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**Finance Committee**

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**HB 1164**

**Brief Description:** Concerning public awareness of tax exemptions for over-the-counter drugs dispensed to patients pursuant to a prescription.

**Sponsors:** Representatives Wylie, Caldier, Orwall, Stonier, Vick, Harris, Kraft, Pike and Pollet.

**Brief Summary of Bill**

- Requires licensed pharmacies to display a statement informing customers that a sales tax exemption is available for over-the-counter drugs dispensed pursuant to a prescription.

**Hearing Date:** 1/17/17

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Sales and Use Tax.

Retail sales taxes are imposed on most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end use of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital product, or service, then use taxes apply. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax is 6.5 percent; the local sales and use tax rates vary depending on the location.

Over-the-Counter Drugs.

Drugs available for purchase without a prescription are referred to as "over-the-counter" (OTC) drugs. The United States Food and Drug Administration (USFDA) determines which drugs may be offered as OTC drugs. These drugs must be labeled according to federal law and must include active ingredients, dosage directions and warnings. The OTC drugs can be purchased at a variety of locations and are subject to the retail sales tax. The OTC drugs may also be

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dispensed to a person pursuant a prescription. In such cases, the purchase is not subject to the sales tax.

**Summary of Bill:**

Licensed pharmacies must display a statement to inform customers that there is a tax exemption for OTC drugs dispensed pursuant a prescription. The Pharmacy Quality Assurance Commission, in consultation with the Department of Revenue, is charged with developing the guidelines for the content and location of the statement, including a sample.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2018.