

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

**810-6-2-.31. Hospitals, Infirmaries, Sanitariums, and Like Institutions - State, City, and County.**

(1) State, city, and county owned and operated hospitals, infirmaries, sanitariums, and like institutions are exempt from the payment of sales or use tax on their purchases of tangible personal property. (Sections 40-23-4(11) and 40-23-62(13))

(2) State, city, and county owned and operated 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 such items are used in rendering hospital services. This is true irrespective of whether or not such tangible personal property is billed separately to their patients. State, city, and county owned and operated hospitals, infirmaries, sanitariums, and like institutions are deemed to be the purchasers for use or consumption of such tangible personal property; and, the sellers of these items are not required to collect sales or use tax on sales of such property to said institutions since such purchases are specifically exempt from sales and use tax pursuant to Sections 40-23-4(11) and 40-23-62(13), Code of Alabama 1975.

(3) When state, city, or county owned and operated hospitals, infirmaries, sanitariums, and like institutions furnish meals to nurses, attendants, and patients as a part of their services rendered, such institutions are deemed to be the users or consumers of the food and beverages used in the preparation of these meals. Purchases of food and beverages for use or consumption by these institutions are exempt from sales and use tax. (Sections 40-23-4(11) and 40-23-62(13))

(4) When state owned and operated hospitals, infirmaries, sanitariums, and like institutions operate cafeterias that serve meals to the public, such institutions will be required to collect and remit sales tax on sales of meals and beverages to their customers. Foodstuffs and beverages withdrawn by such state owned and operated institutions and used or consumed in furnishing meals as outlined in paragraph (3) are not subject to sales tax. (Section 40-23-2(1))

(5) When city and county owned and operated hospitals, infirmaries, sanitariums, and like institutions operate cafeterias that serve meals to the public, such institutions are not required to collect and remit sales tax on sales of meals to their customers. (City of Anniston v. State of Alabama, 91 So.2d 211) (Adopted March 9, 1961, amended November 1, 1963, readopted through APA effective October 1, 1982, amended January 29, 1990)