

# Veterinarian

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This information was created to assist veterinarians to better understand the Washington State taxes that apply to them.

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

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## Contents

### Common terms

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#### **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 and the implantation of identification microchips for identifying and locating pets. 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 the therapeutic use of an item of tangible personal property opened and partly administered by the veterinarian or by an assistant under his or her direction, 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. It also does not include the sale of tangible personal property, including the sale of prescribed drugs from a store or pharmacy. Finally, it does not include the sale of tags, implants, or other electronic devices, or any other item used for establishing or maintaining positive identification of the animal when such items are not also implanted by the veterinarian.

#### **Business and 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.

The B&O tax is a pyramiding tax. This means each business owes B&O tax on the gross income resulting from its activities. Unlike an income tax that applies to net 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 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.

## Deferred sales tax

This tax applies under conditions where a person acquired goods without paying sales tax when sales tax was due. Generally, deferred sales tax applies when someone uses a resale certificate (through 12/31/09) or a reseller permit (effective 01/01/2010) to purchase goods that are used and not resold. This issue is discussed in greater detail in the "Dual Use Purchases" section of the "Payment of Sales/Use Tax/Deferred Sales Tax on Consumables" chapter. When reporting deferred sales tax, the taxable amount is reported on the use tax line of the excise tax return.

## Gross amount

The term "gross amount," which appears at the top of Column 1 on the excise tax return, is a "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 of products." The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

## Independent contractor

An independent contractor is usually 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 independent contractors are subject to the B&O tax (and other business taxes) and employees are not. Various factors determine whether one is an employee or an independent contractor. Generally, independent contractors are entitled to the gross income of the business, are liable for business losses and expenses, file a statement of business income and expenses (Schedule C) for income tax purposes, may employ others, etc.

## Business license

This application is completed by persons that are required to register with one or more state agencies. Persons completing the application are assigned a Unified Business Identifier (UBI) Number. The business then receives a Business License to post at the business location.

## Reseller permit

A reseller permit is given by a buyer to a seller to verify that the goods or retail services are being purchased for resale in the normal course of business without intervening use. Reseller permits are issued to businesses that make wholesale purchases. The Department will issue reseller permits based on specific criteria. Applications are available online. See [Reseller Permits](#) for more information.

## Retail sales tax

A tax imposed on the buyer of goods and certain retail services. However, the seller is responsible for collecting the tax from the consumer and remitting the tax to the Department of Revenue. The sales tax is the combination of the state and local taxes.

## RCW

Revised Code of Washington; state laws.

### UBI/Account ID

Sometimes called a registration, tax, "C," or resale number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify persons engaging in business activities. 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 account ID number. Spouses who wish to file separately and business entities who have divisions that wish to file separately will be assigned separate account ID as needed.

### Use tax

Use tax is imposed on the use of goods by consumers in this state when the state's retail sales tax has not been paid. With respect to the use of goods as a consumer, either sales tax or use tax applies but not both. In this manner, use tax serves to complement the sales tax. Like the sales tax, the use tax is a combination of state and local taxes. Use tax rates and sales tax rates are the same.

## WAC

Washington Administrative Code; rules that carry the weight of law and explain how the laws are administered.

### Service and other activities

Service and other activities

The Service and other activities B&O tax classification applies to the gross income derived from "veterinary services" as that term is defined in the "Definitions" chapter.

The Service and other activities B&O tax also applies to the gross income derived from grooming, boarding, training, artificial insemination, stud services, and other services provided to live animals.

### Retailing

The Retailing B&O tax classification 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.

In short, the Retailing classification applies to income from all sales of animal care products to consumers that are not included in the definition of "veterinary services" discussed in the "Definitions" section.

Please note: When income is subject to Retailing B&O tax, the seller must collect retail sales tax from the customer, unless the sale is specifically exempt.

### **Wholesaling B&O tax classification**

The Wholesaling classification of the B&O tax applies to the gross income from sales of tangible personal property to a purchaser who is not the consumer of the item and who intends to resell it. To document the sale-for-resale nature of the sale, the purchaser must provide the seller with a reseller permit.

See the "[Dual Use Purchases](#)" section of the "Payment of Sales/Use Tax/Deferred Sales Tax on Consumables" chapter for more information about resale certificates/reseller permits.

### **B&O tax exemptions and deductions**

No deductions are allowed for costs of doing business. However, certain income may be deducted from gross income:

- **Interstate and Foreign Sales:** Income derived from veterinary services performed outside the state may be apportioned and deducted from gross income. Apportionment must be based on either separate accounting, (e.g., billable hours accumulated outside the state) or the cost of doing business method.
- Similarly, income derived from the sale of articles of tangible personal property, such as medicines and supplies that are shipped to customers outside the state are exempt from tax. Please note that items picked up in Washington by an out-of-state customer for use outside the state are fully subject to B&O tax.
- **Casual Sales:** Sales of tangible personal property by a business that does not generally sell such goods. These sales are generally related to a sale of capital assets.
- For example, a veterinarian may purchase new equipment and sell the existing equipment to another veterinarian. The sale of this equipment is a retail sale and subject to retail sales tax. However, the veterinarian may take a "casual sales" deduction equal to the amount of the sale under the Retailing B&O tax classification.
- **Returns and Allowances:** A veterinarian may take a B&O tax deduction for returned goods for which the buyer receives a full refund, including the proportional amount of sales tax. The refund sales tax should be separately stated on the refund invoice.
- **Bad Debts:** A deduction is allowed for returned checks and other income that has been reported on your tax return, but you are unable to collect from the customer.

### **City business and occupation tax and licenses**

Approximately thirty-five cities impose a tax on general business activities. Although commonly referred to as a B&O tax, the Department of Revenue does not administer local B&O taxes. That tax administration is left to each city or town that imposes a B&O tax. Local B&O tax classifications may or may not mirror Washington State's B&O tax applications, exemptions, deductions, and measures of tax. Consequently, you should contact each city or town in which you conduct business regarding their specific taxes.

Approximately 160 Washington cities impose licensing requirements. For those cities imposing a tax on general business activities, the licensing requirements are in addition to the tax. Licensing fees vary from city to city. Fees may be based on a flat rate, number of employees, type of business, or square footage of office or building space.

The Business Licensing Service operates the [Business Licensing Wizard](#), an online "licensing library," providing federal, state, county and city licensing contact information for proper licensing based on your business activity.

## Litter tax

### Litter tax

Litter tax is imposed on those industries whose products are reasonably related to the litter problem. The litter tax applies to sales made within this state. It is imposed in addition to any other taxes.

Veterinarians are subject to this tax on the gross income derived from the sale of food for pet consumption and non-drug store sundry items. It does not apply to income derived from providing veterinary services.

## Collection of retail sales tax

### Collection of retail sales tax

Veterinarians must collect [retail sales tax](#) on certain sales of tangible personal property and remit the tax to the state along with their B&O taxes. The retail sales tax is a tax on the consumer or user of tangible personal property and retail services in Washington. Buyers are subject to and must pay the sales tax when making retail purchases, sellers must collect and pay the tax to the Department of Revenue. **Sellers are liable for the tax even if they do not collect it from the buyer.**

## Sales tax rates - Combined state and local sales tax

The state retail sales tax rate is 6.5% and local rates vary from 0.5% to 3%, for a combined rate of 7.0% to over 10% in some areas. Retail sales tax is based on the "selling price" of an item, which includes delivery charges and any other costs whatsoever paid or accrued. An updated list of all [local rates](#) is available each quarter.

## Which rate to charge?

The location of sale determines the applicable local sales tax rate. In the case of goods delivered to a client, the place where delivery occurs determines the location of the sale. Therefore, veterinarians should collect sales tax at the rate for their business location when the items are picked up by the customer. When items are delivered to the customer, the sales tax is collected based on the rate where the buyer receives or takes possession of the merchandise.

Sales tax rates for any location in Washington can be found using our [Tax Rate Lookup Tool](#).

## Itemize sales tax

Sales records and receipts or invoices for sales subject to retail sales tax must separately list the sales tax. It is not sufficient to merely state that tax is included. When tax is not listed separately, the law presumes that the gross amount of the receipt is subject to sales tax and tax will be assessed on that amount.

## Itemize sales taxable/non-sales taxable charges

Veterinary customers frequently make retail purchases of medicines and the like in conjunction with receiving veterinary services. For example, a pet owner may purchase pet vitamins at the same time their pet receives its annual checkup. The sales invoice must clearly identify the charge for veterinary services, the charge for the vitamins, and the sales tax charged and collected on the price of the vitamins.

## Retail sales tax exemptions and deductions

Washington law provides certain exemptions from the retail sales tax.

### Sales tax exemptions and deductions with comparable B&O tax exemptions and deductions

- Interstate and foreign sales
- Returns and allowances
- Bad debts

### Sales tax exemptions and deductions without comparable B&O tax exemptions or deductions

- As of July 1, 2019, sales of tangible personal property to qualified nonresidents are no longer exempt at the point of sale. Instead, qualified nonresidents may request a refund directly from the Department of Revenue of state sales tax paid. See [Sales Tax Exemption for Nonresidents](#), for more information.
- Sales of feed for purebred livestock used for breeding purposes, providing the veterinarian obtains a completed purebred livestock [exemption certificate](#) (pdf) from the buyer.
- Sales of semen for use in artificial insemination of livestock. These sales remain subject to the Retailing B&O tax.
- Sales of USDA or FDA approved animal pharmaceuticals to farmers when such products will be administered to animals raised by farmers to produce agricultural products for sale. The farmer must provide the veterinarian with a completed [exemption certificate](#) (pdf).
- You may find complete information about USDA/FDA approved animal pharmaceuticals from the [Food and Drug Administration](#).

## Interstate services and sales

### Interstate services and sales

Amounts derived from veterinary services performed outside Washington subject to the Service and Other Activities classification may be apportioned to other states if the business meets certain criteria. For more information, see our [Apportionment guide](#).

Goods shipped or delivered outside the state are exempt from B&O tax and retail sales tax. Goods picked up in Washington by nonresident customers are always subject to B&O tax and generally subject to retail sales tax. For more information, see our Special Notice regarding [Changes to the sales tax exemption for qualified nonresidents](#).

## Payment of sales/use tax on consumables

### Payment of sales/use tax on consumables

In addition to understanding when to collect Washington's retail sales tax, veterinarians must also understand when they must pay retail sales tax, use tax, or deferred sales tax. The terms "sales tax," "use tax," and "deferred sales tax" are frequently used interchangeably. Although the rates are the same, the application of each tax differs according to the circumstances of sale. Veterinarians making purchases for use as a consumer without payment of Washington's retail sales tax must know when to report and pay use tax or deferred sales tax. (See the ["Definitions"](#) chapter for a definition of these terms.)

## Sales tax

Veterinarians are considered the consumer of any tangible personal property used or consumed by them in the course of performing veterinary services. These purchases are retail in nature and retail sales tax should be paid to the vendor. Such purchases include, among others, purchases of most medicines, bandages, splints, and other supplies primarily for use by veterinarians in performing their veterinary services.

## Use tax

Typically, a business may purchase items by telephone, via the internet, or mail order from out-of-state companies that do not have a sufficient presence in Washington to require them to collect retail sales tax, or the businessperson may purchase items in a state that does not have a retail sales tax. Such items are subject to the use tax. A credit against the use tax is allowed for any retail sales tax paid to another jurisdiction.

Thus, veterinarians are subject to use tax on all purchases of equipment, consumables, and any other articles of tangible personal property used or consumed in the course of providing veterinarian services that were purchased in such a way that retail sales tax was not paid. This includes office furniture, magazine subscriptions, and other items not directly related to providing veterinarian services, but nonetheless used by the business.

The use tax rate is the same as the retail sales tax rate that applies at the location where the items are first put to use. Use tax is based on the value of the item, which is determined by the purchase price, this includes all charges for shipping and handling.

Veterinarians and others who provide services to live animals are required to pay use tax on any samples that they acquire or give away unless retail sales tax or use tax has been previously paid on these samples.

## Sales tax and use tax exemption

Purchases by veterinarians of USDA or FDA approved animal pharmaceuticals that will be administered to animals that are raised by farmers for the purpose of producing for sale an agricultural product are exempt from retail sales tax and use tax. The veterinarian must provide the vendor with a completed [exemption certificate](#) (pdf).

## Resale purchases

Purchases of tangible personal property by veterinarians primarily for resale in the regular course of business and without intervening use by the veterinarian, are wholesale purchases and **are not subject to the retail sales tax**. The veterinarian must provide the vendor with a reseller permit, so the vendor can document the sales tax exempt nature of the purchase.

## Purchases for dual use

Veterinarians make bulk purchases of many products, such as bandages and medicines. Some of the product will be used or consumed in the course of providing veterinarian services and the balance will be sold directly to the customer. Typically, the veterinarian does not know what portion of the product will be used as a consumable and what portion will be resold. Thus, the veterinarian is often unsure whether to pay retail sales tax on the purchase or provide a reseller permit to the vendor, and how to reconcile the proper taxability.

When a veterinarian both consumes and resells a product and is not able to determine at the time of purchase whether the product will be consumed or resold, the veterinarian should determine the primary use of the product.

If the veterinarian primarily consumes the product in question, the veterinarian should not give a reseller permit to the vendor and should pay retail sales tax on the total purchase. If the veterinarian primarily resells the product, the veterinarian may issue a reseller permit for the entire purchase.

## **Deferred sales tax liability**

When the veterinarian gives a reseller permit for all purchases and thereafter consumes some of the product purchased, the veterinarian must set up the value of the article used in his or her books and records and remit to the Department of Revenue the applicable deferred sales tax. Deferred sales tax is the tax the veterinarian would have paid on the product had it not been purchased using a reseller permit. The deferred sales tax liability should be reported under the Use Tax classification on the veterinarian's excise tax return. The sales tax reported will be the rate that applies to the location where the veterinarian took possession of the goods.

## **Tax paid at source deduction**

When the veterinarian has not given a reseller permit, but has paid sales tax on a purchased product, and subsequently resells some of the product, the veterinarian must collect the retail sales tax from the customer. When reporting these sales on the tax return, the veterinarian can then take a deduction for the amount that the veterinarian paid for the product.

The term "primarily" means greater than fifty percent for tax purposes. However, for ease of recordkeeping, the principles discussed in this section can apply to all products that might have dual use. Thus, for example, a veterinarian may decide to pay retail sales tax on all purchases for dual use, and take a tax paid at source deduction for those that are resold. Alternatively, the veterinarian may decide to give a reseller permit to vendors for all products purchased for dual use and pay deferred sales tax on those used or consumed.

## **Tax example**

### **Tax example**

The following example identifies a number of facts and then states a conclusion. This example should be used only as a general guide. The tax status of other situations must be determined after a review of all the facts and circumstances.

A dog owner brings her dog to a veterinarian for professional services. The dog has multiple wounds and a broken leg. The veterinarian sets the broken bone and uses a cast and other appropriate therapeutic medicines on the dog in the course of treatment. The veterinarian also applies some salve to the wounds and gives the remainder of the salve to the dog's owner for application over the next few days. The veterinarian segregates the charges for the veterinary services, including the cast materials, and the medicines. The charge for the salve is also separately stated on the billing invoice. The customer also purchases flea powder, dog food, and toothpaste for the dog.

The gross income for the veterinary services is subject to the Service and Other Activities B&O tax classification. This includes the charges for the cast materials and the medicines. The charge for the salve is considered a retail sale, which is subject to the Retailing B&O and retail sales taxes. The charges for the flea powder, dog food, and toothpaste are also taxable in this manner. If the veterinarian had previously paid sales or use tax on the salve, he or she is allowed to take a deduction for tax paid at source.

<b>Category</b>	<b>Amount</b>	<b>Classification</b>
Veterinarian	\$4,350	Service & Other Activities
Cast materials	\$400	Service & Other Activities
Vet-administered medicine	\$50	Service & Other Activities
Salve	\$40	Retailing
Flea control	\$15	Retailing
Dog food	\$10	Retailing
Toothpaste	\$5	Retailing

The taxes are reported as follows:

<b>Revenue</b>	<b>Amount</b>
Service & Other Activities B&O tax	\$4,800
Retailing B&O tax	\$70
Retail Sales tax	\$70
Litter tax	\$70*

#### **Deductions**

None

\* Litter tax is due on food for pet consumption and nondrug store sundry items.

#### **Sample tax return**

Sample tax return

#### [Sample Veterinarian tax return](#)