

06-002

NAME
ADDRESS
PHONE

Re: Imposition of Utah Sales Tax

Dear TP REPRESENTATIVE:

The undersigned hereby requests advice as to whether the transaction described below is subject to sales tax under Utah Code Annotated §59-12-103 or other applicable Utah law. I previously submitted a similar request in March 2005 but never received any response.

FACTS

COMPANY is a for-profit corporation incorporated under the laws of the Commonwealth of STATE. In addition to other lines of businesses, COMPANY serves as the Fiscal Agent intermediary for various states' Medicaid programs. In that capacity, we administer the state Medicaid program by providing such services as determination of enrollee eligibility, adjudication of healthcare providers' claims and reimbursement of such claims using state funding, and numerous other related services.

In the capacity of Fiscal Agent for the 2ND STATE Medicaid program, COMPANY provides those services described above. One of COMPANY'S responsibilities is to provide Medicaid enrollees with identification cards. COMPANY has contracted with a third-party vendor located within Utah. The vendor prints the cards in Utah and ships them to COMPANY in 2ND STATE, which, in turn, distributes them to the enrollees. Pursuant to COMPANY'S contract with the state of 2ND STATE a, COMPANY is reimbursed the actual cost of printing and postage on the cards by the state.

INQUIRY

Based on the above, COMPANY requests that you advise us as to whether the transaction described above may be exempt from Utah sales tax on the basis that (i) the tangible personal property is used wholly outside of the state of Utah (ii) COMPANY is only a nominal purchaser and, in fact, the state of 2ND STATE is the real purchaser of the tangible personal property, and/or (iii) any other applicable exemption that may apply. Finally, COMPANY asks if your response would be any different based upon whether the cards were mailed directly to the individual Medicaid enrollees in 2ND STATE by the third-party Utah vendor, as opposed to the cards being shipped to COMPANY in 2ND STATE for distribution to 2ND STATE Medicaid enrollees.

I thank you for your assistance in this matter. If any additional information is required, please do not hesitate to contact me at PHONE.

Very truly yours,

NAME
ADDRESS

RESPONSE

May 15, 2006

NAME
ADDRESS

Re: Private Letter Ruling Request - Sale of Medicaid ID Cards in 2ND STATE

Dear NAME:

We are in receipt of your request. Our records show the Taxpayer Services Division sent a reply to your request on July 12, 2005. We regret you did not receive it. We apologize for the delay.

You requested a private letter ruling on whether sales tax applied to Medicaid ID cards produced for COMPANY under a contract with a Utah vendor. You stated the Utah vendor prints the cards and delivers them to COMPANY in 2ND STATE for distribution to enrollees. You said COMPANY distributes the cards to enrollees in 2ND STATE. Pursuant to a contract, 2ND STATE reimburses COMPANY for the cost of the cards.

Utah Code § 59-12-103(1)(a) imposes sales tax on retail sales of tangible personal property in Utah: (1) A tax is imposed on the purchaser as provided in this part for amounts paid or charged for the following transactions:

(a) retail sales of tangible personal property **made within the state**; (Emphasis added.)

Based on the information you have provided, the sale does not occur within Utah. Your information does not make clear whether you are reselling the cards to the State of 2ND STATE, or if providing the cards is incidental to your contract with 2ND STATE. In either case, the sale does not occur in Utah, but in interstate commerce. Therefore, Utah sales tax is not imposed.

You asked if delivery by the Utah vendor directly to the recipients would alter the outcome. It would make no difference whether the vendor mailed the cards directly to enrollees. In either case, the sale is to COMPANY, and is in interstate commerce. Thus, it is not subject to Utah sales tax.

This conclusion is based on the information provided to us. Our response might be different if the facts are other than those upon which our response is based. Should you have further questions, please contact us.

For the Commission,

Marc B. Johnson
Commissioner

MBJ/SR
06-002