Medical & Dental Service Providers

The Louisville Municipal Code (LMC) imposes a use tax upon the privilege of using, storing, distributing, or otherwise consuming in the City any article of tangible personal property or services purchased, leased or rented, on which a sales tax has not been paid.

Licensed medical and dental service providers include doctors, hospitals, medical offices or clinics, nursing homes, and other similar entities.

Non-profit hospitals, clinics or similar qualifying charitable entities, may purchase tangible personal property and supplies tax-exempt, however, the sale of tangible personal property when charged to a patient is subject to Louisville sales tax.

Licensed providers in private practice generally do not qualify as charitable entities, so purchases made by licensed providers are taxable unless the item qualifies as an exempt item as provided in the “Medical Exemptions” publication of this Tax Guide.

Medical and dental procedures are generally considered professional services and the professional fees collected by the practitioners are not subject to Louisville sales tax. Persons engaged in the business of rendering a service are consumers, not retailers, of the tangible personal property they use in rendering their services. Accordingly, sales tax should be charged by vendors for all sales of tangible personal property made to the service providers, otherwise use tax will be due from the practitioner. If, in addition to the rendering of a service, a practitioner also sells tangible personal property to patients/consumers, such sales are subject to sales tax, and such practitioner must collect and remit sales tax to the City.

It is assumed that the costs of all tangible personal property used by licensed service providers in performing a particular service are included in the fees practitioners charge patients. If a licensed provider separately invoices a patient for supplies, those supplies must actually leave with the patient, and the practitioner is required to charge and collect sales tax (provided the item is not exempt as provided in the publication “Medical Exemptions”).

Even when a service provider separately states supplies on an invoice, the supplies are subject to use tax payment by the provider, and not sales tax by the patient, when such supplies do not actually leave with the patient. This includes items used by the doctor and then disposed of by the doctor. All disposable items used one-time for one patient, and then discarded, are considered to be consumed by the licensed provider and not provided to the patient. Such supplies are taxable to the provider. Drugs requiring a prescription that are dispensed or furnished by a provider as part of their professional service are exempt from City sales/use tax.

Common items subject to use tax by practitioners include:

- Complimentary items and samples
- Journals, magazines, newsletters and other publications, except newspapers
- Medical supplies purchased by a practitioner, for use by the practitioner in providing their services, and which supplies do not leave with the patient, or are not exempt (see “Medical Exemptions” publication in this Tax Guide for the definition of medical supplies subject to tax when consumed by the service provider and not prescribed by written prescription to a specific individual).

The information contained in the Tax Guide publications is intended to offer general guidance in layman’s terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.
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- Nutritional supplements, vitamins etc.
- Office furniture, patient room furniture and fixtures
- Office computers, software or license fees
- Office supplies, cleaning supplies, uniforms, office equipment
- Tools, instruments and equipment
- Videos, CD, DVD’s

Examples

A Louisville physician purchases rubber gloves, cotton swabs, gauze pads, antiseptic spray, syringes, and various disposable instruments from a medical supply house. The supply house is located outside of Louisville and charges State and RTD taxes only. The physician must remit use tax to the City of Louisville for all items purchased.

A Louisville dentist performs an extraction for a patient. The provider invoices the patient $300 for the service. The cost of the disposable instruments, gauze, syringes, sutures and any non-prescription drugs used during the procedure are subject to City use tax by the service provider if sales tax was not paid at the time of purchase. The dentist also provides the patient with a written prescription for an antibiotic. When the patient purchases the prescription from the pharmacy, it will be exempt from sales tax.

A Louisville physician’s office utilizes medical billing software provided by an out-of-state software vendor. The physician’s office pays an annual license fee of $2,000 for the software which includes periodic upgrades, enhancements, debugging and on-line support. The entire license fee of $2,000 is subject to City use tax if the vendor does not charge the Louisville sales tax on the invoice. (See the “Software” publication of the Tax Guide).

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