

DEPARTMENT OF STATE REVENUE

Information Bulletin #48
Sales Tax
March 2018
(Replaces Bulletin #48 dated October 2016)
Effective Date: July 1, 2017

SUBJECT: Sales Tax Application to Medical Profession

REFERENCES: [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](#)

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.

SUMMARY OF CHANGES

Aside from technical, nonsubstantive changes, this bulletin is changed to reflect clarifying language adopted in Senate Enrolled Act (SEA) 515-2017.

I. DEFINITIONS

For purposes of this bulletin, "licensed practitioner" means an individual who is a doctor, dentist, or other practitioner licensed in the United States to prescribe, dispense, and administer drugs to human beings in the ordinary course of the practitioner's professional practice of treating patients. A veterinarian also can be a "licensed practitioner," but for purposes of this bulletin, specific advice regarding veterinarians is addressed in a separate section.

"Licensed dispenser" means only those persons licensed or registered in the United States 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 is 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.

"Legend drug" means a drug that has the legend "may only be dispensed by a [practitioner]," "may only be sold through a [practitioner]," "may only be sold by a [practitioner]," or words to that effect.

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 and use tax provided the end user patient acquires the property upon a prescription or drug order (as defined in [IC 16-42-19-3](#)) for the transaction from a licensed practitioner:

- 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; is not worn in or on the body; and is directly required to correct or alleviate injury to, malfunction of, or removal of a portion of the human body
- Sales of prosthetic devices that are a replacement, corrective, or supportive device worn on or in the body to: artificially replace a missing part of the body; prevent or correct physical deformity or malfunction; or support a weak or deformed part of the body. Such devices include:
 - (1) Artificial limbs
 - (2) Orthopedic devices designed to correct deformities and/or injuries to the human skeletal system including the spine, joints, bones, cartilages, ligaments, and muscles
 - (3) Dental prosthetic devices used for the replacement of missing teeth such as bridges and artificial dentures
 - (4) Corrective eyeglasses and contact lenses

- Sales of hearing aid devices worn on the human body and designed for aiding, improving, or correcting defective human hearing (with the exception that a licensed dispenser who is not a licensed practitioner may sell a hearing aid device without a prescription as described below)
- Sales of mobility-enhancing equipment that: is primarily and customarily used to provide or increase the ability to move from one place to another and is appropriate for use either in a home or motor vehicle, is not generally used by persons with normal mobility, and does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer
- Other medical supplies or devices used exclusively for medical treatment of a medically diagnosed condition due to injury, bodily dysfunction, or surgery. The phrase "used exclusively" means the intended usage of the device by the manufacturer, not the use made of the device by the purchaser. Therefore, items such as hot tubs, beds, mattresses, and other items that have general usage would typically not be exempt. However, if modifications are made to such items for medical treatment described in this bullet point, the department may exempt such tangible personal property used in modifying such device, but not the device itself
- Sales of legend or nonlegend drugs by a registered pharmacist or licensed practitioner
- Sales of a nonlegend drug, if it is dispensed upon an original prescription or a drug order (as defined in [IC 16-42-19-3](#)) and the ultimate user of the drug is a person confined to a hospital or healthcare facility
- Sales of food, food ingredients, and dietary supplements sold by a licensed practitioner or pharmacist
- Sales of repair and replacement parts for the previously mentioned durable medical equipment, prosthetic devices, mobility-enhancing equipment, and hearing aid devices

Other items exempt from sales tax, even when not prescribed include:

- Sales of hearing aids worn on the human body designed for aiding, improving, or correcting defective human hearing if fitted or dispensed by a licensed dispenser (if such person is not a licensed practitioner)
- Sales of prosthetic devices (including artificial limbs, orthopedic devices, dental prosthetic devices, eyeglasses, and contact lenses) that are used to aid, improve, or correct human movement and operation, and fitted or dispensed by a person licensed or registered for that purpose (if such person is not a licensed practitioner).
- Sales of colostomy and ileostomy bags and equipment
- Sales of insulin, oxygen, blood, or blood plasma if purchased for medical purposes
- Sales of syringes or other instruments used to administer insulin
- Sales of blood glucose monitoring supplies

Sales of blood glucose monitoring supplies are exempt from sales tax, regardless of whether they are sold pursuant to a prescription or are sold by a licensed practitioner to one of the practitioner's patients. A "blood glucose monitoring supply" means blood glucose measuring strips, lancets, and other similar diabetic supplies furnished with or without charge. However, the term does not include blood glucose meters.

The blood glucose monitoring supply sales tax exemption also applies to the packaging and literature that accompany a blood glucose monitoring supply, as well as any tangible personal property that is processed, manufactured, or incorporated into either the blood glucose monitoring supply or the packaging or literature with which it comes.

Blood glucose meters and the packaging or literature for a blood glucose meter furnished without charge by a diabetic supply distributor are exempt from sales tax.

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 blood glucose monitoring supplies (discussed previously), 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 in treating patients or if they are for resale to a patient whom the practitioner is treating.

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 in treating patients.

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.

III. GENERAL PURCHASES BY LICENSED PRACTITIONERS

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

- a. All office furniture, equipment, and supplies
- b. Drugs not requiring a prescription and used by the practitioner in the course of rendering services
- c. Surgical instruments, equipment, and supplies
- d. Bandages, splints, and all other medical supplies consumed in professional use
- e. Materials purchased by dentists to restore teeth or fill cavities
- f. Orthodontic supplies, such as bands and wires
- g. 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. A practitioner who is a registered retail merchant should report the use tax on his sales tax return. Otherwise, the tax may be paid with the practitioner's annual income tax return (e.g., Form IT-65 or Form IT-20S and using the Sales/Use Tax Worksheet provided) or by remitting the tax and filing Form ST-115.

IV. REGISTRATION REQUIREMENTS: RENDERING PROFESSIONAL SERVICE

The rendering of professional services 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.) with the intent 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 then must 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.

V. SPECIFIC GUIDANCE PERTAINING TO VETERINARIANS

With regards to purchases by and to veterinarians, "patient" means any animal, bird, or fish that is examined, diagnosed, or treated by a licensed practitioner, and "client" means the person responsible for the patient's daily care.

For sales made by veterinarians, all guidance above pertaining to sales to "patients" should instead substitute the word "client," as the exemption applies in the context of sales by veterinarians when a client purchases medical equipment, devices, drugs, and other supplies on behalf of the patient to which the item is prescribed.

Similarly, sales to veterinarians of legend drugs, insulin, oxygen, blood, or blood plasma are exempt from the sales tax if the veterinarian buys such items for direct consumption in the course of rendering professional service in treating patients or if they are for resale to a client for the patient the veterinarian is treating.

Further, the purchase of food by veterinarians for use in feeding animals or other pets kept on the premises is subject to sales tax at the time of purchase. Sales tax must be collected on the sale of pet food and supplies used to treat healthy patients. Charges made for housing such animals are not taxable. While prescription diets are not taxable, maintenance diets to maintain an animal's good health are taxable.

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