



CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

Hospitals and Other Medical Facilities

Preface

This publication is intended to help you understand California's sales and use tax law as it applies to hospitals and similar institutions.

The guidelines discussed in this publication are applicable to all hospitals and medical facilities, regardless of ownership, except those operated by the federal government.

If you cannot find the information you are looking for in this publication, please visit our website at www.cdtfa.ca.gov or contact our Customer Service Center at 1-800-400-7115 (TTY:711). See the [For More Information](#) section for additional resources.

For general information about sales and use taxes, your obligations as a holder of a seller's permit, how to file tax returns, and registration requirements for other tax and fee programs administered by the California Department of Tax and Fee Administration (CDTFA), please see our [publication 73, Your California Seller's Permit](#), which includes information on obtaining a permit, using a resale certificate, collecting and reporting sales and use taxes, buying, selling, or discontinuing a business, and keeping records.

We welcome your suggestions for improving this or any other publication. If you would like to comment, please provide your comments or suggestions directly to:

Audit and Information Section, MIC:44
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Please note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, the decision will be based on the law and not on this publication.

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Who Should Read This Publication?

This publication is designed for hospitals and other medical service facilities as defined in [Regulation 1503](#), *Hospitals and Other Medical Service Facilities, Institutions and Homes for the Care of Persons* (see list below). It may also be useful to medical supply companies and other members of the medical care industry. This publication does not apply to institutions operated by the federal government.

In general, the following institutions are covered by this publication:

- A "health facility" as defined in [section 1250](#) of the Health and Safety Code. A health facility also includes "clinic" as defined in sections [1200](#) and [1200.1](#) of the Health and Safety Code. The facility must hold a license as required by [section 1253](#), or it must be exempt from the requirement to hold such a license, as allowed by subdivision (a) of [section 1270](#) of the Health and Safety Code.
- A "community care facility" as defined in [section 1502](#) of the Health and Safety Code. The facility must hold a license as required by [section 1508](#) of the code, or it must be a residential facility selected by a licensee, as provided for in [section 1506](#), and used exclusively for the reception and care of people placed by such licensee; or it must be exempt from the license requirement, as allowed by subdivision (f) of [section 1505](#) of the code.
- A "residential care facility for the elderly" as defined in [section 1569.2](#) of the Health and Safety Code. The facility must hold a license as required by [section 1569.10](#) of the code, or it must be exempt from the license requirement, as allowed by [section 1569.145](#) of the code.
- An "alcoholism or drug abuse recovery or treatment facility" as defined in [section 11834.02](#) of the Health and Safety Code, which holds the license required by [section 11834.30](#) of the code.
- Any house, retirement home, or similar establishment supplying board and room for a flat monthly rate and serving as a principal residence exclusively for people 62 years of age and older. The term "exclusively" is defined to mean that no more than four individuals under 62 years of age are in residence during any calendar quarter.
- Any housing that primarily serves older individuals and is financed by state or federal programs.
- A surgery center or other medical or psychological outpatient health facility, including such facilities where patients remain for less than 24 hours.

For questions regarding definitions used in the [Health and Safety Code](#), please contact the [California Department of Public Health](#).

General Application of Tax

Hospitals and other medical service facilities are predominantly service enterprises for tax purposes and are generally considered consumers, rather than retailers, of tangible personal property. As consumers, hospitals will generally pay tax to their suppliers or use tax directly to us for purchases of property, other than for exempt purchases of medicines ([Does tax apply to my purchases?](#)). However, when hospitals and other medical service facilities act as retailers of tangible personal property, as described below, they are required to file returns and report and pay tax on their sales to patients and other purchasers.

Does tax apply to my sales?

When you are the retailer of tangible personal property, you are required to report and pay tax unless an exemption applies—for example, under certain conditions, sales of medicines, as defined in [Regulation 1591, Medicines and Medical Devices](#), are exempt from tax, as are other sales described later in this publication. If you lease property to patients, the lease may be considered a taxable sale. For more information, see [Equipment Rentals and Leases](#).

Assuming that an exemption does not apply, you are a retailer and are liable for tax when:

- You furnish property for a charge to persons other than patients or residents.
- You make a separately itemized charge for property to patients or residents that intend to remove the property from the premises of the medical facility for use by the patient (for example, solar shield glasses for a patient who will have an outpatient procedure and the patient or the insurance company receives a copy of the itemized bill).
- You make a separately itemized charge for the tangible personal property, possession of the property passes to the resident or patient, and your contract with the resident or patient specifically provides that title to the tangible personal property passes to the resident or patient.

Examples of taxable sales

In general, you must report and pay tax on the following transactions:

- Cafeteria and snack bar sales. See [Application of Tax to Food and Beverage Sales—In General](#).
- Coin-operated vending machine sales, including hot or cold food products. See [Coin-operated machines](#).
- Sales of meals and guest trays to employees, medical staff, and visitors. See [Food Service Transactions](#).
- Sales of cast boots to patients when they check out of the hospital, for which you make a separately itemized charge.
- Gift shop, bookstore, and newsstand sales. See [Gift Shops, Bookstores, and Newsstands](#).
- Miscellaneous retail sales of:
 - Metal scrap, dietary waste, used X-ray film, and so on.
 - Equipment, furniture, and fixtures. See [Sales of Capital Assets](#).

Examples of nontaxable sales

In general, tax does not apply to charges for the following transactions:

- Patient services, including room and general nursing services.
- Meals and food products (including hot prepared food products) provided to patients and outpatients by institutions, including food provided to patients by way of enteral feeding, Total Parenteral Nutrition (TPN) and Intradialytic Parenteral Nutrition (IDPN). See [Application of Tax to Food and Beverage Sales—In General](#).
- Medicines subject to exemption. See [Medicines, Medical Supplies, and Products](#).
- Sales to the U.S. government under Part A of the Medicare Act. See [Medicare payments](#).
- Whole blood or blood plasma sold by a blood center or blood bank. See [Blood Centers/Banks](#).

- Other miscellaneous charges:
 - Educational programs, such as tuition from nursing schools.
 - Research and other special purpose grants, including grants, gifts, or subsidies specified by the donor for research or educational programs.
 - Rental of space in hospitals, clinics and schools of nursing, and rentals of rooms to employees and others.
 - Recovery of charges for personal telephone calls.
 - Statutory fees received as a result of service of a subpoena duces tecum for copies of medical records. See [Photocopies of Medical Records](#).

Does tax apply to my purchases?

You should normally pay an amount for tax to your suppliers for purchases of property you consume. In general, this includes:

- Property you use in your business operations, such as office supplies.
- Property you provide to patients in connection with performing your services.

However, you do not need to pay tax on your purchases of:

- *Medicines whose sales are exempt.* For these purchases, you should submit a tax exemption certificate to your supplier (see [Exemption Certificates](#)). Otherwise, your supplier will generally collect an amount for tax.
- *Property other than medicines that you will resell and report and pay tax on when it is resold.* For these purchases, you should submit a resale certificate to your supplier (see [Resale Certificates](#)). Otherwise, your supplier will generally collect the tax.

In some cases, your supplier will not collect an amount for tax because the sale of the item is not subject to tax, such as sales of certain food products. Or, you may purchase an item from an out-of-state supplier who does not collect California tax.

However, if you do not pay tax to your supplier, you could still be liable for California use tax on your purchase. If you do pay tax to your supplier and resell the item before you use it, you could be eligible for a deduction on your return.

See [Other tax issues related to sales and purchases](#) and [Deductions and Exemptions](#) for more information.

Examples of purchases subject to tax

Listed below are special items and categories of items that are taxable when purchased by hospitals and other medical service facilities. Generally, these are items that are consumed by hospitals and other medical service facilities, and include items you may provide to patients with your services.

- Hospital beds, microscopes, X-ray equipment, apparatus, instruments, contrivances or other mechanical, electronic, optical or physical equipment, or articles or the component parts and accessories thereof.
- Reusable dinnerware, silverware, and cooking utensils.
- Stationery, business supplies, forms, and so on.
- Housekeeping supplies, including bedding.
- X-ray film and related supplies used in producing diagnostic X-rays. Except for cosmetic purposes, see [Laboratories \(including x-ray, electrocardiology, and others\)](#).
- Chemicals and supplies used in laboratories and other diagnostic centers within hospitals—for example, electrocardiology. See [Specific Hospital and Other Medical Facility Departments and Programs](#).
- Educational supplies used in conjunction with educational programs.
- Articles such as splints, bandages, pads, compresses, supports, dressings, and other items not considered to be medicines that are administered. Hospitals and other medical service facilities are consumers of these articles even when separate charges for the articles are made and no other charges are identified as a charge for the administration of the article. See [Items excluded from the definition of medicines](#).
- Supply items such as disposable drapes or surgeons' gloves used in surgery.

Examples of purchases not subject to tax

In general, tax does not apply to your purchases of the items listed below. As noted on [Exemption Certificates](#), for some purchases you must submit an exemption certificate or a California resale certificate to your supplier; otherwise, your supplier will generally collect tax.

- Medicines. See [Medicines, Medical Supplies, and Products](#).
- Meals and food products that are consumed by patients or residents and furnished or served by medical service facilities, including food provided by way of enteral feeding.
- Disposable items (nonreusable) that become components of meals or food products furnished or served, such as straws, paper napkins, plastic utensils, paper plates, and items used to dispense enteral feeding (TPN and IDPN)—including needles, syringes, cannulas, bags, tubing, filters, locks, tape, clamps, and connectors which are integral to the tubing. See [Nonreusable items](#).
- Carbonated beverages to be furnished or served as components of patient meals. See [Items sold with meals](#).
- Diagnostic substances or preparations intended for use by external or internal application to the human body and furnished by the hospital laboratory, X-ray laboratory, or other diagnostic unit. See [Laboratories \(including x-ray, electrocardiology, and others\)](#).
- Items that are going to be resold in a gift shop, bookstore, newsstand, pharmacy, or vending machine such as:
 - Medicines whose sales are not specifically exempt and sundry products.
 - Food, soft drinks, and other items to be resold through vending machines. See [Coin-operated machines](#).

Other tax considerations related to sales and purchases

If I do not pay California tax on a purchase, can I be held liable for use tax?

Yes. If you purchase tangible personal property without payment of tax and do not make a sale of the property or it does not qualify for an exemption, you generally must report and pay use tax based on the purchase price. For more information about California use tax, see [publication 110, California Use Tax Basics](#).

You may not have paid tax to a supplier because you submitted a resale certificate for your purchase, or you may have purchased the property from an out-of-state seller who did not collect California tax.

Example: You purchase office supplies from an out-of-state retailer who does not collect California use tax. Since you will not be selling the supplies (you are a consumer of them), you must report the use tax.

To report your tax liability, enter your costs for the items on your sales and use tax return under *Purchases Subject to Use Tax*.

If I pay tax to my supplier and later make a taxable sale of the item, can I take a deduction for the tax I paid?

“Tax-paid purchases resold” deductions

If you pay tax to a supplier on an item that you later sell and report tax on, you are entitled to a “tax-paid purchases resold” deduction so long as you did not use the property prior to resale, and the deduction is claimed in the same period in which the sale was made.

You can receive credit for your tax payment by deducting your cost for the items. Enter the amount paid, exclusive of tax, on you sales and use tax return under *Cost of Tax-Paid Purchases Resold Prior to Use*.

Please note: If you pay sales tax reimbursement to a supplier on a purchase of an exempt medicine that you do not resell, you cannot take a cost of tax-paid purchases resold prior to use deduction. You must request a refund from the supplier. See [Filing a Claim for Refund](#).

Medicines, Medical Supplies, and Products

The exemptions described in this chapter are those that generally apply to hospitals and other medical service facilities. If you would like information on other exemptions (such as sales in interstate commerce or donations to qualified nonprofit organizations), please see [publication 61](#), Sales and Use Taxes: Tax Expenditures.

Application of Tax to Medicines and Other Medical Products

The discussion of medicines and application of tax to medical products are divided into the categories listed below. As noted in the following pages, sales of some items are specifically exempted from tax, while others are exempt based on how they are used.

- Medicines.
- Mammary prosthesis/breast implants. See [Mammary prostheses](#).
- Ostomy appliances and supplies. See [Ostomy appliances and supplies](#).
- Insulin syringes. See [Insulin syringes](#).
- Balloon catheters and other catheters. See [Balloon catheters and other catheters](#).
- Wheelchairs, crutches, canes, quad canes, and walkers. See [Wheelchairs, crutches, canes, quad canes, and walkers](#).
- Continuous passive motion machines. See [Continuous passive motion \(CPM\) machines](#).
- Medical oxygen delivery systems/continuous positive airway pressure (CPAP) systems. See [Medical oxygen delivery systems](#).

Medicines

Sales of medicines, as defined, are exempt from tax when sold or furnished under the specific conditions listed below.

“Medicines” means and includes any product fully implanted or injected in the human body, or drug or biologic, that has been approved by the U.S. Food and Drug Administration to diagnose, cure, mitigate, treat, or prevent any disease, illness, or medical condition.

“Medicines” is also defined as any substance or preparation intended for use by external or internal application to the human body in the diagnosis, cure, mitigation, treatment, or prevention of disease.

The complete definition of medicines can be found in [Regulation 1591](#), Medicines and Medical Devices.

The following pages provide examples of items that are defined as medicines. It should be noted that orthodontic, prosthetic, auditory, ophthalmic, and ocular devices and appliances do not qualify as medicines for tax purposes unless they are specifically included in the definition of medicines, as summarized in this section.

To be exempt, medicines must be sold or furnished under the following conditions (some exceptions are noted later).

The medicine must be:

- Prescribed for the treatment of a human being by a person authorized to prescribe the medicines, and dispensed on prescription filled by a registered pharmacist in accordance with law, or
- Furnished by a licensed physician, surgeon, dentist, or podiatrist to their own patient for treatment of the patient, or
- Furnished by a health facility for treatment of any person pursuant to the order of a licensed physician, surgeon, dentist, or podiatrist, or
- Sold to a licensed physician, surgeon, dentist, podiatrist, or health facility for the treatment of a human being, or

- Sold to the State of California or any political subdivision or municipal corporation thereof for use in the treatment of a human being; or furnished for the treatment of a human being by a medical facility or clinic maintained by this state or any political subdivision or municipal corporation thereof, or
- Furnished by a pharmaceutical manufacturer or distributor without charge to a licensed physician, surgeon, dentist, podiatrist, or health facility for the treatment of a human being, or to an institution of higher education for instruction or research. Such medicine must be of a type that can be dispensed only: (a) for the treatment of a human being, and (b) according to a prescription issued by persons authorized to prescribe medicines. This exemption applies to the constituent elements and ingredients used to produce the medicines and to the tangible personal property used to package such medicines.
- In the case of hemodialysis products, supplied on order of a licensed physician and surgeon to a patient by a registered pharmacist or by a manufacturer, wholesaler, or other supplier authorized by [section 4054](#) or [4059](#) of the [Business and Professions Code](#) to distribute such products directly to hemodialysis patients.

Drugs, preparations, and similar substances

Tax does not apply to the sale or use of any substance or preparation that is intended for use by external or internal application to the human body in the diagnosis, cure, mitigation, treatment, or prevention of disease and is commonly recognized as intended for such use, when sold or furnished under the conditions listed above.

Examples:

- Alcohol (70% solution)
- Anesthetic gases
- Antibiotics
- Baby lotions, oil, and powder
- Bone cement
- Chemical intrauterine contraceptive devices
- Enemas (nonreusable)
- Food provided by internal feeding
- Gelfoam (sponge)
- Surgical cellulose hemostat
- Hydrogen peroxide
- Certain impregnated gauze and dressings
- Lubricating jelly
- Oral contraceptives
- Oxygen
- Radioactive pellets
- Sterile nonpyrogenic distilled water
- Surgical soap
- Total Parenteral Nutrition (TPN)
- Intradialytic Parenteral Nutrition (IDPN)

Articles permanently implanted in the human body

Tax does not apply to the sale or use of articles permanently implanted in the human body to assist in the functioning of any natural organ, artery, vein, or limb and which remain or dissolve in the body, when sold or furnished under the conditions listed above.

An item is considered to be permanently implanted if its removal is not anticipated.

Examples:

- Bone screws and pins
- Dental implant systems, including dental bone screws and abutments
- Ear implants
- Implanted defibrillators and implanted leads
- Implanted artificial sphincters
- Pacemakers
- Permanently implanted catheters
- Testicular gel implants
- Tendon implants
- Skin staples and preloaded disposable skin staplers
- Sutures

With specific exceptions, items that replace, rather than assist, the functioning of all or part of a natural organ, artery, vein, or limb are excluded from the definition of medicines. Sutures and skin staples are included in this category, whether or not they are permanently implanted. A nonreturnable, nonreusable needle fused or

prethreaded to a suture is regarded as part of the suture. Suture strips are considered a bandage and are excluded from the definition of medicines, and are therefore taxable.

Artificial limbs and eyes

Tax does not apply to the sale or use of artificial limbs and eyes or their replacement parts, including stump socks and stockings worn with artificial legs and intraocular lenses for human beings, when sold or furnished under the conditions listed above.

Orthotic devices

Tax does not apply to the sale or use of orthotic devices and their replacement parts designed to be worn on the person as a brace, support, or correction for the body structure (excluding orthodontic devices) when sold or furnished under the conditions listed above.

Orthotic devices include:

- Abdominal binders
- Ace bandages
- Ankle braces
- Anti-embolism stockings
- Arm braces
- Casts and cast components
- Cervical supports
- Cervical traction devices
- Clavicular splints
- Elbow supports
- Head halters
- Neck collars
- Pelvic traction devices
- Postoperative knee immobilizers
- Postsurgical corsets
- Rib belts and immobilizers
- Rupture holders
- Sacral belts
- Sacrolumbar back braces
- Shoulder immobilizers
- Slings
- Stump shrinkers
- Trusses
- Wrist braces

Orthotic devices and their replacement parts do not need to be furnished by a registered pharmacist to be considered as dispensed on prescription, provided they are furnished pursuant to the written order of a physician or podiatrist. For example, orthotic devices furnished according to a written order of a physician or podiatrist by—but not limited to—medical device retailers, clinics, physical therapists, intermediate care facilities, or other such individuals or institutions are deemed to be dispensed on prescription.

Please note: Orthotic shoes and support devices for the foot are not exempt unless they are:

- Custom-made biomechanical foot orthosis, or
- An integral part of a leg brace or artificial leg.

The term “custom-made biomechanical foot orthosis” means a device that is made on a positive model of the individual patient’s foot. The model may be individually constructed from suitable model material such as plaster of paris, stone, or wax, and may be manually constructed or fabricated using electronic technology.

In more general terms, a custom-made biomechanical foot orthosis means a foot orthosis which moves the osseous bones in the foot to a position in which the correct or ideal positioning of the patient’s ankle joint in relation to the leg is obtained. A podiatrist must generally perform numerous tests to determine this position for each patient. Once the desired position is determined, the podiatrist makes a mold of the foot and sends a prescription to an orthotic lab. Following the physician’s instructions, the lab adjusts the mold by adding or removing materials, and then makes an orthotic from the corrected mold. An arch support does not qualify as a custom-made biomechanical foot orthosis.

Continuous passive motion (CPM) machines. Electrically powered apparatuses are often worn on the ankle, knee, hip, or finger to stimulate healing of tissues. Since they are designed to assist the functioning of a natural body part, they are considered exempt orthotic devices when fully worn on the body. Sales or leases of CPM machines to patients are not taxable when sold or furnished according to a written order of a physician or podiatrist. For more information, see the discussion of written orders under [Prescription Defined](#).

Prosthetic devices

Tax does not apply to the sale or use of prosthetic devices and their replacement parts when designed to be worn on or in the patient to replace or assist the functioning of a natural part of the human body, when sold or furnished under the conditions listed above. Excluded from the definition of “medicines” are air compression pumps and pneumatic garments; noninvasive temporary pacemakers; vacuum/constriction devices used to treat male impotency; auditory, ophthalmic, and ocular devices; and dental prosthetic devices and materials, such as dentures, bridges, crowns, caps, inlays, and artificial teeth.

Examples of prosthetic devices that qualify as medicines when worn on or in the patient include:

- Acetabular cups
- Atrial valves
- Breast tissue expanders
- Cervical cuff
- Cranioplastic kits
- Dacron grafts
- Femoral component, polycentral type, total knee
- Finger joint prosthesis
- Heart valve
- Nerve cups
- Orbital implant
- Rhinoplasty prosthesis
- Mammary prostheses (see below)
- Skull plates
- Tissue expanders
- Urinary incontinent devices

Prosthetic devices also include:

- Bags and tubing, as well as filters, locks, tape, clamps, and connectors which are integral to the tubing used to dispense enteral feeding to the patient, including gastrostomy tubes, jejunostomy tubes, and nasogastric tubes.
- Needles, syringes, cannulas, bags, and tubing, as well as filters, locks, tape, clamps, and connectors which are integral to the tubing, each of which is used to dispense TPN or IDPN to the patient.

Prosthetic devices and their replacement parts do not need to be furnished by a registered pharmacist to be considered as dispensed on prescription, so long as they are furnished pursuant to the written order of a physician or podiatrist.

Please note: Volumetric infusion pumps are not included unless the pump is used with a kidney dialysis machine.

Drug infusion devices

Tax does not apply to the sale or use of programmable drug infusion devices to be worn on or implanted in the human body which automatically cause the infusion of measured quantities of a medicine into the body, when sold or furnished under the conditions listed above.

Biologics

Botox[®], Botox[®] Cosmetics, and similar biologics approved by the [U.S. Food and Drug Administration](#) (FDA) to diagnose, cure, mitigate, treat, or prevent any disease, illness, or medical condition are medicines regardless of how the products are used.

Breast implants

Breast implants are approved by the FDA for both reconstructive and cosmetic surgeries. Breast implants are considered medicines regardless of the type of surgery performed (reconstructive or cosmetic).

Collagen/dermal implants

Collagen and similar products are classified by the FDA as medical devices and generally require FDA approval. Restylane can be used to either correct scarring or correct the appearance of lines and wrinkles from aging. Restylane is considered a medicine regardless of its ultimate use.

Medical kits

Because medical kits often consist of both medicines and administration equipment, the exempt charges for the medicine should be segregated from the taxable charges. Regardless of the percentage value of the exempt portion of the sale, the charges for the medicines are exempt while the charges for the remainder of the kit are taxable.

Antiseptic cleansers/scrubs used by hospital personnel

Tax does not apply to items such as antiseptic surgical cleansers/scrubs applied by hospital personnel to their own bodies to benefit the patient and which constitutes a critical component of the patient's treatment.

Mammary prostheses

Mammary prostheses (including breast implants) are considered exempt from tax. Bras to hold a mammary prosthesis in place, filler pads, adhesive spray and remover, and lymphedema arm sleeves are exempt.

Mammary prostheses need to be sold or furnished under the conditions listed above to qualify for the exemption but do not need to be furnished by a pharmacist to be considered dispensed on prescription—so long as they are furnished pursuant to a written order of a person authorized to prescribe.

Ostomy appliances and supplies

Tax does not apply to sales of ostomy appliances and related supplies that are required as the result of any surgical procedure by which an artificial opening is created in the human body for the elimination of natural waste. In order for these items to be considered medicines, they must be used in postoperative situations or sold as an accommodation to patients. If they are used as an adjunct to surgical procedures, purchases or sales of these items would be subject to tax, unless the appliances remain in the patient for postoperative purposes.

The term "natural waste" is not limited to that type of waste eliminated from the body by its natural function. It is also meant to cover situations where trauma fluid or exudate is removed from the human body.

Examples of ostomy appliances and supplies include:

- Adhesive spray and remover
- Antacid used externally as a skin ointment
- Catheters used as a result of any artificial opening created in the human body to eliminate natural waste
- Closed or drainable stoma bags
- Colostomy bags
- Deodorant used on the patient
- Karaya rings
- Loop ostomy supplies
- Nonallergenic paper tape and gauze
- Skin bond cement
- Skin gel
- Tincture of benzoin applied topically as a skin protective
- Tubing
- Urinary drainage appliances

Ostomy appliances and related supplies need to be sold or furnished under the conditions listed above to qualify for the exemption, but do not need to be furnished by a pharmacist to be considered dispensed on prescription, so long as they are furnished pursuant to a written order of a person authorized to prescribe.

Kidney dialysis machines

“Ostomy appliances” and “related supplies” include kidney dialysis machines, replacement parts for the kidney dialysis machines, and the catheters, dialysis fluid additives, volumetric infusion pumps, tubing, blood sets, fistula sets, and shunts used in connection with such machines. To qualify as a related supply, an item must be a necessary and integral part of the machine itself, or a substance or preparation intended for external or internal application to the patient undergoing dialysis.

Insulin syringes

Tax does not apply to sales of insulin syringes furnished by a registered pharmacist to a person for treatment of diabetes, as directed by a physician.

Tax does not apply to the sale of glucose test strips and skin puncture lancets furnished by a pharmacist, as directed by a physician, that are used by a diabetic patient to determine their own blood sugar level for the patient’s use in treating diabetes. The furnishing of these items by a person other than a pharmacist is taxable, even when the glucose test strips and lancets are furnished by a health facility or administered by hospital staff.

Balloon catheters and other catheters

Balloon catheters

Sales of intra-aortic balloon pump catheters and coronary angioplasty balloon catheters are not subject to tax. However, sales of related supplies are subject to tax. The term “related supplies” includes, but is not limited to, coronary guiding catheters, coronary guide wires, guide wire introducers, sheath introducer systems, torquing devices, hemostatic valves, inflation devices, and syringes.

Other catheters

Sales of catheters are generally taxable, with three major exceptions:

1. Catheters that are permanently implanted are nontaxable when they assist the functioning of a natural organ, artery, vein, or limb and remain or dissolve in the body.
2. Catheters that are used for drainage purposes through artificial openings are nontaxable as ostomy materials and supplies.
3. Catheters or other types of drainage devices used for drainage through natural openings are nontaxable as prosthetic devices designed to be worn on or in the person of the user to replace or assist the functioning of a natural part of the human body.

Catheters may also be exempt if they are an integral and necessary part of another exempt item.

Wheelchairs, crutches, canes, quad canes, and walkers

Tax does not apply to sales, including leases that are “sales,” of wheelchairs, crutches, canes, quad canes, white canes used by the legally blind, and walkers and replacement parts for these devices when sold to a patient as directed by a licensed physician.

Electric three-wheel scooters that are similar in both design and function to a conventional electric wheelchair also qualify for exemption when sold or leased to an individual for the personal use of that individual as directed by a physician or surgeon.

For information on sales made to health maintenance organizations (HMOs), see [HMOs and Charges for the Use of Durable Medical Equipment](#).

Medical oxygen delivery systems

Tax does not apply to the sale or use of medical oxygen delivery systems when sold or leased to an individual for the personal use of that individual under the direction of a licensed physician.

In general, tax applies to sales of medical oxygen delivery systems to hospitals, immediate care facilities, or other health care providers for use on their premises in the same manner as other sales of tangible personal property.

The term “medical oxygen delivery systems” includes liquid oxygen containers, high pressure cylinders, regulators, oxygen concentrators, tubes, masks, cylinder carts for ambulating, cylinder stands, and related items necessary for the delivery of oxygen to the person. It also includes repair and replacement parts for use in such a system.

Continuous positive airway pressure (CPAP) equipment sold or leased to individuals for the treatment of a sleep disorder such as sleep apnea may also be nontaxable as a medical oxygen delivery system. CPAP equipment continuously supplies a small amount of pressure to the user’s airway, as distinguished from similar devices that only assist the patient in breathing and do not deliver air or oxygen directly into the patient’s lungs. Devices that only assist the patient’s breathing process and, as such, do not deliver air or oxygen directly into the patient’s lungs are subject to sales tax.

Items excluded from the definition of medicines

The term “medicines” does not include the items listed below (this list is not all-inclusive). Consequently, sales and purchases of these items are generally taxable.

- Orthodontic, auditory, ophthalmic, or ocular devices or appliances. See [Artificial limbs and eyes](#) for examples of specifically exempted items.
- Dentures, removable plates, fixed permanent bridges, permanently implanted artificial teeth (except dental implant systems, including dental bone screws and abutments—see [Articles permanently implanted in the human body](#)), crowns, caps, inlays, and other prosthetic materials and devices.
- Articles which are in the nature of splints, bandages, pads, compresses, supports, dressings, instruments, apparatus, contrivances, appliances, devices, or other mechanical, electronic, optical, or physical equipment or article or the component parts and accessories thereof, arch supports, cervical pillows, exercise weights (boots or belts), orthopedic shoes and supportive devices (unless they are a “custom-made biomechanical foot orthosis” or an integral part of a leg brace or artificial leg), plastazote inserts, plastazote shoes, plastic shoes (custom or ready-made), sacroease seats, shoe modifications, Spenco® inserts, traction units (unless they qualify because of how they are worn), or thermophore pads.
- Hospital beds, including specialized or therapeutic beds.
- Any alcoholic beverage of which the manufacture, sale, purchase, possession, or transportation is licensed and regulated by the Alcoholic Beverage Control Act (Division 9, commencing with [section 23000](#), of the [Business and Professions Code](#)).
- Bathroom equipment, nebulizers, trapeze bars, patient hydraulic lifts, IV stands and restraints, and bone fracture therapy devices.
- Specially designed hand utensils, grooming and dental aids, eating and drinking aids, shampoo aids, and household aids.
- Glucose meters and non-insulin syringes.
- Condoms and diaphragms.

Specific Hospital and Other Medical Facility Departments and Programs

Laboratories (including x-ray, electrocardiology, and others)

Application of tax to laboratory charges

Hospital laboratory charges are generally for professional services and are not subject to tax. However, charges related to cosmetic procedures may be subject to tax, as explained below.

Cosmetic procedures. You are considered a retailer and must report and pay tax on charges for photographs and x-ray films related to “cosmetic” procedures, which includes any surgery to improve a patient’s appearance by plastic restoration, removal of blemishes, and so on. You should separately state the prices for taxable products from nontaxable products on your billings.

Application of tax to laboratory purchases

Hospital laboratories are generally consumers of tangible personal property used in their operations. As consumers, they will generally pay sales tax reimbursement to their suppliers for their purchases of such property. However, tax does not apply to purchases of:

Exempt Medicines. Only those testing products that are administered in the living body (*in vivo*) qualify as exempt medicines, such as radiopaques, opaques and dyes, or glucose tolerance test substances. Testing products that are applied outside the living body (*in vitro*) and in an artificial environment do not qualify as exempt medicines, such as clintest tablets, acetest tablets, and litmus paper.

X-ray film used for cosmetic procedures (see “cosmetic procedures” above). You may issue a resale certificate to your supplier for x-ray film that will be used for cosmetic procedures. In these transactions, the patient is regarded as the consumer of the x-ray film, and you must pay tax on your sale of the film to the patient.

Optical Departments

Typically, in a hospital operating an optical department, a registered dispensing optician fills prescriptions prepared by physicians, surgeons, or optometrists. In these situations, the hospital is the consumer of ophthalmic materials, including eyeglasses, frames, lenses, or their replacement parts. A hospital is also the consumer of lenses and frames furnished as duplications or replacements of parts of eyeglasses or contact lenses which were previously prescribed by a physician, surgeon, or optometrist. As the consumer, the hospital will generally pay tax reimbursement to their vendor when they purchase these items (if not, the hospital is liable for use tax on the purchase).

Please note: Sales of nonprescription eyewear (such as noncorrective sunglasses or noncorrective colored contact lenses) are taxable. In these instances, the hospital is the retailer of ophthalmic materials and tax applies to their sale. Sales of such lenses are taxable, whether sold by a pharmacist, physician, optometrist, or optician. The hospital may issue a resale certificate to its vendor for these purchases. For more information, see [Resale Certificates](#).

Pharmacies

Tax does not apply to purchases by a pharmacy, or sales by a pharmacy, of exempt medicines, as described in the previous chapter. The exempt status of medicines is not affected if it is dispensed to inpatients or outpatients.

If a hospital pharmacy distributes items that do not qualify as medicines to hospital wards for staff use (other than items directly administered to the patients), the pharmacy will owe use tax based on their purchase price for those items if the pharmacy purchased the items for resale or from an out-of-state supplier who did not collect California sales or use tax. Use tax is paid by reporting the purchase price on the sales and use tax return.

Replacement contact lenses. Tax does not apply to pharmacists' sales of replacement contact lenses if they are dispensed under a prescription prepared by a physician, surgeon, or optometrist. Similar to optometrists and dispensing opticians, pharmacists who fill replacement contact lens prescriptions prepared by a physician, surgeon, or optometrist are considered the consumer of the lenses. As the consumer, pharmacists must pay tax on their purchases of lenses when they buy them.

Please note: Sales of nonprescription lenses are taxable whether they are sold by a pharmacist, physician, optometrist, or optician.

Gift shop. If your pharmacy also operates a gift shop, please see [Gift Shops, Bookstores, and Newsstands](#) for guidelines regarding the application of tax to those sales. Please see [publication 73](#), *Your California Seller's Permit*, and [publication 27](#), *Drug Stores*, for more information on such sales.

Blood Centers/Banks

[Section 33](#) of the Revenue and Taxation Code provides that sales of human blood and blood plasma are exempt from taxation. Tax does not apply to the sale or use of any container used to collect or store human whole blood, plasma, blood products, or blood derivatives that are exempt from taxation according to section 33, including but not limited to blood collection units and blood pack units.

Blood pack units generally consist of a plastic bag or bags, disposable tubing, and a needle. Blood collection units may include a needle, multiple bags, a bag of saline solution, tubing, filters, grommets, a plastic bowl containing a stainless steel centrifuge, and a pooling bag. Sales of these blood collection and pack units are not taxable even if the tubing, needles, filters, and so on are discarded and not sold together with the blood.

Visiting Nurse Programs

If your hospital has a visiting nurse program (when personnel provides services to patients at their homes), your sales of medicines under that program are generally nontaxable, since the medicines are considered to be furnished by a "health facility," as defined in [Regulation 1591\(a\)\(4\)\(B\)](#), *Medicines and Medical Devices*. If the patient is provided with an itemized bill, the hospital is the retailer of any supply item used on or provided to the patient—and tax applies to those items not specifically exempted as provided for in other sections of this publication.

Food Service Transactions

The following information explains how tax applies to your hospital food service operations. For additional information on this subject, we recommend that you see [publication 22](#), Dining and Beverage Industry, or [Regulation 1603](#), Taxable sales of food products.

Application of Tax to Food and Beverage Sales—In General

In general, sales of food and beverages are subject to tax when tables, chairs, or counters are provided or food is sold on trays, glasses, dishes, or other nondisposable tableware provided by the hospital or other medical facility (such as food sold in a cafeteria, restaurant, or snack bar operated by the hospital or other medical facility). Despite their disposable packaging, sales of food and beverages served in disposable containers are subject to tax when the food and beverage is for consumption on the premises. Beverages and cold food products sold à la carte may not be taxable when sold on a “to go” basis.

Sales of hot food and edible nonfood items such as alcoholic and carbonated beverages are taxable no matter where they are sold (see exceptions for Patient meals and Student meals (hospital schools) below).

Patient meals

Meals (including hot prepared food products) supplied or sold to patients or residents are exempt when sold or supplied by hospitals or other medical facilities. The exemption for patient meals is not affected by a food contractor serving the meals or selling the meals to a hospital or other medical facility which serves them. The exemption also applies to outpatients while they are in the hospital or other medical facility. However, sales of guest trays to visitors are not exempt as patient meals.

Sales of carbonated beverages, when served by the hospital as part of the patient’s meal, regardless of whether a separate charge is made, are considered exempt.

The term “meals” also includes food provided to patients by way of enteral feeding, including Total Parenteral Nutrition (TPN) and Intradialytic Parenteral Nutrition (IDPN).

Student meals (hospital schools)

Meals and food products (including hot prepared food products) sold to students who are enrolled in a school operated by a hospital or other medical facility are not subject to tax. For this exemption to apply, the meals or food products must be furnished, prepared or served for consumption at tables, chairs, or counters or from trays, glasses, dishes, or other tableware. This exemption does not apply to meals served to student volunteers, student nurses, interns, and so on, unless they are enrolled at the school operated by the hospital or other health facility.

The exemption for student meals only applies when meals and food products are sold to students by schools. The exemption generally does not apply if a caterer or independent food contractor sells meals directly to the students. However, independent food contractors or caterers will qualify for the exemption if the contract and records with the school show that all of the following conditions are met:

- The facilities used to serve meals to the students are used by the school for other purposes,
- The fixtures and equipment used to prepare and serve the meals are owned and maintained by the school, and
- The students purchasing the meals cannot distinguish between the independent contractor or caterer and the employees of the school.

Sales of nonfood beverages, such as carbonated beverages, beer, and wine, are exempt when included in a meal that is sold for a single price. Nonfood beverages are not exempt when sold alone or sold with food items but individually priced.

Nonreusable items—such as napkins, straws, disposable dinnerware, paper or foam plates or bowls, disposable drink cups, isolation trays, paper covers for cups, and plastic wrap—are considered to be included in the price for the food or beverage. Consequently, you can purchase these items without tax by issuing a resale certificate to your vendor. Items which are reusable—such as china, silverware, glasses, on so on—are not considered sold with a meal and tax must be paid when purchased (or if purchased from an unregistered out-of-state retailer reported under *Purchases subject to use tax* of your sales and use tax return).

Items used to dispense enteral feeding, TPN, or IDPN—such as bags, tubes, filters, tape, clamps, and connectors—are also considered nonreusable items that become components of the meals. For more information, see [Regulation 1503 \(a\)\(2\)\(C\)](#).

Disposable menus used by patients to order meals are not component parts of meals. Consequently, you must generally pay tax reimbursement when you purchase those items (or if purchased from an unregistered out-of-state retailer reported under *Purchases subject to use tax* of your sales and use tax return).

Coin-operated machines

Commissions received from vending machine operators who have placed vending machines on your premises are not subject to tax.

Some hospitals and other medical facilities, however, operate their own vending machines. If you operate your own vending machines, you are generally required to report tax on a portion of all food product sales, including sales of beverages, hot prepared food products, candy, and candy-coated gum (excluding bulk vending machine sales). For more information about how to report these sales, see [Regulation 1574, Vending Machine Operators](#). For an explanation of how to calculate tax, see [publication 118, Vending Machine Food Sales](#).

Equipment Rentals and Leases

In general, when you rent equipment to patients, you are acting as a leasing company and must:

- Pay tax to your vendor when you purchase the item, or
- Collect use tax from the lessee based on rental receipts, or
- Timely elect to report and pay use tax based on your purchase cost for the equipment (this must be done in the reporting period in which the equipment is first placed into rental service).

Tax must be paid based on rental receipts if (1) you did not pay tax to the vendor at the time of purchase, or (2) you did not report and pay use tax based on your purchase cost in the reporting period when the equipment was first placed into rental service, or (3) you rent the equipment in a form that is substantially different from the form in which you acquired it.

Exceptions

Tax does not apply to leases of equipment considered to be medicines under the Sales and Use Tax Law (for example, tax does not apply to leases of kidney dialysis machines to patients). Tax may not apply to leases of wheelchairs, crutches, canes, quad canes, walkers, CPM machines, and medical oxygen delivery systems. See [Medical oxygen delivery systems](#).

For additional information, please read [Regulation 1660, Leases of Tangible Personal Property—in General](#), and [publication 46, Leasing Tangible Personal Property](#).

Gift Shops, Bookstores, and Newsstands

Generally, gift shop, bookstore, and newsstand sales of tangible personal property are subject to tax, even if the store is operated by auxiliaries or other volunteer organizations (see next section). Typical nontaxable items sold by gift shops include candy, gum, confection, and other cold food products.

Please note: Carbonated beverages are not considered food products. Sales of these beverages are subject to tax.

Volunteer Organizations (Auxiliaries)

Generally, volunteer organizations working in conjunction with hospitals organize and perform volunteer work in the hospital. In many instances, hospital volunteer organizations will operate the gift shop, snack bar, or other operation where retail sales are made. Contrary to a common belief, there is no general exemption from sales tax on sales made by nonprofit organizations. Generally, if a volunteer organization operates a retail selling operation either within or outside the hospital, it is required to obtain a seller's permit, collect sales tax on retail sales, and file sales tax returns.

Volunteer organizations may also be involved in fundraising activities such as charity dinners and auctions. Sales of tangible personal property are generally taxable even if the items sold are donated and the proceeds benefit a charitable cause. For more information, please see [publication 18, Nonprofit Organizations](#).

Thrift stores benefiting individuals with HIV and AIDS

Tax does not apply to certain thrift stores' sales of used clothing, household items, or other retail merchandise benefiting individuals with HIV and AIDS. A nonprofit organization must operate the thrift store to raise funds that will be used to provide medical, hospice, or social services for individuals chronically ill with HIV or AIDS.

The organization operating the thrift store must:

- Spend at least 75 percent of the store's net revenues providing the medical, hospice, or social services described above, and
- Be exempt from state income tax under [section 23701d](#) of the Revenue and Taxation Code.

For more information, see [publication 18](#), *Nonprofit Organizations*.

Sales of Capital Assets

Since hospitals are predominantly service enterprises, sales of capital assets used in the performance of hospital services, such as hospital beds or medical equipment, are generally considered occasional sales and are not subject to tax. If, however, the hospital makes more than two of these asset sales for substantial amounts in any 12-month period, the gross receipts from the first two sales are exempt occasional sales, but the gross receipts from third and subsequent sales during any 12-month period are subject to tax, unless otherwise exempt.

Please note: Hospitals or other health facilities that operate a retail department such as pharmacy, gift shop, cafeteria, or snack bar as adjuncts to the hospital or other health facility must report tax on the sale of fixtures and equipment used in the operation of these businesses. For example, the sale of display counters and cash registers located in a gift shop would be taxable. For further information, see [Regulation 1595](#), *Occasional Sales—Sale of a Business—Business Reorganization*.

Photocopies of Medical Records

Hospital or other medical facility sells photocopies to requesting party

You are generally required to pay tax on sales of photocopies of medical records unless you are required by law to furnish copies of such records. For example, you are not required to report and pay tax on your charges if the photocopies are furnished to the patient, or to someone acting on behalf of the patient, or to the patient's representative, as provided in California Health and Safety Code [section 123110\(b\)](#).

Likewise, you are not required to report and pay tax if you are required to provide photocopies in response to a written authorization or subpoena *duces tecum* presented by an attorney or the attorney's representative as provided in California Evidence Code sections [1158](#) and [1563](#).

These fees remain nontaxable if a photocopying service makes and sells the copies to you to furnish to the requesting party; however, in such cases you may be required to pay tax to the photocopying service as a consumer of the photocopies transferred to you.

Transcriptions of medical reports. Tax does not apply to a separately stated charge for providing a typewritten transcription of a medical report or an interpretation of the contents of a medical record; however, tax applies to the fair retail value of any photocopies produced for a customer in connection with these nontaxable services.

Photocopying service sells photocopies to requesting party

If a copying service, by agreement with the hospital or other health facility, makes photocopies of medical records, furnishes them directly to the requesting party, and bills the requesting party directly for the copies, the charges are taxable.

For additional information, see [Regulation 1528](#), *Photographers, Photocopiers, Photo Finishers and X-Ray Laboratories*.

Sales or purchases of breast pumps and related supplies

Beginning April 1, 2024, through March 31, 2029, the sale or purchase of breast pumps and related supplies are exempt from tax. Revenue and Taxation Code [section 6370.2](#) defines the qualifying products:

- A breast pump is an electrically or manually controlled pump device designed and marketed to be used to express milk from a human breast during lactation and includes the electronically or manually controlled pump device and any battery, alternating current (AC) adapter, or other power supply unit packaged and sold with the pump device at the time of sale to power the pump device.
- Breast pump collection and storage supplies are those items designed or marketed to be used in conjunction with a breast pump to collect milk expressed from a human breast and store collected milk until it is ready for consumption and include, but are not limited to:
 1. Breast shields and breast shield connectors.
 2. Breast pump tubes and tubing adapters.
 3. Breast pump valves and membranes.
 4. Backflow protectors and backflow protector adaptors.
 5. Bottles and bottle caps specific to the operation of the breast pump.
 6. Breast milk storage bags.
 7. Other items that may be useful to initiate, support, or sustain breastfeeding using a breast pump during lactation that may be sold separately but are generally sold as part of a breast pump kit.
- A breast pump kit includes a breast pump and one or more of the following items:
 1. Breast pump collection and storage supplies.
 2. Other items that may be useful to initiate, support, or sustain breastfeeding using a breast pump during lactation, so long as the other items sold with the breast pump kit at the time of the sale are less than 10 percent of the total sales price of the breast pump kit.
- Breast pads.

Please note that “breast pump collection and storage supplies” does not include the following items if not sold as part of a breast pump kit prepackaged by the breast pump manufacturer or distributor:

1. Bottles and bottle caps not specific to the operation of the breast pump.
2. Breast pump travel bags and other similar carrying accessories, including ice packs, labels, and other similar products.
3. Breast pump cleaning supplies.
4. Nursing bras, bra pads, breast shells, and other similar products.
5. Creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples.

If you sell qualifying breast pumps and related supplies, you should continue to report your sales of these qualifying items in your reported total gross sales on your sales and use tax return. You may then claim the deduction for these qualifying sales on your return. Under *Nontaxable sales (deductions)*, *Other Nontaxable Sales*, select *Other* and input "breast pumps" or "breast pump-related supplies" under *Description*.

How Payment Sources—Such as Insurance, Medi-Cal, and Medicare Payments—Affect Tax Liabilities

Insurance company payments

There is no effect on the application of tax to a sale if payments are made by an insurance company. Such payments are treated as though they had been made directly by the patient.

Medi-Cal payments

As with insurance payments, Medi-Cal payments are treated as though the payment was made directly by the patient. They do not affect the application of tax.

Medicare payments

Part A payments

Tax does not apply to the sale of property if payment for the property is made under Part A of the Medicare Act. Under Part A, you, the healthcare provider, have a contract with the U.S. government to provide certain services. Therefore, sales of medicines, devices, appliances, and supplies in which payment is made under Part A qualify as an exempt sale to the U.S. government.

As explained under [General Application of Tax](#), hospitals and medical facilities are generally consumers of the property they provide to patients in connection with medical services. Accordingly, no deduction may be taken as a sale to the U.S. government when hospitals and medical facilities are consumers of the property. Hospitals and other medical facilities owe tax on their purchase of consumable items.

Deductions for Sales to the United States government. If your sale is already exempt (such as the sale of an exempt medicine), a second deduction is not allowed under *Sales to the United States government*. In addition, since Medicare reimburses for a reasonable cost, only amounts received from the government are allowable under this deduction.

Part B payments

Sales made under Part B of the Medicare Act do not qualify as exempt sales to the U.S. government. Under Part B, the hospital or other medical facility does not have a contract with the U.S. government. The contract is between the patient and the U.S. government, and unless the sale is otherwise exempt (such as the sale of an exempt medicine), the hospital or other medical facility must report and pay tax on the transaction.

Research Grants

You may receive funding from government or private sources to initiate or continue research in the development of cures or treatments for human illnesses or diseases. You are the consumer of all equipment and supplies used for such research. As a consumer, you will generally pay tax to your supplier (see exception below). If you purchase from an out-of-state vendor that does not collect tax, you will be liable for the use tax and you must report the purchase price on your return under *Purchases Subject to Use Tax*.

Exception—property purchased for the U.S. government. Tax does not apply to your purchase of property used for research if you purchase the property for the U.S. government and title to the property passes to the government *prior* to use.

Recordkeeping

You are required to keep business records so that we can:

- Verify the accuracy of your sales and use tax returns.
- Determine if you have correctly paid the tax due on your sales and purchases.

Your records must include:

- The normal books of account, which can include information stored on computers.
- Documents of original entry (bills, receipts, invoices, job orders, contracts, or other documents supporting the entries in the books of account).
- All schedules or working papers used to prepare tax returns.

You should also retain resale and exemption certificates and any other information needed to substantiate exemptions and deductions.

You must keep records pertaining to sales and use tax liabilities for a period of four years unless we give you written authorization for their earlier destruction. If we are auditing your records, you should retain all records for the period being audited until the audit is completed.

Prescriptions

Prescriptions must be retained by any pharmacy (including those within a health facility) to support exemptions for deductions claimed on sales of prescription medicines. For more information, see [Prescription Defined](#).

Items “deemed to be dispensed on prescription”

Some items, when sold by a pharmacist as directed by a physician, are “deemed to be dispensed on prescription.”

The following information is needed for such sales:

- Name of purchaser
- Name of physician
- Date of sale
- Item sold
- Selling price

Reimbursement for Sales Tax

Although you are required to pay and report sales taxes to us, you may be reimbursed by the purchaser for the amount of tax you owe on a sale. For example, if you are required to pay \$10.00 in sales tax, you may pass that cost on to the purchaser, provided it is agreed to as part of the sale. It is presumed that the customer agrees to pay the addition of tax if:

- You list a separate amount for sales tax reimbursement on your receipts or invoices, or
- You post a sign on your premises stating that sales tax reimbursement will be added to all prices of taxable merchandise, or make a similar statement on price tags, advertising material, and other printed material directed to the purchaser, or
- The sales agreement specifically calls for the addition of sales tax reimbursement.

If you include sales tax reimbursement in your prices rather than itemizing it separately on your invoices or receipts, you must inform the buyer that tax is included. You can post this information at your premises in a location that is visible to purchasers, or you can include it on a price tag or in an advertisement (whichever is applicable). Use one of the following statements:

- All prices of taxable items include sales tax reimbursement computed to the nearest mill, or
- The price of this item includes sales tax reimbursement computed to the nearest mill.

Deductions and Exemptions

Sales for resale

You may sell or trade in equipment or sell supplies to others who intend to resell the merchandise. You must obtain a valid resale certificate from the purchaser to document the sale as nontaxable. For more information on the acceptance or use of resale certificates, see [publication 73](#), *Your California Seller's Permit*, and [publication 103](#), *Sales for Resale*.

Tax-paid purchases resold

If you have paid an amount for sales or use tax on a purchase and make a taxable sale of the property prior to using it, you can take a deduction on your return to recover the tax amount paid. When you report the sale, enter your cost (purchase price excluding tax) for the item under *Cost of tax-paid purchases resold prior to use*.

Bad debts

If you have reported and paid tax on a sale and have been unable to collect payment, you may claim a bad debt deduction. The deduction can only be taken for the amount of taxable sales, excluding any applicable tax, and excluding any fees for uncollectible accounts or bad checks. The bad debts must be written off for income tax purposes, or if you are not required to file income tax returns, they must be written off in accordance with generally accepted accounting principles.

Please note: There are many rules that govern deductions for bad debt losses. For more information, please see [Regulation 1642](#), *Bad Debts*.

Other common deductions and exemptions

As explained in other parts of this publication, certain hospital and other medical facilities' sales are not subject to sales and use tax. You may take a deduction on your sales and use tax return for these sales, including:

- Prescription medicines. See [Medicines, Medical Supplies, and Products](#).
- Certain food products. See [Food Service Transactions](#).
- Sales to the U.S. government. See [Medicare Payments](#).

Prescription Defined

To be exempt from tax, medicines sold by pharmacists and others must generally be prescribed by a licensed physician for the treatment of a patient or be furnished or provided in another manner prescribed by law as noted in the chapter [Medicines, Medical Supplies, and Products](#).

"Prescription" means an oral, written, or electronic transmission order that is issued by a physician, dentist, optometrist, or podiatrist licensed in this state and written for a specific individual. The order must include the following:

- A. The name or names and address of the patient or patients.
- B. The name and quantity of the medicine or medical device prescribed and the directions for use.
- C. The date of issue.
- D. Either rubber stamped, typed, or printed by hand or typeset, the name, address, and telephone number of the prescriber, their license classification, and their federal registry number, if a controlled substance is prescribed.
- E. A legible, clear notice of the conditions for which the medicine or medical device is being prescribed, if requested by the patient or patients.
- F. If in writing, signed by the prescriber issuing the order.

HMOs and Charges for the Use of Durable Medical Equipment

Health maintenance organizations (HMOs) that operate hospitals and clinics often provide durable medical equipment, such as wheelchairs, walkers, and so on at no cost to members when ordered by a physician. If the HMO hospital *retains ownership of the property* (even if the patient does not return the property), the hospital is the consumer of the property. As the consumer, the hospital cannot purchase the equipment with an exemption certificate. Tax will generally apply to the hospital's purchase.

Filing a Claim for Refund

If you have paid sales tax reimbursement or use tax to a supplier, or accrued and reported use tax directly to us on a purchase that is not subject to tax, a claim for refund may be filed for these amounts. However, it is important to note that, as a purchaser, the proper method of filing a claim for refund depends on whether the overpaid tax is either sales tax reimbursement paid to a supplier, or use tax paid to a supplier, or accrued and paid directly to us.

Refund of sales tax

When you pay sales tax reimbursement to a supplier on a purchase of an item that you believe is exempt or excluded from tax, you must file a claim for refund with the supplier from whom the property was purchased. The supplier may then file a claim for refund with us. If you file a claim for refund of sales tax reimbursement paid to a supplier directly with us, it will be denied.

Refund of use tax

When you accrue and report use tax directly to us on a purchase of an item you believe is exempt or excluded from tax, you may file a claim for refund directly with us. If use tax was paid to a supplier rather than directly to us, you have the option of filing a claim for refund directly with us or filing a claim for refund with the supplier who may then file a claim for refund with us on your behalf.

Filing deadlines

It is very important to note that any claim for refund must be filed with us in the proper time frame. Therefore, if you are filing a claim for refund of sales tax reimbursement, the claim must be filed with us by the supplier by the filing deadline. Whichever of the following dates occurs *last* is the filing deadline:

- Three years from the due date of the return on which the tax was reported and paid.
- Six months from the date you overpaid tax.
- Six months from the date a determination (billing) became final.
- Three years from the date we collect a payment through the use of a levy, lien, or other enforcement procedure.

How to file a claim for refund

You may file a claim for refund using our [online services](#). To submit a claim for refund, simply log in using your username and password and click on the account for which you want to request a refund. Click on *More* under the *I Want To* section, then select *Submit a Claim for Refund* and follow the prompts. You may also use [CDTFA-101, Claim for Refund or Credit](#), or write your own letter. Your claim must state *all* of the following:

- The specific reasons for the claimed overpayment of tax.
- The amount of the overpayment, if known. If you are not yet sure of the actual amount, you may file for an unspecified amount. If possible, please break down your total overpayment into state, local, and district tax amounts (specify the district or districts), and include any interest or penalties.
- The reporting period or periods for which you paid too much tax. Your claim can cover more than one reporting period.

When you use CDTFA-101 or write your own letter, you must sign the form for the claim to be valid. Be sure to file your claim for refund by the applicable deadline and remember to include your telephone number so that we may contact you if there is a need.

Exemption Certificates

When purchasing medicines whose sales are exempt (as defined under [Medicines, Medical Supplies and Products](#)), you should issue an exemption certificate as provided in [Regulation 1667, Exemption Certificates](#). You can also use an exemption certificate to purchase items that may be considered medicines depending on their use, such as ostomy appliances (see [Ostomy appliances and supplies](#)) and catheters (see [Balloon catheters and other catheters](#)).

Your supplier should not apply tax to your purchase if you submit a properly completed certificate. The proper use of an exemption certificate at the time of the transaction can prevent the need to file a claim for refund at a later date.

No specific form of the certificate is required; however, the certificate must contain the following information:

- The name and address of the purchaser.
- The number of the seller's permit held by purchaser (if the purchaser is not required to hold a permit, a notation should be entered to that effect, explaining the reason a permit is not required).
- A description of the property to be purchased.
- The date of the document.
- The signature of the purchaser or someone approved to act on their behalf.
- A statement explaining how the property will be used to make the sales tax inapplicable to the sale.

Resale Certificates

As noted under [Examples of purchases not subject to tax](#), you can submit a resale certificate to your supplier to purchase property, other than medicines, that you will resell and report and pay tax on. If you submit a properly completed resale certificate, your supplier will not charge tax.

We do not provide resale certificates. However, you may download [CDTFA-230, General Resale Certificate](#), on our website.

For More Information

For additional information or assistance, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER 1-800-400-7115 (TTY:711)

Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

OFFICES

Please visit our website at www.cdtfa.ca.gov/office-locations.htm for a complete listing of our office locations. If you cannot access this page, please contact our Customer Service Center at 1-800-400-7115 (TTY:711).

INTERNET

www.cdtfa.ca.gov

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)).

Multilingual versions of publications are available on our website at www.cdtfa.ca.gov/formspubs/all-forms-and-publications.htm.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm. Sign up for our [CDTFA updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

We offer free [online](#) basic sales and use tax classes including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

For written advice on general tax and fee information, please visit our website at www.cdtfa.ca.gov/email to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70, *Understanding Your Rights as a California Taxpayer*](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

Regulations, forms, and publications

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Translated versions of certain publications are also available online.

Sales and Use Tax Regulations

- 1503 *Hospitals and Other Medical Service Facilities, Institutions, and Homes for the Care of Persons*
- 1528 *Photographers, Photocopiers, Photo Finishers, and X-Ray Laboratories*
- 1574 *Vending Machine Operators*
- 1591 *Medicines and Medical Devices*
- 1591.1 *Specific Medical Devices, Appliances, and Related Supplies*
- 1591.2 *Wheelchairs, Crutches, Canes, and Walkers*
- 1591.3 *Vehicles for Physically Handicapped Persons*
- 1591.4 *Medical Oxygen Delivery Systems*
- 1592 *Eyeglasses and Other Ophthalmic Materials*
- 1595 *Occasional Sales—Sale of a Business—Business Reorganization*
- 1602 *Food Products*
- 1603 *Taxable Sales of Food Products*
- 1614 *Sales to the United States Government and Its Instrumentalities*
- 1660 *Leases of Tangible Personal Property—In General*
- 1667 *Exemption Certificates*
- 1668 *Sales for Resale*
- 1698 *Records*
- 1700 *Reimbursement for Sales Tax*

Transactions (Sales) and Use Tax Regulations

- 1821 *Foreword*

Publications

- 17 *Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees*
- 18 *Nonprofit Organizations*
- 22 *Dining and Beverage Industry*
- 27 *Drug Stores*
- 44 *District Taxes (Sales and Use Taxes)*
- 46 *Leasing of Tangible Personal Property*
- 61 *Sales and Use Taxes: Tax Expenditures*
- 70 *Understanding Your Rights as a California Taxpayer*
- 73 *Your California Seller's Permit*
- 76 *Audits*
- 102 *Sales to the United States Government*
- 110 *California Use Tax Basics*
- 116 *Sales and Use Tax Records*
- 118 *Vending Machine Food Sales*

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