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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 351

01/19/2017 Authored by Hertaus, Davids, McDonald, Uglem, Hoppe and others
The bill was read for the first time and referred to the Committee on Health and Human Services Reform
02/13/2017 Adoption of Report: Re-referred to the Committee on Health and Human Services Finance

1.1 A bill for an act
1.2 relating to taxation; gross revenues and gross receipts; exempting certain
1.3 supplemental payments from gross revenues that are subject to the provider tax;
1.4 amending Minnesota Statutes 2016, section 295.53, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2016, section 295.53, subdivision 1, is amended to read:

1.7 Subdivision 1. Exemptions. (a) The following payments are excluded from the gross
1.8 revenues subject to the hospital, surgical center, or health care provider taxes under sections
1.9 295.50 to 295.59:

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

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

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

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

2.1 (5) amounts paid for legend drugs, other than nutritional products and blood and blood
2.2 components, to a wholesale drug distributor who is subject to tax under section 295.52,
2.3 subdivision 3, reduced by reimbursements received for legend drugs otherwise exempt
2.4 under this chapter;

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

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

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

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

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

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

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

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

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

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

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

3.4 (c) Supplemental or enhanced payments authorized under section 256B.19, subdivision
3.5 1c, 256B.196, or 256B.197 are excluded from gross revenues subject to the tax under sections
3.6 295.50 to 295.59.

3.7 **EFFECTIVE DATE.** This section is effective retroactively for gross revenues received
3.8 for services provided on or after July 1, 2016.