



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, exercising or complying with their legal rights, duties or privileges. It contains general and specific information of interest as well as interpretations and determinations by Maine Revenue Services regarding issues commonly faced by your business. Portions of the Sales and Use Tax Law referred to in this bulletin can be found at the end of the bulletin in Attachment #1.

The following instructions relate to sales and purchases by veterinarians and other providers of animal care and medications. The Sales and Use Tax Law requires persons engaged in the business of selling tangible personal property or taxable services to register as sellers, to add the 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 selling tangible personal property. Some examples of products that would be subject to Maine sales tax would include, but not be limited to, the following:

Pet food	Insecticides & Flea products	Collars
Leashes	Harnesses	Vitamins & Supplements
Grooming tools	Shampoo	

Some products that may primarily be used by veterinarians in providing a service may also occasionally be sold directly to a customer in the form of tangible personal property. If such supplies/products, i.e. bandages, dressings, are sold directly to the customer for use on a pet, the sale would be subject to sales tax.

B. Medicines. Medicine is tangible personal property. Veterinarians are typically engaged in using medicines when making an injection in the course of treatment and in selling both non-prescription and prescription drugs to customers. (For a discussion on use tax due on medicines used in the performance of a service, see Taxable Purchases later in this bulletin.)

The sale of medicine or supplies to a customer who will administer the item to or for a pet is subject to sales tax. This includes both non-prescription and prescription drugs.

C. Services that are Part of Taxable Sale Price. Most services that are sold in Maine are not subject to the sales tax. (See services under Exemptions) However, there are some charges for services, when imposed in conjunction with the sale of taxable items, that would be subject to tax as part of the “sale price” of the product being sold. Such charges commonly encountered would include, administrative fees, processing fees, dispensing fees,

packaging fees or assembly charges. If such charges are incurred with no sale of taxable products, these would not be subject to tax.

2. EXEMPTIONS

A. Products used in agricultural production. Sales of the following products are exempt from the Maine sales tax when used in animal agricultural production:

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

Animal agricultural production includes:

- (1) the keeping and raising of animals which 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 which are producers of other products such as fur-bearing animals, sheep, llamas, alpacas or deer for fleece or antler velvet;
- (3) the keeping and raising of equines.

Veterinarians administering care to animals involved in the following activities does not constitute agricultural production and are not exempt,

Circuses	Carnivals	Aquariums
Pet breeders	Zoos	

B. Products sold for resale. Occasionally a veterinarian may make sales for resale to other registered sellers, such as other veterinarians or animal caregivers. Sales for resale to a purchaser holding a valid resale certificate are not taxable. When making sales for resale, the seller should obtain a copy of the purchaser's current resale certificate.

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 Maine sales tax.

D. Diabetic supplies and equipment. Sales of diabetic supplies and equipment are exempt from Maine sales tax. Please note, insulin is considered a "medicine" as opposed to a "diabetic supply" for Maine sales and use tax purposes.

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 housed in those shelters are exempt from Maine sales tax. This includes wildlife shelters. Permanent Maine Sales Tax Exemption Certificates are issued to shelters that qualify for this exemption. Sellers must obtain a copy of the purchaser's permanent exemption certificate in order to make such sales exempt from Maine tax.

F. Services sold by veterinarians. Services sold by veterinarians are not subject to Maine sales tax. These services include, but are not limited to:

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

G. Samples. Samples that are supplied free of charge to veterinarians and animal care givers by drug companies and other distributors are not subject to either Maine sales tax or use tax. These samples can be supplied to customers free of charge also with no tax implication. However, if samples are sold to customers, the samples would be subject to the Maine sales tax.

3. TAXABLE PURCHASES

A Maine sales/use tax is imposed upon the veterinarian or animal caregiver on certain purchases made by them. The Maine sales tax should be paid by the purchaser to the vendor if the vendor is a registered Maine seller. If the vendor is not a registered Maine seller, the purchaser must report and pay the Maine use tax directly to Maine Revenue Services on the regularly filed Maine sales tax return.

A. Products consumed or used in the performance of a service. Products commonly consumed or used in the performance of veterinary services, upon which Maine sales/use tax would be due, include but are not limited to:

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

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

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

C. Medicine. Medicine that is administered by a veterinarian as part of an exam or diagnosis is considered “used” by the veterinarian and not “sold”. It is immaterial whether such medicine is included in the fee for the exam or is separately stated on the customer’s invoice. Medicine that is “used” is subject to a use tax based on the veterinarian’s cost of the medicine and 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. No sales tax is charged to the customer for any drugs administered by the veterinarian in the performance of these services. The veterinarian would pay the Maine use tax on these items.

In the event that medicine is only “used” by the veterinarian and never sold to a customer, the veterinarian should pay the Maine sales tax to the vendor at the time of purchase. If the vendor does not collect the Maine sales tax, the veterinarian can accrue use tax on the purchase price and report it on their next sales tax return. If a medicine is both used and sold by the veterinarian the product may be purchased tax exempt from the vendor and the veterinarian can accrue use tax on the amount of product used by them in the performance of their service. Documentation of use tax accrual on items falling into this category should be maintained on a regular basis and kept with the taxpayer’s copy of their regularly filed sales tax return.

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 will be considered 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 is still considered sold to the customer as a taxable sale.

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

4. RECORDKEEPING AND REPORTING REQUIREMENTS

Veterinarians and animal caregivers must register and obtain a valid Maine sales tax account. This will require filing a Maine sales tax return (ST-7), on a regular basis. These returns must be filed even if there is no Maine sales/use tax liability. Any sales on which sales tax was collected must be reported on the “Taxable Sales” line of the return. Any Maine use tax due on purchases on which there was no Maine sales tax collected 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 a permanent exemption certificate. This documentation must be maintained by the veterinarian and kept on file for review purposes.

5. ADDITIONAL INFORMATION.

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law faced by your business. It is not intended to be all inclusive. Requests for

information on specific situations should be in writing, should contain full information as to the transaction in question and should be directed to:

MAINE REVENUE SERVICES
SALES, FUEL & SPECIAL TAX DIVISION
P.O. BOX 1065
AUGUSTA, ME 04332-1065
TEL: (207) 624-9693
TTY: (207) 287-4477

Or visit our website at www.maine.gov/revenue

The Department of Administrative and Financial Services does not discriminate on the basis of disability in admission, to access to, or operation of its programs, services or activities.

Issued: May 10, 2005

ATTACHMENT #1
Excepts taken from 36 M.R.S.A.

36 §1752. Definitions

The following words, terms and phrases when used in chapters 211 to 225 have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

7-C. Products used in animal agriculture. Sales of breeding stock, semen, embryos, feed, hormones, antibiotics, medicine, pesticides and litter for use in animal agricultural production. Animal agricultural production includes the raising and keeping of equines.

11. Retail sale. "Retail sale" means any sale of tangible personal property in the ordinary course of business for any purpose other than for resale, except resale as a casual sale, in the form of tangible personal property. "Retail sale" also means any sale of a taxable service in the ordinary course of business for any purpose other than for resale, except resale as a casual sale.

14. Sale price. "Sale price" means the total amount of a retail sale valued in money, whether received in money or otherwise.

A. "Sale price" includes:

(1) Services which are a part of a retail sale; and

17. Tangible personal property. "Tangible personal property" means personal property that may be seen, weighed, measured, felt, touched or in any other manner perceived by the senses, but does not include rights and credits, insurance policies, bills of exchange, stocks and bonds and similar evidences of indebtedness or ownership. "Tangible personal property" includes electricity. "Tangible personal property" includes any computer software that is not a custom computer software program.

36 §1760. Exemptions

No tax on sales, storage or use shall be collected upon or in connection with:

35. Seeing eye dogs. Sales of tangible personal property and taxable services essential for the care and maintenance of seeing eye dogs used to aid any blind person.

33. Diabetic supplies. All equipment and supplies, whether medical or otherwise, used in the diagnosis or treatment of diabetes;

60. Sales to incorporated nonprofit animal shelters. Sales to incorporated nonprofit animal shelters of tangible personal property used in the operation and maintenance of those shelters or in the maintenance and care of any animal, including wildlife, housed in those shelters.