

# Horse industry

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This publication was created to assist persons in the horse industry to better understand Washington State taxes and how they apply to their business.

For more information or answers to questions about Washington excise taxes, please [contact us](#).

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## Content

### Do I need to be registered?

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When you engage in any activity, including hobbies, for gain, benefit, or advantage (regardless of profit or loss), you are considered a “business” and you may be subject to Washington’s business and occupation (B&O) tax. Because the B&O tax is a gross receipts tax, very few deductions are allowed from the taxable income. Many of the activities associated with the horse industry are taxable business activities. If you are active in the horse industry, you may be required to register if you meet one of the following criteria:

- Your gross income from any one or a combination of the activities listed below is \$12,000 or more in a calendar year; or
- You are engaged in an activity which requires you to collect retail sales tax; or
- You are required to pay or collect any other taxes administered by the Department of Revenue.

Independent contractors (persons that are not employees) that engage in business in Washington must register with the Department of Revenue. If you are not sure if you are an independent contractor, please [contact us](#).

### Registering

If you are conducting business activity, you must register your business with the Department of Revenue. To register, complete a [Business License Application](#). You can also visit our [Register My Business](#) section for more information.

### Sales of horses

#### Sales of horses

Sales of horses may be made through claiming races, auctions, on the farm, or by individuals. All sales are considered retail sales unless otherwise specified. The sale must be reported under the Retailing B&O tax classification and the Retail Sales Tax classification.

Retail sales tax is due on all retail sales made in the state of Washington, unless there is a specific exemption. An exemption from the retail sales tax is granted for sales of horses, registered with a nationally recognized breeding association, when they are purchased for breeding purposes (racing to determine the value of the breeding stock

is considered a breeding purpose). The [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) (pdf) must be filled out by the purchaser and given to the seller.

Retail sales tax must be collected on all retail sales of geldings, spayed mares, registered horses not used for breeding purposes, and nonregistered horses. Income derived from leasing horses is subject to the Retailing B&O tax and retail sales tax. However, leased horses that are registered with a nationally recognized breeding association when leased for breeding purposes qualify for the breeding stock exemption. The [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) must be completed by the purchaser and provided to the seller.

When a horse is purchased at wholesale, the purchaser must resell the horse without intervening use. The sale is considered a wholesale sale when all of the following elements exist:

- There is no intervening use of the horse (no showing, racing, breeding, etc.) between the time of purchase and time of resale;
- The horse is resold within 60 days; and
- The seller receives a reseller permit from the purchaser.

Income from horses sold at wholesale is subject to the Wholesaling B&O tax.

## Breeding/stud fees

Breeding/stud fees

Income derived from breeding activities or stud fees is taxable under the Service B&O tax classification.

Semen sold for artificial insemination of livestock is a retail sale, subject to the Retailing B&O tax. An exemption from the retail sales tax is available for sales of semen used to artificially inseminate livestock ([RCW 82.08.0272](#)).

## Trainers, Jockeys, Exercisers, Riders, Buggy Drivers, Performers, and Farriers

Trainers, Jockeys, Exercisers, Riders, Buggy Drivers, Performers, and Farriers

Income received by businesses or independent contractors for training, jockeying, buggy driving, exercising, riding, showing, grooming, or shoeing/plating horses is taxable under the Service and Other Activities B&O tax classification.

## Horseback riding

Horseback riding

As of January, 1, 2016, the following horseback riding charges apply:

You owe B&O tax under the Retailing classification *and must collect* sales tax on horseback riding charges. This includes guided rides where the seller furnishes the horse to the buyer. You can find this tax under the Retailing classification on your excise tax return.

You owe B&O tax under the Service and Other Activities classification (*not sales tax*) on income you get from:

- providing horseback riding when the primary focus is providing instruction (e.g. lessons), or

- providing therapeutic horseback riding from a certified instructor. The instructor needs to be certified by a nonprofit organization.

## Purses, bonuses, awards, and prizes

### Purses, bonuses, awards, and prizes

The amounts received from purses, bonuses, awards, and prizes won within Washington State are subject to the Service B&O tax classification. No deductions are allowed for amounts paid to jockeys, trainers, or other costs of doing business.

## Boarding income

### Boarding income

Income received for boarding horses is subject to the Service and Other Activities B&O tax. The stable owner may not deduct the fees associated with veterinarian charges, farrier charges, transportation costs, etc., from the boarding gross income, unless the stable owner is acting as an agent on behalf of the horse owner and has no liability for payment of such expenses, and the stable's books reflect the principal/agent relationship. See Washington Administrative Code [458-20-111](#) and [-159](#) for guidelines. If the expenses are "marked up" when charged to the horse owner, the deduction for reimbursed expenses will not be allowed.

## Sales of feed

### Sales of feed

**Sales of feed to horse owners:** Sales of feed for horses are generally subject to the retail sales tax.

However, sales of feed **for breeding animals** registered with a nationally recognized breeding association are considered sales for resale and not subject to retail sales tax. To validate the wholesale sale, the horse owner must give a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) (Section 2 of the form) to the seller stating that the horse is registered with a nationally recognized breeding association and is used for breeding purposes. The seller of feed is subject to B&O tax under the wholesaling classification on the income received (sales tax is not collected).

**Sales of Feed to Stable Owners:** Sales to third party stables are generally subject to retailing B&O tax and retail sales tax.

However, if the stable separates the feed charge from the boarding charge, the buyer can purchase the feed using a reseller permit and not pay sales tax. (The supplier would report this as a wholesale sale.) The stables' feed charges are taxable under retailing B&O tax and retail sales tax. However, sales of feed for nationally registered breeding animals are not subject to retail sales tax. (See "Sales of feed to horse owners" above.)

## Animal pharmaceuticals

### Animal pharmaceuticals

Income received for the sale of pharmaceuticals is subject to Retailing B&O tax and retail sales tax. Certain animal pharmaceuticals are exempt from retail sale tax when sold to farmers and veterinarians. To qualify for the exemption the animal pharmaceutical must be administered to a horse that is raised by a farmer for the purpose of producing an agricultural product for sale. Also, the animal pharmaceutical must be approved by the United States Department of Agriculture (USDA) or the United States Food and Drug Administration (FDA).

Therefore, sales of pharmaceuticals to farmers for the purpose of producing foals for sale are exempt, if the horse is a breeding animal registered with a nationally recognized breeding association. The sale is subject to Retailing B&O tax, but not subject to retail sales tax. To validate the exemption from retail sales tax, the horse owner must give a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) to the seller stating that the horse is registered with a nationally recognized breeding association, and is for breeding purposes. Pharmaceuticals for geldings or spayed mares are subject to the retail sales tax.

The purchase of pharmaceuticals for horses raised for the purpose of racing, showing, riding, and jumping are not exempt from retail sales tax. However, if at some time in the future the horse is no longer raised for racing, showing, riding, or jumping and instead raised by a farmer for the purpose of breeding and the horse is recognized with a national breeding association, the exemption will apply.

## Veterinarian fees

### Veterinarian fees

Generally, there are two classifications of B&O tax for veterinary businesses: Service and Other Activities classification and the Retailing classification. Retail sales tax also applies on retail sales unless there is a specific exemption.

The Service and Other Activities B&O tax classification applies to the gross income derived from Veterinary services.

The Retailing classification of the B&O tax applies to the gross income from the sale of drugs, medicines, other substances, or items of tangible personal property to consumers when the sale is not included in the veterinary services. The Retailing classification applies only when the veterinarian does not administer the drug, medicine, other substance, or item. In cases where the veterinarian only administers part of the drug, medicine, other substance, or item of tangible personal property to the animal, with further administration to be completed by the customer, the veterinarian must separately list the charge on the bill and collect retail sales tax.

Retail sales tax applies to all sales of animal care products to consumers that are not included in the definition of veterinary services discussed in the [Definitions](#) section.

## Use Tax

### Use Tax

All consumers, whether a business, independent contractor, or individual, are required by law to pay retail sales tax or use tax on taxable goods to be used in Washington. Use tax is due on items purchased for use in Washington, if retail sales tax was not paid. For example, tack purchased out of state, or through catalogs or magazines, is subject to use tax, if retail sales tax is not included in the bill. Geldings and spayed horses purchased out of state for use in this state are also subject to use tax. The use tax rate is the same as the retail sales tax rate. To calculate use tax, multiply the retail sales tax rate in effect where the goods are primarily used or located, by the purchase price. The use tax may be paid on the tax return or directly to the Department on a [Consumer Use Tax Return](#) (pdf).

## Definitions

### Definitions

**Business & Occupation (B&O) Tax:** The B&O tax is the tax applied to the gross amount received from conducting business. There are different reporting classifications for retail sales, wholesale sales, professional services, etc. Each classification has its own tax rate. Persons performing more than one activity may be subject to B&O tax under more than one reporting classification.

**Consumer:** A consumer is any person who uses tangible personal property and receives services defined as retail sales. Such tangible personal property or services may be for personal use or for conducting business activities. If you're a seller, you need to know who is a consumer to know when to collect sales tax. If you're a buyer, you need to know when to pay sales tax and, if sales tax hasn't been paid, when to pay use tax or deferred sales tax directly to the Department of Revenue.

**Deferred Sales Tax:** This tax applies when a person acquired goods without paying sales tax when sales tax was due. Generally, deferred sales tax applies when someone uses a reseller permit to purchase goods that are used and not resold. When reporting deferred sale tax, the taxable amount is reported on the use tax line of the tax return.

**Farmer:** Any person engaged in the business of growing, raising or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold.

"Farmer" does not include:

- A person growing products for the person's own consumption;
- A person selling any animal product in connection with the person's business of operating a stockyard, slaughter or packing house; or
- A person cultivating or raising timber.

**Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions:** The buyer provides a completed exemption certificate to the seller to verify that the items purchased are exempt from retail sales tax. This certificate is not used to purchase items for resale. The seller must maintain a copy of the exemption certificate as part of its records.

**Feed:** Any substance used as food to sustain or improve animals, birds, fish or insects, and includes whole and processed grains or mixtures. "Feed" includes food additives which are given for their beneficial growth or weight effects. However, "feed" does not include hormones or similar products which do not make a direct nutritional or energy contribution to the body, nor does it include products which are used as medicines.

**Gross amount:** The "catch-all" term for whichever of the following terms is applicable to your business: "gross proceeds of sale," "gross income of the business," or "value products." The gross amount includes all consideration received without deduction for the costs of doing business or other expenses.

**Independent contractor:** A person who engages in business activities other than as an employee. Determining whether a person is an independent contractor or an employee is important because contractors are subject to the B&O tax (and other taxes) and employees are not. Various factors determine whether a person is an employee or an independent contractor. Generally, independent contractors are:

- entitled to the gross income of the business,
- liable for business losses and expenses,
- file a statement of business income and expenses (federal forms: Schedule C, 1065 or 1120) for income tax purposes, and
- may employ others.

**Retail Sales Tax:** A tax imposed on the buyer of goods and certain retail services. The seller is responsible for collecting the tax from the consumer and remitting it to the Department of Revenue. The sales tax is a combined state and local tax.

**Reseller Permit:** Effective January 1, 2010, the resale certificate was replaced with a [reseller permit](#) issued by the Department of Revenue. Reseller permits are issued to businesses that make wholesale purchases. The permits allow businesses to purchase items or services for resale in Washington without paying retail sales tax.

The Department will issue reseller permits based on specific criteria. Businesses that don't automatically receive a permit may apply directly to the Department by submitting an [application](#).

**Use Tax:** Imposed on the use of goods in Washington State as a consumer when the goods are purchased or acquired without payment of Washington's retail sales tax. With respect to the use of goods as a consumer, either sales tax or use tax, but not both, applies. Like the sales tax, the use tax is a combined state and local tax. Use tax and sales tax rates are the same.

**Veterinary Services defined for tax purposes:** Veterinary services include the diagnosis, cure mitigation, treatment, or prevention of disease, deformity, defect, wounds, or injuries, of animals. It also includes the administration of any drug, medicine, dietary preparations, method or practice, or performance of any operation, or manipulation, or application of any apparatus or appliance for the diagnosis, cure mitigation, treatment, or prevention of any animal disease, deformity, defect, wound, or injury. This includes the surgical insertion of metal screws or plates either permanently or temporarily. In addition, unless specifically noted below, the term "veterinary services" includes all of the activities described under RCW 18.92.010.

**For tax purposes, "veterinary services" does not include:**

- Use of an item of tangible personal property opened and partly administered by the veterinarian, and taken by the customer for further administration by the customer to the animal (providing the charge for the item is separately stated on the invoice);
- Sale of tangible personal property, including the sale of prescribed drugs from a store or pharmacy;
- Sale of tags, implants or other electronic devices, or any other item used for establishing or maintaining positive identification of the animal.