

# Product Sales in Your Practice

## Part 2 - Michigan Sales Tax Requirements

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*Editor's note: Part 1 of "Product Sales in Your Practice", appeared in the Nov-Dec 2004 issue of the Michigan Chiropractic Journal. This series presents protocols that chiropractors can adapt for successful product sales in their practice. Topics covered include, ethical issues, sales tax requirements, medical legal protection, and staff involvement in the sales process.*

*Part 2 of this series reviews important issues related to MI Sales Tax, record keeping, and the requirements for supporting a claim for MI Sales Tax Exemption. A "Prescription Form" is presented to help fulfill reporting requirements whenever you sell products that qualify for MI Sales Tax Exemption. Future articles will describe how the "Prescription Form" can further be used to foster staff involvement in the selling process, and for increased medical and legal protection.*

Licensed health professionals in Michigan frequently sell products to patients with the goal of complementing the care that they provide. However, when you sell products, there are *MI Sales Tax* requirements to consider and procedures that you may need to implement to stay in conformity with the *Sales Tax Code*. When it comes to *Sales Tax*, many are unsure what to do and routinely handle the matter improperly. As a result, some providers have been fined and required to pay retroactively when audited.

In Michigan, most food products, vitamins, nutrients, and doctor visits are *non-taxable items (Sales Tax Exempt)* - so chiropractors generally do not need to be concerned with the tax in these cases. However, if you are simply selling a non-medically necessary product - you may be required to obtain a *MI Sales Tax License*, collect *6% Sales Tax*, and then forward it to the treasury. This is because when you sell something from a business in Michigan you are required to collect *Sales Tax* unless the sale is *exempt* as specified in the *Code*.

Chiropractors should be aware that some products that are *medically (chiropractically) necessary* have been designated as *Sales Tax Exempt*. Licensed health professionals in Michigan should refer to the *Department of Treasury, Bureau of Revenue, General Sales and Use Tax Rules, R.205.139 Medical Equipment and Appliances. Rule 89*. This one page *Rule* specifies your *Sales Tax* responsibilities when selling *medically (chiropractically) necessary* products. Information is provided at the end of this article on how you can obtain a copy for review.

Every chiropractor in Michigan who sells products should read *Rule 89*, and check with your accountant for an opinion how it applies to your practice. Essentially *Rule 89* states that - "*if you are a "licensed health professional" in Michigan, and sell your patient a health product specified in Rule 89 (such as an orthotic), that is medically necessary, then you should not charge sales tax, and you don't need a sales tax license; however you are required to document the transaction as specified ."*

*By following Rule 89 and documenting as specified you are satisfying the requirements to support a claim that the product that you sold to your patient was Exempt from the Sales Tax. You may be required to have a Sales Tax License (even though you are a doctor), and charge the tax to pass on to the state, when you sell a product from your office – when you fail to satisfy the requirements of Rule 89.*

To help cover the bases when it comes to *Sales Tax* issues, a quick and easy "*Prescription Form*" is available to assist MI chiropractors with documentation requirements in their practices. Information is provided at the end of this article on how you can obtain a copy of the form for use in your practice.

The "*Prescription Form*" can be used for any product that you recommend, takes only seconds to fill out, and can then be included as part of the clinical record. It was designed using criteria specifically included in *Rule 89* to facilitate documentation requirements related to the *Sales Tax Exemption*. The "*Prescription Form*" helps chiropractors in several ways when offering products:

1. Provides a simple check off mechanism to document required information related to *MI Sales Tax Exemption* as required by *Rule 89* - including the *patient's name, date, description of the product, reason for medical necessity, your signature showing that you are a licensed health professional, and the amount the patient paid for the item.*
2. Provides added protections from medical legal liability.
3. Helps foster staff involvement in the sales process.

Future articles in this series will readdress how the "*Prescription Form*" enhances medical legal protection and facilitates staff involvement in the sales process. These issues were previously covered in *Part 1 of "Product Sales in Your Practice"* and a complete transcript is available for review at [www.AirFitBackRest.com/michiro.htm](http://www.AirFitBackRest.com/michiro.htm) .

Prescribe products based on your expertise to help manage the patient's condition, for their health, comfort, and benefit. The right product can help your patient maintain correction, provide support, help limit functional disability, prevent future injury, and aid in the rehab process. When you sell products to

your patients that are medically (chiropractically) necessary - implement a system to document the process accordingly to reduce medical legal exposure, incorporate staff involvement, and protect your practice from sales tax fines or liability in the case of an audit.

The "*Prescription Form*" and "*MI Sales Tax Rule 89*" described in this article are available free of charge at [www.airfitbackrest.com/michiro.htm](http://www.airfitbackrest.com/michiro.htm) for you to review and reprint for use in your practice. To obtain them by fax, email, or regular mail contact FitCare Products at (248) 661-5088 or email [sfirstendc@fitcareproducts.com](mailto:sfirstendc@fitcareproducts.com) .

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