

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3180.2012

Issue Date: , 2013

Warehousing/Reselling Prescription Drug B&O Tax Preference

Background

The purpose of this excise tax advisory (ETA) is to clarify the requirements to qualify for preferential tax treatment under [RCW 82.04.272](#).

RCW 82.04.272 provides a preferential B&O tax rate to persons “engaging in the business of warehousing and reselling drugs for human use pursuant to a prescription.”

This statute defines “warehousing and reselling drugs for human use pursuant to a prescription” to be:

The buying of drugs for human use pursuant to a prescription from a manufacturer or another wholesaler, and reselling of the drugs to persons selling at retail or to hospitals, clinics, health care providers, or other providers of health care services, by a wholesaler or retailer who is registered with the federal drug enforcement administration and licensed by the Pharmacy Quality Assurance Commission.

Seller and Buyer Requirements

To qualify for the preferential B&O tax rate, the seller must satisfy all of the Seller Requirements AND the qualifying sale must be made to a buyer meeting at least one of the Buyer Requirements:

Seller Requirements

To qualify for the preferential B&O tax rate, the seller must satisfy the following requirements:

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- Purchase prescription drugs from a manufacturer or wholesaler¹;
- Warehouse and resell the prescription drugs²;
- Be registered with the Federal Drug Enforcement Administration; and
- Be licensed by the Pharmacy Quality Assurance Commission (as either a wholesaler or retailer).

Buyer Requirements

A seller qualifies for the preferential B&O tax rate if the seller satisfies all the requirements above and resells the prescription drugs directly to a buyer who is:

- A retailer with a pharmacy facility license or non-residential pharmacy license issued by the Department of Health under [RCW 18.64.043](#) or [RCW 18.64.370](#), respectively; or
 - A hospital, clinic, health care provider, or other provider of health care services.
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¹ Direct sales of drugs by the manufacturer do not qualify for the preferential Warehousing/Reselling Prescription Drug B&O tax rate, because the drugs sold were not previously purchased from a manufacturer or wholesaler.

² There is no requirement that the warehousing activity occur within Washington.