



STATE BOARD OF EQUALIZATION

August 22, 1966

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Certified Public Accountants
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Gentlemen:

This is in reply to your letter regarding the application of sales tax with respect to “medical supplies” furnished by hospitals to patients who receive assistance under the Medicare Act and the California Medical Assistance Program. We understand from your inquiry that the medical supplies about which you inquired are not “medicines” as defined in sales and use tax ruling 22.

In reply to your specific inquiries, if such supplies are furnished to patients under the Medicare Act, pursuant to contracts entered into between the hospital and the United States Government, and the government makes direct payment to the hospital in whole or in part for such supplies, the transactions are sales to the United States and are exempt from tax to the extent of the payment by the United States.

If such supplies are furnished to the patients under the Medicare Act pursuant to contracts entered into between the hospital and the patients, and direct payment is made by the patients to the hospital, the transactions are taxable sales to the patients, notwithstanding the fact that the patients may be subsequently reimbursed, in whole or in part, by the United States Government for such expenditures.

There is no exemption under the law with respect to such supplies furnished to patients under the California Medical Assistance Program, as set forth in Chapters 7 and 8 of the Welfare and Institutions Code (§§ 14000-14157 and 15000-15200). Accordingly, the sale of such supplies to patients under the California Medical Assistance Program is subject to sales tax whether payment is made by the patient, the county, or the state.

Very truly yours,

George A. Trigueros
Associate Tax Counsel