

Ruling 94-03

Vermont Department of Taxes

Date: February 18, 1994

Written By: George H. Phillips, Assistant Director

Approved by: Joyce H. Errecart, Commissioner of Taxes

You have requested a ruling on the application of Vermont sales and use tax on the purchase of a computer and software to be used by a veterinary practice. Specifically you have asked whether the purchase would be exempt under the provisions of 32 VSA 9741(3). This ruling relies on the factual representations contained in your letter of November 19, 1992.

Facts: The computer in question, along with related software was purchased for approximately \$25,000. It performs the following functions related to the practice of veterinary medicine: Diagnostic work on symptoms; Diagnostic work on medical interaction or prescriptions, dosages, etc.; analysis of lab results; statistical data records on medicines used, prescriptions, diseases and animals treated; veterinary services, reminders and followup treatment calendar; patient medical history and analysis of problems, patient charts and medical records; medicine records, interaction warnings, dosage limits; prescription records, labels and printouts.

It does not perform bookkeeping, scheduling, or other general office functions.

The Exemption: Section 9741(3) of Title 32, Vermont Statutes annotated provides an exemption for: "Agricultural feeds, seed, plants, fertilizers, baler twine, recyclable silage bags and wrap obtained from a dealer who accepts used silage bags and wrap for recycling, liming materials, breeding and other livestock, semen breeding fees, baby chicks, turkey poults, agriculture chemicals, veterinary supplies, and bedding."

The exemption is product based not use based. That is, items normally used as veterinary supplies are exempt, even if sold for some other use, and items which have more generic use are taxable, even if used by a veterinarian.

A Department bulletin, Sales Tax Information Regarding Agricultural Products and Pet Food, dated February 14, 1983 provides guidelines for identifying veterinary supplies: "Veterinary supplies include all veterinary medicines, drugs, and instruments used by a veterinarian in the performance of his professional services. Surgical instruments used by a veterinarian are those similar to a doctor's surgical instruments. Any equipment which is specially made for use in treating animals, special splints, cases, and any items of a direct medical use are exempt. This includes such things as syringes, hypodermic needles, special serums, and anything directly connected with the treatment of animals.

However, items of equipment used by a veterinarian in his office such as filing cabinets, desks, typewriters, office supplies and general business items are not exempt."

Conclusion: The software and the computer should be analyzed separately. The exemption does not reach the computer which is neither a surgical instrument nor equipment which is specially made for use in treating animals. The software is more specialized and would be exempt if it were an item of direct medical use in treating animals. The use, however, is a series of indirect activities which, if not done with computers would be done with standard office equipment.

Neither the computer nor the software is exempt under 32 VSA 9741(3).

This ruling is issued solely to your firm and is limited to the facts presented as affected by current statutes and regulations. Other taxpayers may refer to this ruling to determine the department's general approach, but the Department will not be bound by this ruling in the case of any other taxpayer or in the case of any change in the relevant statute or regulations.