

VETERINARIANS

Notice #08-01

Sales and Use Tax

January 2008



Highlights

- *Veterinarian purchases of livestock drugs and instruments used to administer such drugs remain exempt from sales and use tax*
- *Veterinarians are considered the user and consumer of drugs they administer or sell*
- *To make exempt purchases, veterinarians must complete the Streamlined Sales Tax Certificate of Exemption*

INTRODUCTION

This notice is intended to provide veterinarians, dealers in veterinary products, and the general public with information concerning recent changes in Tennessee sales and use tax statutes concerning drugs and medical instruments sold to and used by veterinarians.

Effective January 1, 2008, amendments to Tennessee sales and use tax statutes clarify that veterinarian purchases and resale of drugs used in the treatment of livestock and instruments used for the administration of livestock drugs continue to be exempt from sales and use tax.

The amendment requires sellers and veterinarians to use the newly adopted Streamlined Sales Tax Certificate of Exemption when making tax-exempt purchases or sales of drugs used in the treatment of livestock and instruments used to administer the drugs.

DISCUSSION

For periods prior to January 1, 2008, Tenn. Code Ann. § 67-6-329 exempted from sales and use tax the sale and use of medication for livestock and the instruments used to administer the medication. Effective January 1, 2008, Tenn. Code Ann. § 67-6-351, as amended by Public Chapter 602 (2007), continues to exempt the sales and use of drugs and medical instruments sold to, used by, or sold by veterinarians for the treatment of livestock.

Veterinarians who use and sell drugs for the treatment of livestock may purchase these drugs and the instruments used to administer them without payment of sales or use tax. Regardless of whether the purchaser of the services is engaged in farming or not, livestock includes animals commonly grown for food or fiber and horses, mules, or other draft animals. Livestock does not include dogs, cats, or other pets regardless of their function. In addition, exotic birds and wild birds in their native habitat are not considered livestock. Veterinarians are not required to obtain copies of Agricultural Sales and Use Tax Certificates of Exemption from farmers when making sales of drugs and/or administration instruments used for the treatment of livestock as a part of their veterinarian service.

Tenn. Code Ann. § 67-6-351, as amended, also continues to consider veterinarians the users and consumers of all drugs purchased by them for use or resale in their veterinary practice. Therefore, veterinarians cannot use a resale certificate when purchasing drugs. All drugs purchased by veterinarians, other than drugs used in the treatment of livestock, are subject to sales or use tax based on the purchase price of the drugs. Veterinarians are not required to collect sales tax when they make sales of drugs as a part of their veterinarian service.

Streamlined Sales Tax Certificate of Exemption

Veterinarians who make exempt purchases of livestock drugs and instruments to administer livestock drugs must present a completed Streamlined Sales Tax Certificate of Exemption to the seller. On line 4 of the exemption certificate the purchaser should circle "Other," with the explanation of "veterinarian." On line 5 of the exemption certificate the purchaser should circle "Other," with the explanation, "purchasing livestock drugs and/or administration instruments." The Streamlined Sales Tax Certificate of Exemption can be found on the department's website.

➤ *Certain goods and services sold by veterinarians are subject to tax*

Collection of tax on the sale of goods and services

Medical services provided by a licensed veterinarian are not subject to Tennessee sales and use tax. Veterinarians are not required to collect sales tax when they make sales of drugs as a part of their service. They are not required to obtain a Sales and Use Tax Registration unless they sell taxable goods or services.

Veterinarians who bathe animals as a part of the treatment for a disease or medical condition are not required to collect and remit sales tax on this service. However, those who perform regular grooming and bathing services are required to collect and remit tax on the sales price of bathing services.

Veterinarians who sell pet food, pet supplies, or other taxable goods are required to register to collect and remit sales tax on those transactions. Veterinarians can purchase these items tax exempt by presenting a resale certificate to the vendor.

➤ *Veterinarians must report any use tax that is due*

Payment of tax on the purchase of goods

Veterinarians should pay sales or use tax on all purchases of drugs, equipment, instruments, and supplies used in their practice except those drugs specifically used for the treatment of livestock and the instruments used to administer those drugs. Sales tax should be paid directly to the vendor at the time of purchase. If the vendor does not collect sales tax on the transaction, the veterinarian must pay use tax directly to the Tennessee Department of Revenue. Those who regularly make purchases from vendors who do not collect sales tax must register with the department and report use tax due on the Sales and Use Tax Return. Those who make occasional purchases without the payment of sales tax to their vendor should file Consumer Use Tax returns as purchases are made. These returns and the instructions for remittance of the tax can be found on the department's website.

➤ *Exemptions must be documented*

Documentation

Sellers of drugs and other veterinary products should maintain the appropriate certificate of exemption as a part of their books and records to support any exemption claimed on their sales and use tax returns. Sellers who do not maintain these certificates are liable for the sales tax on these sales and any applicable penalties and interest due.

Veterinarians who provide medical services to both livestock and other animals must maintain documentation for the drugs and instruments used in an exempt manner. This documentation should include the type of drug and instruments used or sold and the animal for which it was administered or prescribed. Veterinarians who do not maintain documentation sufficient to demonstrate the tax exempt sale or use of the livestock drugs and instruments are liable for the sales tax due on the purchase price of these products and any applicable penalties and interest due.



References:

T.C.A. § 67-6-102
T.C.A. § 67-6-351

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.