

# Health Care

The health care industry in Michigan is a large and growing industry. The general rule for the imposition of the Michigan sales tax and the Michigan use tax is that the providing of health care is a service. Therefore, the gross receipts from the rendering of health care services are not subject to sales tax. However, the provider of health care services must pay sales tax on all purchases of tangible personal property used or consumed in the providing of the health care.

Oftentimes the provider of health care services will make a retail sale of tangible personal property in conjunction with the providing of the service. When this is done, the health care provider is a retailer and the gross proceeds from the sale would be subject to the Michigan Sales Tax. However, the Michigan legislature has provided several exemptions to the tax.

## **Prosthetic Device, Durable Medical Equipment and Mobility Enhancing Equipment**

Section 4a(h) of the Sales Tax Act and Section 4(p) of the Use Tax Act provide exemptions from tax on “The sale of a prosthetic device, durable medical equipment, or mobility enhancing equipment.” (MCL 205.54a(h))

Both the Sales Tax Act and the Use Tax Act provide specific definitions for the exempt equipment.

### **Prosthetic device**

A “Prosthetic device” means a replacement, corrective, or supportive device, other than contact lenses and dental prosthesis, dispensed pursuant to a prescription, including repair or replacement parts for that device, worn on or in the body to do 1 or more of the following:

- (i) Artificially replace a missing portion of the body.
- (ii) Prevent or correct a physical deformity or malfunction of the body.
- (iii) Support a weak or deformed portion of the body. (MCL 205.51a(o))

### **Durable medical equipment**

“Durable medical equipment” means equipment for home use, other than mobility enhancing equipment, dispensed pursuant to a prescription, including repair or replacement parts for that equipment, that does all of the following:

- a. Can withstand repeated use.
- b. Is primarily and customarily used to serve a medical purpose.

- c. Is not useful generally to a person in the absence of illness or injury.
- d. Is not worn in or on the body. (MCL 205.51a(ii))

**Mobility enhancing equipment**

“Mobility enhancing equipment” means equipment, other than durable medical equipment or a motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer, dispensed pursuant to a prescription, including repair or replacement parts for that equipment, that is all of the following:

- a. Primarily and customarily used to provide or increase the ability to move from 1 place to another and is appropriate for use at home or on a motor vehicle.
- b. Not generally used by a person with normal mobility. )MCL 205.51a(1))  
Oxygen for Human Use

**Oxygen for human use is exempt from tax if dispensed pursuant to a prescription. (MCL 205.54d(k))**

Insulin for Human Use

**The sale of insulin for human use is exempt from the tax. (MCL 205.54d(l))**

**Drugs For Human Use**

Section 4g(1)(a) of the Sales Tax Act and Section 4d(a) of the Use Tax Act exempt from tax “Sales of drugs for human use that can only be legally dispensed by prescription ...” However, the exemption for drugs does not include food, dietary supplements or alcoholic beverages. (MCL 205.54g(1)(a)) Both the Sales Tax Act and the Use Tax Act provide a specific definition of drug.

A “Drug” means a compound, substance, or preparation, or any component of a compound, substance, or preparation, other than food or food ingredients, dietary supplements, or alcoholic beverages, intended for human use that is 1 or more of the following:

- a. Recognized in the official United States pharmacopoeia, official homeopathic pharmacopoeia of the United States, or official national formulary, or in any of their supplements.
- b. Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease.
- c. Intended to affect the structure or any function of the body.

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