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### Overview

This bill exempts massage therapy from the sales tax and subjects the massage therapy that is now subject to the sales tax instead to the health care provider tax; this will reduce the effective state tax rate from 6.875 to 2 percent and exempt the services from any applicable local sales taxes. To qualify for the sales tax exemption, a massage therapist must register with the Department of Revenue to pay the health care provider tax. The health care provider tax is scheduled to expire on January 1, 2020.

Receipts from taxing massage therapy will be deposited in the health care access fund; under present law the sales tax on massage therapy is deposited in the general fund.

The changes are effective for gross revenues received after and sales made after June 30, 2017.

### Section

- 1 Health care provider; definition.** Adds “massage therapist” to the definition of health care provider for purposes of the 2-percent gross revenues tax.
- 2 Definition of massage therapist.** Defines “massage therapist” for purposes of the health care provider tax statute. This is a person providing massage therapy who registers with the commissioner of revenue prior to the calendar quarter in which the massage therapy is provided.

## Section

- 3**      **Massage therapy services.** Defines “massage therapy services” for purposes of the health care provider tax statute. These services are defined as health care services involving systematic and structured touch and pressure on various parts of the human body to reduce muscle tension, relieve pain, improve flexibility or circulation, or to promote general wellness.
- The definition explicitly excludes services that are provided by a licensed health care facility or professional or upon written referral by one of them. Under present law these services are exempt from sales taxation; exclusion of them from the definition will prevent them from becoming subject to the health care provider tax as a result of enactment of the bill.
- 4**      **Patient services.** Adds massage therapy to the definition of the patient services for purposes of the health care provider tax statute. This will subject these services to the 2-percent provider tax.
- 5**      **Sales tax on services.** Eliminates the reference to exempt massage therapy services in the definition of services that are subject to the sales tax. This language is moved to the new exemption in section 6.
- 6**      **Sales tax exemption for massage therapy services.** Provides a new exemption under the sales tax for massage therapy services. This exemption has two components:
- The exemption under present law (in the definition of taxable services) for therapy provided by or on referral from a health care facility or licensed health care professional.
  - Massage therapy that pays the health care provider tax under the provisions of sections 1 to 4.