

Business Tax Administrative Rule 500.19-2

Clean Energy Surcharge (CES) - Qualified Medicine or Drugs

“Qualified Medicine or Drugs” means any medicine, drugs, or medical devices that are regulated by the U.S. Food and Drug Administration (FDA) as a medicine or drug. These include all treatments that the FDA regulates and that are administered for the treatment of a disease, condition, birth-defect, or accident. Examples include over-the-counter drugs, prescription drugs, certain pet drugs, and medical devices.

Treatments of a cosmetic nature and other items that are not regulated by the FDA as a medicine or drug are not eligible for this deduction. Examples include vitamins and other dietary supplements; cosmetic products such as shampoo, make-up, or face creams; animal food, feed, or vaccines; or tobacco products.

Example 1

Company A has \$1.5 billion in gross income from Retail Sales everywhere with \$750,000 of these Retail Sales in the City. \$300,000 of the Retail Sales in the City were from the sale of Qualified Medicine or Drugs (such as over-the-counter drugs, prescription drugs, or certain pet drugs). Company A may deduct the Qualified Medicine or Drugs amount of \$300,000 to arrive at Retail Gross Revenue of \$450,000. Company A will pay CES based on the Retail Gross Revenue of \$450,000.