

Understanding **Gross Receipts Taxes** and Their Impact on Pharmaceutical Distribution

What Is a Gross Receipts Tax and Why Do States Use Them?

Gross receipts taxes (GRTs), also known as “turnover” taxes, apply to a company’s total revenue from sales, without deductions for expenses like labor or materials. States use GRTs to supplement or replace other business taxes. For the pharmaceutical supply chain, GRTs are imposed on each entity, from manufacturers to distributors to pharmacies.

States first adopted GRTs during the Great Depression to recover lost revenue.¹ While most states have since transitioned to more efficient tax systems, seven states (Delaware, Nevada, Tennessee, Washington, Texas, Ohio and Oregon), still impose broad-based GRTs.



Gross receipts taxes may be defined in general terms as taxes on the gross income, gross sales or other gross proceeds of any business.

Why Are Gross Receipts Taxes Challenging?

GRTs distort business decisions because they apply a tax at every point of an ownership change within the supply chain. The more in-state movement a product undergoes, the more times it is taxed, resulting in a higher overall tax burden. This structure serves to discourage businesses from operating within the state and provides an incentive for businesses to relocate or restructure to reduce their tax burden. For example, Oregon’s GRT on wholesale trade results in an effective tax rate 12.7 times higher than the statutory rate.²

Impact on Pharmaceutical Distributors

Pharmaceutical distributors serve as the vital link between more than 1,400 manufacturers and over 450,000 sites of care, delivering lifesaving medications to millions of patients every day. Distributors operate on the narrowest margins in the healthcare supply chain, an average of 0.2 percent.

Distribution companies often enter multi-year contracts with fixed prices, leaving them unable to adjust for new taxes. This can lead to financial losses or reduced service capacity, which also negatively affects their customers, and ultimately, patients.

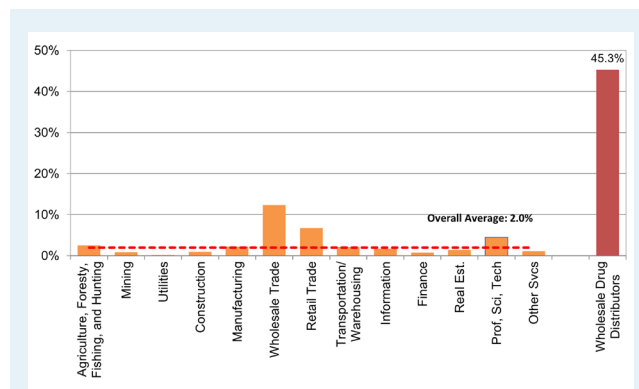


Figure: National gross receipts tax as a percent of pretax income by industry, 2021-23

GRTs on pharmaceutical distributors may be fiscally counterproductive, as they introduce hidden costs into the healthcare supply chain that ripple through public budgets and reduce the efficiency of taxpayer-funded programs.



As an example, a national GRT of **0.57 percent** would consume **45.3 percent** of a pharmaceutical wholesale business's pretax income, compared to just **2.0 percent** for the average industry.²

Tax Policy Effects on Vulnerable Populations

Under-resourced families spend a larger share of their income on medications. In 2023, households earning \$15,000–\$29,999 paid over four times more (as a percentage of revenue) on drugs than those earning \$150,000–\$199,999.2 These families bear the brunt of higher drug prices from GRTs.

Though GRTs may seem simple, they create inefficiencies, inequities and unintended consequences for pharmaceutical supply chain stakeholders and ultimately patients. Policymakers should consider alternative tax structures that minimize economic distortions and protect access to essential goods, such as medicine.

Visit [HDA.org/taxes](https://www.hda.org/taxes) to learn more about other tax issues.

1. John L. Mikesell, *Gross Receipts Taxes in State Government Finances: A Review of their History and Performance*, Tax Foundation, January 2007, No. 53.

2. PwC, "Gross Receipts Taxes and the Pharmaceutical Distribution Industry," June 2025.

About the Healthcare Distribution Alliance

The Healthcare Distribution Alliance (HDA) represents primary pharmaceutical distributors — the vital link between the nation's pharmaceutical manufacturers and pharmacies, hospitals, long-term care facilities, clinics and others nationwide. Since 1876, HDA has helped members navigate regulations and innovations to get the right medicines to the right patients at the right time, safely and efficiently. The HDA Research Foundation, HDA's nonprofit charitable foundation, serves the healthcare industry by providing research and education focused on priority healthcare supply chain issues.