SUMMARY

Senate Bill 898 amends the California Revenue and Taxation code to clarify that the sale and use of animal blood, blood products, and derivatives by a licensed 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.

BACKGROUND

According to the California Department of Food and Agriculture (CDFA), only two animal blood bank establishments hold licenses to produce, market, and sell animal blood and blood products. These service facilities provide whole blood, plasma, platelets, and clotting factors to veterinary hospitals and clinics. Because California law does not allow pet owners to volunteer their animals as donors to these commercial blood banks, 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.

Human blood transfers are exempt from sales and use tax. However, whether sales and use tax applies to the sales of animal blood products under the true object test is uncertain and requires clarification. This uncertainty has resulted in incorrect payment of sales and use tax and the incorrect assessment of sales and use tax deficiencies. This proposal clarifies that such transfers of animal blood by licensed establishments are not subject to sales or use tax.

EXISTING LAW

Existing law prohibits the offering for sale or use of any animal blood and blood component product unless it is produced in an establishment licensed by the CDFA. CDFA requires a license for each establishment that produces animal blood and blood products to market or sell for the use in the cure, mitigation, treatment or prevention of injury or disease in animals. The law requires the registration of each blood and blood product being produced and sold.

Additionally under the Board of Equalization’s regulation, persons engaged in the business of rendering services are consumers, not retailers. If the true object of the contract is the service, the transaction is not subject to tax even though some tangible personal property is transferred. With this clarification, the services provided by animal blood banks should be seen in the same legal purview as human blood banks.

THE SOLUTION

SB 898 would provide that a transfer of animal whole blood, plasma, blood products, and blood derivatives by a CDFA-licensed establishment would not be subject to sales or use tax.

FISCAL EFFECT

Unknown at this time

SPONSOR

Author

CONTACT

Cameron Demetre

(916) 651-4034

[cameron.demetre@sen.ca.gov](mailto:cameron.demetre@sen.ca.gov)