

AMENDED IN SENATE MAY 14, 2013

AMENDED IN SENATE APRIL 1, 2013

SENATE BILL

No. 688

Introduced by Senator Galgiani

February 22, 2013

An act to *amend Section 6018.1 of, and to add and repeal Section 6358.3 to, and to repeal Section 6018.1 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

SB 688, as amended, Galgiani. Sales and use taxes: exemptions: animals: ~~drug~~ *drugs* and medicines.

Existing sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, and provides various exemptions from those taxes. Existing sales and use tax laws, with certain exceptions, define a retailer as a seller who makes any retail sale of tangible personal property and as a person who makes more than 2 retail sales of tangible personal property during any 12-month period, and defines a retail sale as a sale of tangible personal property for any purpose other than resale in the regular course of business.

Existing sales and use tax law provides that a licensed veterinarian is a consumer of, and not a retailer of, drugs and medicines used or furnished by the veterinarian in the performance of his or her professional services, so that the retail sale subject to tax is the sale of drugs and ~~medicine~~ *medicines* to the licensed veterinarian.

This bill would ~~repeal~~, *until January 1, 2018, suspend* the provision that a licensed veterinarian is a consumer of drugs and medicines used or furnished by the veterinarian in the performance of his or her professional services.

This bill would, *until January 1, 2018*, exempt from sales and use taxes the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, drugs and medicines used, furnished, or sold by a licensed veterinarian, a city, county, city and county, or other local government animal shelter, or a nonprofit animal welfare or rescue organization for the treatment of animals. *This bill would require the Legislative Analyst's Office to, by January 1, 2017, with information provided by the State Board of Equalization, conduct and submit a study to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Assembly Committee on Revenue and Taxation, and the Senate Committee on Governance and Finance.*

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing law authorizes districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which conforms to the Sales and Use Tax Law. Amendments to state sales and use taxes are incorporated into these laws.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse any local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Section 6018.1 of the Revenue and Taxation~~
- 2 ~~Code is repealed.~~

1 *SECTION 1. Section 6018.1 of the Revenue and Taxation Code*
2 *is amended to read:*

3 6018.1. (a) A licensed veterinarian is a consumer of, and shall
4 not be considered a retailer within the provisions of this part with
5 respect to, drugs and medicines used or furnished by him or her
6 in the performance of his or her professional services.

7 For the purposes of this section, “drugs and medicines” includes
8 substances or preparations intended for use in the diagnosis, cure,
9 mitigation, treatment, or prevention of disease in animals and
10 which is commonly recognized as a substance or preparation
11 intended for this use. The term includes legend drugs, pills and
12 capsules (other than vitamins), liquid medications, injected drugs,
13 ointments, vaccines, intravenous fluids, and medicated soaps if
14 those soaps are available only to veterinarians. The term does not
15 include vitamins, shampoos, pet foods, prescription diet foods,
16 artificial diets, flea powders, and flea sprays.

17 (b) *This section shall be inoperative from the period beginning*
18 *on the operative date of the act adding this section until January*
19 *1, 2018.*

20 SEC. 2. Section 6358.3 is added to the Revenue and Taxation
21 Code, to read:

22 6358.3. (a) There are exempted from the taxes imposed by
23 this part the gross receipts from the sale of, and the storage, use,
24 or other consumption in this state of, drugs and medicines used,
25 furnished, or sold by a licensed veterinarian, a city, county, city
26 and county, or other local government animal shelter, or a nonprofit
27 animal welfare or rescue organization for the treatment of animals.

28 (b) For purposes of this section:

29 (1) “Animal” includes any member of the animal kingdom other
30 than humans, and includes fowl, fish, and reptiles, whether wild
31 or domestic.

32 (2) “Drugs and medicines” includes any substance or preparation
33 intended for use in the diagnosis, cure, mitigation, treatment, or
34 prevention of disease in animals and which is commonly
35 recognized as a substance or preparation intended for this use. The
36 term includes legend drugs, pills and capsules (other than vitamins),
37 liquid medications, injected drugs, ointments, vaccines, intravenous
38 fluids, and medicated soaps if those soaps are available only to
39 veterinarians. The term does not include vitamins, shampoos, pet

1 foods, prescription diet foods, artificial diets, flea powders, and
2 flea sprays.

3 (3) “Licensed veterinarian” means a person licensed pursuant
4 to Chapter 11 (commencing with Section 4800) of Division 2 of
5 the Business and Professions Code.

6 (4) “Nonprofit animal welfare or rescue organization” means
7 any organization, formed and operated for the primary purpose of
8 prevention of abuse, neglect, or exploitation of animals, that is
9 exempt from tax under Section 23701 as an organization described
10 in Section 23701d.

11 (c) (1) *The Legislative Analyst’s Office shall, by January 1,*
12 *2017, with information provided by the board, conduct a study as*
13 *described in paragraph (2), and submit the study to the Senate*
14 *Committee on Budget and Fiscal Review, the Assembly Committee*
15 *on Budget, the Assembly Committee on Revenue and Taxation,*
16 *and the Senate Committee on Governance and Finance.*

17 (2) *The study shall measure the following:*

18 (A) *The effect of the exemption provided by this section on the*
19 *number of Internet purchases of veterinary medicine.*

20 (B) *The effect of the exemption provided by this section on the*
21 *cost of veterinary medicine to consumers.*

22 (C) *The effect of the exemption provided by this section on the*
23 *number of veterinary visits in the aggregate.*

24 (d) *This section shall become inoperative on January 1, 2018,*
25 *and as of that date is repealed.*

26 SEC. 3. Notwithstanding Section 2230 of the Revenue and
27 Taxation Code, no appropriation is made by this act and the state
28 shall not reimburse any local agency for any sales and use tax
29 revenues lost by it under this act.

30 SEC. 4. This act provides for a tax levy within the meaning of
31 Article IV of the Constitution and shall go into immediate effect.
32 However, the provisions of this act shall become operative on the
33 first day of the first calendar quarter commencing more than 90
34 days after the effective date of this act.