

GIL 1-14-1 Sales and Use Tax: Bundled Transaction - Medical Information Bracelet

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August 7, 2014

Dear XXXX:

We are in receipt of your letter, dated July 29, 2014, requesting sales tax information on bundled transactions. Based upon the information contained in your letter we are providing this General Information Letter (GIL).

GILs address general questions; provide analysis of issues; and direct taxpayers to the Nebraska statutes, Nebraska Department of Revenue (Department) regulations, revenue rulings, or other sources of information to help answer a question. A GIL is a statement of current Department policy, and taxpayers may rely on the Department to follow the principles or procedures described in a GIL until it is rescinded or superseded. You may also find current regulations, revenue rulings, information guides, taxpayer rulings, and other GILs at revenue.nebraska.gov that may be helpful to you.

Your letter presents three scenarios under which Company A, a provider of in-home nursing services, transfers or furnishes a microchipped bracelet to a customer. You have asked for a determination regarding the sales tax ramifications under each scenario.

In Scenario A you ask whether the furnishing of in-home nursing services, which includes furnishing the client with a microchipped bracelet, constitutes a “bundled transaction?” You have indicated the bracelet is a de minimis component of the transaction and the true object of the transaction is the nursing services.

A bundled transaction, as defined in [Neb. Rev. Stat. § 77-2701.48\(1\)](#), must be comprised of at least two distinct products which are sold at retail for one, nonitemized price. Persons providing the nursing services described in Scenario A are not engaged in business as retailers of property, i.e., the microchipped bracelets, when these items are furnished as part of their nursing services. Therefore, charges by Company A for the nursing services described in Scenario A are not classified as bundled transactions and are exempt from sales tax. It is not necessary to look further to the “true object of the transaction” test in [77-2701.48\(4\)](#). Company A must, however, pay sales or use tax on its purchases of the bracelets furnished to clients in this manner.

In Scenario B you request a determination on whether the furnishing of a microchipped bracelet and the provision of nursing services, which consist only of entering medical information onto

the bracelet, constitutes a bundled transaction. You have indicated the cost of the bracelets is less than 5% of the flat fee charged for the nurse's data entry services.

As indicated above, in order for a transaction to be considered a bundled transaction, the transaction must be comprised of at least two distinct products which are sold at retail for one, nonitemized price. Persons providing the data entry nursing services described in Scenario B, even though more limited in nature than the services provided in Scenario A, are also not engaged in business as retailers of property when these items are furnished as part of their nursing services. Therefore, charges by Company A for the nursing services described in Scenario B are not classified as bundled transactions and are exempt from sales tax. Company A must, however, pay sales or use tax on its purchases of the bracelets furnished to clients in this manner.

In Scenario C you ask whether the selling of a microchipped bracelet to a customer, where no in-home care services or data entry services are provided, is considered a taxable sale. This transaction does constitute a retail sale of tangible personal property and Company A must collect and remit sales tax on the total amount charged for the bracelets. If Company A has withdrawn the bracelet from a tax-paid inventory of bracelets, sales tax must still be collected from the customer on the total selling price. However, when remitting tax to the Department, Company A will only remit tax on the difference between its cost of the bracelet and the selling price to its customer.

Kim Conroy
Tax Commissioner