

Wisconsin has Physician Practices in its Sights for Sales Tax Compliance



By Nicole Anderson, CPA and Michael Burzynski, CPA

In recent years the State of Wisconsin, like many states, has seen tax revenue decline, contributing to budget shortfalls. In an effort to increase sales tax revenue and enforce greater sales tax compliance, the Wisconsin Department of Revenue has focused on previous non-filers of sales tax returns who in all likelihood never thought they had any sales or use tax liability. One key focus area has been health care and physician practices and the taxable "goods" they sell and taxable supplies these businesses purchase.

Sales Tax

The typical health care office provides medical services which are generally completely exempt from sales tax. The State of Wisconsin, however, has focused on two specific "goods" that many health care practices sell:

1. **Durable Medical Equipment (DME):** Many health care practices provide and effectively "sell" DME as a component of general medical care. While the underlying medical care is exempt from sales tax, the price of the DME is often subject to sales tax. Examples include many adjustable splints and walking casts.
2. **Photocopies of medical records:** Photocopies of medical records, including imaging reports (X-ray, MRI, CT, Etc.), are subject to sales tax. In Wisconsin Tax Bulletin 122 - October 2000, the State of Wisconsin clarified and confirmed its position from early Bulletins #61 and #76 that specifically indicate that "*charges by a company for photocopies of medical records are subject to Wisconsin sales or use tax.*" (see attached)

Use Tax

Most clinical supplies purchased by health care and physician practices are subject to sales tax. To compound the potential tax exposure for Wisconsin businesses, many out-of-state suppliers do not charge sales tax when they bill Wisconsin companies, thereby putting the onus of paying the tax on the business. According to Wisconsin Administrative Code Section Tax 11.08(1), "*medical supplies, appliances, or aids that are not designed for a particular physically disabled person are subject to sales tax.*"

The State's definition of "*designed for a particular physically disabled person*" was clarified to specifically exempt prosthetic devices, eyeglasses, and hearing aids which correct or replace a functioning portion of the human body along with crutches and wheelchairs and elastic stockings prescribed by a physician. In order for other medical supplies to qualify for this exemption though, the State's interpretation has generally been only for supplies that are significantly and uniquely altered for the sole use of an individual patient.

Conclusion

As with any tax-related matter, our recommendation for all businesses is to know the tax guidelines specific to their individual business to ensure compliance and limit any unnecessary exposure to tax liability under government audit. Therefore, please contact us if you have any questions on how complex tax laws may apply to your business.