institution from student tuition, student
2.23 activity fees, health care service fees, government appropriations, donations, or grants, and
2.24 for services identified in and provided under an individualized education plan as defined in
2.25 section 256B.0625 or Code of Federal Regulations, chapter 34, section 300.340(a). Fee
2.26 for service payments and payments for extended coverage are taxable;

2.27 (14) payments received under the federal Employees Health Benefits Act, United
2.28 States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of
2.29 1990. Enrollee deductibles, coinsurance, and co-payments are subject to tax; ~~and~~

2.30 (15) payments received under the federal Tricare program, Code of Federal
2.31 Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, coinsurance, and
2.32 co-payments are subject to tax; and

2.33 (16) payments for patient services provided in this state received by an entity
2.34 subject to the tax imposed under section 295.52, if 60 percent or more of the entity's
2.35 gross revenues for patient services provided in this state are paid from sources domiciled

3.1 outside this state. For purposes of this clause, payments are deemed to be paid from the
3.2 domiciliary of the patient receiving the services.

3.3 (b) Payments received by wholesale drug distributors for legend drugs sold directly
3.4 to veterinarians or veterinary bulk purchasing organizations are excluded from the gross
3.5 revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

3.6 **EFFECTIVE DATE.** This section is effective for gross revenues received after
3.7 June 30, 2011.