
Tax Compliance Guide

Veterinarians & Animal Pharmaceuticals Topic 372

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The practice of veterinary medicine is a learned profession. Although the provision of veterinary services is not generally subject to sales tax, veterinarians may make other taxable sales to patients. Veterinarians practicing in the City (including transient, mobile practices) must obtain the appropriate licenses and will be liable for the collection and payment of sales tax on goods sold as well as Westminster sales/use tax on taxable property and services consumed in the conduct of their practice.

Sales by Veterinarians

Medical Services

The rendering of professional, medical services is not subject to sales tax under the *Westminster Municipal Code* provided the charges for such services are stated separately from charges for property sold. Such services may include, but are not limited to: examination (including x-ray), diagnosis, treatment (including drug administration and vaccination), surgery (including anesthetization), and euthanasia.

Other Services

Non-medical services are also excluded from sales tax provided they too are separately stated. Such services include, but are not limited to: grooming, boarding, obedience training, recovery chip implant and monitoring, and cremation or disposal of euthanized animals. Together with the charges for medical services, the charges for other services must be included on Line 1 and deducted on Line 3A of the periodic City sales/use tax return.

Prescription Drugs

Sales of drugs qualifying as "prescription drugs", as defined under § 4-2-2 of the Code, are exempt when sold to owners for off-site administration to their animals pursuant to the written order of a licensed veterinarian. In order to qualify, the drug must be required to bear the symbol "Rx Only" prior to dispensing under the Federal Food Drug and Cosmetic Act. Charges for drugs sold to owners must be

separately stated from charges for services rendered. Sales of qualifying prescription drugs must be included in Line 1 and deducted on Line 3I of the periodic City sales/use tax return.

Drugs required to bear the warning "Caution: Federal law restricts this drug to use by or on the order of a licensed veterinarian" are not exempt from sales tax despite their controlled status, and despite, further, the fact that they may contain the same active ingredients as other exempted drugs. Veterinary feed directive drugs and other prescriptive diets are also not exempt from sales tax, nor are drugs containing the statement "For Veterinary Use Only" or other similar cautions.

Veterinarians must collect Westminster sales tax upon charges for non-exempt drugs when sold to owners for off-site administration to their animals. Owners may not avoid tax on these drugs by obtaining a written order for their use from a veterinarian.

Non-exempt Drugs, Food, Pet Supplies, and Other Items

Veterinarians must collect Westminster sales tax on charges for non-exempt drugs and other items sold to owners for their use. Such charges must be stated separately from charges for services. The tax must also be stated separately from the charge for the item. Examples of such taxable sales include, but are not limited to, sales of:

- ❖ Food, treats, vitamins, and nutritional supplements
- ❖ Shampoo, conditioner, flea powder, brushes, and grooming supplies
- ❖ Leashes, collars, kennels, beds, dishes and toys
- ❖ Books, videos, and other media on pet ownership, care, or training

Veterinarians should present their Westminster sales/use tax license when purchasing such goods for resale to avoid paying Westminster sales tax to their vendor. Veterinarians may not avoid collecting sales tax from their clients by paying Westminster sales/use tax to their vendors.

Purchases by Veterinarians

Veterinarians must pay Westminster sales tax on the price of taxable property and services used, consumed, stored, or distributed within the City whether purchased, leased, or rented from sources inside or outside the City. If Westminster sales tax is not paid to a vendor licensed and authorized to collect the same, then a use tax must be remitted directly to the City. Credit may be taken against Westminster use tax for legally imposed sales or use taxes paid to other municipalities. Such credit may not exceed the Westminster use tax due. Use tax is reported on Schedule B/Line 8 of the periodic City sales/use tax return.

Drugs and Vaccines

Veterinarians are considered consumers of drugs and vaccines injected, inserted, fed, or applied to animals at their office in conjunction with the provision of medical services. As such, they must pay Westminster sales/use tax on the price charged by their vendors for drugs and vaccines purchased for on-site administration. Purchases of qualifying prescription drugs (discussed above) for on-site administration are exempt from tax. If the ultimate disposition of a particular drug cannot be known at the time of purchase, the drug may be purchased tax free at wholesale, and the veterinarian can later self-assess use tax on those quantities of drugs ultimately used on-site.

Other Taxable Purchases

Veterinarians must pay Westminster sales/use tax on other equipment and supplies used in their practice. Common examples of property subject to tax include, but are not limited to:

- ❖ Medical supplies such as bandages, blades, gauze, gloves, cotton balls, intravenous fluids, needles, splints, sponges, sutures, swabs, syringes, tape, and tongue depressors
- ❖ Tools, instruments, microscopes, x-ray equipment, operatory equipment, examination tables, furniture, removable fixtures, and other equipment
- ❖ X-ray film and chemicals, culture dishes or tubes, agar, and cadaver bags
- ❖ Temporary solutions, germicides, and sterilization solutions
- ❖ Food used for boarding whether or not it is furnished in conjunction with treatment
- ❖ Local or general anesthesia
- ❖ Pet identification chips
- ❖ Shampoo, conditioner, brushes, clippers, and other grooming equipment and supplies
- ❖ Office supplies, cleaning supplies, uniforms, and office furniture and equipment
- ❖ Computers, software, software licenses, and maintenance agreements
- ❖ Books, publications, journals, newsletters, and videos

- ❖ Complimentary literature, samples, and other promotional items

Examples

Veterinarian X is a licensed, Westminster veterinary hospital. Veterinarian X offers veterinary medical services, grooming, and boarding.

1. Owner A brings her cat to Veterinarian X for treatment. Veterinarian X administers an antibiotic injection at the hospital. The drug bottle includes the warning "Rx Only". Veterinarian X charges Owner A for examination, \$50, and an antibiotic shot, \$25. These charges are not subject to sales tax. Because the antibiotic is a qualifying prescription drug, Veterinarian X does not need to pay sales or use tax on its purchase.
2. Owner B brings his dog in for an annual checkup. Veterinarian X examines the dog, administers a rabies vaccine, and sells Owner B a box of heartworm medication and a bag of special diet dog food. Veterinarian X charges \$50 for the examination, \$30 for the rabies vaccination, \$25 for the heartworm medication, and \$15 for the food. The heartworm medication contains the warning "Caution: Federal law restricts this drug to use by or on the order of a licensed veterinarian". Veterinarian X must collect Westminster sales tax from Owner B on the \$25 charge for the heartworm medication and the \$15 charge for the food. Veterinarian X must pay Westminster sales/use tax on his cost of the rabies vaccine.
3. Owner C brings in his sick cat. Veterinarian X examines the cat and determines it needs an antibiotic. The antibiotic is labeled "Rx Only". Veterinarian X bottles a 10 day supply and labels the bottle for home administration by Owner C. Veterinarian X charges Owner C \$30 for the office visit and \$40 for the antibiotic. Because the antibiotic was labeled "Rx Only" prior to sale, Veterinarian X does not collect tax on the \$40 charge. Veterinarian X should not have paid Westminster sales/use tax when he purchased the antibiotic because it was for resale.
4. Owner D's dog has escaped from her yard several times and Owner D wants to get an identification chip implanted as a result. Veterinarian X implants the chip and charges \$50. This fee includes the charge to input Owner D's information into the recovery database and subscribe to the recovery services. Veterinarian X should not collect tax on the \$50 charge. Veterinarian X must pay Westminster sales/use tax on his cost of the chip.
5. Owner E's dog injured his back. She left the dog overnight with Veterinarian X for observation. During his stay, the dog was given a tranquilizer and was fed. The tranquilizer was labeled "For

Veterinary Use Only". When Owner E returned for the dog, she was given a two day supply of the same tranquilizer. Veterinarian X charged \$50 for the examination, \$25 for administering the tranquilizer, \$100 for overnight boarding, and \$40 for the two day tranquilizer supply. Veterinarian X must collect tax on the \$40 charge for the tranquilizer and pay Westminster sales/use tax on his cost for the food and the tranquilizer administered at the hospital.

6. Veterinarian X attends a dog show at the Westminster conference center. At his booth, he hands out free magnets with information on his practice. He ordered the magnets from an out-of-state dealer over the Internet and did not pay any local tax to the dealer. Veterinarian X must accrue and pay Westminster use tax on the price charged by the dealer for the magnets on his next periodic City sales/use tax return.

Contact Us

For additional assistance, please contact us:

City of Westminster
 Sales Tax Division
 4800 West 92nd Avenue
 Westminster, CO 80031

Phone: (303) 658-2065

Fax: (303) 706-3923

Administrative offices are open Monday through Thursday from 7:00a.m. to 6:00p.m. (closed Friday).

E-mail address: salestax@cityofwestminster.us

Website: <http://www.cityofwestminster.us>
 From the Business menu, choose Westminster Taxes

Related Topics

Coupons, Discounts, & Promotional Items
 Exempt Purchases Converted to Taxable Use
 Medical Exemptions
 Professional Services
 Samples, Demonstrations, & Displays

Citations

United States Code

21 U.S.C. § 301 *et seq.* Federal Food, Drug and Cosmetic Act

Westminster Municipal Code

§ 4-1-2. Exemption; Burden of Proof
 § 4-1-5. Retailer Responsible for Collection and Payment of Tax
 § 4-2-2. Definitions
 § 4-2-3. Rate; Imposition and Collection; Distribution
 § 4-2-6. Exemptions from Sales Tax
 § 4-2-7. Exemptions from Use Tax
 § 5-2-2. License Required
 § 5-4-2. License Required

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.