



HEMOPET • HEMOLIFE

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July 27, 2016

Honorable Sebastian Ridley-Thomas
Chair of Revenue and Taxation Committee
California State Assembly
State Capitol
Sacramento, CA 95814

By email: David.Ruff@asm.ca.gov; Darryl.Lucien@asm.ca.gov

**Support for SB 898 (as approved by Senate)
prior to amendment by the Assembly Revenue and Taxation Committee**

Dear Assemblymember Ridley-Thomas:

We address you on the above bill and thank you for your support of the bill.

Closure of Hemopet will unquestionably result in suffering and even death of thousands of animals, an inadequate supply of life-saving canine blood for veterinary patients, and harm and hardship to the pet owners. Providing blood products is not a mechanical process which can simply be replaced or replicated by other suppliers. Additionally, many of the other community services provided by Hemopet's mission will disappear.

The bill passed by the Senate included a provision to clarify that past sales of animal blood products has resulted in the incorrect assessment of sales and use tax deficiencies. This bill clarified that such transfers of animal blood by licensed establishments are not subject to sales or use tax.

We have learnt that on June 20, 2016 the bill was amended in the Revenue and Taxation Committee to delete this clarification to cancel any past incorrect assessment of sales and use tax deficiencies.

The Committee agreed unanimously on the principal, concept and need to clarify that the sale and use of animal blood, blood products, and derivatives by a licensed animal blood bank should not be subject to tax when sold for use in the cure, mitigation, treatment or prevention of injury or disease in animals.

However, and with due respect, it should be equally clear that the assessment of past sales and use taxes for these products should not have been rendered and should be cancelled.

The initial impetus for the Bill and the request for clarification including cancellation of any past tax assessments was made by the BOE. This was supported unanimously by the Senate.

Some additional background should be helpful.

The provision of animal blood products in the State of California is a critical life-saving service and has been available for about 25 years through Hemopet, a non-profit company operating like the Red Cross. Hemopet supplies about 40% of its blood to consumers in California. Our consumers in California include 478 veterinary clinics and 148 dog breeders that need canine plasma to save the lives of orphan or unthrifty newborn puppies. The veterinary clinics care for thousands of pets, so it is clear that each year many thousands of canine pets in California need and benefit from use of the blood products of Hemopet.

Hemopet produces lifesaving blood products from blood typed, health screened and optimally housed canine donors and distributes them throughout the State. Either refrigerated (red blood cells, platelets) or frozen (plasma) products are prepared using procedures akin to those of human blood banks; our facility is licensed and inspected by the State's Department of Food & Agriculture. Hemopet is always fully sold out and often cannot meet the demand.

Past assessment for sales and use taxation for the 4 years 2008-2011 has resulted in an incorrect assessment of \$81,828. Hemopet is audited annually, it does not operate with any surplus; it pays no rent, it does not and has never paid its principal operators any salary.

The blood bank service of Hemopet operates at a substantial annual loss, which in 2015 amounted to a loss of \$450,000. This was supplemented by the veterinary diagnostic laboratory of Hemopet, and yet Hemopet still operated at a loss of about \$90,000 for 2015; this loss was funded by the operators. If the prior tax assessment is levied and not forgone, Hemopet will be forced to close, since the company cannot obtain more loans or afford more debt.

We request that you seek to re-amend and restore the cancellation aspect of SB 898.

Sincerely,



W. Jean Dodds DVM
President