MAINE REVENUE SERVICES
SALES, FUEL & SPECIAL TAX DIVISION
SALES TAX INSTRUCTIONAL BULLETIN NO. 51

VETERINARIANS

This bulletin is intended solely as advice to assist persons in determining and complying with their obligations under Maine tax law. It is written in a relatively informal style and intended to address issues commonly faced by veterinarians and other animal caregivers doing business in Maine. Taxpayers are responsible for complying with all applicable tax statutes and rules. Although Maine Revenue Services ("MRS") bulletins do not have the same legal force and effect as rules, justifiable reliance upon this bulletin will be considered in mitigation of any penalties for an underpayment of tax due. This bulletin is current as of the last revision date shown at the end of the document.

The Sales and Use Tax Law is found in Part 3 of Title 36 of the Maine Revised Statutes ("M.R.S."). Both Title 36 and all MRS rules may be seen by clicking on "Laws and Rules" at the left side of the MRS website (www.maine.gov/revenue). Bulletins referenced below can be viewed at www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm.

This bulletin relates to sales and purchases by veterinarians and other providers of animal care. The sales and use tax law requires those engaged in the business of selling tangible personal property or taxable services to register as retailers, to add sales tax to the sale price on all sales not exempt under law, and to report and pay tax to the State on their total taxable sales and total taxable purchases upon which the Maine sales tax was not paid to the vendor.

1. TAXABLE SALES

A. Tangible personal property. Veterinarians are engaged in making retail sales of tangible personal property. Sales tax must be collected by veterinarians on sales to their customers of all tangible personal property, including, but not limited to, products such as:

Bandages	Insecticides & Flea products	Shampoo
Collars	Leashes	Surgical dressings
Grooming tools	Medicines	Vitamins & Supplements
Harnesses	Pet Food	

Some of these same products, like bandages and surgical dressings, may be used by the veterinarian in the performance of a service, rather than sold to a customer. See Section 3 below for an explanation of how tax applies in that situation.

B. Services that are part of a sale. Services provided in connection with the sale of taxable items are subject to tax as part of the "sale price" of the product being sold. Such charges include, but are not limited to, administrative fees, processing fees, dispensing fees, packaging fees, or assembly charges. For more information, see Instructional Bulletin No. 39 ("Sale Price Upon Which Tax is Based").

2. EXEMPTIONS

A. Certain products used in animal agricultural production. Sales by a veterinarian of the following products are exempt from sales tax when the products are to be used in animal agricultural production:

Antibiotics	Feed	Medicines
Breeding Stock	Hormones	Pesticides (not repellents)
Embryos	Litter	Semen

Animal agricultural production includes:

(1) The keeping and raising of animals that are producers of food or will become food products themselves such as cows, pigs, chickens, bees, deer, game birds and goats;

(2) The keeping and raising of animals that are producers of other products such as fur-bearing animals, sheep, llamas, alpacas or deer for fleece or antler velvet; and

(3) The keeping and raising of equines.

"Animal agricultural production" does not include the keeping or raising of non-agricultural animals by a breeder or by a circus, carnival, aquarium or zoo.

B. Products sold for resale. A veterinarian may make sales for resale to another registered retailer, such as another veterinarian or an animal caregiver. Sales for resale to a purchaser that holds a valid resale certificate are not taxable. When making sales for resale, the seller must obtain a copy of the purchaser's current resale certificate. For more information, see Rule 301 ("Sales for Resale and Sales of Packaging Materials") and Instructional Bulletin No. 54 ("Resale Certificates").

C. Products sold for care of Seeing Eye dogs. Sales of products used for the care and maintenance of Seeing Eye dogs used to aid a blind person are exempt from sales tax.

D. Diabetic supplies and equipment. Sales of diabetic supplies and equipment are exempt from sales tax. Note: insulin is a "medicine" as opposed to a "diabetic supply" for sales and use tax purposes. See Section 3(C) below.

E. Products sold to animal shelters. Products sold to incorporated nonprofit animal shelters used in the operation or maintenance of those shelters or in the maintenance and care of animals, including wildlife, housed in those shelters are exempt from sales tax. Sellers must obtain a copy of the purchaser's exemption certificate in order to make such sales exempt from tax. See 36 M.R.S. § 1760(60). For more information, see Rule 302 ("Sales to Government Agencies and Exempt Organizations") and Instructional Bulletin No. 36 ("Exempt Organizations and Government Agencies").

F. Services sold by veterinarians. Services sold by a veterinarian that are not associated with the sale of tangible personal property are not subject to sales tax. These nontaxable services include, but are not limited to, the following:

Administering medications	Euthanization	Lab services
Bandaging	Examinations	Neutering
Bathing	Grooming	Surgeries
Boarding Fees	Implanting micro-chips	Suturing
Cremation	Inoculations	Testing
Day Care Fees	Insemination	X-Rays
Diagnostic Test		

G. Samples. Product samples that are supplied free of charge to veterinarians and animal care givers by drug companies and other distributors are not subject to either sales tax or use tax provided that the samples are then supplied to customers without charge. If the samples are sold to customers, the samples are subject to sales tax.

3. TAXABLE PURCHASES

Purchases by a veterinarian of tangible personal property used in its business, rather than resold to a customer, are subject to sales and use tax. For goods purchased from vendors where tax was not paid to the vendor, the veterinarian must report and pay use tax on its sales tax return.

A. Products consumed or used in the performance of a service. When a veterinarian performs an exam or surgical procedure on an animal, the veterinarian consumes or uses products in the performance of that service. The veterinarian is liable for sales or use tax on the cost of those products. Examples include, but are not limited to:

Bandages	Pet Food	Shampoo
Blood replacement	Protective apparel	Splints
Braces	Protective devices	Surgical dressings
Disinfectants	Salves & ointments	Surgical tools & instruments
Disposable supplies	Semen	Suturing supplies
Micro-chips		Syringes

B. Equipment and supplies. Equipment and supplies used by a veterinarian or animal caregiver, upon which sales/use tax would be due, include but are not limited to:

- Durable furniture & fixtures, i.e. office furnishings, building furnishings
- Medical equipment (exam tables, scales, specialized equipment, etc.)
- Office supplies & equipment, i.e. consumables, copiers, printers, computers
- Analytical equipment (X-ray equipment, scanning equipment, computers, etc.)
- Cleaning supplies, both durable and consumable
- Animal containment products (cages, leashes, muzzles, etc.)
- Transportation equipment (gurneys, trailers, dollies, flatbeds, etc.)
- Laboratory equipment, both durable and consumable

C. Medicine. Medicine that is administered by a veterinarian as part of an exam or diagnosis is “used” by the veterinarian and not “sold”. Medicine that is “used” is subject to sales or use tax based on the veterinarian’s cost of the medicine, regardless of whether

the medicine is included in the fee for the exam or is separately stated on the customer's invoice. No sales tax is charged to the customer on such medicine, even if separately stated. This would include medications, drugs, or anesthetics that are injected or administered during examinations, diagnostic testing, and surgical or exploratory procedures.

In the event that medicine is only "used" by the veterinarian and never sold to a customer, the veterinarian would pay sales tax to the vendor at the time of purchase. If the vendor does not collect the sales tax, the veterinarian must accrue use tax on the purchase price and report it on the next sales tax return as a taxable purchase. If a medicine is both used and sold by the veterinarian, the product may be purchased tax exempt from the vendor and the veterinarian must accrue use tax on the amount of product used in the performance of the veterinarian's service. Documentation of use tax accrual on items falling into this category must be maintained.

If a veterinarian administers part of a particular medicine to an animal during an exam and sells the remaining quantity of medicine to the customer, the medicine is subject to sales tax. In other words, if a bottle of 50 tablets is sold to the customer, but the veterinarian gives 2 of those 50 tablets to the animal during the exam, the 50 tablets are sold to the customer.

No sales or use tax is due on medications that are discarded due to expiration dates.

4. RECORDKEEPING AND REPORTING REQUIREMENTS

Veterinarians and animal caregivers must register as retailers and obtain a valid Maine sales tax account. This will require filing a sales tax return on a regular basis. The return must be filed even if there is no sales/use tax liability. Retailers must report total gross sales and separately identify taxable and exempt sales. Any taxable purchases made on which there was no sales tax paid must be reported on the "Taxable Purchases" line of the return.

Sales made for resale or to exempt organizations, must be documented by either a Maine resale certificate or an exemption certificate. This documentation must be maintained by the veterinarian and kept on file for review purposes for at least 6 years.

5. ADDITIONAL INFORMATION

The information in this bulletin addresses some of the more common questions regarding the sales and use tax law faced by veterinarians and animal caregivers. It is not intended to be all-inclusive. Requests for information on specific situations must be in writing, must contain full information as to the transaction in question, and must be directed to:

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AUGUSTA, ME 04332-1060
TEL: (207) 624-9693
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Or visit our website at www.maine.gov/revenue

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