

NEBRASKA SALES AND USE TAX GUIDE FOR VETERINARIANS

OVERVIEW

Veterinarians are in the business of providing professional veterinary medical services to animals owned by their clients. Charges for professional services are not subject to sales tax.

In certain circumstances, veterinarians also make retail sales to their clients. When making retail sales, veterinarians are considered retailers and must hold a Nebraska Sales Tax Permit and collect and remit the Nebraska and applicable local sales tax on all retail sales.

Application for the required permit is made by filing a [Nebraska Tax Application, Form 20](#), with the Nebraska Department of Revenue. This form is available on our Web site.

This information guide is intended to provide an overview. Nothing in this guide supersedes, alters, or otherwise changes any provisions of the Nebraska tax code, regulations, Nebraska Department of Revenue (Department) rulings, or court decisions.

This information guide may change with updated information or added examples. The Department recommends you do not print this guide, and instead, check www.revenue.ne.gov periodically for changes.

TERMS

Retail sales are sales of goods or taxable services for consideration to the end user when the goods are delivered or the taxable service is performed in Nebraska.

Veterinary medicines includes medicines for the prevention or treatment of disease or injury in animals and includes all drugs, antibiotics, viruses, serums, toxins, antitoxins, or analogous products of natural or synthetic origin.

Agricultural chemicals includes any pesticides, insecticides, fungicides, growth-regulating chemicals, hormones, and rodenticides or any other substance or mixture intended for use in preventing, destroying, repelling, or mitigating pests of animals, or to affect the structure or function of animals.

Food-producing animals include animal life, the products of which ordinarily constitute food for human consumption or the pelts of which are ordinarily used for human apparel. Cattle, sheep, swine, baby chicks, turkey poults, and bees are examples of food-producing animal life.

Nonfood-producing animals include animals such as dogs, cats, zebras, parakeets, penguins, canaries, horses, donkeys, mules, domesticated elk and deer, ostriches, emus, rheas, kiwis, and cassowaries.

Feed and feed supplements for food-producing animals includes medicines and chemicals that are manufactured to be fed to food-producing animals:

- ❖ as a premix, concentrate, or top dressing with the feed;

- ❖ for placement on the ground as range cubes; or
- ❖ as a water soluble mix in the drinking water.

Consumable veterinary supplies include those items that are used by veterinarians or veterinary clinics in rendering their professional services.

PROFESSIONAL SERVICES

Veterinarians and veterinary clinics are the consumers of all items they use in rendering professional services. As the consumer, veterinarians and veterinary clinics are required to pay sales tax or remit use tax on all of their purchases, **EXCEPT** for purchases of veterinary medicines and agricultural chemicals to be used in the treatment or care of food-producing animals.

Example 1: A livestock producer has growth hormone implants administered to 20 calves. The charge for the implants or administering them is not taxable.

Items used in rendering professional services are not retail sales to a client, regardless of how the charges are itemized on the billing invoice.

Example 2: A client brings his puppy in for a rabies vaccination and checkup. The charge for the rabies vaccination is considered rendering professional services and sales tax is not collected from the puppy's owner, even though the charges for the checkup and vaccination are separately itemized on the billing invoice.

RETAIL SALES

When veterinarians and veterinary clinics sell goods or taxable services without the rendition of professional services, these transactions are considered retail sales.

Some examples of retail sales include sales of:

- ❖ leashes, collars, tack, **ANY** type of pet food, including horse feed.

Veterinarians and veterinary clinics must collect and remit the Nebraska and applicable local sales tax on all retail sales at the rate in effect where the items are delivered or the taxable service is performed.

Example 3: A veterinarian goes to a client's home to examine and treat a sick dog. In addition, the veterinarian sells the client a collar. The charges relating to examination and treatment of the dog are not taxable to the client. The charge for the collar is taxable. The veterinarian must collect sales tax at the rate in effect where the client's home is located. If the home is in a city with a local sales tax, the tax collected is the state rate plus the applicable local rate. If the charges for the professional services are not separately stated from the charge for the collar, the total amount is taxable.

Exception: The following retail sales made by veterinarians and veterinary clinics are not taxable:

- ❖ Retail sales of veterinary medicines and agricultural chemicals labeled for use in the treatment or care of food-producing animals. Veterinarians are not required to obtain a [Nebraska Resale or Exempt Sale Certificate, Form 13](#), to support the fact that no sales tax was collected on such sales.
- ❖ Retail sales of veterinary medicines and agricultural chemicals labeled for use in the treatment or care of food- and nonfood-producing animals, where the purchaser issues a properly completed Form 13 with an attached signed statement indicating that the veterinary medicines and agricultural chemicals will only be used in the treatment or care of food-producing animals. A separate Form 13 could be issued for each veterinary medicine or agricultural chemical to be used in the treatment or care of food-producing animals. In lieu of separate Forms 13, the purchaser could issue one Form 13 and attach a listing identifying each veterinary medicine and agricultural chemical that will be used in the treatment or care of food-producing animals.

ANIMAL SPECIALTY SERVICES

Charges for animal specialty services are taxable. Veterinarians and veterinary clinics that provide these services must collect the Nebraska and applicable local sales tax on charges for such services.

The following is a list of some of the taxable animal specialty services generally provided by veterinarians or veterinary clinics:

- ❖ Pet grooming, done separately from medical treatment;
- ❖ Pet training, exercising, or handling;
- ❖ Pet boarding (except hospital and recovery boarding);
- ❖ Implanting of identification chips; and
- ❖ Cremation, burial, or disposal services.

Taxable animal specialty services **DO NOT** include:

- ❖ Professional services rendered by a veterinarian in the care and treatment of an animal, or
- ❖ Pet grooming performed by the veterinarian or veterinary technician when done as a part of, or at the same time as, medical treatment of the animal.

For additional information regarding the taxability of animal specialty services, please refer to the animal specialty services informational notice which is available on our Web site.

TAX-FREE PURCHASES OF VETERINARY MEDICINES AND AGRICULTURAL CHEMICALS

Food-Producing Animals. Purchases of veterinary medicines and agricultural chemicals that are labeled by the manufacturer for consumption by, to be used on, or used in the treatment or care of, **only** food-producing animals are exempt from sales and use tax. Sellers are not required to obtain a Form 13 from the veterinarian.

Items Purchased for Resale. Products that **are not** used by the veterinarian or veterinary clinic in the rendition of professional services **may be** purchased for resale. When making tax-free purchases for resale purposes, veterinarians and veterinary clinics must issue a properly completed Form 13, Section A, to each supplier.

Examples of items that may be purchased for resale include:

- ❖ medicines and chemicals for nonfood-producing animals, feed and feed supplements, leashes, collars, medicated or non-medicated pet shampoo, tack, and all types of pet food.

TAXABLE PURCHASES — VETERINARY MEDICINES AND AGRICULTURAL CHEMICALS USED IN RENDERING PROFESSIONAL SERVICES

Nonfood-Producing Animals. Veterinarians and veterinary clinics are consumers and must pay the Nebraska and local sales and use tax to their suppliers on all purchases of veterinary medicines and agricultural chemicals that can **ONLY** be used in the treatment or care of nonfood-producing animals.

Food- and Nonfood-Producing Animals. The seller of veterinary medicines and agricultural chemicals that can be used in the treatment or care of **BOTH** food- and nonfood-producing animals is required to collect sales tax on such sales, unless the purchaser issues a properly completed Form 13. The Form 13 is considered properly completed only when accompanied by a signed statement indicating that the veterinary medicines and agricultural chemicals will be used in the treatment or care of food-producing animals. A separate Form 13 can be issued for each veterinary medicine or agricultural chemical to be used in the treatment or care of food-producing animals. Alternatively, the purchaser can issue one Form 13 and attach a listing identifying each veterinary medicine and agricultural chemical that will be used in the treatment or care of food-producing animals.

OTHER TAXABLE PURCHASES

Veterinarians and veterinary clinics are consumers and must pay the Nebraska and local sales and use tax to their suppliers on all purchases of:

- ❖ consumable supplies, needles, towels, bandages, syringes, x-ray film and chemicals, rubber or latex gloves, swabs, cotton balls, tape, gauze, trays, sponges;
- ❖ medical and lab equipment, operatory equipment, instruments, microscopes, x-ray equipment;
- ❖ business equipment, computer hardware and software, maintenance and service agreements, business supplies, paper and linen towels, office supplies, paper products, utilities; and
- ❖ all pet foods and feed for use at the clinic for nonfood-producing animals.

CONSUMER'S USE TAX MUST BE PAID WHEN SUPPLIERS DO NOT COLLECT SALES TAX

If the supplier does not charge tax on taxable purchases, veterinarians and veterinary clinics must remit the Nebraska consumer's use tax directly to the Department on the cost of the items purchased, including the related charges for shipping and handling. In addition, veterinarians and veterinary clinics located within the boundaries of a city that has a local sales and use tax must also remit the local use tax on taxable purchases.

The Nebraska and local use tax is remitted as follows:

- ❖ If you have a sales tax permit, the Nebraska and local consumer's use tax is reported on the appropriate lines of your [Nebraska and Local Sales and Use Tax Return, Form 10](#).
- ❖ If you do not have a sales tax permit, the Nebraska and local consumer's use tax is reported on a [Nebraska and Local Consumer's Use Tax Return, Form 2](#).

ACCOUNTING FOR USE TAX WHEN TAX-FREE INVENTORY IS USED FOR A TAXABLE PURPOSE

Veterinarians and veterinary clinics who purchase products without tax and use such products in rendering professional services in the treatment of nonfood-producing animals are required to remit the Nebraska and local use tax on their cost of the products used. Items used in rendering professional services are not retail sales.

Example 3: A 10cc bottle of penicillin is purchased tax-free. Five cc are removed from the bottle and used to treat a dog or other nonfood-producing animal. The Nebraska and local use tax is due on your cost of the 5cc of penicillin. The use tax must be remitted on your Form 10, or on your Form 2.

Separate Inventories. Alternatively, veterinarians and veterinary clinics are permitted to maintain one inventory of tax-free medicines and chemicals for use in the treatment or care of food-producing animals and one inventory of tax-paid medicines and chemicals for use in the treatment or care of nonfood-producing animals.

Use tax is then due on the cost of each container of veterinary medicine or agricultural chemical placed in inventory for nonfood-producing animals if sales tax was not paid on the purchase.

ACCOUNTING FOR TAX-PAID INVENTORY USED FOR A NONTAXABLE PURPOSE

Veterinarians and veterinary clinics who remove some or all of a tax-paid medicine or chemical from inventory and use it in the treatment or care of a food-producing animal may take a credit for the amount of tax associated with the cost of the medicine or chemical used. The credit can be taken on their next Form 10, or by filing a claim for refund. In most instances, taking the credit on the next return is the simplest method. The cost of the medicine or chemical used can be shown as an adjustment on the [Form 10, Nebraska Schedule III - Computation of Net Taxable Sales and Nebraska Consumer's Use Tax](#), line 13. Deductions claimed must be supported with a written explanation on the Nebraska Schedule III or on an attached schedule if additional space is needed.

SALES OF TAX-PAID ITEMS

Veterinarians and veterinary clinics who remove tax-paid consumable supplies and tax-paid veterinary medicines and agricultural chemicals from inventory and sell such items over-the-counter are required to collect sales tax on the total retail sales price. Double taxation will not occur because tax will only be remitted on the difference between the veterinarian's cost of the item and the sales price to the customer. When completing the Form 10, Nebraska Schedule III, the sales price to the customer is included on line 1, gross sales and services. The cost of the item sold is included on line 13, other allowable deductions. The difference is included on line 15, net taxable sales.

RETURNED ARTICLES

In the event taxable purchases are returned to the supplier and the full purchase price is refunded, the supplier must refund or credit to the veterinarian or veterinary clinic the amount of sales tax previously paid or charged. If only a portion of the purchase price is refunded or credited, the amount of sales tax to be refunded or credited by the supplier must be computed based upon the portion of the purchase price to be refunded or credited. Veterinarians and veterinary clinics can take an adjustment on their sales or consumer's use tax return for the amount of use tax paid on amounts refunded or credited on articles that are returned to the supplier.

FEED AND FEED SUPPLEMENTS

Feed and feed supplements manufactured to be fed to food-producing animals are not subject to tax. Veterinarians and veterinary clinics may **purchase** feed and feed supplements manufactured to be fed to food-producing animals without the payment of tax.

Veterinarians and veterinary clinics may **sell** feed and feed supplements manufactured to be fed to food-producing animals without collecting sales tax. Neither the supplier, the veterinarian, nor the veterinary clinic is required to obtain a Form 13 for sales of feed and feed supplements manufactured to be fed to food-producing animals.

OTHER STATE TAX PROGRAMS

- ❖ **Income Tax Withholding** — If you have employees, you are required to obtain a Nebraska Withholding Certificate. Appropriate income tax withholding returns include the [Form 501N, Nebraska Monthly Withholding Deposit](#), and the [Form 941N, Nebraska Withholding Return](#). A yearly withholding reconciliation is reported on the [Form W-3N, Nebraska Reconciliation of Income Tax Withheld](#).
- ❖ **Income Tax** — The income from the veterinary practice is subject to Nebraska tax. The type of business organization determines the applicable income tax program and forms.

RESOURCE LIST

If you need additional information, see the resources listed below that are available on the Department's Web site:

- ❖ [Nebraska Consumer's Use Tax Information Guide](#)
- ❖ [Form 10 Information Guide](#)
- ❖ [Nebraska Sales and Use Tax Regulations](#)

www.revenue.ne.gov

(800) 742-7474 (toll free in Nebraska and Iowa), (402) 471-5729

Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818