

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

**S.F. No. 5421**

(SENATE AUTHORS: NELSON)

DATE  
04/11/2024

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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; sales and use; providing an exemption for certain nonprofit  
1.3 outpatient rehabilitation clinics; amending Minnesota Statutes 2023 Supplement,  
1.4 section 297A.70, subdivision 7.

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

1.6 Section 1. Minnesota Statutes 2023 Supplement, section 297A.70, subdivision 7, is  
1.7 amended to read:

1.8 Subd. 7. **Hospitals, outpatient surgical centers, critical access dental providers, and**  
1.9 **blood centers.** (a) Sales, except for those listed in paragraph ~~(f)~~(g), to a hospital are exempt,  
1.10 if the items purchased are used in providing hospital services. For purposes of this  
1.11 subdivision, "hospital" means a hospital organized and operated for charitable purposes  
1.12 within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under  
1.13 chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or  
1.14 required to be performed by a "hospital" under chapter 144.

1.15 (b) Sales, except for those listed in paragraph ~~(f)~~(g), to an outpatient surgical center are  
1.16 exempt, if the items purchased are used in providing outpatient surgical services. For purposes  
1.17 of this subdivision, "outpatient surgical center" means an outpatient surgical center organized  
1.18 and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal  
1.19 Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes  
1.20 of this subdivision, "outpatient surgical services" means: (1) services authorized or required  
1.21 to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For  
1.22 purposes of this subdivision, "urgent care" means health services furnished to a person  
1.23 whose medical condition is sufficiently acute to require treatment unavailable through, or

2.1 inappropriate to be provided by, a clinic or physician's office, but not so acute as to require  
2.2 treatment in a hospital emergency room.

2.3 (c) Sales, except for those listed in paragraph ~~(f)~~ (g), to a critical access dental provider  
2.4 are exempt, if the items purchased are used in providing critical access dental care services.  
2.5 For the purposes of this subdivision, "critical access dental provider" means a dentist or  
2.6 dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the  
2.7 previous calendar year, had no more than 15 percent of its patients covered by private dental  
2.8 insurance.

2.9 (d) Sales, except for those listed in paragraph ~~(f)~~ (g), to a blood center are exempt, if the  
2.10 items purchased are used in providing blood collection and distribution services.  
2.11 Notwithstanding paragraph ~~(f)~~ (g), leases by a blood center of a truck, as defined in section  
2.12 168.002; a bus, as defined in section 168.002; or a passenger automobile, as defined in  
2.13 section 168.002, if the truck, bus, or automobile is used for carrying out the purposes of the  
2.14 blood center, including the collection of blood from donors, setting up of blood drives, and  
2.15 delivering blood to hospitals are exempt. For purposes of this subdivision, "blood center"  
2.16 means an entity organized and operated for charitable purposes under section 501(c)(3) of  
2.17 the Internal Revenue Code that is:

2.18 (1) registered as a blood establishment pursuant to Code of Federal Regulations, title  
2.19 21, part 607;

2.20 (2) a human cells, tissues, and cellular and tissue-based products establishment under  
2.21 Code of Federal Regulations, title 21, part 1271, subpart B; or

2.22 (3) a clinical lab that performs infectious disease testing, blood typing, and other  
2.23 laboratory testing services in connection with blood processing for transfusion into humans  
2.24 under Code of Federal Regulations, title 42, part 493.

2.25 (e) Sales, except those listed in paragraph (g), to a nonprofit physical rehabilitation clinic  
2.26 are exempt if the items are used in providing outpatient rehabilitation services. For the  
2.27 purposes of this paragraph, "nonprofit physical rehabilitation clinic" means a clinic:

2.28 (1) organized and operated for charitable purposes within the meaning of section 501(c)(3)  
2.29 of the Internal Revenue Code;

2.30 (2) providing physical therapy, occupational therapy, or speech therapy;

2.31 (3) whose patients covered by ..... comprise at least 50 percent of all patients served in  
2.32 the most recent calendar year;

3.1 (4) providing at least 10,000 patient encounters with patients who are uninsured or  
3.2 qualify to be covered by medical assistance, MinnesotaCare, or a home and community-based  
3.3 services program;

3.4 (5) offering a sliding scale for payment for services; and

3.5 (6) had no more than 15 percent of its patients covered by private health insurance in  
3.6 the most recent calendar year.

3.7 (f) The exemption provided under paragraph (d) expires January 1, 2028.

3.8 ~~(f)~~ (g) This exemption does not apply to the following products and services:

3.9 (1) purchases made by a clinic, physician's office, or any other medical facility not  
3.10 operating as a hospital, outpatient surgical center, critical access dental provider, or blood  
3.11 center, even though the clinic, office, or facility may be owned and operated by a hospital,  
3.12 outpatient surgical center, critical access dental provider, or blood center;

3.13 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared  
3.14 food, candy, and soft drinks;

3.15 (3) building and construction materials used in constructing buildings or facilities that  
3.16 will not be used principally by the hospital, outpatient surgical center, critical access dental  
3.17 provider, or blood center;

3.18 (4) building, construction, or reconstruction materials purchased by a contractor or a  
3.19 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed  
3.20 maximum price covering both labor and materials for use in the construction, alteration, or  
3.21 repair of a hospital, outpatient surgical center, critical access dental provider, or blood center;  
3.22 or

3.23 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

3.24 ~~(g)~~ (h) A limited liability company also qualifies for exemption under this subdivision  
3.25 if (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
3.26 purchased qualify for the exemption.

3.27 ~~(h)~~ (i) An entity that contains both a hospital and a nonprofit unit may claim this  
3.28 exemption on purchases made for both the hospital and nonprofit unit provided that:

3.29 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

3.30 (2) the items purchased would have qualified for the exemption.

- 4.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
- 4.2 30, 2024.