

RULE 2010-1

VETERINARIAN SALES AND USE TAX RULE

The Commissioner of Revenue, pursuant to his authority under Ark. Code Ann. §§ 26-52-316; 26-52-404; 26-52-405; 26-53-106; 26-53-131, does hereby issue the following regulation:

A. GENERALLY.

1. Veterinary services performed in the treatment of an animal are not subject to sales tax.
2. Veterinarians are deemed to be the consumer or user of tangible personal property including medications, supplies, or equipment used or consumed by them in the rendition of veterinary services. Sales of all such property to a veterinarian are taxable sales and the veterinarian is required to pay sales or use tax on the purchase of these items. Any charge to the customer for items consumed by the veterinarian is not subject to tax regardless of how the charges are reflected on the invoice.

Example 1: J.T. takes his puppy to the veterinarian for a rabies vaccination and checkup. The charge for the rabies vaccination is separately itemized from the checkup. Administering the vaccine is considered a nontaxable veterinary service. The vaccine is consumed in the rendition of veterinary services and the veterinarian is required to pay sales or use tax on its purchase of the vaccine. The veterinarian should not collect sales tax on the separately itemized vaccine.

Example 2: J.T. takes his dog to the veterinarian to be microchipped. The veterinarian invoices J.T. for the chip, implant procedure, and enrollment in a pet recovery service. The microchip is consumed in the rendition of veterinary services and the veterinarian is required to pay sales or use tax on its purchase of the microchip. The veterinarian should not collect sales tax on the invoice to J.T.

B. RETAIL SALES. Even though veterinary services are not taxable, many veterinarians make retail sales of tangible personal property or services that are subject to sales tax.

1. Tangible personal property. The retail sale of tangible personal property by a veterinarian is taxable. Common items sold by veterinarians are food, collars, grooming supplies, accessories, and flea and tick preventatives. Medication sold to the customer that is not administered by the veterinarian is a retail sale of tangible personal property and taxable to the customer. Medication administered by the veterinarian is not taxable to the customer. The veterinarians should pay tax on their purchase of the medication to be administered by the veterinarian.

Example 1: J.T. takes his dog to the veterinarian to examine a skin condition. The veterinarian determines that the dog has a bacterial infection and prescribes a drug to be administered twice a day for a week. J.T. is charged for the office visit and the drug, which are separately itemized on the invoice. The veterinarian is

required to collect sales tax on the charge for the drug because the veterinarian is selling the drug at retail.

2. Grooming and Boarding Services. Pursuant to Ark. Code Ann. § 26-52-316 pet grooming and kennel services are taxable. A veterinarian that provides pet grooming or kennel services must collect sales tax from its customers. See Arkansas Gross Receipts Tax Rule GR-9.16.

C. PURCHASES BY A VETERINARIAN.

1. Property Purchased for Use by the Veterinarian.
 - a. Sales of tangible personal property, such as office supplies and equipment, surgical instruments, or operating supplies, to a veterinarian are taxable sales and the veterinarian is required to pay sales or use tax on the purchase of these items.
 - b. Tangible personal property purchased from an out-of-state vendor for use, storage, distribution, or consumption in the performance of veterinary services is subject to Arkansas use tax. If the vendor does not collect tax at the time of sale, the veterinarian is required to report and remit Arkansas use tax on the purchase price of the tangible personal property. A credit for sales tax paid in another state is given to offset Arkansas use tax if the other state requires the tax to be paid. See Arkansas Compensating Use Tax Rules UT-3, UT-4, UT-7, and UT-11.
2. Property Purchased for Resale. A veterinarian selling tangible personal property at retail may purchase the items tax exempt as a sale for resale. See Arkansas Gross Receipts Tax Rule GR-53. The retail sale of tangible personal property by a veterinarian is taxable.
3. Property Purchased for Both Resale and Use. A veterinarian holding a sales tax permit should purchase items to be sold at retail exempt from sales tax as sales for resale. If any of the items are used or consumed in the performance of veterinary services, then the veterinarian must self-assess, report, and pay tax as a withdrawal from inventory (stock) on the purchase price of the items. Tax is due at the time the goods are withdrawn from stock and should be paid with the monthly sales tax report filed by the veterinarian. See Arkansas Gross Receipts Tax Rule GR-18.

Example: A veterinarian purchases a case of an antibiotic. Some of the antibiotic will be used to treat animals receiving medical care at the veterinary clinic and some of the antibiotic will be sold to customers to administer at home. The veterinarian should purchase the antibiotic exempt from tax and collect sales tax on the sales price of the antibiotic that is sold to the customer. Any of the antibiotic that is used or consumed by the veterinarian in the performance of veterinary services should be treated as a withdrawal from stock and the veterinarian is required to self-assess, report, and pay tax on the veterinarian's purchase price of the antibiotic.

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- Arkansas law provides a limited exemption for agricultural chemicals such as vaccines, medications, and medicinal preparations used in the commercial production of livestock and poultry. Such vaccines, medications, and medicinal preparations are not subject to sales or use tax when sold to the producer of the livestock or poultry. See

Ark. Code Ann. §§ 26-52-404, 26-52-405, and Arkansas Gross Receipts Tax Rule GR-45. If a veterinarian purchases these items for sale at retail, and uses some of these items in the rendition of veterinary services, then the veterinarian should follow subdivision (C)(3) of this rule.

Example: A large-animal veterinarian purchases a case of an antibiotic. Some of the antibiotic is used to treat animals receiving medical care administered by the veterinarian, some of the antibiotic is sold to a producer of livestock, and some of the antibiotic is sold to J.T. to treat his horse. The veterinarian should purchase the antibiotic exempt from tax. The veterinarian should collect sales tax on the sales price of the antibiotic when it is sold to J.T. because J.T. is not a commercial producer of livestock and the antibiotic will not be administered by the veterinarian. Any antibiotic that is used to treat commercially produced livestock or sold to a livestock producer is not subject to tax as a retail sale or withdrawal from stock. Antibiotic that is used or consumed by the veterinarian in the performance of veterinary services, and does not involve commercially produced livestock, should be treated as a withdrawal from stock. The veterinarian is required to self-assess, report, and pay tax on the veterinarian's purchase price of the antibiotic.

Issued this _____ day of December 2009 in the City of Little Rock, Pulaski County, Arkansas.

Richard A. Weiss, Director
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