

**SENATE  
STATE OF MINNESOTA  
NINETY-THIRD SESSION**

**S.F. No. 435**

(SENATE AUTHORS: NELSON)

DATE  
01/19/2023

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Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; gross revenues; providing exemptions of certain payments  
1.3 received by certain nonprofits for the provider tax; amending Minnesota Statutes  
1.4 2022, section 295.53, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2022, section 295.53, subdivision 1, is amended to read:

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

1.10 (1) payments received by a health care provider or the wholly owned subsidiary of a  
1.11 health care provider for care provided outside Minnesota;

1.12 (2) government payments received by the commissioner of human services for  
1.13 state-operated services;

1.14 (3) payments received by a health care provider for hearing aids and related equipment  
1.15 or prescription eyewear delivered outside of Minnesota; and

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

1.21 (b) The following payments are exempted from the gross revenues subject to hospital,  
1.22 surgical center, or health care provider taxes under sections 295.50 to 295.59:

2.1 (1) payments received for services provided under the Medicare program, including  
2.2 payments received from the government and organizations governed by sections 1833,  
2.3 1853, and 1876 of title XVIII of the federal Social Security Act, United States Code, title  
2.4 42, section 1395; and enrollee deductibles, co-insurance, and co-payments, whether paid  
2.5 by the Medicare enrollee, by Medicare supplemental coverage as described in section  
2.6 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal  
2.7 Social Security Act. Payments for services not covered by Medicare are taxable;

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

2.9 (3) payments received from hospitals or surgical centers for goods and services on which  
2.10 liability for tax is imposed under section 295.52 or the source of funds for the payment is  
2.11 exempt under clause (1), (6), (9), (10), or (11);

2.12 (4) payments received from the health care providers for goods and services on which  
2.13 liability for tax is imposed under this chapter or the source of funds for the payment is  
2.14 exempt under clause (1), (6), (9), (10), or (11);

2.15 (5) amounts paid for legend drugs to a wholesale drug distributor who is subject to tax  
2.16 under section 295.52, subdivision 3, reduced by reimbursement received for legend drugs  
2.17 otherwise exempt under this chapter;

2.18 (6) payments received from the behavioral health fund under chapter 254B;

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

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

2.25 (9) payments received from any governmental agency for services benefiting the public,  
2.26 not including payments made by the government in its capacity as an employer or insurer  
2.27 or payments made by the government for services provided under the MinnesotaCare  
2.28 program or the medical assistance program governed by title XIX of the federal Social  
2.29 Security Act, United States Code, title 42, sections 1396 to 1396v;

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

3.1 (11) payments received under the federal Tricare program, Code of Federal Regulations,  
3.2 title 32, section 199.17(a)(7). Enrollee deductibles, co-insurance, and co-payments are  
3.3 subject to tax; ~~and~~

3.4 (12) supplemental, enhanced, or uniform adjustment factor payments authorized under  
3.5 section 256B.196, 256B.197, or 256B.1973; and

3.6 (13) the following payments received for services by an entity that is exempt under  
3.7 section 501(c)(3) of the Internal Revenue Code as defined in section 289A.02, subdivision  
3.8 7:

3.9 (i) payments under the Medicaid program;

3.10 (ii) payments from a health care plan administered by the United States Department of  
3.11 Veterans Affairs;

3.12 (iii) payments from the Minnesota senior health options demonstration project and the  
3.13 Minnesota disability health options demonstration project, authorized under section 256B.69,  
3.14 subdivision 23;

3.15 (iv) payments from the MinnesotaCare program under sections 256L.01 to 256L.10;  
3.16 and

3.17 (v) any other payments from prepaid health plans under section 256B.69.

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

3.21 **EFFECTIVE DATE.** This section is effective for gross revenues received after June  
3.22 30, 2023.