



Retail (“Sales”) Tax Exemption for Medications Is for Veterinarians, not Pharmacies

In California, establishing a Veterinarian-Client-Patient Relationship (VCPR) allows veterinarians to provide medications to clients without levying retail tax. Retail tax, also sometimes referred to as “sales” tax, is collected at the time of product sale to the public by businesses that possess a seller’s permit through the California Department of Tax and Fee Administration (CDTFA). Retail tax differs from use tax (also sometimes called “wholesale” tax), the latter of which is levied by businesses such as wholesale distributors that sell only to those who possess a seller’s permit.

If a veterinarian pays use tax on items at the time of purchase from a veterinary wholesale distributor or pharmaceutical manufacturer, they need not charge retail

tax (and remit it to the CDTFA) provided that they are furnishing medications to clients in conjunction with a professional service provided pursuant to an established VCPR. (Note that a qualified professional service includes the examination that itself establishes the VCPR.)

This tax exemption is written in California Revenue and Taxation Code section 6018.1, as follows:

Veterinarians. A licensed veterinarian is a consumer of, and shall not be considered a retailer within the provisions of this part with respect to, drugs and medicines used or furnished by him or her in the performance of his or her professional services. For the purposes of this section, “drugs and medicines” includes substances or preparations intended for use in the

diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if those soaps are available only to veterinarians. The term does not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.

Of note, the retail tax exemption does not apply to vitamins, shampoos, pet foods, specialty diet foods, artificial diets, flea powders, or sprays.

This exemption is further reinforced in the CDTFA's regulations:

California Sales and Use Tax Regulation 1506(j) pertaining to licensed veterinarians.

(1) Definitions. As used herein:

(A) The term "licensed veterinarian" means any person licensed as a veterinarian by the California Department of Consumer Affairs, Board of Examiners in Veterinary Medicine.

(B) The term "drugs and medicines" includes substances or preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if those soaps are available only to veterinarians. The term does

not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.

(C) The term "professional services" includes the diagnosis and treatment of disease or trauma in animal life. It also includes the administration of drugs and medicines by means of, for example, injection, intravenous solution, or oral or bodily application.

(2) Application of Tax.

(A) Licensed veterinarians are consumers of drugs and medicines which they use or furnish in the performance of their professional services. Accordingly, tax does not apply to a licensed veterinarian's charges to clients for such drugs and medicines, whether or not separately stated.

The negative corollary of the last subsection excerpted above is that if a veterinarian is not furnishing medications in relation to professional services, then they are mandated to collect and remit retail tax.

The retail tax exemption does not apply to licensed pharmacies. This means that pharmacies are legally mandated to collect retail tax from clients who choose to purchase medications from them pursuant to a prescription issued by a veterinarian. This important distinction may help veterinarians in their conversations with clients who request prescriptions in lieu of medications directly dispensed.

Pharmacies that are not collecting retail tax on veterinary pharmaceutical sales should be reported to the California Department of Tax and Fee Administration at <https://www.cdtfa.ca.gov/legal/icomplaint.aspx>. ■

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