

+ HOW NURSING HOMES MEET THEIR SALES AND USE TAX LIABILITIES

<p>-----+ TO: NURSING HOMES AND +---+PRACTITIONERS</p> <p>Changes in tax law effective January 1, 1990, have affected the way in which nursing homes meet their sales tax (Service Occupation Tax) and use tax liabilities.</p> <p>Although Illinois does not generally tax charges for service alone, the state does levy sales and use tax on the selling price of materials transferred in conjunction with service.</p> <p>WHAT TRANSACTIONS HAVE NO SALES TAX LIABILITY?</p> <p>No sales tax liability exists for nursing homes in the following transactions:</p> <ul style="list-style-type: none"> - purchases by not-for-profit nursing homes with a number from us confirming their tax-exempt status; and - those purchases by "for-profit" nursing homes which will be transferred to patients and paid for by a governmental body (such as the Department of Public Aid). Purchases which are transferred to patients and paid for by private sources-- or by the patient's 	<p>-----+ TO: "FOR-PROFIT" +---+ NURSING HOMES</p> <p>HOW DO I PAY TAX ON ITEMS PURCHASED FOR USE OR CONSUMPTION?</p> <p>When you buy items used in your business, such as furniture and office supplies, you pay either sales tax or use tax. If your supplier is registered with us to collect sales tax, you pay sales tax to the supplier as part of the transaction. If your supplier is not registered-- typically when the supplier sells from a location outside Illinois-- you pay Illinois Use Tax at the rate of 6.25 PERCENT of your cost directly to us.</p> <p>HOW DO I PAY TAX ON FOOD, DRUGS, AND MEDICAL APPLIANCES TRANSFERRED TO PATIENTS IN CONJUNCTION WITH THE SERVICE I PERFORM?</p> <p>The answer depends upon the ration of your average annual costs for these items to your average annual gross receipts.</p> <p>If your average annual costs for food, drugs, and medical appliances are equal to or greater than 35 PERCENT of your average annual gross</p>	<p>food drugs, medical appliances, and service) you must register with us, collect sales tax on your SELLING PRICE, and pay us directly.</p> <ul style="list-style-type: none"> - If your invoices separately state the charges for food, drugs, medical appliances, and service, you pay us tax on your charges for the food, drugs, and medical appliances. - If your invoices do not separately state your charges for food, drugs, medical appliances, and service, you pay us tax on 50 percent of your gross receipts or your cost whichever is greater. <p>If you have registered with us and are collecting and paying sales tax to us, you are entitled to buy food, drugs, and medical appliances tax free from your suppliers as long as you provide them with a valid certificate of resale.</p> <p>MOST OF YOU have a cost/receipt ratio that is below 35 percent threshold. If this is the case, you generally have three options:</p> <ul style="list-style-type: none"> - You may pay sales tax on your cost directly to
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Social Security allotment--are not eligible for this exemption.

receipts (the amount you your supplier. charge for

- If you buy from a supplier who does not collect Illinois sales tax, you must register with us and pay us Illinois Use Tax directly at the rate of 1 PERCENT of your cost.
- You may charge tax to patients on the selling price of the food, drugs, and medical appliances in the same manner that is required for servicepersons over the 35 percent threshold.

- If you are not registered with us as a serviceperson and you were paying the low rate on food before January 1, 1990, you must file returns covering your food purchases back to July 1981 or the month you began business, whichever is later.
- If you are registered as a serviceperson and you have filed returns for periods from January 1988 through December 1989 on which the tax paid was incorrectly stated, you must amend any incorrect return.

owed on purchases of items which are to be transferred to patients and paid for by a government agency.) You will owe use tax on your cost for any items that are transferred to patients and paid for with private funds.

+ ...and do not have patients whose care is being paid for by a governmental agency:

You may wish to purchase food, drugs, and medical appliances from suppliers that charge sales tax. A for-profit nursing home that pays sales tax on the purchase price of food, drugs, and medical appliances usually has no further sales tax liability. If you purchase from a supplier that does not charge sales tax, you must register and pay Illinois Use Tax to us directly at the rate of 1 percent of your cost.

HOW HAS THE SALES TAX RATE ON FOOD CHANGED?

Before January 1, 1990, you owed sales or use tax on food transferred to your patients at the "high" rate, either to us or to your supplier.

On purchases of such food on or after January 1, 1990, by a nursing home whose cost/receipt ratio is below the 35 percent threshold, you owe sales tax at the "low" rate.

Nursing homes which paid the "low" rate on food purchases before January 1, 1990, owe additional tax (the difference between the "low" and the "high" rate-- depending on location and local tax rate, generally 5 percent) for those transactions.

For the period of July 1981 to January 1988, you must file returns from July 1981 or the date you began business, whichever is later, to January 1988 or the date you registered, whichever is earlier.

WHAT IS THE MOST CONVENIENT WAY TO PAY SALES TAX?

For "for-profit" nursing homes whose cost/receipts ratio is less than the 35 percent threshold...

- + ...and have patients whose care is being paid for by a governmental agency:

You may wish to

QUESTIONS?

If you have questions or need more information, please call or write us. Our telephone numbers and address are listed at the bottom of this bulletin.

If you have been paying
the low rate on food
before January 1, 1990,
you must do the
following:

register with us as a
serviceperson. This
registration will
enable you to purchase
tax free for resale.
(No sales tax is

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FOR
INFORMATION

CALL: 1 800 732-8866 or
1 217 782-3336
WRITE: Illinois Department of Revenue
101 W. Jefferson St., P.O. Box 19044
Springfield, IL 62794-9044
