

TENNESSEE DEPARTMENT OF REVENUE
REVENUE RULING # 26-06

Revenue rulings are not binding on the Department. This ruling is based on the particular facts and circumstances presented, and is an interpretation of the law at a specific point in time. The law may have changed since this ruling was issued, possibly rendering it obsolete. The presentation of this ruling in a redacted form is provided solely for informational purposes, and is not intended as a statement of Departmental policy. Taxpayers should consult with a tax professional before relying on any aspect of this ruling.

SUBJECT

Applicability of Tennessee sales and use tax to certain medical products purchased by a for-profit healthcare facility.

SCOPE

Revenue Rulings are statements regarding the substantive application of law and statements of procedure that affect the rights and duties of taxpayers and other members of the public. Revenue Rulings are advisory in nature and are not binding on the Department.

FACTS

The Taxpayers are for-profit Tennessee healthcare facilities (hospitals, nursing homes, long-term acute care facilities, and ambulatory surgery centers) that purchase medicated wound dressings and gels, diagnostic testing kits, irrigation solutions, and intravenous (IV) solutions. After the Taxpayers purchase the products, they are provided to patients as part of their medical treatment. According to the Taxpayers, all the products are dispensed pursuant to a prescription and include an FDA "Rx Only" product label. The Taxpayers describe each of the products as follows:

Medicated Wound Care Dressings

Antimicrobial Silver Dressings

Product Examples: [REDACTED]

Antimicrobial silver dressings are specialized wound care products designed to manage and prevent infections across various wound types. They incorporate silver, particularly in its ionized form (Ag^+), known for its broad-spectrum antimicrobial properties. When silver-containing dressings come into contact with wound exudate, they release Ag^+ ions, which possess antimicrobial properties. This helps treat a wound by reducing microbial load (decreasing the number of microorganisms in acute or chronic wounds that are infected or at risk of infection) and acting as an antimicrobial barrier (providing a protective layer against potential contaminants, reducing the risk of infection or re-infection in wounds).

Antimicrobial Honey Dressings

Product Examples: [REDACTED]

Antimicrobial honey dressings are specialized wound care products that use medical-grade honey to promote healing and prevent infection. These dressings are effective for chronic, non-healing, or infected wounds, including diabetic foot ulcers, pressure ulcers, burns, surgical wounds, and venous leg ulcers. Medical-grade honey aids wound healing through antibacterial action (creating an environment that inhibits bacterial growth), osmotic effects (removing moisture from the wound and surrounding tissue, which reduces edema and promotes blood flow), and anti-inflammatory properties (reducing inflammation and oxidative stress, leading to decreased pain and swelling, and supporting tissue regeneration).

PHMB-Impregnated Dressings

Product Examples: [REDACTED]

Polyhexamethylene biguanide (PHMB) is a broad-spectrum antimicrobial agent incorporated into various wound dressings to prevent and manage infections. PHMB-impregnated dressings are used in wound care for their ability to reduce microbial load, manage biofilms, and promote healing. PHMB treats wounds by killing pathogens that cause infection (including Gram-positive and Gram-negative bacteria, fungi, and certain viruses), and inhibiting biofilm formation (which are protective layers formed by microbial communities that hinder healing).

Analgesic Dressings

Product Examples: [REDACTED]

Analgesic dressings are specialized wound care products designed to alleviate pain directly at the wound site while supporting the healing process. They are particularly beneficial for patients experiencing significant discomfort from wounds such as burns, ulcers, surgical incisions, and traumatic injuries. These dressings treat wounds by maintaining a moist wound environment (many analgesic dressings, such as hydrogels, keep the wound bed moist, which not only promotes healing, but also reduces pain associated with wound desiccation).

Enzymatic Debriding Agents

Product Example: [REDACTED]

Enzymatic debriding agents are topical treatments used in wound care to selectively remove necrotic (dead) tissue from chronic or complex wounds. By breaking down devitalized tissue, these agents help prepare the wound bed for healing, reduce infection risk, and promote tissue regeneration. Enzymatic debridement involves applying exogenous proteolytic enzymes to the wound bed. These enzymes digest and liquefy necrotic tissue, facilitating its removal.

Growth Factor Dressings & Gels

Product Example: [REDACTED]

Growth factor dressings and gels are advanced wound care products designed to enhance the body's natural healing processes by delivering specific proteins—known as growth factors—directly to the wound site. These dressings and gels are particularly beneficial for treating chronic or non-healing

wounds, such as diabetic foot ulcers, pressure ulcers, venous leg ulcers, and burns. They treat wounds by stimulating tissue regeneration, enhancing angiogenesis (encouraging the formation of new blood vessels to supply nutrients and oxygen to the wound), accelerating wound closure, and reducing scarring.

Charcoal Dressings

Product Example: [REDACTED]

Charcoal dressings, particularly those containing activated charcoal, are specialized wound care products designed to manage malodorous and infected wounds. They are beneficial for chronic wounds such as diabetic foot ulcers, pressure ulcers, venous leg ulcers, and fungating tumors. They treat wounds by managing wound exudate (absorbing excess wound fluids, maintaining an optimal moist environment for healing) and reducing bacterial load.

Collagen-Based Dressings

Product Examples: [REDACTED]

Collagen-based dressings are advanced wound care products designed to support the body's natural healing processes. The dressings include collagen, which is a naturally occurring structural protein. They are particularly effective for managing chronic or non-healing wounds, such as diabetic foot ulcers, pressure ulcers, venous leg ulcers, surgical wounds, and burns. They treat wounds by stimulating tissue regeneration (providing a scaffold that encourages tissue growth), reducing excessive protease activity (binding to matrix metalloproteinases, which are enzymes that can degrade essential proteins in the wound bed), and maintaining a moist healing environment.

Skin Substitutes

Product Examples: [REDACTED]

Skin substitutes are advanced wound care therapies designed to restore the structure and function of damaged skin, particularly in chronic or complex wounds that have not responded to conventional treatments. They serve as temporary or permanent replacements for the skin's layers, facilitating healing. They treat wounds by protecting them from external contaminants (reducing the risk of infection and fluid loss), providing a scaffold for cell growth, and promoting angiogenesis (encouraging the formation of new blood vessels to supply nutrients and oxygen to the healing tissue).

Diagnostic Testing Kits

COVID-19 Testing Kits

Product Examples: [REDACTED]

These COVID-19 testing kits are intended for the direct and qualitative detection of nucleic acid from SARS-CoV-2 in direct nasopharyngeal swab, anterior nasal swab, mid-turbinate nasal swab, oropharyngeal swab, or nasal wash/aspirate specimens from individuals suspected of having COVID-19 by their healthcare provider. These testing kits contain various reagents (lysis, binding, and elution reagents) that directly interact with the patient's swab specimen to detect SARS-CoV-2.

RSV (Respiratory Syncytial Virus) Testing Kits

Product Examples: [REDACTED]

These RSV testing kits are intended for the detection of respiratory syncytial virus (RSV) nucleoprotein antigen in nasopharyngeal swabs and nasopharyngeal aspirate/wash specimens taken directly from symptomatic patients. RSV is a causative agent of highly contagious, acute, viral infection of the respiratory tract in pediatric and elderly populations. These testing kits contain various reagents (lyophilized reagents) that directly interact with the patient's swab specimen to detect the presence of RSV disease.

Irrigation Solutions

Product Examples: [REDACTED]

Irrigation solutions are intended for use in wound and tissue irrigation (cleansing body cavities, tissues, or wounds during surgical procedures), catheter and drainage tube flushing (flushing indwelling urethral catheters and surgical drainage tubes to maintain patency and prevent blockages), dressing preparation (washing, rinsing, or soaking surgical dressings prior to application on a patient), or diluents for medications (serving as a solvent or diluent in the preparation of non-intravenously administered nutrient mixtures).

Inhalation Solutions

Product Examples: [REDACTED]

Inhalation solutions are intended for use in the treatment or prevention of respiratory diseases like asthma and COPD. [REDACTED] are bronchodilators used for maintenance treatment of bronchospasms associated with COPD, including chronic bronchitis and emphysema. They help open airways, making breathing easier. [REDACTED] is a corticosteroid used for the maintenance treatment of asthma. It reduces inflammation in the airways, helping to prevent asthma attacks. Hypertonic saline solutions are used to help clear mucus from the lungs. The [REDACTED] solution is often used in conditions like bronchiolitis, while the [REDACTED] solution is commonly used in cystic fibrosis to improve lung function. Sterile water for inhalation is used in respiratory therapy applications, such as humidifying air in ventilators or nebulizers. It helps prevent dryness in the airways during oxygen therapy. Sodium chloride for inhalation is used to loosen mucus in the lungs, making it easier to cough up. It may also be used to dilute other inhaled medications.

Intravenous (IV) Solutions

Product Examples: [REDACTED]

Intravenous (IV) solutions are intended for use in the treatment or prevention of various medical conditions. Their uses include rehydration in cases of dehydration, restoration of fluid and electrolyte balance, fluid replacement during hemorrhage or sepsis, dilution and administration of medications, fluid resuscitation in burn victims, trauma patients, and surgical cases, treatment of metabolic acidosis, and the treatment of hypoglycemia. Intravenous (IV) solutions are administered to deliver

fluids, medications, or nutrients directly into a patient's bloodstream. This method ensures rapid and controlled delivery, especially when oral intake is not feasible.

RULING

Are each of the above medical products, when purchased by the Taxpayers, exempt from sales and use tax as prescription drugs?

Ruling: All the products, except the diagnostic testing kits, are drugs for human use dispensed pursuant to a prescription, which are exempt from sales and use tax under TENN. CODE ANN. § 67-6-320. Although they are prescribed, the diagnostic testing kits do not meet the requirements of being drugs for human use, so they are subject to sales and use tax.

ANALYSIS

Under the Retailer's Sales Tax Act,¹ the retail sale in Tennessee of tangible personal property and specifically enumerated services is subject to sales and use tax, unless an exemption applies.²

Under TENN. CODE ANN. § 67-6-320(a), "any drug, including over-the-counter drugs, for human use dispensed pursuant to a prescription"—with the exception of "grooming and hygiene products"—is exempt from the tax. "Drug" is defined at TENN. CODE ANN. § 67-6-102(35) as:

a compound, substance or preparation, and any component of a compound, substance or preparation, other than food and food ingredients, dietary supplements or alcoholic beverages: (A) Recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them; (B) Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or (C) Intended to affect the structure or any function of the body.

A prescription "means an order, formula or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of this state."³

Therefore, to qualify for the exemption in TENN. CODE ANN. § 67-6-320(a), an item must be (1) a drug, (2) for human use, and (3) dispensed pursuant to a prescription.

First, all the products, except the diagnostic testing kits, are drugs. Each item listed as medicated wound care dressings, irrigation solutions, inhalation solutions, and intravenous (IV) solutions is a "compound, substance, or preparation" and each is intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease and/or intended to affect the structure or function of the body.⁴ None of these products is food, food ingredients, dietary supplements, or alcoholic beverages.

¹ Tennessee Retailer's Sales Tax Act (codified at TENN. CODE ANN. §§ 67-6-101 to -907) (2022 & Supp. 2024).

² TENN. CODE ANN. § 67-6-201.

³ TENN. CODE ANN. § 67-6-102(75).

⁴ TENN. CODE ANN. § 67-6-102(35).

Although honey is typically considered a food, medical-grade honey⁵ like the honey used in the antimicrobial honey dressing is not sold for ingestion or chewing by humans and is not consumed for its taste or nutritional value.⁶ Rather, the honey is applied to the body to treat a wound or otherwise to affect the structure or function of the body. Therefore, the honey dressing, although it includes an item that, in other contexts, would be considered a food or food ingredient, is a drug in this application. For these reasons, the medicated wound care dressings, irrigation solutions, inhalation solutions, and intravenous (IV) solutions all meet the requirement of being a “drug.”

The testing kits, while administered pursuant to a prescription, do not constitute a “drug” and are not exempt from the sales and use tax in Tennessee. The COVID-19 Testing Kits described as the [REDACTED] include the [REDACTED] SARS-CoV-2 tests, sample collection swabs, [REDACTED] SARS-CoV-2 Extraction Reagent, tube tray, and [REDACTED] SARS-CoV-2 positive and negative control swabs.⁷ They contain [REDACTED] tests' worth of materials and have a shelf life of [REDACTED] days, according to the website specifications. Similarly, the [REDACTED] COVID-19 [REDACTED] Test Kit ([REDACTED]) includes a collection swab, a sample vial with elution buffer, and a disposable testing unit with reagents. Likewise, the RSV Testing Kits, including the [REDACTED] Test Kit ([REDACTED]), contain individually packaged cassettes, reagent Tubes, reagent solution, nasopharyngeal swabs, large and small pipettes, a positive control swab, a negative control swab, and printer paper. The [REDACTED] RSV Test Kit ([REDACTED]) contains test cards, transfer pipettes, positive and negative control swabs, elution solution, and patient swabs.

While these tests are administered pursuant to a prescription, the testing kits contain various combinations of items, including swabs, pipettes, tubes, and reagents that are bundled together into a product that first and foremost does not constitute a “compound, substance, or preparation.” The test kits are the type of “medical kits, trays, and packs” that the Department’s published guidance provides are taxable.⁸

Second, all the products at issue are for human use, except the diagnostic testing kits. Neither the Retailer’s Sales Tax Act nor the Tennessee courts have defined the phrase “for human use” for purposes of the sales and use tax. However, the Tennessee Department of Revenue has historically

⁵ *See What Is Medicinal Honey and Why Does It Heal Wounds?*, Science Insights (Mar. 12, 2026), available at <https://scienceinsights.org/what-is-medicinal-honey-and-why-does-it-heal-wound> (last accessed June 25, 2026):

Medicinal honey is honey that has been produced, tested, and sterilized to meet specific safety and potency standards for use in healthcare settings. Unlike the jar on your kitchen shelf, it must be organically produced, undergo gamma irradiation to eliminate bacterial spores, and demonstrate proven antimicrobial and antioxidant activity. It comes in formats like wound gels, alginate dressings, and sterile tubes, and several products have received regulatory clearance for treating burns and wounds.

See also What is Medical-grade honey?, Health Benefits Times (Sep. 9, 2024), available at <https://www.healthbenefitstimes.com/health-wiki/medical-grade-honey> (last accessed June 25, 2026):

Medical-grade honey is a specialized form of honey that has been carefully processed and sterilized for use in clinical settings. It is characterized by its potent antibacterial properties, which are primarily attributed to its high hydrogen peroxide content. Unlike regular honey, medical-grade honey undergoes rigorous quality control to ensure purity and consistency in its therapeutic effects. This type of honey has gained significant attention in modern wound care due to its ability to promote healing, manage biofilms, and combat multidrug-resistant bacterial infections.

⁶ TENN. CODE ANN. § 67-6-102(43).

⁷ See the product listed here: [REDACTED].

⁸ *See Healthcare Products List*, Tenn. Dept. Rev. (May 2015), p. 22, available at <https://www.tn.gov/content/dam/tn/revenue/documents/taxes/sales/streamlined/healthcarelist0515.pdf> (last accessed June 25, 2026).

interpreted TENN. CODE ANN. § 67-6-320(a) to require the drug in question to be *directly* used *by* a human.⁹ Prior to 2007, the exemption applied to sales of “any prescription drug or medicine used by a licensed pharmacist in accordance with an individual prescription written *for the use of a human being*” by a licensed practitioner of the healing arts.¹⁰ The phrase “for the use of a human being” indicates that the exemption requires *direct* use or consumption by a particular individual. Because Tennessee’s 2007 amendment to the prescription drug exemption was not intended to change the requirements regarding human use, this historical interpretation remains valid under the current version of the exemption.¹¹

The Department has previously ruled that in-vitro diagnostic reagents sold to hospitals and healthcare facilities were not exempt drugs under TENN. CODE ANN. § 67-6-320(a).¹² In that situation, the reagents at issue were “not directly consumed, applied, ingested, or otherwise used by a human” but were used in a laboratory to “identify certain properties of blood or blood components.”¹³ Furthermore, the reagents were not prescribed by a physician; rather, the reagents were used in a prescribed laboratory test.¹⁴ The reagents themselves were not dispensed pursuant to a prescription.

The Covid-19 Testing Kits and RSV Testing Kits at issue in this ruling are “only legally dispensed pursuant to a prescription (their FDA product labeling includes the ‘Rx Only’ requirement).” The Covid-19 Testing Kits and RSV Testing Kits “involve swabbing the patient’s nasal cavity” and “contain various reagents that directly interact with the patient’s swab specimen to detect the presence of” SARS-CoV-2 disease or RSV disease. Even if some items in the testing kit meet the definition of a “drug,” and the kits are prescribed, they do not meet the “for human use” component required by statute. Only the swabs come into direct contact with a human. But the swabs themselves are not a compound, substance, or preparation used in the diagnosis of disease. They are bundled with other items in the kit that do not come into direct contact with a human, even though some are compounds, substances, or preparations used in the diagnosis of disease.

Consistent with Letter Ruling 12-21, the diagnostic testing kits at issue here are not for direct use or consumption by a particular individual. A sample is collected from an individual using a swab, just as a blood sample is collected from an individual for testing, as described in Letter Ruling 12-21. That swab is then tested for a reaction with the reagents in the diagnostic testing kit. Accordingly, while some items in the testing kit may come into contact with a human during the healthcare provider’s collection of a sample, the other items in the kit are not directly used or consumed by a particular individual.

The remaining products described by the Taxpayer are all for human use. The products, or compounds within the products, interact directly with the patient’s human body in some way in each of the described applications of the products other than the diagnostic testing kits.

Finally, the products that qualify as drugs for human use are also dispensed pursuant to a prescription. The request indicates that all the drugs are purchased by healthcare facilities, which

⁹ Tenn. Dept. Rev. Ltr. Rul. No. 12-21, p. 2 (Oct. 15, 2012).

¹⁰ TENN. CODE ANN. § 67-6-320(a) (2006) (emphasis added).

¹¹ Ltr. Rul. No.12-21, at 3.

¹² *Id.* at 2-4.

¹³ *Id.* at 3.

¹⁴ *Id.*

subsequently dispense them to patients pursuant to a prescription.¹⁵ Thus, all the products except the diagnostic testing kits meet the requirements for exemption under Tenn. Code Ann. § 67-6-320 because they are drugs for human use dispensed pursuant to a prescription.

APPROVED: David Gerregano
Commissioner of Revenue

DATE: July 17, 2026

¹⁵ *See Healthcare Products List, at 13-14* ("Exemption also includes drugs sold to medical treatment facilities that will be dispensed pursuant to prescription to patients."), available at <https://www.tn.gov/content/dam/tn/revenue/documents/taxes/sales/streamlined/healthcarelist0515.pdf> (last accessed June 25, 2026). *See also* Tenn. Dept. Rev. Ltr. Rul. No. 01-10 (May 2, 2001) (irrigation solutions, IV solutions, and sterile water used by healthcare facilities to treat patients and dispensed pursuant to a prescription qualify for exemption).