November 2, 2015

Q: Are all prescription drugs purchased by a nursing facility for use in Illinois resident care subject to a 1 percent sales tax?

A: This question was posed to one of our member pharmacy reps and he responded that he had done some extensive research on this and worked with some tax attorneys to get the correct answer to this question.

Illinois is one of two states in the U.S. that has a sales tax on prescription drugs. The prescription drugs purchased by a nursing facility from a pharmacy for residents who are covered under Medicare A, Medicaid, VA or any other governmental payer are not subject to the sales tax. If a pharmacy is charging the facility the tax on these prescriptions they do not have to and they do not have to pay it to the state.

The pharmacy is responsible for paying sales tax to the state on prescriptions for private pay residents with or without commercial insurance plans so whether the resident or the facility is being billed for these drugs, the pharmacy may charge that tax.

Another note. In Illinois even over-the-counter drugs are subject to sales tax, so unless a facility has a tax exempt status, the pharmacy can also pass this tax onto the facility for house stock OTC meds, etc.