

SECTION .1800 – HOSPITALS AND SIMILAR INSTITUTIONS

17 NCAC 07B .1801 SALES TO AND PURCHASES BY HOSPITALS AND SIMILAR INSTITUTIONS

(a) General. -- Hospitals and similar institutions are primarily engaged in rendering services and are the consumers of all items, as the term item is defined in G.S. 105-164.3, they purchase for use in connection with the operation of the hospital or similar institutions. Pursuant to G.S. 105-164.4, hospitals and similar institutions purchasing items for use, such as linens, soap, toilet paper, facial tissues, and other supplies, shall pay sales or use tax due on the purchase of the items. For purposes of this Rule, similar institutions include nursing homes, ambulatory surgical facilities, psychiatric hospitals, chemical dependency facilities, and other institutions primarily engaged in providing a health service, as the term is defined in G.S. 131E-176(9a).

(b) Purchases of Drugs for Use. -- Hospitals and similar institutions are the consumers of drugs and over-the-counter drugs used in administering treatment to patients. Purchases of drugs and over-the-counter drugs by hospitals or similar institutions are subject to sales or use tax.

(c) Purchases and Sales of –Food:

- (1) Hospitals and similar institutions are the consumers of food they purchase to furnish meals to patients. Pursuant to G.S. 105-164.4 and G.S. 105-467, purchases of food used to furnish meals to patients by hospitals and similar institutions are subject to sales and use tax.
- (2) Hospitals and similar institutions that make sales of food to guests, visitors, employees, staff, students, patients when the sale of food is not part of their health care services, or other persons shall register with the Department, in accordance with 17 NCAC 07B .0104, and collect and remit the sales and use tax due on the sales.
- (3) If food purchased by a hospital or similar institution for use in furnishing meals to patients cannot be distinguished from the food purchased for resale to other persons, the hospital or similar institution may purchase all the food exempt from sales or use tax, pursuant to G.S. 105-164.13(5), under a certificate of exemption, in accordance with 17 NCAC 07B .0106. A hospital or similar institution that purchases food under a certificate of exemption assumes liability for payment of sales or use tax due on the purchase price of food used in furnishing meals to its patients.

(d) Gift Shops and Other Retail Sales. -- A hospital or similar institution that operates a gift shop or other business making retail sales shall register with the Department and collect and remit the sales and use tax due on its retail sales. The tax due shall be computed on the sales price or purchase price of the item sold. If, at the time of sale, a hospital or similar institution cannot distinguish whether an item will be used or resold, the hospital or similar institution may purchase the item exempt from sales and use tax, pursuant to G.S. 105-164.13(5), under a certificate of exemption. A hospital or similar institution that purchases an item under a certificate of exemption which is subsequently used by the hospital, including items used to provide services to patients, must pay the sales or use tax due on the purchase price of the item.

(e) Use of a Certificate of Exemption. -- Except as provided by Paragraphs (c) and (d) of this Rule, a Certificate of Exemption may not be used by hospitals or similar institutions when making taxable purchases of items for use or consumption. The sales or use tax due on taxable purchases from retailers that collect North Carolina sales or use tax shall be paid to the retailer. Pursuant to G.S. 105-164.6, hospitals and similar institutions that make taxable purchases from suppliers that do not collect and remit North Carolina sales tax shall register with the Department and remit the tax due on the purchase price of items purchased for use or consumption.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13; 105-262; 105-264; 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-538;

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