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Pennsylvania Sales and Use Tax
No. SUT-05-008
Magnetic Resonance Imaging Equipment

ISSUE

Is the lease or sale of installed magnetic resonance imaging equipment ("MRI") subject to sales tax?

CONCLUSION

An installed MRI is considered to remain tangible personal property and therefore, the lease or sale of an installed MRI is a taxable lease of tangible personal property.

FACTS

The Taxpayer, a nonexempt entity, plans to purchase an MRI from a manufacturer. Upon the purchase of the MRI by the Taxpayer, the Taxpayer will lease the MRI to an unrelated third party ("lessee") under a Master Equipment Lease Agreement ("Lease Agreement"). The manufacturer will install the MRI at the lessee's facility including connecting the MRI to existing power and plumbing lines at no extra charge to the Taxpayer or lessee. The Lease Agreement provides for monthly lease payments for a lease term of 60 months.

DISCUSSION

Private Letter Ruling SUT-04-021 held that the sale and installation of an MRI was a nontaxable construction contract. Since issuance of that letter, it has come to the attention of the Department of Revenue that almost all MRIs are leased. The fact that the leased MRIs are installed on real estate owned by someone other than the lessor indicates that the MRIs remain tangible personal property upon installation instead of becoming a permanent part of the real estate. In addition, lessors and installers of MRIs have indicated that MRIs are relatively portable and can be installed with relatively little time and effort. In fact, as the technology advances, MRIs are frequently uninstalled and new models are installed. The used MRIs are frequently reinstalled at the locations of other entities to which the MRIs are sold or leased. The seller/installer in this case, the manufacturer of the MRI, is a retail vendor and would normally be required to charge sales tax on the total sales price charged for the installed MRI. However, as the Taxpayer is leasing the MRI to the lessee, the Taxpayer may claim the resale exemption on the purchase of the MRI. The Taxpayer is required to submit an exemption certificate to the seller/installer. The Taxpayer is then required to collect sales tax on the lease of the MRI.

The purchase of medicines and injectable dyes for use in an MRI operation is exempt from tax pursuant to 61 Pa. Code § 52.1(b)(1). The MRI film, as it is not consumed during use, does not qualify as a medical supply and is subject to Pennsylvania Sales and Use Tax.