

How Sales and Use Tax Applies to Small Animal Veterinary Practices

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Have you ever wondered how sales and use taxes apply to your services and products?

Let's break it down. First off, what's the difference between sales tax and use tax? Sales tax is what you collect from clients when they purchase taxable items or services from your practice. Use tax on the other hand, comes into play when you buy taxable items for your practice without paying sales tax at the time of purchase. In that case, you're responsible for paying the use tax directly.

Let's look at some typical situations. If you buy leashes to resell to your clients, you shouldn't pay sales tax when purchasing them. In most cases. Instead, you can collect sales tax from the client at the point of sale. For items like cleaning supplies used in your clinic, typically, you're the end user, so if the vendor doesn't charge you sales tax, you would need to pay use tax on those items. Prescription drugs can be tricky and can vary between large animal and small animal practices. In many cases, they're taxable when you purchase them, even if you pass them on to the client as part of treatment.

Some services have specific tax rules as well. In the case of cremation and euthanasia, in some states, if you return the animal's remains to the client, it's generally considered a taxable service. If not, it's generally non-taxable. Administering a microchip without anesthesia is typically taxable. If anesthesia is used, it may be non-taxable. Pet food is generally taxable unless it's specifically formulated for medical purposes. If boarding and grooming services are part of medical treatment, they may be non-taxable, otherwise they're usually taxable.

To keep things running smoothly, review your vendor invoices to ensure sales tax is correctly applied. Keep accurate records of all taxable and non-taxable transactions. File your sales and use tax returns on time to avoid penalties. Depending upon your state's rules, in your practice's volume, filings could be monthly, quarterly or annually.

Timely filing can sometimes even earn you a small discount, while late filings might result in penalties and interest charges. Navigating sales tax and use tax can be complex, but understanding the basics helps you manage your veterinary practice more effectively.

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