

**Policy Letter; Veterinary Services/Products; July 14, 2016**

**Topic Code: V041 Veterinary & Pets**

**Document Reference: 16300038**

*Sent via email*

July 14, 2016

[REDACTED]

**Re: Veterinary Services/Products**

[REDACTED]

The Iowa Department of Revenue (“the Department”) has received your email regarding sales tax on injectable items. In your email you appear to be asking whether a client must pay sales tax on injections administered to an animal by a veterinarian or technician during the course of a veterinary service.

**Statement as Provided in Your Email**

According to your email, the entire veterinary industry conforms to the following process when conducting veterinary services. Veterinary clinics purchase non-dispensed injections, such as rabies vaccinations, anesthesia, and antibiotics, and pay sales tax on the medicines at that time. When these injections are administered during the course of a procedure, the administering veterinarian or technician records the product on the invoice by noting two things: 1) the name of the drug and 2) the net price of the product used, calculated by estimating the general cost of the drug. The “1” under the quantity column indicates that one injection was administered, but does not represent the amount of the injection. The administering veterinarian or technician does not record the amount of the injected product in the invoice, but does include it in the client’s records.

The client is not charged for the amount of sales tax attributable to the injected products. The client is charged for the amount of sales tax attributable to the ingested products (e.g., tablets that can be easily noted on the invoice).

**Department’s Response**

Iowa Code § 423.2 imposes a six percent tax “upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, sold at retail in the state to consumers.” Iowa Code § 423.3(2) provides an exemption for “[t]he sales price of sales for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with the furnishing of taxable services.”

Iowa Admin Code r. 701-18.31(1)(a) explains when sales tax is imposed on the client for property transferred during the course of a service:

On or after July 1, 1990, tangible personal property purchased by one who is engaged in the performance of a service is purchased for resale and not subject to tax if 1) the provider and user of the service intend that a sale of the property will occur, 2) the property is transferred to the user of the service in connection with the performance of the service in a form or quantity capable of a fixed or definite price value, and 3) the sale is evidenced by a separate charge for the identifiable piece or quantity of property.

If the transaction does not satisfy the three elements, the veterinary client is not required to pay sales tax. Iowa Admin Code r. 701-18.31(1)(c). The veterinarian or technician is still required to pay sales tax on the initial purchase of the medication.

Iowa Admin Code r. 701-18.31(1) also provides an example applicable to this situation:

A lawn care service applies fertilizer, herbicides, and pesticides to its customers' lawns. The following are examples of invoices to customers which are suitable to indicate a lawn care service's purchase of the fertilizer, herbicides, and pesticides for resale to those customers: "Chemicals...31 Gal...\$60", "Fertilizer...50 lbs...\$100", and "Materials applied to lawn... 4 bushel...\$40". The following are examples of information placed upon an invoice which would not indicate a purchase for resale to the customers invoiced: "Fifty percent of the charge for this service is for materials placed on a lawn," or "Lawn chemicals...\$30" or "Fifty pounds of fertilizer was applied to this lawn."

The client must pay the sales tax when the three elements in Iowa Admin Code r. 701-18.31(1)(a) are met. Although the first and second elements are met in your case, the third element is not, as the invoices you provided do not include an identifiable quantity of the injection transferred to the client. See the latter category in the above example. Since the third element is not met, the injections in your case are not purchased for resale and the client is not required to pay sales tax when they are administered in the course of a veterinary service.

Further information on this topic can be found in Policy Letter, January 27, 1984, which is accessible at <http://itrl.idr.iowa.gov/mx/hmPrintSetup.asp?NodeName=1292>.

I hope this information has been helpful to you. Please remember that this letter is an informal opinion based only on the facts you provided and on the current law. In the future, the Department could take a position contrary to that stated in this letter. Any written advice or opinion rendered to members of the public by Department personnel that is not pursuant to a Petition for Declaratory Order under 701 IAC 7.24 is not binding upon the Department. If you have any additional questions regarding this matter please do not hesitate to contact me.

Sincerely,

Theresa A. Dvorak  
Policy Section  
Taxpayer Services and Policy Division  
Iowa Department of Revenue

(515) 281-3194  
theresa.dvorak@iowa.gov