
Taxable and Non-Taxable Items

Page updated: September 2020

Claims for items subject to or exempt from California State sales tax must contain the proper HCPCS procedure code and modifier. This section lists the codes (*Table 1*) subject to or exempt from California State sales tax.

Sales Tax Information

Sales tax on taxable items may be reimbursed by Medi-Cal. The determination of which items are taxable is made in accordance with Board of Equalization regulations.

Providers must include sales tax on Medi-Cal claims for taxable supplies and equipment. If sales tax is not included in the billed amount, the sales tax amount will not be included in the reimbursement. Providers must report sales tax, including the amount received from Medi-Cal, to the Board of Equalization.

For more information, see the *Application of Tax to Sales of Medical Supplies, Appliances, and Nonprescription Medicines* Notice on a following page in this section.

Tax Billed on Non-Taxable Items

Sales tax will be disallowed if billed when the item is non-taxable. The item will be reimbursed at the non-tax rate.

Sales Tax on Rentals

Sales tax on a rental is reimbursable if sales tax on the purchase of the same item is reimbursable. Conversely, if sales tax on the purchase is not reimbursable, sales tax on the rental is not reimbursable.

Sales Tax for Replacement Parts

Sales tax for replacement parts is reimbursable if sales tax on the purchase of the item being repaired is reimbursable. If sales tax on the purchase is not reimbursable, sales tax on replacement parts is not reimbursable.

Hearing Aid Purchase

The *Additional Claim Information* field (Box 19) for each hearing aid acquisition claim must show the following information:

- Manufacturer's name
- Catalog model number or serial number
- One-unit wholesale cost (Wholesale cost is defined as the "unit price" or the "single" unit price as identified in the manufacturer's wholesale catalog less rebates, discounts, taxes or any other factors.)
- Amount of actual sales tax paid to the wholesaler

Combine the item's purchase or rental price with any applicable sales tax and bill the total on the same line.

Medi-Cal limits the total cost of hearing aid benefit services, including sales tax, to \$1,510 per recipient per fiscal year (*Welfare and Institutions Code* [W&I Code], Section 14131.05). For additional information, refer to the *Hearing Aids* section in the appropriate Part 2 manual.

Sales Tax for Hearing Aids and Orthotic Appliances

Reimbursement for hearing aid and orthotic appliances may include both taxable (parts) and non-taxable (labor) components.

Hearing Aids

Simple office repairs up to \$25 may be billed by the provider. The modifier RB must be added to the hearing aid code. Authorization is required for repairs over \$25. Claims must include an itemized description of the repair performed, or an invoice from the manufacturer, if the device could not be repaired in the provider's office. Repairs are included in the \$1510 annual limit per recipient.

Orthotics

The following orthotics codes are taxable:

- L3100 (shoe night splint)
- L3201 thru L3595 (orthotic footwear, modifications and additions)

Indicate the total amount billed (including sales tax) on the claim line, and itemize the cost of parts and amount of sales tax in the *Additional Claim Information* field (Box 19) of the claim. Sales tax will be automatically applied during claims processing.

Application of Tax to Sales of Medical Supplies, Appliances, and Nonprescription Medicines



Notice

STATE BOARD
OF EQUALIZATION

Application of Tax to Sales of Medical Supplies, Appliances, and Nonprescription Medicines

450 N Street
Sacramento
California 95814

The Board of Equalization receives many inquiries from pharmacists and other medical vendors who have questions regarding the taxability of their sales. This notice has been prepared to answer some of the more common questions.

If you have any questions regarding the information provided below, please call (916) 324-2926 or contact your nearest Board of Equalization office. Office telephone numbers are listed in the government pages of the telephone directory under State Government Offices; California, State of; Equalization, Board of.

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SALES OF PRESCRIPTION MEDICINES – IN GENERAL

The sale of medicine is not subject to tax if the medicine is prescribed for the treatment of a human being by a licensed physician, surgeon, podiatrist, or dentist. Furthermore, the prescription must be filled by a registered pharmacist. Medicine is subject to tax, however, if it is sold without a prescription or for animals or other pets.

SALES PAID BY MEDI-CAL

All sales of prescription medicine, including those paid for by Medi-Cal, must be included as part of your total sales reported on your tax return. The sale must be reported for the tax reporting period in which the prescription is filled. You can deduct your sales of exempt prescription medicine on the same return (Line 10e of the State, Local & District Sales & Use Tax Return). Since tax applies to sales of medical supplies and appliances, care should be taken not to include them in the deduction.

There is no exemption solely on the basis of making a sale to the state of California through the Medi-Cal program or any other state program.

SALES TO INSULIN-DEPENDENT CUSTOMERS

Various items sold to insulin-dependent customers are commonly mistaken as exempt prescription medicines. The law provides a specific exemption from the sales and use tax for insulin and hypodermic syringes furnished by a registered pharmacist to a person for treatment of diabetes as directed by a physician.

However, the exemption does not extend to related supplies or appliances. Items included in the blood sugar test packages, such as electronic monitors, test strips and lancets, are subject to tax whether or not they are used in connection with treatment of diabetes. See the reverse of this notice for descriptions and examples of other items included or excluded from the term "medicines".

PERMIT REQUIREMENTS

If you sell nonprescribed medicines and items not qualifying as medicines, you are required to hold a seller's permit and report your tax liability to the Board. If you do not have such a permit, you should contact a nearby Board office to obtain one.

May 1994

Application of Tax to Sales of Medical Supplies, Appliances, and Nonprescription Medicines (continued).

Application of Tax to Sales of Medical Supplies, Appliances, and Nonprescription Medicines
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MEDICINES – DEFINITION AND EXCLUSIONS

Medicines Defined

The term *medicines* means and includes:

- Any substance or preparation intended for use by external or internal application to the human body in the diagnosis, cure, mitigation, treatment or prevention of disease and which is commonly recognized as a substance or preparation intended for that use.
- Orthotic devices, or their replacement parts, designed to be worn on the person of the user as a brace. "Orthotic devices" includes, but is not limited to, abdominal binders, ace bandages, ankle braces, anti-embolism stockings, casts, cast components, cervical supports, neck collars, cervical traction devices, postoperative knee immobilizers, elbow supports, slings, support hose (and garter belts used to hold them in place), and wrist and arm braces.
- Prosthetic devices, or their replacement parts, designed to be worn on or in the person of the user to replace or assist the functioning of a natural part of the human body, other than auditory, ophthalmic and ocular devices or appliances. Mammary prostheses, and any appliances and related supplies necessary as the result of any surgical procedure by which an artificial opening is created in the human body for the elimination of natural waste. Qualifying mammary prostheses and ostomy appliances and supplies include, but are not limited to, bras to hold a mammary prosthesis in place, filler pads, lymphedema arm sleeves, adhesive spray and remover, belts, catheters used as a result of an artificial opening created in the human body, colostomy bags, deodorant used on the person of the user, karaya rings, antacid used externally as a skin ointment, skin gel, nonallergic paper tape and gauze, skin bond cement, tincture of benzoin applied topically as a protective, urinary drainage appliances, closed stoma bags, drainable stoma bags, loop ostomy supplies, and tubing.
- Wheelchairs, crutches, canes, quad canes, and walkers and replacement parts for these devices when sold to an individual for use as directed by a licensed physician.

Exclusions

The following are generally *excluded* from the term *medicines*:

- Orthodontic, prosthetic, auditory, ophthalmic or ocular devices or appliances (See above for more information of prosthetic devices).
- Articles which are in the nature of splints, bandages, pads, compresses, supports, dressings, instruments, apparatus, contrivances, appliances, devices or other mechanical, electronic, optical or physical equipment or article or the component parts and accessories thereof. "Medicines" does not include arch supports, cervical pillows, exercise weights (boots or belts), hospital beds, orthopedic shoes and supportive devices (unless an integral part of a leg brace or artificial leg), plastazote inserts, plastazote shoes, plastic shoes (custom or ready-made), sacro-ease seats, shoe modifications, spenco inserts, traction units (other than those fully worn on the patient), thermophore pads, or foot orthoses.

FOR MORE INFORMATION

For more information on items that may or may not qualify as medicines, please contact your nearest Board of Equalization office.

«Taxable and Non-Taxable Items for Durable Medical Equipment Table»

Codes	Description	Taxable	Non-Taxable
A4230 thru A4236, A4257	Medical and surgical supplies	No	Yes
A4256, A4281 thru A4290	Medical and surgical supplies	Yes	No
A4566, A4570	Miscellaneous supplies	No	Yes
A4556, A4557, A4575, A4595, A4600, A4602	Miscellaneous supplies	Yes	No
A4601, A4606, A4614	Supplies for respiratory and oxygen equipment	Yes	No
A4604, A4611 thru A4613, A4615, A4617 thru A4620, A7027 thru A7047	Supplies for respiratory and oxygen equipment	No	Yes
A4630 thru A4634, A4638, A4639, A4640	Supplies for other DME	Yes	No
A9900, A9999	Supplies for DME, Home Health Agency medical supplies	Yes	Yes
A4635 thru A4637, A7048	Supplies for other DME	No	Yes
A4660, A4663	Supplies for dialysis	Yes	No
A4670	Automatic blood pressure monitor	Yes	No
A6550	Wound care	Yes	No
A7000, A7001, A7005, A7009, A7014, A7015, A7017, A7020, A7025, A7026	Respiratory DME	Yes	No
A9273, A9279 thru A9281, A9284	Miscellaneous	Yes	No
A9274 thru A9278, A9901	Miscellaneous and Investigational	No	Yes
B9002, B9004, B9006	Enteral and Parenteral Pumps	Yes	No
E0100 thru E0105	Canes	No	Yes
E0110 thru E0118	Crutches	No	Yes

«Taxable and Non-Taxable Items for Durable Medical Equipment (continued)»

Codes	Description	Taxable	Non-Taxable
E0130 thru E0149	Walkers	No	Yes
E0153 thru E0159	Walker Attachments	No	Yes
E0161 thru E0175	Commodes	Yes	No
E0181 thru E0199	Decubitus Care Equipment	Yes	No
E0200 thru E0205, E0210, E0215 thru E0239	Heat/Cold Application	Yes	No
E0240 thru E0249	Bath and Toilet Aids	Yes	No
E0251, E0256, E0261 thru E0297, E0300 thru E0352, E0370 thru E0373	Hospital Beds and Accessories	Yes	No
E0424 thru E0444, E0455, E0457, E0465 thru E0472	Oxygen and Related Respiratory Equipment	No	Yes
E0445, E0459, E0462, E0480 thru E0487	Oxygen and Related Respiratory Equipment	Yes	No
E0500	IPPB Machines	No	Yes
E0550 thru E0555, E0561, E0562, E0565, E0570, E0572 thru E0580	Humidifiers/Nebulizers/Compressors for use with Oxygen IPPB Equipment	Yes	No
E0601	Suction Pump/Room Vaporizers	No	Yes
E0600, E0602 thru E0606	Suction Pump/Room Vaporizers	Yes	No
E0607	Monitoring Equipment	Yes	No
E0610 thru E0616, E0620	Pacemaker Monitor	No	Yes
E0621, E0625, E0630, E0635, E0637 thru E0639, E0641, E0642	Patient Lifts	Yes	No

Taxable and Non-Taxable Items for Durable Medical Equipment (continued)

Codes	Description	Taxable	Non-Taxable
E0650 thru E0673, E0676	Pneumatic Compressor and Appliances (Lymphedema Pump)	Yes	No
E0691 thru E0694	Ultraviolet Cabinet	Yes	No
E0700	Safety Equipment	Yes	No
E0705, E0710	Safety Equipment and Restraints	Yes	No
«E0720, E0730, E0731, E0740, E0744, E0745, E0755, E0764, thru E0766, E0770	Transcutaneous and/or Neuromuscular Electrical Nerve Stimulators – TENS/NMES	No	Yes»
E0776 thru E0783, E0787, E0791	Infusion Supplies	Yes	No
E0784 thru E0786	Infusion Supplies	No	Yes
E0840 thru E0900	Traction Equipment	No	Yes
E0910 thru E0941, E0946 thru E0948	Trapeze Equipment, Fracture Frame and Other Orthopedic Devices	Yes	No
E0942 thru E0945	Trapeze Equipment, Fracture Frame and Other Orthopedic Devices	No	Yes
E0950 thru E1298, E2201 thru E2398, E2601 thru E2633	Wheelchair Accessories and Wheelchairs	No	Yes
E1300, E1310	Whirlpool Equipment	Yes	No
E1352 thru E1392, E1405, E1406	Additional Oxygen-Related Equipment	No	Yes
E1500 thru «E1637,» E1699	Artificial Kidney Machines and Accessories	No	Yes
«E1639	Scale, each	Yes	No»
E1902, E2000, E2100, E2101, E2120	Artificial Kidney Machines and Accessories	Yes	No
E2402	Negative Pressure Wound Therapy	No	Yes
E2500 thru E2599	Special Device - Communication	Yes	No
E8000 thru E8002	Gait Trainer	No	Yes

Taxable and Non-Taxable Items for Durable Medical Equipment Table (continued)

Codes	Description	Taxable	Non-Taxable
K0001 thru K0195	Wheelchairs and Accessories	No	Yes
A4226, K0455, K0601 thru K0605	Infusion Pump, Supplies and Batteries	No	Yes
K0606	Defibrillator and Accessories	No	Yes
K0669, K0672, K0733, K0738 thru K0740, K0743 thru K0746	Miscellaneous	No	Yes
K0800 thru K0858	Power Mobility	No	Yes
K1005	Breast milk storage	Yes	No
S8096 thru S810, S8130 thru S8185, S8265	Temporary National Codes Established by Private Payers	Yes	No
T1505	Temporary National Codes Established by Medicaid	Yes	No
T5001	Position Seat	No	Yes
E1399	Miscellaneous	Yes	Yes

Taxable and Non-Taxable Items for Hearing Aids Table

Codes	Description	Taxable	Non-Taxable
V5014	Hearing Services	Yes	Yes
V5030 thru V5080, V5120 thru V5150, V5171, V5172, V5181, V5190, V5211 thru V5215, V5221, V5230 V5264, V5265, V5267, V5298	Hearing Services	Yes	No

Taxable and Non-Taxable Items for Orthotics and Prosthetics Table

Codes	Description	Taxable	Non-Taxable
A6545	Gradient Compression Wrap	No	Yes
A8000, A8001	Helmet, pre-fabricated	Yes	No
A8002, A8003	Helmet, custom fabricated	No	Yes
A8004	Helmet interface	Yes	No
E1810	Orthotic Device - Knee	Yes	No
«K1022	Endoskeletal Positional Rotation Unit	No	Yes»
L0113 thru L1499	Orthotic Devices - Spinal	No	Yes
L1600 thru L2861	Orthotic Devices – Lower Limb	No	Yes
L3000	Foot, Insert, Removable, Molded to Patient Model	No	Yes
L3100	Foot, Arch Support, Non-removable, Attached to Shoe	No	Yes
L3140 thru L3160	Abduction and Rotation Bars	No	Yes
L3201 thru L3222 L3257 thru L3265	Orthopedic Footwear	Yes	No
L3230 thru L3255	Orthopedic Footwear	No	Yes
L3300 thru L3334	Lifts	Yes	No
L3340 thru L3390, L3410, L3420	Wedges	Yes	No
L3400	Wedges	No	Yes
L3430 thru L3485	Heels	Yes	No
L3500 thru L3595	Orthopedic Shoe Additions	Yes	No
L3600 thru L3640	Transfer or Replacement	Yes	No
L3650 thru L3999	Orthotic Devices – Upper Limb	No	Yes
L4000 thru L4130	Orthotic Devices – Specific Repair	No	Yes
L4205, L4210	Orthotic Devices – Repairs	No	Yes
L4350, L4360, L4386, L4396 thru L4631	Ancillary Orthotic Services	No	Yes
L4361, L4370, L4387	Ancillary Orthotic Services	Yes	No
L5000 thru L5999	Prosthetic Procedures – Lower Limb	No	Yes
L6000 thru L7499	Prosthetic Procedures – Upper Limb	No	Yes

«Taxable and Non-Taxable Items for Orthotics and Prosthetics Table (continued)»

Codes	Description	Taxable	Non-Taxable
L7510, L7520	Prosthetic Procedures – Repairs	No	Yes
L7700	Prosthetic Procedures – Gasket or seal	No	Yes
L8000 thru L8039	General – Breast Prosthesis	No	Yes
L8300 thru L8330	General – Trusses	No	Yes
L8400 thru L8499	Prosthetic Socks	No	Yes
L8625	External recharging system	No	Yes
S1040	Private Payer Codes	No	Yes

«Taxable and Non-Taxable Items for Medical Supplies Table»

Codes	Description	Taxable	Non-Taxable
A4311 thru A4316. A4326 thru A4331, A4333, A4334, A4338 thru A4352, A4354, A4355	Incontinence Appliances and Care Supplies	No	Yes
A4310, A4320 thru A4322, A4335, A4353	Incontinence Appliances and Care Supplies	Yes	No
A4356, A4358	External Urinary Supplies	No	Yes
A4357	External Urinary Supplies	Yes	No
A4361 thru A4400, A4404 thru A4435	Ostomy Supplies	No	Yes
A4455, A4456, A4481, A4483	Supplies	No	Yes
A4520, A4554, A4461, A4463	Supplies	Yes	No
A4605, A4623 thru A4625, A4628	Supplies for Oxygen and Related Respiratory Equipment	No	Yes
A4626, A4629	Supplies for Oxygen and Related Respiratory Equipment	Yes	No

«Taxable and Non-Taxable Items for Medical Supplies Table (continued)»

Codes	Description	Taxable	Non-Taxable
A4927, A4930	Supplies for ESRD	Yes	No
A5051 thru A5093	Additional Ostomy Supplies	No	Yes
A5102	Additional Incontinence Appliances/Supplies	Yes	No
A5105 thru A5114	Additional Incontinence Appliances/Supplies	No	Yes
A5120 thru A5126, A5200	Supplies for Either Incontinence or Ostomy Appliances	No	Yes
A5131	Supplies for Either Incontinence or Ostomy Appliances	Yes	No
A6010 thru A6221, A6224 thru A6411, A6413 thru A6447, A6453 thru A6457, A7002 thru A7004, A7006 thru A7008, A7010, A7012, A7013, A7016	Wound Dressings	Yes	No
A6222, A6223, A7501 thru A7527	Wound Dressings	No	Yes
J7131	Miscellaneous Drugs and Solutions	No	Yes
L8501	Prosthetic Implants	No	Yes
S8186, S8189	Private Payer Codes	No	Yes
T4529 thru T4532	Pediatric Incontinence Supplies	No	Yes
T4521 thru T4528, T4533 thru T4537, T4541 thru T4544, T5999	State Medicaid Agency Codes	Yes	No

<<Legend>>

<<Symbols used in the document above are explained in the following table.>>

Symbol	Description
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