

Veterinarian and Animal Specialty Services

June 2016

This Tax Fact Sheet is designed to explain to veterinarians and related businesses how sales and use tax applies to items and services they sell. If your specific question is not answered in this Tax Fact Sheet, please call our toll-free helpline at 1-800-829-9188 weekdays from 8 AM - 5 PM CST.

Information found in this document rescinds and replaces all previous, written information on this subject. All readers and users of this publication are responsible for keeping informed about changes in tax laws and regulations by reading the Department of Revenue newsletters, press releases, Tax Facts, and other documents published by the Department.

Veterinarian Services and Sales

Veterinarian services and animal specialty services are subject to the 4.5% state sales tax and municipal sales tax based on where the customer receives the service. If the veterinarian provides services and does not deliver the animal to another location, sales tax will apply based at the location the services are provided. If the veterinarian provides services and delivers the animal to another location, sales tax applies where the animal is delivered.

Retail sales of tangible personal property by veterinarians are subject to state and municipal sales tax at the time of sale.

The following examples of veterinarian and animal specialty services are subject to the sales tax:

- Animal hospitals for livestock
- Animal hospitals for pets and other animal specialties
- Artificial insemination services for animals other than livestock
- Breeding of animals other than livestock
- Breeding soundness exam
- Dog grooming
- Honey straining on the farm
- Pedigree record services for pets
- Pet hospitals
- Pregnancy testing of livestock
- Vaccinating livestock
- Vaccinating pets and other animal specialties
- Veterinarians for pets and other animal specialties
- Veterinary services for livestock

- Veterinary services for pets and other animal specialties

The following livestock services are subject to sales tax based on where the service is performed:

- Boarding horses
- Boarding kennels
- Showing of pets and other specialties
- Training of horses
- Training of pets and other specialties
- Dog pounds
- Animal shelters

The following livestock services are exempt from state and municipal sales tax (except by veterinarians):

- Cattle spraying
- Cleaning poultry coops
- Dairy herd improvement associations
- Pedigree record services for livestock
- Sheep dipping and shearing
- Showing of livestock

Purchases for Resale

Veterinarians may purchase for resale medicines, bandages and dressings, serums, appliances, and tonics used by them in connect with the performance of their services if such items are injected into or placed on the animal. Veterinarians may also purchase laboratory services for resale when that purchase is for a current customer.

Veterinarians do not owe use tax on the above products and lab services that are purchased for resale and used in connection with the performance of their services. Sales tax is due on the charge to the customer.

Lab equipment, test kits, and testing equipment purchased by the veterinarian for use in their business are subject to the state and applicable municipal sales tax at the time of purchase.

Veterinarians must give an exemption certificate to their suppliers in order to purchase services and supplies exempt from sales tax.

State law requires exemption certificates to be complete and accurate. The buyer will be held responsible for properly

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completing an exemption certificate. Exemption certificates may be obtained from the department's website, <http://dor.sd.gov>, or by calling the department.

Sales for resale

A veterinarian may sell his or her services or products for resale if the buyer provides an exemption certificate. It is the buyer's responsibility to know when a service or product qualifies as a sale for resale. The seller is responsible for maintaining a complete exemption certificate from the buyer. For more information on sales for resale view the Exemption Tax Fact on our website at <http://dor.sd.gov> or request a copy by calling the department.

Municipal Tax

Many municipalities in South Dakota have a sales and use tax in addition to the state tax. If the customer receives a product or service in one of these municipalities, the product or service is subject to that municipality's sales or use tax. A list of municipal tax rates is available on our website at <http://dor.sd.gov> or by calling the department.

It is the taxpayer's responsibility to remit the correct sales tax. If the taxpayer relies on the customer's representation of their taxing jurisdiction and that information is incorrect, the taxpayer will be responsible for any additional sales tax due.

TaxMatch, the department's Geographic Information System (GIS), will help users quickly find the correct tax rate and codes for locations throughout South Dakota. Users will enter any South Dakota address into the Tax Match system, the system will then provide all the applicable tax codes and rates for that address. For quick and easy access, look for the GIS icon on the department's web site at <http://dor.sd.gov>.

Livestock Semen

Livestock semen is exempt from state and municipal sales or use tax. Liquid nitrogen and containers used in the semen packing and shipping process can be purchased exempt from sales tax.

Artificial Insemination of Livestock

Fees charged for artificial insemination (AI) of livestock and horses are exempt from sales tax. Services performed that are a part of the AI process are included in the exemption. These services may include vaccinations, specialized boarding, and pregnancy testing. All equipment, supplies, and drugs, except livestock semen, used in the AI process are subject to sales or use tax when purchased by the service provider.

Endoparasiticides and Ectoparasiticides

Endoparasiticides and ectoparasiticides are subject to the state sales or use tax. A parasiticide is a drug for external or internal use intended to prevent, destroy, repel, or mitigate parasites in or on animals.

Insecticides and pesticides are exempt from State and municipal sales or use tax when used for agricultural purposes. However, fees charged by veterinarians for applying insecticides or pesticides are subject to the state sales or use tax. Agricultural purposes includes livestock but does not include pets.

Boarding or Kennel Services

Animal boarding services and animal shelters are subject to the state sales tax. Sales tax applies where the service is provided. Pet food, kennels and other items used by a boarding service or animal shelter are subject to the state and municipal tax at the time of purchase. Fees set by city ordinance for the release of animals from municipal pounds, or kennels contracted by the city to act as a municipal pound, are not subject to sales tax.

Sale of Pets

Receipts from the sale of pets are subject to state and municipal sales tax. This includes pets sold by humane societies.

Horses

The sale of horses, feed for horses, and breeding of horses is exempt from sales tax. Boarding, training, and showing of horses is subject to sales tax where the service is performed. The following services for horses are subject to sales tax based on where the horse is delivered to the customer: veterinarian, dental, massage, sports therapy and shodding.

Use Tax

Supplies, materials, equipment or services used by the veterinarian are subject to sales tax when purchased. If the supplier does not charge sales tax, use tax is due at the same tax rate as sales tax. The state use tax rate is 4.5%, plus applicable municipal use tax, and is payable to the Department of Revenue in the filing period in which the veterinarian (animal clinic, animal hospital, etc.) receives the supplies or services.

Tangible personal property delivered into South Dakota is subject to the South Dakota sales or use tax, even if the supplier charges another state's sales tax. When a purchase is made out of state and possession is taken out of state the supplier may charge you that state's sales tax. If the other state's sales tax is the same or more than South Dakota's tax, no South Dakota tax is due.

Use tax is also due on supplies, taken out of retail inventory for use on the veterinarian's own animals. Use tax is due on these items in the filing period they are taken out of inventory.

Examples of items subject to use tax include:

- syringes
- rubber gloves
- x-ray equipment and film
- scalpels
- kennels
- surgical equipment
- test kits

Exempt Entities

Accredited schools, non-profit hospitals, approved relief agencies, and government entities are exempt from sales and use tax.

Government entities must provide an exemption certificate to the vendor or the vendor must keep documentation to show the purchase was paid from government funds. Documentation may include a purchase order or a check stub.

Relief agencies and religious or private schools must provide an exemption certificate to purchase products and services exempt from sales and use tax.

Required Records

Veterinarians must have a South Dakota sales tax license for each place of business within the state. Records, such as purchase and sales invoices, bills of lading, books of all receipts and sales, cash register receipts, and other pertinent papers and documents, are required to be kept for at least three years and be available for inspection during business hours.

Talk to Us!

If you have a tax problem or question, call the South Dakota Department of Revenue toll-free at 1-800-829-9188. Visit us on the web at <http://dor.sd.gov>, email us at bustax@state.sd.us or write us:

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