

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-1-.76. Hospitals, Infirmaries, Sanitariums, and Like Institutions - Private.

(1) Private hospitals, infirmaries, sanitariums, and like institutions are required to pay sales tax or use taxes, whichever may apply, on their purchases of tangible personal property. (Sections 40-23-2 and 40-23-61, Code of Alabama 1975)

(2) Private hospitals, infirmaries, sanitariums and like institutions are primarily engaged in the business of rendering services. They are not required to collect and remit sales tax on their gross receipts from meals, bandages, dressings, drugs, x-ray photographs, or other tangible personal property when the items are used in rendering hospital services. This is true irrespective of whether or not the tangible personal property is billed separately to their patients. Private hospitals, infirmaries, sanitariums, and like institutions are deemed to be the purchasers for use or consumption of the tangible personal property; and, the sellers of these items are required to collect sales or use tax on sales of the property to the institutions. Provided, however, purchases by private hospitals, infirmaries, sanitariums, and like institutions of drugs as defined in Section 40-23-4.1(a), Code of Alabama 1975, are specifically exempt from sales and use tax. (Sections 40-23-2, 40-23-4.1, and 40-23-61)

(3) When private hospitals, infirmaries, sanitariums, and like institutions furnish meals to nurses, attendants and patients as a part of their services rendered, the institutions are deemed to be the users or consumers of the food and beverages used in the preparation of these meals. Sales or use tax is due on the purchase of the food and beverages by the institution in the manner outlined in paragraph (2) unless the institution also operates a cafeteria which serves the public. (Sections 40-23-2 and 40-23-61)

(4) Privately-owned hospitals, infirmaries, sanitariums, and like institutions that operate cafeterias serving meals to the public must purchase all foodstuffs and beverages at wholesale, tax free, and collect the sales tax on sales of meals to their customers and remit the tax to the Department of Revenue. These institutions must also compute and pay tax to the Department of Revenue on the cost of foodstuffs withdrawn from stock and used to feed patients. (Sections 40-23-1(6) and 40-23-1(10)) (Adopted March 9, 1961, amended November 1, 1963, readopted through APA effective October 1, 1982, amended January 29, 1990, amended October 20, 1998)