

NEBRASKA SALES AND USE TAX GUIDE FOR FOR-PROFIT NURSING HOMES

OVERVIEW

Charges for nursing home services are exempt from sales and use tax.

Purchases by for-profit nursing homes, for use in providing their services, are taxable.

Some additional issues related to nonprofit nursing homes are covered in the [Nebraska Taxation of Nonprofit Organizations Information Guide](#).

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This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the [subscription service](#) at revenue.nebraska.gov to get updates on your topics of interest.

TERM

For-Profit Nursing Home. For purposes of this guide, a for-profit nursing home includes skilled nursing facilities, intermediate care facilities, assisted-living facilities, nursing facilities, home health agencies, hospice facilities, adult day services, and respite care facilities which are organized as for-profit entities and licensed under the Health Care Facility Licensure Act.

SALES

Exempt Sales

Charges by for-profit nursing homes to their residents for residential or in-home care services are exempt from sales and use tax. This includes charges for:

- ❖ Day care;
- ❖ Educational classes (e.g., nutrition or smoking cessation);
- ❖ Garages;
- ❖ Haircuts;
- ❖ Laundry services;
- ❖ Medical care;
- ❖ Room and meals;
- ❖ Therapy;
- ❖ Van rides; and
- ❖ Any other residential or health care-related services.

Taxable Sales

Separate charges to residents for telephone or cable service are taxable. Sales to residents and guests of clothing, crafts, and other items are taxable.

Charges for providing sleeping accommodations to family guests, or other persons who are not residents of the nursing home, are taxable. Charges for providing these accommodations are also subject to the lodging tax (see the [Nebraska Lodging Tax Information Guide](#)).

Admissions, fees, or separate charges to use wellness or fitness centers owned and operated by for-profit nursing homes are taxable.

Sales of meals to individuals who are not residents of the nursing home are taxable. Sales from vending machines of food, soft drinks, or other items are taxable. See [Nebraska Sales and Use Tax Regulation 1-031, Coin-Operated Machines](#), for further information.

PURCHASES

Taxable Purchases

For-profit nursing homes must pay tax on their purchase, lease, or rental of all building materials, supplies, equipment, and taxable services, including utilities, they use to provide their professional services. This includes amounts paid to the seller for shipping, handling, and delivery charges. Examples of taxable purchases include:

- ❖ Beds, wheelchairs, shower chairs, generators, ventilation equipment, thermometers, carts, IV stands, and traction equipment;
- ❖ Building materials such as lumber, tile, cement, and electrical wiring;
- ❖ Dietary supplies and equipment (e.g., serving trays, cookware, and nutrition pumps);
- ❖ Enteral feeding supplies (e.g., bags, tubing, and connectors);
- ❖ Janitorial supplies (e.g., cleaning solutions, mops, towels, and trash containers);
- ❖ Medical supplies used to care for residents (e.g., disposable gloves, ointments, salves, sponges, syringes, and over-the-counter drugs [even when prescribed]);
- ❖ Ostomy products, diabetic test kits and supplies, and continence products;
- ❖ Oxygen and oxygen equipment;
- ❖ Personal hygiene products (e.g., soap, shampoo, and toothpaste);
- ❖ Supplies and equipment (e.g., computers, software, maintenance agreements on taxable property, furniture, safety equipment, books, and office supplies); and
- ❖ Utilities, building cleaning services, pest control services, and installation and repair labor on tangible personal property.

If the vendor fails to collect the Nebraska and applicable local option sales tax, the nursing home must remit use tax directly to the Department. Use tax is reported and remitted using either the [Nebraska and Local Sales and Use Tax Return, Form 10](#), or the [Nebraska and Local Consumer's Use Tax Return, Form 2](#).

Exempt Purchases

For-profit nursing homes may purchase the following items exempt when the items are transferred to a specific patient and purchased with a prescription:

- ❖ Drugs (compounds, substances, or preparations recognized in the U.S. Pharmacopoeia, U.S. Homeopathic Pharmacopoeia, or National Formulary).

Documentation for Exempt Purchases. When making exempt purchases of drugs, for-profit nursing homes must provide vendors a completed and signed [Nebraska Resale or Exempt Sale Certificate, Form 13](#). The nursing home must complete Section B of the form indicating exemption category #2 and provide a description of the product and the intended use of the item. For example, “prescription drugs for patient use” is an appropriate description.

GENERAL INFORMATION

Permits. For-profit nursing homes making taxable sales must obtain a Nebraska sales tax permit by completing and submitting a [Nebraska Tax Application, Form 20](#). Once the application is received and approved, the nursing home will receive the necessary forms and instructions for collecting and remitting sales tax.

Information on the licensing requirements for Nebraska’s other tax programs, such as income tax, withholding tax, and lodging tax, is available at revenue.nebraska.gov/business/bus_regist.html.

Records. While the Health Insurance Portability and Accountability Act (HIPAA) restrictions provide for privacy of individual patient health information, the Department has statutory authority to review for-profit nursing homes’ accounting records for audit and other tax purposes. These records may include:

- ❖ General ledgers;
- ❖ Sales and purchase journals;
- ❖ Depreciation schedules and other tax records;
- ❖ Inventory files; and
- ❖ Invoices.

The for-profit nursing home is responsible for concealing any patient names that may be on these records. These records may include invoices and accounting records, even if the records contain one or more patients’ names. These records must be kept: for three years if filing a [Nebraska Sales and Use Tax Return, Form 10](#); for five years if no sales and use tax return was filed; or for any statutorily extended period.

These records must include the accounting records ordinarily maintained by the for-profit nursing home and the schedules and working papers used to compute the tax liability.

To document any tax exempt sales or purchases, you must keep the following:

- ❖ Sales and purchase invoices;
- ❖ Receipts;
- ❖ Medicaid and Medicare billing forms;
- ❖ Resale and exempt sale certificates; and
- ❖ Records substantiating drug prescriptions.

When a sale is made to refill a prescription, the records of the nursing home must show the identification number of the original prescription.

TIPS: First, keep adequate documentation for tax purposes to support claimed exemptions. Second, keep exemption documents out of individual patient medical files, which cannot be reviewed by the Department. In the case of audit or review, these two tips may assist the for-profit nursing home by preventing the payment of sales and use taxes due to missing or inaccessible records.

Medical Records. Charges for copies of medical records are subject to tax except when sold to:

- ❖ The patient;
- ❖ A holder of a power of attorney for health care for the patient (see [Neb. Rev. Stat. §30-3403](#)); or
- ❖ The state or federal agency responsible for administering Medicare or Medicaid.

RESOURCE LIST

If you need additional information, see the resources listed below that are available on the Department's Web site:

- ❖ [Nebraska Tax Application and Licensing Requirements, Form 20](#)
- ❖ [Nebraska Taxation of Nonprofit Organizations Information Guide](#)
- ❖ [Nebraska and Local Sales Tax Information Guide](#)
- ❖ [Consumer's Use Tax Information Guide](#)
- ❖ [Nebraska Lodging Tax Information Guide](#)

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