

# OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION

PHONE (405) 521-3133  
FACSIMILE (405) 522-0063

December 28, 2011

Re: LR-11-129; Sales Tax Inquiry

Dear [REDACTED]

This is in response to your request for a determination of the taxability of sales of your product the [REDACTED] implant in Oklahoma. Set forth are the facts presented and the response thereto.

## FACTS

[REDACTED] manufacturers and sells the [REDACTED] implant to physicians. [REDACTED] is a hearing implant, much like a cochlear implant. However, rather than using electrical signals to stimulate the cochlea, [REDACTED] uses electromechanical energy to directly stimulate the cochlea by vibrating the ossicles (middle ear bones). The [REDACTED] implant must be surgically implanted by an otologist (ear surgeon). The [REDACTED] System consists of a tiny rare-earth magnet implanted on the ossicles and a sound processor worn I the ear canal. The [REDACTED] System is indicated for adults with moderate to severe sensorineural hearing loss.

## RESPONSE

The sale of tangible personal property in Oklahoma, unless specifically exempted by the provisions of the Oklahoma Sales Tax Code, is subject to the levy of sales tax. 68 O.S. §1354(A)(1).

“Sales of prosthetic devices to an individual for use by such individual” are exempt from sales tax in accordance with 68 O.S. § 1357(22). The sales tax exemption found in Section 1357(22) of Title 68 does not apply to purchases of prosthetic devices by health care providers.

Additionally, Section 1357.6 of Title 68 exempts sales of medical appliances, medical devices and other medical equipment, prosthetic devices, durable medical equipment<sup>1</sup> and mobility enhancing equipment<sup>2</sup> when the item is administered or distributed by a practitioner<sup>3</sup> or purchased or leased, by or on behalf of an individual, pursuant to a prescription or work order of a practitioner; and the item is furnished to a Medicare or Medicaid program recipient and the cost of said item will be reimbursed by Medicare or Medicaid.

Prosthetic device is defined in Section 1357.6(C) of Title 68 as follows:

The term 'prosthetic device' means a replacement, corrective or supportive device, including repair and replacement parts for same, worn on or in the body to:

- (A) Artificially replace a missing portion of the body;
- (B) Prevent or correct physical deformity or malfunction; or,
- (C) Support a weak or deformed portion of the body.

\* \* \*

Since the \_\_\_\_\_ implant is a device worn in the body to prevent or correct a physical deformity or malfunction, it constitutes a prosthetic device pursuant to Section 1357.6(C).

Pursuant to Oklahoma Administrative Code 710:65-13-170(c), sales of medical appliances, medical devices and other medical equipment including prosthetic devices to hospitals, infirmaries, sanitariums, nursing homes, and similar institutions, and practitioners are taxable when such items are furnished to their patients as part of the services provided. The institutions, companies and practitioners are considered to be the users or consumers. In-state vendors collect and remit the tax on sales of such property to the institutions, and use tax is due on out-of-state purchases.

Under circumstances where hospitals, nursing homes, similar institutions and practitioners dispense or provide medical appliances, medical devices or medical equipment to Medicare or Medicaid patients, a refund may be claimed by the institution or practitioner for the sales or use taxes previously paid by the institution or practitioner on such items. The documentation set out below must be obtained as part of the claimant's records to substantiate the exemption claimed:

- (1) Name and address of the purchaser or lessee or person on whose behalf the item is being purchased or leased;
- (2) A copy of the prescription or work order; and

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<sup>1</sup> Durable medical equipment means equipment including repair and replacement parts for same, which can withstand repeated use, is primarily and customarily used to service a medical purpose, generally is not useful to a person in the absence of illness or injury; and is not worn in or on the body. The term does not include mobility enhancing equipment. 68 O.S. § 1357.6(D)

<sup>2</sup> Mobility enhancing equipment means equipment, including repair and replacement parts for same, which is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle, is not generally used by persons with normal mobility, and does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer. Mobility enhancing equipment does not include durable medical equipment. 68 O.S. § 1357.6(E).

<sup>3</sup> Practitioner means "a physician, osteopathic physician, surgeon, podiatrist, chiropractor, optometrist, pharmacist, psychologist, ophthalmologist, nurse practitioner, audiologist or hearing aid dealer or fitter who is licensed by the state as required by law." 68 O.S. § 1357.6(B)

(3) A copy of the document which shows that the person on whose behalf the item is being purchased or leased is a Medicare or Medicaid patient.

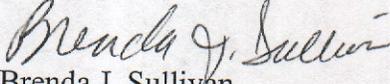
Oklahoma Administrative Code 710:65-13-173(d).

Attached are copies of the cited Oklahoma statutes and administrative rule provisions.

This response applies only to the circumstances discussed in your request of March 19, 2010. Pursuant to Oklahoma Administrative Code 710:1-3-73(e), this Letter Ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and there has been no change in applicable law.

Sincerely,

OKLAHOMA TAX COMMISSION

  
Brenda J. Sullivan  
Tax Policy Analyst