

Which Healthcare Industry Purchases Are Tax-Exempt?

For those in the healthcare industry, it's easy to assume that all medical-related purchases are exempt from sales tax. Although there are broad sales tax exemptions that apply in the area of medical purchases, there are many medical-related purchases that are not exempt in the state of Florida.

Here are some frequently asked questions about the sales tax implications of healthcare industry purchases.

Is medical equipment tax-exempt?

Most medical equipment such as hospital beds and diagnostic equipment purchased by hospitals, clinics, physician practices, dentists and other medical establishments is taxable. One exception to this rule pertains to equipment and devices purchased and utilized predominantly for research and development (R&D), which are tax-exempt in Florida.

Are chemical compounds and test kits tax-exempt?

Chemical compounds and test kits that are prescribed by a Florida-licensed medical practitioner and that are used to diagnose or treat disease, illness or injury are exempt. Additionally, there are several chemical compounds and test kits for human use that are exempt, with or without a prescription, such as:

- Blood analyzers and collection supplies and kits
- Blood pressure monitors, kits and parts
- Human Immunodeficiency Virus (HIV) test kits and systems
- Prostate Specific Antigen (PSA) test kits
- Urinalysis test kits

Are prosthetic appliances and orthopedic appliances tax-exempt?

Prosthetic and orthopedic appliances that are prescribed by a Florida-licensed practitioner are exempt. In addition, there are various items that are specifically exempt under Florida law or that have been certified by the Department of Health as exempt even without a prescription, such as:

- Artificial limbs
- Braces, supports, and wheelchairs
- Dialysis machines, parts and accessories
- Heart stimulators and external defibrillators

Are eyeglasses and other optical goods tax-exempt?

Prescription eyeglasses and contact lenses are exempt. Fashion and off-the-shelf reading glasses and other eyewear sold without a prescription are taxable.

Are over-the-counter drugs and common household remedies tax-exempt?

Over-the-counter drugs and common household remedies that are prescribed by a Florida-licensed medical practitioner are exempt. Additionally, there are various common treatments that are exempt and do not require a prescription, such as:

- Antiseptics
- Cough and cold items
- Gauze
- Insulin
- Pain relievers

Which other medical items are tax-exempt?

Medical products, supplies or devices are exempt when they are:

1. Dispensed under federal or state law by the prescription or order of a licensed practitioner
- AND
2. Intended for use on a single patient and are not intended to be reusable.

Examples of items that would qualify as tax-exempt under the above criteria are:

- Artificial heart valves
- Bone cement, pins and plates
- Catheters
- Dental bridges and crowns
- Pacemakers

Are Florida hospitals and other medical establishments required to collect sales tax on cafeteria and gift shop sales?

Yes. When hospitals and other medical establishments operate taxable enterprises, such as a cafeteria or gift shop, they are required to register for sales tax purposes and to collect and remit sales tax on food and beverage sales by the cafeteria and on merchandise sales of the gift shop – even when the establishment is a nonprofit hospital.

Nonprofit hospitals can apply their sales/use tax exemption for their purchases of goods and services and for any equipment that they lease, but they are not exempt from the responsibility to charge, collect and remit sales tax on taxable food and beverage and/or merchandise sales. Nonprofits must complete Form DR-5 to apply for a sales/use tax exemption certificate from the Florida Department of Revenue in order to acquire exempt status for their purchases.

Where can I find more information?

For a full list of items that are not subject to sales tax, refer to the Florida Department of Revenue's list of nontaxable medical and food products (Form DR-46NT).

Sales/Use tax is a complicated area of Florida's tax law. Keeping good accounting and tax records is imperative to documenting compliance in the event of a sales/use tax audit. The Florida sales/use tax law generally provides for a 3-year statute of limitations for these types of audits. The period can be longer under certain circumstances such as fraud, substantial underpayments, substantially incorrect returns or grossly false returns.

Staying in compliance with these laws requires in-depth knowledge of the Florida sales/use tax law governing these types of transactions. Consulting a tax professional knowledgeable in Florida sales/use tax law is likely a worthwhile investment rather than attempting to maneuver through these complex tax laws on your own.

For assistance with your healthcare practice or organization's state and local tax obligations, please contact:

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