

ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES
Code of Alabama 1975, Sections 40-23-31 and 40-23-83

810-6-5-.27. Pharmaceutical Providers Tax.

(1) The term "pharmaceutical providers tax" as used in this regulation shall mean the privilege tax levied in Section 40-26B-2, Code of Alabama 1975, upon every provider of pharmaceutical services to citizens of Alabama.

(2) Unless otherwise defined herein, the definitions of terms set forth in Code of Alabama 1975, Section 40-26B-1, are incorporated by reference herein.

(3) Section 40-26B-2 levies a privilege tax on the business activities of every provider of pharmaceutical services to Alabama citizens except a pharmacy, or portion thereof, serving hospital inpatients or pharmacies owned or operated by the State of Alabama or an agency thereof. The rate of this tax is 10 cents for each prescription filled or refilled for an Alabama citizen with a retail price of \$3.00 or more.

(4) On and after July 1, 2002, the rate of this tax is 10 cents for each prescription filled or refilled for an Alabama citizen, regardless of retail price. (Act #2002-414)

(5) Hospital inpatient pharmacies are excluded from the levy of the pharmaceutical providers tax. Accordingly, prescriptions filled or refilled by hospital inpatient pharmacies including prescriptions filled or refilled for emergency room patients receiving an emergency supply of medication, hospital staff personnel, and workmans' compensation patients are not taxable under Section 40-26B-2.

(6) Prescriptions filled or refilled by state mental health facilities, mental health centers organized pursuant to Code of Alabama 1975, Section 22-51-1, et seq., and county health departments are not taxable under Section 40-26B-2.

(7) The pharmaceutical providers tax does not apply to prescriptions filled or refilled for persons who are not citizens of Alabama. The provider's books and records must contain sufficient documentation to substantiate claims of tax-exempt sales to noncitizens of Alabama.

(8) When a pharmaceutical provider receives a "co-pay" amount from the patient and the balance of the selling price from an insurance company, the total amount received from both the patient and the insurance company constitutes the retail price of the prescription.

(9) Any pharmaceutical provider filling or refilling both taxable and nontaxable prescriptions shall pay the tax due on taxable prescriptions filled or refilled when said provider's books are kept so as to show separately the number of taxable and nontaxable prescriptions filled or refilled. When the books are not so kept, the pharmaceutical provider shall pay tax on all prescriptions filled or refilled.

(10) The pharmaceutical providers tax shall be due and payable in monthly installments on or before the twentieth day of the month next succeeding the month in which the tax accrues. Every pharmaceutical provider shall prepare and forward to the

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810-6-5-.27. (Continued)

Department, within the time prescribed by law, a return for each calendar month using forms furnished by the Department. Pharmaceutical providers tax returns shall require the following information:

- (a) Taxpayer's tax account number, legal name, and complete address,
- (b) Period covered by the return and due date of the return,
- (c) The total number of prescriptions filled or refilled,
- (d) The number of nontaxable prescriptions filled or refilled,
- (e) The total number of taxable prescriptions filled or refilled,
- (f) Gross tax due,
- (g) Penalties due, if applicable,
- (h) Interest due, if applicable,
- (i) Credits claimed, if any,
- (j) Total amount due,
- (k) Total amount remitted,
- (l) An indication if payment of tax is made through electronic funds transfer (EFT), and
- (m) Taxpayer's signature, title, and date signed.

Every pharmaceutical provider shall file only one return for all business units or locations filling or refilling taxable prescriptions.

(11) The pharmaceutical providers tax shall be administered and the tax shall be collected in accordance with the uniform procedures set forth in Title 40, Code of Alabama 1975, along with the procedures outlined in Sections 40-26B-1, et seq. No discount is allowed for timely payment of the pharmaceutical providers tax. (Adopted through APA effective October 29, 1993, amended April 1, 1996, amended October 16, 2002)