



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2002(11)

25 Sigourney Street
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Nonprofit Hospitals, Nonprofit Nursing Homes, Nonprofit Rest Homes, and Nonprofit Residential Care Homes

Purpose: This Informational Publication describes the requirements and new procedures for nonprofit hospitals, nonprofit nursing homes, nonprofit rest homes, and nonprofit residential care homes to purchase tangible personal property and services tax exempt under Conn. Gen. Stat. §12-412(5). The Department of Revenue Services (DRS) no longer requires nonprofit charitable hospitals, nonprofit nursing homes, nonprofit rest homes, and nonprofit residential care homes to apply for sales and use tax exemption permits.

Effective Date: Effective July 1, 2002.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(2)(I) and Conn. Gen. Stat. §12-407(a)(37)(EE), as renumbered by 2002 Conn. Pub. Acts 103, §1; Conn. Gen. Stat. §12-412(5), as amended by 2002 Conn. Pub. Acts 103, §8; Conn. Gen. Stat. §12-412(9); Gen. Stat. §12-412(56); Gen. Stat. §12-412(94); Conn. Gen. Stat. §12-410; and Chapter 368v of the Connecticut General Statutes.

Conn. Gen. Stat. §12-407(a)(2)(I) and Conn. Gen. Stat. §12-407(a)(37)(EE) replace Conn. Gen. Stat. §12-407(2)(i)(FF), effective January 1, 2003.

Definitions: The following definitions pertain to the sales and use tax exemptions under Conn. Gen. Stat. §12-412(5).

Hospital, as defined in Conn. Gen. Stat. §19a-490(b), means an establishment for the lodging, care, and treatment of persons suffering from disease or other abnormal physical or mental conditions and includes inpatient psychiatric services in general hospitals.

Nursing Home, Rest Home, and Residential Care Home, as defined in Conn. Gen. Stat. §19a-490(c), means an establishment that furnishes, in single or multiple facilities, food and shelter to two or more persons unrelated to the proprietor and, in addition, provides services that meet a need beyond the basic provisions of food, shelter, and laundry.

Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, and Nonprofit Residential Care Home means a hospital or home described above that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (I.R.C.) and that has received a determination letter issued by the Internal Revenue Service (IRS) that establishes the hospital or home is an exempt organization as described in I.R.C. §501(c)(3) or (4).

Qualifications to Make Tax Exempt Purchases:

Conn. Gen. Stat. §12-412(5) provides a sales and use tax exemption for sales to and by nonprofit charitable hospitals (hospitals) and nonprofit nursing homes, nonprofit rest homes, and nonprofit residential care homes (homes) for the exclusive purpose of the institutions (except services rendered by hospitals that fall under Conn. Gen. Stat. §12-407(a)(37)(EE)) that are licensed under Chapter 368v of the Connecticut General Statutes.

Hospitals and homes are exempt from sales and use taxes on purchases or sales of tangible personal property and services under Conn. Gen. Stat. §12-412(5). The hospitals and homes must be exempt from federal income tax under I.R.C. §501(a) and have received a determination letter issued by the IRS that establishes that the hospital or home is an exempt organization as described in I.R.C. §501(c)(3) or (4).

The hospital or home must hold a valid and active license with the Department of Public Health issued under §19a-491 of Chapter 368v of the Connecticut General Statutes.

Procedure to Purchase Tangible Personal Property or Services Exempt Under Conn. Gen. Stat. §12-412(5):

Hospitals and homes must issue **CERT-113, Purchases of Tangible Personal Property and Services by a Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, or Nonprofit Residential Care Home**, to retailers at the time the hospitals or homes are making tax-exempt purchases of tangible personal property or services.

The hospitals or homes must attach the following documents to **CERT-113** when making tax-exempt purchases:

- A copy of a valid and active license issued by the Department of Public Health under Conn. Gen. Stat. §19a-491 of Chapter 368v; **and either**
- A copy of a sales and use tax exemption permit issued before July 1, 2002, that has not been cancelled or revoked by DRS; **or**
- A copy of a determination letter issued by the IRS that establishes that the hospital or home is an exempt organization as described in I.R.C. §501(c)(3) or (4), and that has not been revoked by the IRS.

Tax-exempt purchases made using **CERT-113** by a hospital or home must be used for the exclusive purposes of the home or hospital. To this end, the hospital or home may not use **CERT-113** to make purchases on behalf of its officers or employees or on behalf of other organizations or make exempt purchases of items to be resold. A hospital or home that is purchasing tangible personal property or services it intends to resell must be registered as a retailer with DRS and issue a resale certificate under Conn. Gen. Stat. §12-410 to its suppliers.

If the hospital or home is not, and is not required to be, registered as a retailer with DRS then the hospital or home may issue **CERT-113** for purchases of tangible personal property (including meals) to be resold at one of the five fund-raising or social events per year permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94). If a hospital or home is registered as a retailer with DRS, then it must issue a resale certificate for purchases of tangible personal property for resale at one of the five fund-raising or social events per year permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94). (See **Special Notice 98(11)**, *Exemption From Sales and Use Taxes of Sales By Nonprofit Organizations at Fundraising or Social Events*, for additional information.)

Tax-Exempt Purchases of Meals and Lodging:

Other than meals purchased for resale at one of the five social or fund-raising events per year that are exempt from tax under Conn. Gen. Stat. §12-412(94) (see above), hospitals and homes may not purchase meals and lodging tax exempt using **CERT-113**.

In order to establish that meals the hospitals and homes purchase from restaurants or caterers, or lodging they purchase from hotels meet the requirements for exemption under Conn. Gen. Stat. §12-412(5), the hospitals or homes must either:

- Request pre-approval for exemption from sales and use taxes before the purchase of meals or lodging is made; or
- Apply for a refund of tax after the purchase of meals or lodging has been made and tax has been paid.

Hospitals and homes must follow the procedures in **Policy Statement 96(7)**, *Purchases of Meals or Lodging by Exempt Organizations or Qualifying Governmental Agencies*, to purchase meals or lodging exempt under Conn. Gen. Stat. §12-412(5).

Blanket Certificates: A hospital or home may issue a completed **CERT-113** with the appropriate attached documents for repeat purchases as long as the hospital or home holds an active and valid license with the Department of Public Health. The blanket certificate covers purchases from the date **CERT-113** is issued until the date the license for the hospital or home from the Department of Public Health expires. Conn. Gen. Stat. §19a-491(b) requires hospitals and homes to renew their licenses with the Department of Public Health every two years. When a hospital or home renews its license or if it must obtain a new license from the Department of Public Health before the license expires, the hospital or home **must** issue a new **CERT-113** to retailers with a copy of the new license and other appropriate documents to make purchases of tangible personal property and services tax exempt.

Exemption Permits: DRS will no longer issue exemption permits to hospitals and homes on or after July 1, 2002.

Form of Payment: A hospital or home must pay for any tax-exempt purchase by a check drawn on its own checking account. A hospital or home may make tax-exempt purchases using a credit card provided the credit card is issued in the hospital's or home's name (not in the name of one of its members or officers), is used to make purchases exclusively for the use of the hospital or home (not for the convenience of its officers or members), and the charges are paid for by a check drawn on the hospital's or home's own checking account. A hospital or home, however, may make a tax-exempt purchase of goods or services for \$10.00 or less using cash, provided the purchases are for its exclusive use and are made with its own funds. However, a blanket **CERT-113** may not be used for cash purchases, and a properly completed **CERT-113**, to which the appropriate documents are attached, must be presented to the retailer at the time of each cash purchase.

Sales by Hospitals and Homes: A hospital or home may sell tangible personal property or services (other than services provided by hospitals that fall under Conn. Gen. Stat. §12-407(a)(37)(EE)) tax-exempt when made for the exclusive purposes of the institutions under Conn. Gen. Stat. §12-412(5).

Sales of food products, meals, candy, confectionery, and beverages to patients, residents, or care recipients in hospitals, residential care homes, assisted living facilities, senior centers, day care centers, convalescent homes, nursing homes, and rest homes are exempt from tax under Conn. Gen. Stat. §12-412(9). This exemption applies to both nonprofit and for profit institutions.

Retail sales made by a hospital gift shop that is operated by a hospital auxiliary are exempt from tax provided the gift shop is located on the premises of the hospital.

In addition, sales of items for not more than \$100 each by any gift shop that is located in a nursing home, rest home, or residential care home are exempt from tax under Conn. Gen. Stat. §12-412(56), whether the hospital or home is nonprofit or for profit, as long as any profits from the sales are retained by the home for the benefit of its patients and the gift shops are located in the home. Conn. Gen. Stat. §12-412(56) also applies to gift shops located in a convalescent home or in an adult day care center, whether the home or center is nonprofit or for profit, approved for that purpose by the Department of Social Services.

Filing Requirements for Hospitals and Homes Registered as Retailers: A hospital or home must file sales and use tax returns monthly, except, if the hospital's or home's total tax liability for the 12-month period that ended on the preceding September 30 was less than \$4,000, it may file quarterly returns. If a hospital's or home's total tax liability for the 12-month period that ended on the preceding September 30 was less than \$1,000, it may file an annual return.

Effect on Other Documents: Informational Publication 2002(11) obsoletes **Special Notice 94(1)**, *Purchases and Sales by Nonprofit Nursing Homes, Nonprofit Rest Homes, and Nonprofit Homes for the Aged*. It also amplifies **Special Notice 98(11)** and **Policy Statement 96(7)** and modifies and supersedes **Announcement 95(10)**, *Procedures for Qualified Exempt Organizations Making Purchases Exempt From Sales and Use Taxes*. **Form L219N**, *Nonprofit Nursing Homes, Nonprofit Rest Homes and Nonprofit Homes for the Aged, Application for Recognition of Exemption From Sales and Use Taxes*, will no longer be used.

Effect of This Document: An Informational Publication is a document issued by DRS that addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.