

Date of Hearing: August 3, 2016

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
SB 898 (Nguyen) – As Amended June 27, 2016

Policy Committee: Revenue and Taxation Vote: 9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill creates a sales and use tax (SUT) exemption for animal whole blood, plasma, blood products, and blood derivatives, sold by a nonprofit animal blood banking business for use in the cure, mitigation, treatment, or prevention of injury or disease in animals. The provisions of this bill will be repealed on January 1, 2022.

FISCAL EFFECT:

Annual state and local revenue loss of approximately \$80,000, including \$38,400 GF.

COMMENTS:

- 1) **Purpose.** According to the author, SB 898 extends the tax treatment of human blood sold and used by human blood banks, such as the American Red Cross, to animal blood banks. Specifically, this bill exempts animal blood and blood products and derivatives sold by a licensed nonprofit animal blood bank when those products are sold for use in medical treatment.
- 2) **Animal blood banks.** According to the California Department of Food and Agriculture (CDFA), only two animal blood banks in California, one of which is a nonprofit, hold licenses to produce, market, and sell animal blood and blood products. These facilities provide whole blood, plasma, platelets, and clotting factors to veterinary hospitals and clinics. The blood used to make these products is collected from an animal "blood donor" housed permanently or semi-permanently at the blood bank. California law does not allow pet owners to volunteer their animals as donors to commercial blood banks.
- 3) **Equity for animals in the tax code.** SB 898 is not the first piece of legislation that aims to extend certain tax code benefits to goods and services that benefit animals. SB 688 (Galgiani) of 2013 would have established a SUT exemption for certain animal-related drugs and medicine used for the treatment of animals and furnished by a veterinarian, a city or other local government entity, or a nonprofit welfare or rescue organization. That bill was held in the Senate Committee on Appropriations suspense file.
- 4) **Policy committee amendments.** SB 898 was amended in the Assembly Committee on Revenue and Taxation to include a sunset date and to remove the provision that required the Board of Equalization (BOE) to cancel any notice of determination and any related penalties and interest. These amendments helped address lingering policy concerns about setting a precedent that would allow a taxpayer to escape from paying penalties and fines related to existing tax liability.

5) **Opposition.** The California State Association of Counties opposes this bill.

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