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**DEPARTMENT OF STATE REVENUE**  
**Information Bulletin #48**  
**Sales Tax**  
**August 2008**  
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**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 not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUBJECT:** Sales Tax Application to Medical Profession

**EFFECTIVE DATE:** Upon Publication

**REFERENCE:** [IC 6-2.5-1-17](#), [IC 6-2.5-1-18](#), [IC 6-2.5-1-22](#), [IC 6-2.5-1-23](#), [IC 6-2.5-1-25](#), [IC 6-2.5-5-18](#), [IC 6-2.5-5-19](#), [IC 6-2.5-5-19.5](#), and [IC 6-2.5-5-21.5](#)

## **I. DEFINITIONS**

Licensed practitioner - means a doctor, dentist, veterinarian, or other practitioner licensed by the State of Indiana to prescribe, dispense, and administer drugs to human beings or animals in the ordinary course of his or her professional practice.

Licensed dispenser: - means only those persons licensed or registered by the State of Indiana to fit and/or dispense durable medical equipment, devices, drugs, or other supplies upon the prescription of a licensed practitioner.

Prescribe - means the issuance by a licensed practitioner of a certificate in writing that the use of the drugs, medications, durable medical equipment, supplies, or devices are necessary for the purchaser to correct or alleviate a condition brought about by injury to, malfunction of, or removal of a portion of the purchaser's body.

## **II. SALES OF DURABLE MEDICAL EQUIPMENT, DEVICES, DRUGS, AND OTHER SUPPLIES**

### **A. Sales to Patients:**

The following sales and/or rental of durable medical equipment, devices, drugs, and other supplies are exempt from Indiana Sales or Use Tax provided such durable medical equipment, devices, drugs, and other supplies are prescribed by a licensed practitioner:

- (1) Sales of artificial limbs;
- (2) Sales of orthopedic devices designed to correct deformities and/or injuries to the human skeletal system including the spine, joints, bones, cartilages, ligaments, and muscles;
- (3) Sales of dental prosthetic devices used for the replacement of missing teeth such as bridges and artificial dentures;
- (4) Sales of corrective eyeglasses and contact lenses;
- (5) Sales of drugs by a registered pharmacist or licensed practitioner;
- (6) Sales of durable medical equipment that can stand repeated use, is primarily used to serve a medical purpose, is generally not useful to a person in the absence of an illness or injury, and is not worn in or on the body, and that is directly required to correct or alleviate injury to, malfunction of, or removal of a portion of the human body; and
- (7) Sales of repair and replacement parts for the above durable medical equipment.

In addition, the following sales to patients are exempt:

- (1) Sales of hearing aids worn on the human body designed for aiding, improving, or correcting defective human hearing if fitted or dispensed by a person licensed or registered for that purpose;
- (2) Sales of colostomy and ileostomy bags and equipment;
- (3) Sales of insulin, oxygen, blood, or blood plasma if purchased for medical purposes; and
- (4) Sales of syringes or other instruments used to administer insulin.

### **B. Sales to Licensed Practitioners**

In general, all purchases of tangible personal property by a licensed practitioner are subject to sales tax. However, an exemption is afforded to purchases of certain drugs, insulin, oxygen, blood, and blood plasma. Purchases by licensed practitioners of drugs that can be sold only by prescription are exempt from sales tax if the practitioner buys the drugs for direct consumption in the course of rendering professional services. Purchases by licensed practitioners of insulin, oxygen, blood, and blood plasma are exempt from the sales tax if the practitioner buys such items for direct consumption in the course of rendering professional services. Drugs, insulin, oxygen, blood, and blood plasma consumed in the course of rendering professional services

are those drugs, etc., that are administered by a licensed practitioner or agent including the furnishing of such drugs as a part of a single charge for professional service.

When veterinarians purchase food for use in feeding animals or other pets kept on the premises sales tax is due at the time of purchase. Sales tax must be collected on pet food and supplies sold. Charges made by the veterinarian for boarding such animals are not taxable.

### **III. GENERAL PURCHASES BY LICENSED PRACTITIONERS**

Sales tax shall apply to the following purchases made by licensed practitioners.

- (1) All office furniture, equipment and supplies;
- (2) Drugs not requiring a prescription and used by the practitioner in the course of rendering services;
- (3) Surgical instruments, equipment, and supplies;
- (4) Bandages, splints, and all other medical supplies consumed in professional use; and
- (5) X-ray, diathermy, diagnostic equipment, or any other apparatus used in the practice of surgery or medicine.

If the purchase of taxable items by the practitioner is made where sales tax is not charged, the practitioner becomes liable for the use tax and must remit it directly to the Department of Revenue. A practitioner who is a registered retail merchant should report the use tax on the sales tax return. Otherwise the tax may be paid with the practitioner's annual income tax return.

### **IV. MEALS SERVED TO SHUT-INS**

Sales of meals by a nonprofit organization to persons who are confined to their homes by age, sickness, or infirmity are exempt from Indiana sales tax provided a licensed practitioner certifies that this service is medically necessary and the nonprofit organization delivers the food to the purchaser.

A written statement signed by the licensed practitioner should be obtained by the organization making such sales for record keeping purposes. The written statement should include:

- (1) The name and address of the person being served the meals;
- (2) A written statement by the licensed practitioner indicating that such person is confined to his or her home due to age, sickness, or infirmity and that the service is medically necessary;
- (3) The signature of the licensed practitioner; and
- (4) The date of signature.

Sales of food by a nonprofit organization to patients in a hospital operated for the organization is also exempt from sales tax.

### **V. REGISTRATION REQUIREMENTS: RENDERING PROFESSIONAL SERVICE**

The rendering of professional service by a licensed practitioner is not subject to Indiana sales tax. A licensed practitioner is not required to become registered as an Indiana retail merchant provided the practitioner is not engaged in making retail sales.

A licensed practitioner who purchases tangible personal property subject to sales tax (such as nonprescription drugs, bandages, etc.) but intends to resell such property to a patient, may make such purchases exempt from sales tax by using an Indiana exemption certificate.

To resell such items, the practitioner must be licensed as a retail merchant and must quote the selling price of any items separately from the charge for professional service. Sales tax must then be collected from the patient on the separately stated charges for such items.

If the practitioner does not separately state the charges for the supplies when billing the patient, the practitioner is liable for the sales/use tax when the licensed practitioner purchases the supplies.

The fact that a professional practice is carried on through the formation of a corporation does not change the status of professional services rendered in relation to sales tax liability or exemption.

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Commissioner

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