OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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

February 27, 2013

RE: LR-12-022 (Sales Tax Inquiry)

Dear

This is in response to your request regarding Oklahoma sales tax. Set forth are the facts presented along with the questions posed and responses thereto.

Question:

In regard to the sale of these printed copies of medical records, could you please answer the following two follow-up questions?

Would a separately stated charge for "Postage" be subject to either sales or use tax?
Would a separately stated charge for "Postage and Handling" be subject to either sales or use tax?

Response:

In response to Question 1, please refer to Oklahoma Administrative Code 710-65-19-70 Delivery Charges, copy enclosed.

Facts:

1. Coding

Coding is the transformation of narrative descriptions of diseases, injuries, and health care procedures into numeric or alphanumeric designations (that is, code numbers). The code numbers are detailed in order to accurately describe the diagnoses (that is, what is wrong with the patient) and the procedures performed to test or correct these diagnoses. Because medicine is not always an exact science, codes were developed to identify all reasons for seeking health care. Coding health-related data permits access to health records according to diagnoses and procedures for use in clinical care, research, and education.

2. Auditing

Perform secondary review of IP/OP charts. Utilizes coding resources and exhibits knowledge and understanding of work plans as it relates to correct coding. Reviews inpatient/outpatient medical records to ensure compliance with federal laws and regulations regarding proper coding and billing requirements.

3. Training and education

Training and education for all levels of coders, physicians, and ancillary hospital personnel as well. Wide range of education services includes documentation improvement, inpatient and outpatient coding assessments and training, and revenue cycle management.

4. Abstraction

Abstraction is the process of taking important medical information from handwritten and typed reports and physically entering that information in an electronic medical record. We hire nurses and other Health information management credentialed people to do this type of work.

The services performed by my client are invoiced to health care providers, hospitals, and clinics, etc.

Response:

In Oklahoma, sales tax is levied on the gross receipts from the sale of tangible personal property, certain services and other transactions as specified in Section 1354 of Title 68 of the Oklahoma Sales Tax Code. Tangible personal property is defined to mean "personal property that can be seen, weighed, measured, felt, or touched or that is in any other manner perceptible to the senses . . . [and] includes electricity, water, gas, steam and prewritten computer software".

The described services 1, 2, 3 & 4 do not constitute the transfer of tangible personal property nor do they fall within the enumerated transactions subject to sales tax pursuant to Section 1354 of Title 68 of the Oklahoma Statutes. However, purchases in Oklahoma of taxable services and tangible personal property to provide the nontaxable services are subject to sales tax.[1] Likewise, use tax is due on tangible personal property when purchased out-of-state and brought into Oklahoma for use or consumption.

This response applies only to the circumstances discussed in your written request of December 22, 2011. 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

Marc Morrison
Tax Policy Analyst

[1] Oklahoma Administrative Code 710:65-1-7 and 710:65-19-309