
SENATE COMMITTEE ON APPROPRIATIONS

Senator Ricardo Lara, Chair
2015 - 2016 Regular Session

SB 898 (Nguyen) - Sales and use taxes: exemption: animal blood

Version: April 25, 2016

Policy Vote: GOV. & F. 7 - 0

Urgency: No

Mandate: No

Hearing Date: May 2, 2016

Consultant: Robert Ingenito

This bill meets the criteria for referral to the Suspense File.

Bill Summary: SB 898 would provide a sales and use tax (SUT) exemption for the sale of animal blood.

Fiscal Impact: The Board of Equalization (BOE) estimates that this bill would result in an annual revenue loss of \$158,000, \$76,000 of which would be General Fund. The remainder of the reduction would impact local governments. Additionally, BOE indicates that the bill would result in minor and absorbable implementation costs.

Background: Except where a specific exemption or exclusion is provided, current law imposes the SUT on all retailers for the privilege of selling tangible personal property (TPP) at retail in California, or on the storage, use, or other consumption in this state of TPP purchased from a retailer. Cities and Counties may increase the SUT rate up to 2 percentage points for either specific or general purposes with a vote of the people. As of January 1, 2017, the average statewide SUT rate will be 8.21 percent.

The Legislature has exempted certain tangible goods from SUT, including food, prescription medicine, household utilities, manufacturing equipment, and a variety of goods related to agriculture. Generally, purchases by nonprofits, public agencies, and charities are subject to SUT, unless otherwise exempted.

Current law exempts from SUT human whole blood, plasma, blood products, blood derivatives, or any human body parts held in a bank for medical purposes. This exemption does not apply to animal blood and blood products.

Proposed Law: This bill would provide for a SUT exemption for the sale of animal blood, plasma, blood products, and blood derivatives, sold for use in the cure, mitigation, treatment, or prevention of injury or disease in animals. Additionally, the bill would require BOE to cancel any current notice of determination and any related penalties and interest, and preclude BOE from issuing a new notice of determination.

Staff Comments: The California Department of Food and Agriculture indicates that only two animal blood bank establishments 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 one of the animal "blood donors" housed permanently or semi-permanently at the blood bank. California law does not allow pet owners to volunteer their animals as donors to these commercial blood banks.

BOE assumes that state animal blood product sales total roughly \$2 billion annually. It also assumes the expiration of the temporary quarter-cent increase SUT approved by the voters in 2012 (Proposition 30).

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