

Podiatric physicians

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This guide explains how Washington's excise taxes apply to podiatric physicians.

The information in this guide is current at the time of publication. Please remember state tax law changes on a regular basis.

For additional information or answers to any questions on Washington excise tax, please contact the Department of Revenue.

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Definitions

Definitions

Business and Occupation (B&O) Tax: The B&O tax applies to the gross amount received from conducting business in Washington. Under the B&O tax, there are many different tax reporting classifications. Each classification corresponds to a different type of business activity and has its own tax rate. Businesses report their income under the tax classification that matches their business activity, such as retail sales, wholesale sales and professional services.

Businesses owe B&O tax on their gross income. There are no deductions for labor, materials, taxes, rent, or other costs of doing business.

Consumer: A consumer is any person who uses tangible personal property or receives retail services. The tangible personal property or service may be for personal use or conducting business activities. It is important for sellers to know who the consumer is to correctly collect sales tax.

Gross Amount: The term "gross amount," which appears at the top of column one on the Combined Excise Tax Return, refers to your "gross proceeds of sale" or "gross income of the business." The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

Reseller Permit: A reseller permit is a permit issued by the state that allows a business to purchase products for resale without paying sales tax. The buyer affirms that the goods are purchased for resale in the normal course of business without intervening use. Sales tax must be collected when the product is resold. Collected sales tax must be remitted to the state.

Retail Sales Tax: Retail sales tax is a tax imposed on the buyer of goods and retail services. Sellers are responsible for collecting the tax from the consumer and remitting the tax to the Department of Revenue (DOR). The term "sales tax" refers to the combined state and local portion of the tax.

RCW: The Revised Code of Washington (RCW) is the compilation of Washington State laws and statutes.

UBI/Account ID: Sometimes called a registration number, tax number, "C" number, or resale number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify registered businesses. The number is assigned when a person completes a [Business License Application](#) to register with, or obtain a license

from, state agencies. The Departments of Revenue, Licensing, Employment Security, Labor & Industries and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program. In most cases, your UBI number will also be your Revenue account ID. Spouses who file separately and corporations who file multiple accounts are assigned separate account IDs by Revenue as needed.

Use Tax: Use tax is owed when a consumer acquires goods or certain services without paying retail sales tax, and those goods or services are used in this state. The use of goods and certain services as a consumer requires either sales tax or use tax to be paid, but not both. Both sales tax and use tax combine state and local taxes. Use tax rates and sales tax rates are the same.

WAC: Washington Administrative Code (WAC) is a compilation of administrative rules and regulations used by state agencies to execute the laws enacted by the Legislature.

Business and Occupation (B&O) Tax

Business and Occupation (B&O) Tax

Overview

The B&O tax is a gross receipts tax, assessed against an entity for conducting business in Washington. It applies to the gross income of the business. This means no deduction is allowed for labor, materials, taxes or other costs of doing business.

The appropriate B&O tax classification depends on the business activity. Different tax classifications have different tax rates. Businesses performing more than one activity may be subject to tax under more than one B&O tax classification.

The B&O tax is reported on Revenue's excise tax return. Revenue assigns a reporting frequency based on the estimated yearly tax due and the type of business. A business may be assigned to report on a monthly, quarterly, or annual basis.

Podiatric physicians and the B&O Tax

The two most common B&O tax reporting classifications for podiatric physicians are:

- **Retailing:** Income from retail sales is reported under the *retailing* classification.
Example: Gross income from arch support slipper sales (non-prescription) is subject to *retailing* B&O tax.
- **Service:** Income from professional services provided by the podiatric physician is reported under the *service and other activities* classification.
Example: Gross income from examinations and diagnostic services associated with routine foot care is subject to service and other activities B&O tax.

A podiatric physician may be engaged in both activities, in which case they must segregate their income prior to reporting for B&O tax purposes.

Municipal Taxes

In addition to the state B&O tax, some Washington cities impose business activity taxes. The Department of Revenue does not administer business activity taxes levied by cities. Consequently, you should contact each city or town in which you conduct business regarding their specific requirements.

Service and other activities B&O tax classification

Service and other activities B&O tax classification

Income received from the following activities performed by a podiatric physician is subject to the *service and other activities* B&O tax classification:

- Examinations and diagnostic services associated with routine foot care.
- Cutting or removal of corns and calluses.
- Nail trimming, cutting or clipping of nails.
- Treatment of chronic foot conditions.
- Surgical operations.

Allowable Deductions

A podiatric physician may deduct certain items from taxable income. The following items are allowable deductions:

Bad Debts

Amounts previously reported and determined to be uncollectible. These amounts must also be written off for IRS purposes. The bad debt credit or deduction is limited to the original retail seller. See [Bad Debt Tax Credit](#), [WAC 458-20-196](#).

Cash and Trade Discounts

Discounts allowed for payments in cash or trade. The amount of the discount may be deducted from the gross proceeds of sales if such amount was previously reported. Discounts are typically used as incentives for early payment. See [WAC 458-20-108](#).

Interstate and Foreign Sales

Goods sold and delivered to customers outside of Washington or transportation of persons or goods across state or international boundaries. Documentation is necessary. Podiatric physicians must physically render the medical service outside state boundaries. See [WAC 458-20-193](#); [458-20-193C](#); [458-20-194](#).

Advancements and Reimbursements

Amounts received as advancement or reimbursement when the customer or client alone is liable to pay for the procurement of goods and services. The taxpayer making the payment cannot have primary or secondary liability, other than as agent, to pay for the goods and services. See [WAC 458-20-111](#).

Returns and Allowances

Amount of the sales price on which sales tax has been returned or credited to the purchaser. See [WAC 458-20-108](#).

Example: The correct way to calculate a refund and report it on your excise tax return is outlined in the example below.

Calculating the Refund – Retail Sales

- You sold a pair of podiatric sneakers for \$85 dollars and collected \$7.65 in sales tax (9% rate).
- The amount refunded to the customer is \$85 (selling price) + \$7.65 (sales tax collected) = \$92.65.

Reporting the Refund – Retail Sales

- On the Deduction Detail pages, under the Retail Sales Tax section, report a deduction of \$85 on the Returns & Allowances line.

- On the Retailing line of the B&O tax classification, report an \$85 deduction in column 2..
- On the Retail Sales line, report an \$85 deduction in column 2..
- Remember to deduct \$85 from the taxable amount reported for the location code of the original sale.

Other Deductions

Most allowable deductions are listed on the Deduction Detail sheet. Using the *Other* deduction line requires appropriate documentation or explanation. Please refer to statute or call your local Revenue office to ensure the deduction is valid. Invalid deductions will be disallowed.

A “resale” deduction is not valid under retail sales tax. Report amounts sold for resale under the wholesaling classification of the B&O tax. Also, there are no deductions for labor, materials, or any other costs of doing business.

Retail sales tax/retailing B&O tax

Retail sales tax/retailing B&O tax

All sales of personal goods or charges for retail services to a consumer are subject to retail sales tax and are taxable under the *retailing* B&O tax classification.

Transactions subject to retail sales tax

Podiatric physicians must pay retail sales tax on items purchased for their own use, unless the purchase is tax exempt (e.g., prosthetics and prescription drugs). When items are used/consumed in providing medical services to patients, the doctor is considered the end user, not the patient.

Examples of taxable products include, but are not limited to:

- Medical supplies:
 - Lab supplies
 - Empty tubes, syringes, and vials
 - Liquids (alcohol, iodine, and peroxide)
 - X-rays and x-ray processing chemical
- Durable medical equipment:
 - Reusable delivery syringes
 - Medical gas tanks, pump machines, and related parts, except
 - oxygen delivery systems for patient.
- Consumables:
 - Masks, synthetic gloves
 - Toilet paper
 - Bandages
 - Cotton gauze
 - Items sent home with patients
- Office equipment, software, and supplies:
 - Computers, printers
 - Charts, paper
 - Computer equipment
 - Prewritten software and maintenance contracts that include updates to prewritten software.

If a podiatric physician purchases items from catalogs, the Internet, or other sources and does not pay Washington sales tax at the time of purchase, then use tax is owed on the value of the tangible personal property purchased for use in Washington. See [WAC 458-20-178](#).

Example: If a podiatric physician applies corn pads to a patient during the course of treatment, that represents an intervening use of the corn pads by the physician. The physician must pay sales or use tax on the corn pads. When the physician bills the patient, the physician cannot collect retail sales tax on the amount for the medical services or the corn pad; even if the bill is itemized.

If the physician merely sells corn pads in her office, she can use a reseller permit and purchase the corn pads exempt from retail sales tax. Purchase of corn pads with a reseller permit is only allowable when there is no intervening use by the physician. The physician is then responsible for collecting sales tax from the customer and remitting the tax to the state.

Retail Sales Tax Exempt Transactions

Certain purchases by podiatric physicians are exempt from retail sales tax. The two primary exemptions are purchases of prosthetic devices and pharmaceutical drugs.

Prosthetic devices

According to Washington State law, neither retail sales nor use tax applies to sales of prosthetic devices prescribed, fitted, or furnished for an individual by someone who is properly licensed to do so. The exemption includes repair and replacement parts, as well as labor and services rendered in respect to repairing, cleaning, altering, or improving prosthetic devices. (RCW [82.08.0283](#))

Prosthetic devices include, but are not limited to the following:

- Drainage devices for single patient use.
- Sutures, staples, and skin glue for closing wounds.
- Slings, braces, casts, splints, embolism stockings, arch pads, traction pulley clamp assemblies and cords, supports, post-operation shoes, cast shoes, specialized orthotic shoes, diabetic shoes and inserts.

Pharmaceutical drugs

Pharmaceutical drugs are exempt from sales/use tax to the podiatric physician when administered to the patient pursuant to a prescription. RCW [82.08.0281](#)(1). “Drugs” which meet the statutory definition and are administered in the physician’s office are presumed to meet the prescription requirement. RCW 82.08.0281(4)(b). The exemption also applies to disposable syringes, tubing, and similar items when they are used by the physician to administer the drug.

A B&O exemption is available under RCW [82.04.620](#) for prescribed drugs infused or injected by licensed physicians or their agents for human use (as long as they meet the other requirements in that statute).

Purchases for resale

Generally, only items that are purchased for the purpose of being resold to patients without intervening use may be purchased without paying sales tax. A reseller permit must be presented to the seller to document the transaction as wholesale.

Retail sales tax must be paid by podiatric physicians when purchasing products that will be used in providing medical treatment.

Prosthetics

When prosthetics are sold to consumers without medical services being provided, the podiatric physician can use a reseller permit to purchase the prosthetics without paying retail sales tax.

Example: A podiatric physician uses his reseller permit to purchase arch support slippers tax exempt that he will resell to his customers in the lobby of his office. A patient buys a pair of these arch support slippers separate from medical treatment. The podiatric physician collects retail sales tax on the purchase from the patient. He reports the amount of the sale on his tax return under the retailing B&O classification and the retail sales line.

Pharmaceutical drugs

Purchases of over-the-counter pharmaceutical drugs for resale to patients are exempt from the retail sales/use tax. The podiatric physician must provide the vendor with a resellers permit at the time of purchase. Sales tax must be collected when the product is sold to the end user. The gross amount of retail sales is reported on the excise tax return under the retailing B&O classification.

Use tax

Use tax

Use tax is a tax imposed on the use of personal or medical goods in Washington when the goods were acquired without paying sales tax. It is computed at the same rate as the sales tax. Unless specifically exempt by law, all personal goods purchased or used in this state are subject to either the sales tax or use tax, but not both, regardless of where or from whom the property is purchased.

There are many instances where sales tax may not be collected by the seller. In those cases, including the examples listed below, the purchaser must pay use tax directly to the state.

- Catalog purchases from an out-of-state seller
- Internet purchases from an out-of-state seller
- Inventory withdrawals for use by the business

The following equipment and supplies are subject to use/deferred sales tax if sales tax was not previously paid:

- Equipment and supplies such as nail clippers, scissors, scalpels, and sterile silicon tubing used for laboratory purposes.
- Any personal or medical goods consumed while performing any activity taxable under the *service and other activities* B&O tax. Examples include masks, synthetic gloves, toilet paper, bandages, cotton gauze, and items sent home with patients.
- Computer equipment, prewritten software, and maintenance contracts that include updates to prewritten software.

Applicable statutes

Applicable statutes

RCW [82.04.050](#) "Sale at retail", "retail sale"

RCW [82.04.220](#) Business and occupation tax imposed.

RCW [82.08.020](#) Tax imposed -- Retail sales -- Retail car rental

RCW [82.12.020](#) Use tax imposed.

RCW [82.04.620](#) Exemptions -- Certain prescription drugs.

RCW [82.08.0281](#) Exemptions -- Sales of prescription drugs

RCW [82.08.925](#) Exemptions -- Dietary supplements (also see the special notice: [Sales Tax Changes for Dietary Supplements](#)).

RCW [82.12.925](#) Exemptions -- Dietary supplements

RCW [82.08.940](#) Exemptions -- Over-the-counter drugs for human use

RCW [82.12.940](#) Exemptions -- Over-the-counter drugs for human use

RCW [82.12.935](#) Exemptions -- Disposable devices used to deliver prescription drugs for human use

WAC [458-20-168](#) Hospitals, nursing homes, boarding homes, adult family homes and similar health care facilities.

WAC [458-20-224](#) Service and other business activities.

WAC [458-20-18801](#) Prescription drugs, prosthetic and orthotic devices, ostomic items, and medically prescribed oxygen.

Services provided by the Department of Revenue

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The Department of Revenue offers many services to make reporting your taxes as convenient as possible. The following list contains a sampling of the Department's services.

Our web site offers a wide variety of information and resources for your business:

- [Electronic filing \(e-file\)](#): File and pay taxes electronically using [My DOR](#), Revenue's secure online filing application.
- [Business Information Update](#): You can notify us online if your business has moved, closed, or changed activities.
- [Local Offices](#): Find telephone numbers, office hours, and directions to a local office near you.
- [Tax Rate Lookup Tool \(GIS\)](#): Find the correct code and tax rate for specific locations.
- [Publications and Forms](#): Find our tax guides, fact sheets, reports, and forms.
- [Laws and Rules \(Taxpedia\)](#): Search our online database for rules, laws, advisories, administrative decisions, and court cases through Taxpedia.
- [Contact Us](#): You can ask a general tax question. You can generally expect a response within 10 working days.

Telephone and One-on-one Assistance

Assistance in registering businesses, completing tax returns, and responding to questions can be requested by calling the Telephone Information Center at 360-705-6705 or by visiting your local Revenue office.

Taxpayer Advocate

For assistance in understanding and accessing your rights in working with the Department, call the Taxpayer Advocate at 360-705-6714.

Letter Rulings

To receive a written letter ruling on a complex tax question, you must identify your business and include all

pertinent facts surrounding the issue. Send your request to:

Interpretations & Technical Advice
Department of Revenue
PO Box 47453
Olympia, WA 98504-7453

You will generally receive a response within 10 business days. You may also fax your request to 360-705-6655 or [Contact Us](#).