

IOWA SALES TAX AND VETERINARY SERVICES

The professional services of a veterinarian are exempt from sales tax. This applies to services rendered to livestock raised for agricultural or dairy purposes, or production for market. Services rendered to companion pets and draft animals are also included in this exemption.

Pet Grooming

The "cosmetic" service of grooming pets, whether performed by a veterinarian or professional groomer, is taxable. However, if pet grooming is part of a medical service, it is exempt since the grooming is an integral part of veterinary care. If pet grooming is done for both veterinary and cosmetic reasons, the *primary* purpose for the treatment will determine if sales tax should be collected.

In situations where the charge for the cosmetic treatment and the veterinary treatment is invoiced separately, sales tax should be collected only on the cosmetic portion of that billing.

Farm livestock are not considered companion pets, and the gross receipts from the grooming of livestock are exempt.

Laboratory Testing of Animals

Laboratory testing of any animal or human substance is exempt. The exemption for laboratory testing of animals became effective July 1, 1991. This includes semen analysis for fertility purposes.

PURCHASES

When veterinarians purchase items for resale, this purchase is exempt. If the veterinarian paid sales tax when purchasing these items and later sold these goods at retail, the veterinarian should list the purchase amount as a miscellaneous deduction on the back of the sales tax return.

All veterinarians are responsible for consumer's use tax on items not purchased for resale. These are items that were purchased outside of the state for use in Iowa and tax had not already been paid.

Taxable supplies generally include capital or business assets that are used in the course of the veterinarian's business or practice that are not resold. Magazine subscriptions, professional journals or publications, office stationery, furniture, and surgical equipment are all examples of capital assets that are taxable to a veterinarian as he/she is the final consumer or end user of those items.

Supplies

The purchase of supplies is taxable. Examples of supplies that a veterinarian might use include: disposable hypodermic syringes, ear tags, hog rings, lubricants, marking chalk, oxygen.

Treating Livestock

Purchases of food, drugs, medicines, bandages, dressings, serums, tonics, etc., which are used in treating livestock or domestic fowl raised as a part of agricultural production for market, are exempt from tax.

The purchases of fertilizer, limestone, and chemicals used to kill pests, insects, or weeds are exempt if the purchases are for use in agricultural production for market of food or clothing.

Treating Pets

Any purchases of food, insecticide, medication, pesticide, etc., which are used in treating companion pets (for hobby purposes) and other animals are taxable when purchased by a veterinarian and used in performing veterinary services. Sales tax on these items should be paid to the vendor. Otherwise, the tax can be reported on the veterinarian's sales tax return as goods consumed.

Tools, Machinery, and Equipment

A veterinarian's purchase of tools, machinery, or equipment used to aid in performing veterinary services is subject to sales tax.

However, if used primarily in livestock production, the purchase of machinery and equipment is not taxable, but veterinarians should be cautious in claiming this exemption. For example, equipment used to aid in performing veterinary services to both livestock and pets must be used *primarily* in livestock production to be exempt.

SALES

Livestock

Sales by a veterinarian of food, insecticide, medication, pesticide, etc., used to prevent or treat diseases or for treatment of livestock or domestic fowl raised for agricultural production are exempt from sales tax.

Tangible Personal Property

Any sales of tangible personal property used in treating pets and animals other than livestock are subject to sales tax. Other taxable sales by a veterinarian for companion pets and other animal use include, but are not limited to, these items: tags, grooming items,

collars, leashes, and any drugs, medications, bandages, and dressings. These should be billed separately.

Local Option Sales Tax

Several communities have one or both local option sales taxes that are in addition to the state sales tax. The taxes are not statewide and only apply in those jurisdictions that have imposed them. Local option taxes apply to the same goods and services that are subject to sales tax. Products, services or organizations that are exempt from sales tax are usually exempt from local option taxes. The local option taxes should be collected if the product is delivered or if the service is performed in a local option tax jurisdiction. The same services or supplies that a veterinarian provides that are subject to sales tax are also subject to local option taxes if the service or product is performed or delivered in a local option tax jurisdiction.

There is no special application or permit number for local option taxes. They are paid with any sales tax that is due with monthly deposits and the quarterly sales tax return.

LIVESTOCK DEFINED

"Livestock raised for agricultural production" is any domestic animal raised on a farm as a source of food or clothing. Sheep, cattle, goats and hogs are examples of livestock that are ordinarily eligible for tax exemption and services performed upon them are exempt from sales tax. Domesticated fowl, such as chickens, turkeys, ducks, and geese, are included. On or after July 1, 1995 includes ostriches, rheas and emus. Mink, fish, and bees are examples of animals which are not livestock, even if raised on a farm; the services performed are taxable. Pets are not livestock.

COMPANION PETS AND OTHER ANIMALS

Animals such as horses, mules, dogs, cats, animals used for racing, and other creatures are not generally considered livestock raised for agricultural production because they are not used for food or clothing.

DRAFT HORSES

Draft horses or those breeds of horses which are commonly thought of as draft horses, such as Belgian, Clydesdale, Percheron, and Shire, are exempt from tax. This includes all services performed on draft horses.

REGISTERED VEHICLES

Vehicles subject to registration are taxable. Any implement customarily drawn by or attached to a registered vehicle is taxable. This includes camping trailers and horse trailers.