

# Vermont Sales and Use Tax for Veterinary Medicine

## General Rule

The Vermont Sales and Use Tax applies to all sales of tangible personal property, unless an exemption applies. Tangible personal property is anything that can be seen, weighed, measured, felt, touched, or in any manner perceived by the senses. Veterinary services are not subject to tax but must be itemized on a receipt or invoice when listed with taxable items.

## Exemptions

**Prescription drugs:** Prescription drugs intended for animal use are not subject to sales tax. This applies whether sold by a veterinarian or a pharmacist. No exemption certificate is required.

For this exemption, the term “prescription” has a limited, specific meaning. It means that a drug may *only* be dispensed through the written order of a licensed veterinarian. Even if a veterinarian writes a prescription, any product that may be legally sold without a prescription is subject to tax (unless some other exemption applies).

The Vermont Department of Taxes will treat any drug as exempt if it has a label stating one of the following, as required by the U.S. government: “prescription only,” “Rx only,” or “Caution: Federal law restricts this drug to use by or on the order of a licensed veterinarian.” See 21 U.S.C. § 353(b),(f); 21 C.F.R. § 201.105.

Over-the-counter animal drugs prescribed and dispensed for extralabel use are exempt, but only if they include the labeling required by federal law. See 21 C.F.R. § 530.12.

**Drug Compounding:** Sometimes a veterinarian or pharmacist will compound two or more substances to meet a patient’s needs.

A drug is exempt as a prescription drug if it is the result of multiple compounded drugs combined together and is legally required to have its own unique “prescription only” and drug legend labels. For tax purposes, the compounded product is a new prescription drug.

If there is no additional labeling on the final product, you must charge separately for the component parts when combining taxable ingredients with exempt prescription drugs. This is to simplify tax compliance and to avoid under-collection of tax.

For example, a veterinarian compounds a taxable ingredient that can be sold without prescription with a prescription drug that must be dispensed under the written order of a licensed veterinarian. For purposes of this example, assume there is no legal requirement to provide new prescription drug labels to the final product. The veterinarian should collect tax on the charge for the taxable ingredient but should not collect tax for the prescription drug. Please be sure to itemize the taxable and nontaxable items in your records and on the receipt.

**Food:** Food and food ingredients are exempt from sales tax if sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Note that this is limited to food that is sold for humans, which means it does not apply to pet food.

Manufacturers’ claims, such as “human grade,” do not make a pet food product exempt as human food. It does, however, apply to any edible botanicals that can be sold for ingestion or chewing by humans for taste or nutritional value, even when sold for pets. Non-prescription vitamins and dietary supplements intended for consumption by humans are also exempt as food, even when sold for use by pets.

**Cannabidiol (CBD) Products:** Most CBD products sold for humans or animals are taxable and do not qualify for an exemption. Unless approved by the U.S. Food and Drug Administration, CBD products do not qualify as exempt drugs or as exempt food. See the Vermont Department of Taxes website for more information regarding the taxability of CBD.

## Durable Medical Equipment and Prosthetics

Durable medical equipment and prosthetics intended for animal use are not subject to sales tax.

The Department will generally consider an item “durable medical equipment” if it can withstand

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repeated use, is primarily and customarily used to serve a medical purpose, generally is not useful to an animal in the absence of illness or injury, and is not worn on or in the body. Repair and replacement parts would also be exempt. This means medical equipment and devices used in the veterinary office to diagnose or treat animals are exempt. Items that cannot withstand repeated use are not exempt as durable medical equipment but may qualify as exempt veterinary supplies (see below).

The Department will generally consider an item a prosthetic if it is a replacement, corrective, or supportive device that is worn on or in an animal's body to artificially replace a missing portion of the body, prevent or correct a physical deformity or malfunction, or support a weak or deformed portion of the body.

### Veterinary Supplies

Veterinary supplies are not subject to sales tax. A veterinary supply is tangible personal property therapeutic in nature, not normally used absent illness or injury, and not intended for repeated usage. Veterinary supplies used to spay and neuter animals and to run diagnostic tests are considered therapeutic and are therefore exempt. Over-the-counter drugs are never considered to be veterinary supplies. Taxable over-the-counter drugs are nonprescription products with an active ingredient and include antiseptics, antifungals, skin medications, and analgesics.

Examples of supplies that are exempt include bandages and surgical dressings, hypodermic syringes and needles, and disposable heating pads. Examples of supplies that are not exempt from tax include office, cleaning, animal training, grooming, and boarding supplies.

### Vermont Business Tax Account and License

Businesses and nonprofits must register for a Vermont Business Tax Account and license prior to collecting Vermont tax. Registration is free.

For information on how to register for a business tax account, please see "Register for a Business Tax Account" on the Department's website.

### Know Vermont Tax Law and Regulations

Business owners are expected to know state tax laws and regulations that apply to their businesses.

For more information, please see the following:

#### Department Website

[tax.vermont.gov](http://tax.vermont.gov)

#### Business Center

[tax.vermont.gov/business-center](http://tax.vermont.gov/business-center)

#### Tax Statute, Regulations, and Technical Bulletins

[tax.vermont.gov/tax-law-and-guidance](http://tax.vermont.gov/tax-law-and-guidance)

#### Fact Sheets

[tax.vermont.gov/fact-sheets](http://tax.vermont.gov/fact-sheets)

**Questions? Call us at (802) 828-2551**

## QUICK REFERENCE CHART

<b>TAXABLE PRODUCTS</b> <b>Sold for Health or Medical Benefit</b>	<b>NONTAXABLE PRODUCTS</b> <b>Sold for Health or Medical Benefit</b>
Over-the-counter drugs intended for animal use (such as some flea and tick medications, or anything else, that can be sold without a written order by a veterinarian)	Prescription drugs intended for animal use (must be dispensed only by or upon the lawful written order of a licensed veterinarian)
Pet food or treats (even if referred to as prescription)	Botanicals sold for ingestion or chewing by humans and are consumed for their taste or nutritional value
Pet toys, leashes, collars, bowls, bedding, and shampoos	Non-prescription vitamins and dietary supplements intended for use by humans
Devices and supplies used for comfort but are not primarily therapeutic or medical in purpose	Durable medical equipment intended for animal use
	Prosthetics intended for animal use
	Veterinary supplies