

NEBRASKA SALES AND USE TAX GUIDE FOR VETERINARIANS

OVERVIEW

Charges for a veterinarian's professional services are not subject to sales tax.

Veterinarians are the consumers of veterinary supplies, veterinary medical equipment, office supplies, and business equipment they use to provide their services. Veterinarians owe Nebraska and local sales or use tax on their purchases of these items.

Veterinarians may also make retail sales to their clients. Veterinarians making retail sales must hold a Nebraska Sales Tax Permit to collect and remit the Nebraska and applicable local sales tax on all retail sales.

This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (Department) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of the Department and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.



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TERMS

Agricultural Chemicals. Agricultural chemicals are any substances or mixtures intended for use in preventing, destroying, repelling, or mitigating pests of food-producing animals, or to affect the structure or function of animals. Agricultural chemicals include pesticides, insecticides, fungicides, growth-regulating chemicals, hormones, and rodenticides.

Animal Specialty Services. Animal specialty services are services which provide care for animals (excluding livestock) including boarding, cosmetic, cleaning, training, security, and final disposition services for the animal.

Feed and Feed Supplements. Feed and feed supplements commonly used as food or food supplements for animals include:

- All grains
- Minerals
- Fats
- Proteins
- Fibers
- Salts
- Grit commonly used as food or food supplements for animals
- Vitamins

❖ Feed and feed supplements also include:

- Bone meal
- Calcium carbonate
- Cod liver oil
- Commercial feeds
- Forages
- Hay
- Limestone
- Mill feeds
- Oyster shell
- Silage

These items may be used either separately or mixed as a feed or supplement and may be sold as a premix, concentrate, top dressing, or in raw form.

Food-Producing Animals. For the purposes of this guide food-producing animals will be defined as any form of animal life, whose products ordinarily constitute food for human consumption, or whose pelts are ordinarily used for human apparel (see [Reg-1-078.01C, Veterinarians and Veterinary Medicines](#)).

❖ Food-producing animals, examples include -

- Bees
- Cattle
- Chickens
- Chinchillas
- Game birds subject to permit and regulation by the [Nebraska Game and Parks Commission](#)
- Mink
- Sheep
- Swine
- Turkeys

Livestock. Livestock is any domesticated cattle, horses, mules, donkeys, sheep, or swine.

Nonfood-Producing Animals. Nonfood-producing animals are animals that do not ordinarily constitute food for human consumption, or whose pelts are not ordinarily used for human apparel.

❖ Nonfood-producing animals, examples include -

- Canaries and parakeets
- Cats
- Dogs
- Donkeys
- Emus
- Domesticated elk and deer
- Horses
- Mules
- Ostriches
- Rheas
- Zoo animals

Professional Services. Professional services occur when the veterinarian has established a veterinarian-client-patient relationship with the client for medical purposes.

Retail Sales. Retail sales are sales that are not made in conjunction with the rendering of professional services.

Veterinarian. A veterinarian is a practitioner of veterinary medicine licensed under the [Nebraska Uniform Credentialing Act](#).

Veterinarian-Client-Patient Relationship. A veterinarian-client-patient relationship means:

- ❖ The veterinarian has assumed the responsibility for making clinical judgments regarding the health of the animal and the need for medical treatment, and the client has agreed to follow the veterinarian's instructions;
- ❖ The veterinarian has sufficient knowledge of the animal to initiate at least a general or preliminary diagnosis of the medical condition of the animal; and
- ❖ The veterinarian is readily available or has arranged for emergency coverage and for follow-up evaluation in the event of adverse reactions or the failure of the treatment regimen. [Neb. Rev. Stat. § 38-3316, Uniform Credentialing Act](#).

Veterinary Medicines. Veterinary medicines are medicines for the prevention or treatment of disease or injury in animals and include all drugs, antibiotics, viruses, serums, toxins, antitoxins, or natural or synthetic products having similar qualities.

Veterinary Technician. A veterinary technician is a technician licensed under the [Nebraska Uniform Credentialing Act](#).

TAXABLE PURCHASES

Veterinarians are the consumers of items used in providing professional services and must pay the Nebraska and any applicable city or county (local option) sales or use taxes on all purchases, including purchases of veterinary medicines and agricultural chemicals to be used in the treatment or care of nonfood-producing animals.

If the vendor does not collect the Nebraska and local option sales taxes, the veterinarian must pay the Nebraska and local use taxes on the cost of the taxable items directly to the Department. This includes purchases made at trade shows, conventions, and through online vendors.

Property used in rendering professional services does not involve a retail sale to a client, even when the charges are separately stated on the billing invoice.

Taxable purchases include, but are not limited to:

❖ Supplies used by the veterinarian -

- Alcohol wipes
- Bandages
- Bedding materials and litter
- Chemicals
- Cotton balls
- Disposable gloves
- Feed and feed supplements for nonfood-producing animals which are boarded or hospitalized
- Gauze
- ID implants
- Medicated shampoos
- Medicines, ointments, salves, and sprays for nonfood-producing animals
- Needles
- Paper and linen towels
- Slides
- Sponges
- Swabs
- Syringes
- Tape
- Tubing
- X-ray film

❖ Equipment and instruments used by the veterinarian -

- Anesthesia equipment
- Grooming shears
- Laboratory equipment
- Microscopes
- Scales
- Stethoscopes and thermometers
- Surgical equipment and instruments
- Tables and trays
- X-ray equipment

❖ Office and business equipment, non-medical supplies, and taxable services -

- Advertising or promotional items
- Building or office cleaning services
- Business equipment
- Computers, printers, hardware, and software
- Envelopes, paper, and file folders
- Magazine and journal subscriptions
- Maintenance and service agreements
- Office furniture
- Paper products
- Pest control services
- Security services
- Telecommunication services and equipment
- Utilities

If the item is not used by the expiration date, no refund or credit of the sales or use tax paid is allowed when the item is later destroyed or discarded.

When tax-paid consumable supplies and tax exempt or tax-paid veterinary medicines and agricultural chemicals are removed from inventory and sold at retail for non-food producing animals, the veterinarian is required to collect sales tax on the total amount charged to the client. When filing the sales tax return, the veterinarian will only remit the sales tax on the difference between the veterinarian's cost of the property, and the total amount charged to the client.

TAX EXEMPT PURCHASES

Purchases of veterinary medicines, agricultural chemicals, and feed and feed supplements that are labeled by the manufacturer for use only for food-producing animals are exempt from sales and use taxes. Sellers are not required to obtain a [Nebraska Resale or Exempt Sale Certificate, Form 13](#), from the veterinarian.

Example 1: The veterinarian purchases growth hormone implants to be administered to 20 calves owned by a livestock producer. The manufacturer's label indicates the implants are only to be used for treatment of cattle. The implants may be purchased from the supplier tax exempt. The veterinarian is not required to complete a Form 13.

If a veterinarian removes medicine or chemicals from its tax-paid inventory for use in the treatment or care of a food-producing animal, the veterinarian may take a credit for the amount of sales tax paid on the cost of the medicine or chemical used. The credit can be taken when filing the return for that period, or by filing a [Claim for Overpayment of Sales and Use Tax, Form 7](#), to obtain a refund.

To claim the credit when filing the return, the veterinarian should reduce gross receipts by the cost of the items removed from tax exempt inventory. If using the optional Nebraska Net Taxable Sales and Use Tax Worksheets of Form 10, the cost of property may be reported on line G. Books and records must support all adjustments to gross receipts.

USE TAX

When the applicable sales tax has not been collected by the vendor, the veterinarian is responsible for paying use tax. Use tax is paid directly to the Department from the purchaser of a taxable item or service. If the veterinarian takes delivery of untaxed items within the boundaries of a city or county that has a local option sales tax, the local option use tax must also be paid.

Veterinarians who purchase items tax exempt, or for resale, and use them to render professional services to nonfood-producing animals are required to remit the Nebraska and local use taxes on their cost of the products used.

Example 2: A 10cc bottle of penicillin is purchased tax exempt. Five ccs are removed from the bottle and used to treat a dog or other nonfood-producing animal. The Nebraska and local use taxes are due on the cost of the 5ccs of penicillin.

The Nebraska and local option use taxes are remitted by veterinarians on one of the following returns:

- ❖ If the veterinarian holds a sales tax permit – the Nebraska and local option use taxes are reported on the appropriate use tax lines of the paper or electronic [Nebraska and Local Sales and Use Tax Return, Form 10](#); or
- ❖ If the veterinarian does not hold a sales tax permit – the Nebraska and local option use taxes are reported on a [Business Nebraska and Local Use Tax Return, Form 2](#).

TAXABLE SERVICES

Charges for animal specialty services provided for animals (other than livestock) are taxable. Veterinarians that provide animal specialty services must collect the Nebraska and applicable local sales taxes on charges for these services.

❖ Examples of animal specialty services include:

- Boarding
- Breeding or insemination services
- Cremation, burial, or disposal
- Exercising
- Grooming
- Handling
- Identification implanting
- Pet sitting
- Training
- Waste removal

Example 3: A client brings in her pet to be boarded while the client is on vacation. The charges for boarding the pet are taxable.

Example 4: The client wishes to have his recently-deceased pet cremated. The veterinarian cremates the client's cat. The charges for cremation are taxable. If the veterinarian purchases the cremation services from another vendor, the veterinarian may choose to pay the sales tax to the vendor, and not collect tax from the client. Alternatively, the veterinarian may purchase the cremation services tax exempt for resale. If the veterinarian purchases the services for resale, the client must be charged sales tax.

TAX EXEMPT SERVICES

The following services are tax exempt:

- ❖ The veterinarian's professional services provided to the client;
- ❖ Animal specialty services for livestock; and
- ❖ Grooming of animals, other than livestock, by the veterinarian or veterinary technician, as a part of, or at the same time as, medical treatment of the animal.

Example 5: A veterinarian assists a livestock producer in the delivery of a calf. This is a charge for professional veterinary medical services, and the charge for this service is not taxable.

Example 6: A client brings a pet in for a rabies vaccination and checkup. The charges for the rabies vaccination and the checkup are both tax exempt professional services. Whether the checkup and vaccination are itemized separately on the invoice or are shown as one total charge does not effect the taxability.

Example 7: A client brings in an injured pet. As a part of the examination, the veterinarian must clean the animal's coat and clip its claws. The charge for this service is not taxable because grooming is part of the medical treatment of the animal. The injured pet requires an overnight stay for observation or treatment. The charge for hospitalization is not taxable. The entire bill to the client is exempt.

RETAIL SALES

When veterinarians sell items or taxable services that are not used in or as part of the rendition of professional services, these transactions are considered retail sales. A veterinarian making retail sales must obtain a sales tax permit.

Some examples of retail sales include sales of:

- ❖ Pet leashes, collars, and tack sold at the counter or through the mail;
- ❖ Feed or feed supplements for nonfood-producing animals sold at the counter;
- ❖ Medicines and chemicals for nonfood-producing animals sold for the client's use on these animals; and
- ❖ Medicated or non-medicated pet shampoos sold for the client's use on these animals.

Veterinarians and veterinary clinics must collect and remit the Nebraska and any applicable local sales taxes on all retail sales at the rate in effect where the item is delivered or the taxable service is performed.

Example 8: A veterinarian goes to a client's home to examine and treat a sick dog. In addition, the veterinarian sells the client a collar. The charges relating to examination and treatment of the dog are

professional veterinary medical services, and are not taxable to the client. The charge for the collar is a retail sale, and is taxable. The veterinarian must collect sales tax at the rate in effect where the client's home is located. If the home is in a city with a local sales tax, the tax collected is the state sales tax rate (5.5%) plus the applicable local rate. If the charges for the professional services are not separately stated from the charge for the collar, the total amount is taxable.

Items Purchased for Resale. Items that are not used by the veterinarian in the rendition of professional services may be purchased for resale. When making tax exempt purchases for resale, veterinarians must issue a properly completed [Form 13](#), Section A, to each supplier.

Items that may be purchased for resale include:

- ❖ Pet leashes, collars, and tack sold at the counter;
- ❖ Feed or feed supplements for nonfood-producing animals sold at the counter;
- ❖ Medicines and chemicals for nonfood-producing animals sold for the client's use on these animals; and
- ❖ Medicated or non-medicated pet shampoos sold for the client's use on nonfood-producing animals.

Tax Exempt Retail Sales. The following retail sales made by veterinarians are not taxable:

- ❖ Retail sales of veterinary medicines, agricultural chemicals, and feed and feed supplements labeled by the manufacturer as solely for use in the treatment or care of food-producing animals. Veterinarians are not required to obtain a Form 13 to support the fact that no sales tax was collected on these sales.
- ❖ Retail sales of veterinary medicines, agricultural chemicals, and feed and feed supplements that can be used in the treatment or care of both food-producing and nonfood-producing animals. Veterinarians **MUST** obtain a properly completed Form 13 to support the fact that no sales tax was collected on these sales.

Separate Inventories. Veterinarians are permitted to maintain one inventory of tax exempt medicines and chemicals for use in the treatment or care of food-producing animals, and one inventory of tax exempt medicines and chemicals for use in the treatment or care of nonfood-producing animals.

Use tax is then due on the cost of each container of veterinary medicine or agricultural chemical placed in inventory for nonfood-producing animals if sales tax was not paid on the purchase.

GENERAL TAX INFORMATION

Permits. Veterinarians making retail sales must obtain a Nebraska sales tax permit by filing a [Nebraska Tax Application, Form 20](#). This form is available on our website. A sales tax permit is required for each separate retail location.

Records. The Department is allowed by law to review the taxpayer's accounting records for audit and other tax purposes. These records must include the accounting records ordinarily maintained by veterinarians and the schedules and working papers used to compute the tax liability.

These records may be in paper or electronic format and include:

- ❖ Depreciation schedules and other tax records;
- ❖ General ledgers;
- ❖ Inventory files;
- ❖ Invoices; and
- ❖ Sales and purchase journals.

For sales and use tax purposes, records must be kept for:

- ❖ Three years if filing a paper or electronic [Form 10](#);

- ❖ Five years if no sales and use tax return was filed; or
- ❖ Any statutorily-extended period.

To document tax exempt sales or purchases, the veterinarian must keep the following:

- ❖ Sales and purchase invoices;
- ❖ Receipts; or
- ❖ Resale and exempt sale certificates.

RESOURCE LIST

Revenue Statutes

- ❖ [Neb. Rev. Stat. § 38-3315, Veterinarian, defined](#)
- ❖ [Neb. Rev. Stat. § 38-3316, Veterinarian-client-patient relationship, defined](#)
- ❖ [Neb. Rev. Stat. § 54-183, Livestock, defined](#)
- ❖ [Neb. Rev. Stat. § 77- 2701.16, Gross receipts, defined](#)
- ❖ [Neb. Rev. Stat. § 77-2704.41, Feed, water, veterinary medicines, and agri chemicals; exemption](#)

Nebraska Sales and Use Tax Regulations

- ❖ [Reg-1-013, Sale for Resale, Resale Certificate](#)
- ❖ [Reg-1-014, Exempt Sale Certificate](#)
- ❖ [Reg-1-061, Agricultural Chemicals](#)
- ❖ [Reg-1-062, Animal Life](#)
- ❖ [Reg-1-063, Feed, Water, Agricultural Chemicals, and Veterinary Medicines for Animal Life](#)
- ❖ [Reg-1-078, Veterinarians and Veterinary Medicines](#)
- ❖ [Reg-1-102, Animal Specialty Services](#)

Information Guides

- ❖ [Nebraska and Local Sales Tax Information Guide](#)
- ❖ [Instructions to Complete Form 10 Information Guide](#)
- ❖ [Nebraska Use Tax Information Guide](#)
- ❖ [Animal Specialty Services Informational Notice](#)

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