

SENATE THIRD READING  
SB 898 (Nguyen)  
As Amended June 27, 2016  
Majority vote

SENATE VOTE: 39-0

Committee	Votes	Ayes	Noes
<b>Revenue &amp; Taxation</b>	9-0	Ridley-Thomas, Brough, Dababneh, Gipson, Mullin, O'Donnell, Patterson, Quirk, Wagner	
<b>Appropriations</b>	17-3	Gonzalez, Bigelow, Bloom, Bonilla, Bonta, Calderon, Chang, Daly, Eggman, Eduardo Garcia, Holden, Quirk, Santiago, Wagner, Weber, Wood, Chau	Gallagher, Jones, Obernolte

**SUMMARY:** Establishes 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 pursuant to Food and Agricultural Code Section 9241. Specifically, **this bill:**

- 1) Defines "nonprofit" as an organization exempt from federal income taxation as an organization described in Internal Revenue Code Section 501(c)(3).
- 2) Provides that, notwithstanding existing law, the state shall not reimburse cities and counties for any SUT revenues lost by them under this bill.
- 3) Takes immediate effect as a tax levy.
- 4) Sunsets the exemption on January 1, 2022.

**EXISTING LAW:**

- 1) Imposes a sales tax on retailers for the privilege of selling tangible personal property (TPP), absent a specific exemption. The tax is based upon the retailer's gross receipts from TPP sales in this state.
- 2) Imposes a complimentary use tax on the storage, use, or other consumption of TPP purchased out-of-state and brought into California. The use tax is imposed on the purchaser; and unless the purchaser pays the use tax to an out-of-state retailer registered to collect California's use tax, the purchaser remains liable for the tax. The use tax is set at the same rate as the state's sales tax and must generally be remitted to the State Board of Equalization (BOE).
- 3) Provides that human whole blood, plasma, blood products, and blood derivatives, or any human body parts held in a bank for medical purposes, are exempt from taxation for any purpose. (Revenue and Taxation Code (R&TC) Section 33).

- 4) Exempts from SUT any container used to collect or store human whole blood, plasma, blood products, or blood derivatives that are exempt from taxation under R&TC Section 33, including blood collection units and blood pack units. (R&TC Section 6364.5).
- 5) Prohibits any person from offering for sale or use any of the following:
  - a) Any biologic unless it is manufactured pursuant to the terms of a valid license or permit issued by the United States Department of Agriculture; or,
  - b) Any blood or blood component product unless it is produced in a licensed establishment. (Food and Agricultural Code Section 9241).

**FISCAL EFFECT:** According to the Assembly Appropriations Committee, annual state and local revenue loss of approximately \$80,000, including \$38,400 in General Fund loss.

**COMMENTS:**

- 1) The author has provided the following statement in support of this bill:

Senate Bill 898 amends the California Revenue and Taxation [C]ode to clarify that the sale and use of animal blood, blood products, and derivatives by a licensed CDFA-licensed nonprofit animal blood bank are not subject to tax when sold for use in the cure, mitigation, treatment or prevention of injury or disease in animals.

Animal blood banks serve an important role in saving the lives of animals that are in need of surgical procedures. Human blood banks, such as the American Red Cross, enjoy a similar exemption, partly in recognition that human blood banks help save lives. This same exemption does not apply to nonprofit animal blood banks.

SB 898 will help ensure that animal blood banks continue to be treated under the law the same as human blood banks.

- 2) The BOE notes the following in its staff analysis of this bill:

*This bill does not materially impact the BOE's tax audit or administrative functions:*  
"Since this bill applies to one nonprofit licensed animal blood bank that currently exists in California, this bill would not materially impact the BOE's administrative responsibilities."

- 3) Committee Staff Comments

*What would this bill do?* This bill would provide a complete 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 BOE notes that, according to the California Department of Food and Agriculture, there are two California animal blood bank establishments with licenses to produce, market, and sell animal blood and 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 the animal "blood donors" housed

permanently or semi-permanently at the blood bank. The BOE notes that, under California law, pet owners are not allowed to volunteer their animals as donors to these commercial blood banks. The BOE further notes that, of the two licensed animal blood banks in California, only one of them operates as a nonprofit business. Thus, it would appear that this bill is designed to provide relief, through a complete SUT exemption, to a single entity.

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