



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

SEPTEMBER 11, 2007

## **B&O Tax Deduction for Physicians and Clinics that Dispense Drugs by Infusion or Injection**

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**RCW 82.04.620** provides a B&O tax deduction limited to amounts covered, or required under a government-sponsored health care service program for amounts received by physicians or clinics for prescription drugs for infusion or injection. The deduction taken cannot exceed the rate at which the federal government reimburses under Medicare Part B. In addition, the amounts charged for the drugs must be separately stated on the invoices or other billing statements.

### **Who can take this deduction?**

Clinics or physicians that dispense prescription drugs for human use by infusion or injection by licensed physicians or their agents.

### **What are the deduction requirements?**

In computing tax there may be deducted from the measure of tax imposed by RCW 82.04.290(2) amounts received by physicians or clinics for drugs for infusion or injection by licensed physicians or their agents for human use pursuant to a prescription, but only if the amounts:

1. Are separately stated on invoices or other billing statements;
2. Do not exceed the then current federal rate; and
3. Are covered or required under a health care service program subsidized by the federal or state government.

### **How do I determine the amount to deduct?**

The deduction is limited to the amounts for which the federal government will reimburse providers (clinic or licensed physician).

Medicare Part B covers a limited set of injectable and infusible drugs that are not usually self-administered and that are furnished and administered as part of a physician service. This includes vaccines and anticancer and chemotherapy drugs. The federal rate means the rate at or below which the federal government or its agents reimburse providers for prescription drugs administered to patients as provided for in the Medicare, Part B.

### **What records must I keep to support the deduction?**

Persons claiming a deduction must maintain records that support their entitlement to the deduction. Supporting documentation should include invoices or other billing statements confirming that the charges are separately stated and do not exceed the rate at which the federal government reimburses under Medicare Part B.

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