

5 KEY TAKEAWAYS

Sales Tax Issues for the Healthcare Industry

Kilpatrick's [Jordan Goodman](#) recently presented on the topic of “**Sales Tax Issues for the Healthcare Industry**” at the [Advanced Sales and Tax Workshop](#) in Dallas.

Key takeaways from the presentation include:

1

Not All Medical Devices Get Sales Tax Discounts

Some states give lower sales tax rates to certain medical items, but not all devices qualify. For example, Illinois says bone growth stimulation devices and wheelchair ramps are taxed at the regular rate because they do not directly replace a body part. Other items, like wheelchairs, do get the lower rate, so it is important to know how your device is defined by the state.

2

Getting a Sales Tax Refund Can Be Tricky

Hospitals and clinics sometimes ask for refunds on sales tax they think they should not have paid. But states are strict—if you cannot prove you meet all the rules for exemptions (like having the right prescriptions for medical items), you probably won't get your money back. Indiana and California both recently denied refunds because the hospitals could not show they followed the exact requirements.

3

Laws Change for Medical Equipment Sales

States update their rules about medical equipment quite often. For example, South Carolina changed its law so sellers of durable medical equipment paid for by Medicare or Medicaid do not have to be based in the state to get a tax exemption. Washington changed its rules so vendors do not have to show sales tax separately on bills if payment comes from health insurance and the price is fixed by contract.

4

How Products Are Labeled and Sold Matters

Illinois taxes medicines, vitamins, and supplements at a reduced rate only if their labels say they treat or prevent health issues. Bundled sales (like a gift basket with food and medicine) are taxed based on the value of the items inside. If more than half the value comes from food or medicine, the whole bundle gets the lower rate. Otherwise, it is taxed at the regular rate. Businesses need to keep good records to prove their tax rate choices.

5

Hospitals Can Be Treated as Retailers or Consumers

How hospitals and clinics are taxed depends on how they bill patients and whether they are for-profit or not-for-profit. Sometimes, items given to patients are taxed as retail sales if the hospital charges separately for them. Not-for-profit hospitals may get more exemptions, while for-profit ones pay more taxes. It is important for healthcare providers to understand their status and how they charge for services and products.