

Date Issued: September 9, 2015
Georgia Letter Ruling: LR SUT-2015-10
Topic: Service Provider – Training

This letter is in response to your letter ruling request, regarding the application of Georgia sales and use tax to certain services performed by Taxpayer.

Facts as Presented by Taxpayer

Taxpayer performs the following services for Healthcare Providers:

- Coding, which involves transforming narrative descriptions of diseases, injuries, and procedures into numeric or alphanumeric designations (“code numbers”). The code numbers describe the diagnosis and the procedures performed to test or correct the diagnosis.
- Training and education for all levels of coders, physicians, and ancillary hospital personnel, including documentation improvement, inpatient and outpatient coding assessments and training, and revenue cycle management.
- Abstraction, which involves taking medical information from handwritten and typed reports and physically entering it into an electronic record. Taxpayer hires nurses and other health information management credentialed people to perform this service.

Taxpayer may perform these services onsite at the Healthcare Provider’s facility or at Taxpayer’s headquarters, depending on the scope of services selected by the particular Healthcare Provider. Taxpayer invoices the Healthcare Provider for these services.

Issue

Are Taxpayer’s charges for coding, training and education, and abstraction services subject to the tax?

Analysis

Georgia levies and imposes a tax (subject to certain specific exemptions) on the retail purchase, retail sale, rental, storage, use, or consumption of tangible personal property and on certain enumerated services.¹ Unlike sales of tangible personal property, which are generally presumed taxable, sales of services are not subject to tax unless specifically designated as taxable. Because coding, training and education, and abstraction services are not explicitly identified as taxable services under Georgia law, charges made for these services are not subject to the tax.

However, service providers generally must pay the tax on tangible personal property used in providing their services. Service providers are deemed the end users and consumers of tangible personal property used or consumed during the provision of a service if the service provider does not separately charge for such property.² This includes property that loses its identity when used and consumed during the provision of services and property that is deemed to be an inconsequential element of the service transaction.³ The service provider is liable for the tax on the purchase price of such tangible personal property. If such property was purchased under terms of resale, the service provider must accrue and remit use tax on the cost price of the property, because the property is deemed to be withdrawn from inventory for the service provider's use.⁴

¹ O.C.G.A. §§ 48-8-1, -30(a).

² Ga. Comp. R. & Regs. 560-12-1-.14(7)(d).

³ *Id.*

⁴ *Id.*

Ruling

Based on the facts presented, Taxpayer is performing a nontaxable service. Taxpayer's charges for coding, training and education, and abstraction services are not subject to the tax. However, Taxpayer must pay sales or use tax on the purchase price of tangible personal property used to perform these services.

The opinions expressed in this ruling are based upon the information contained in your request and limited to the specific transactions, facts, circumstances, and taxpayer in question. Should the circumstances regarding the transactions change or differ materially from those represented, this ruling may become invalid. Subsequent statutory or administrative rule changes or judicial interpretations of the statutes or rules upon which this ruling is based may subject similar future transactions to a different tax treatment than that expressed in this ruling.