

SECTION 16 - VETERINARIANS

16-1 EXEMPTIONS AND DEFINITIONS

A. Remedies, Vaccines, Medications, Litter Materials, and Feed

1. G.S. 105-164.13(2a) exempts remedies, vaccines, medications, litter materials, and feeds for animals held or produced for commercial purposes. The exemption **does not** apply to equipment or devices used to administer, release, apply, or otherwise dispense remedies, vaccines, medications, litter materials, and feed.
2. For the purpose of this exemption, the terms “**remedies, vaccines, and medications**” also include tonics for internal use, vitamins, ointments, liniments, antiseptics, and other medicinal substances having preventive and curative properties in the prevention, treatment, or cure of disease in animals.

B. Medicines and Drugs

1. Exemption

G.S. 105-164.13(13) exempts “. . . the following drugs, including their packaging materials and any instructions or information about the drugs included in the package with them:

- a. Drugs required by federal law to be dispensed only on prescription.
- b. Over-the-counter drugs sold on prescription.
- c. Insulin.”

All prescription drugs, including prescription drugs used by a doctor, veterinarian, or person licensed to prescribe in treating patients, are exempt from tax.

2. Definitions

- a. “**Drug**” is defined in G.S. 105-164.3(8a) as “A compound, substance, or preparation or a component of one of these that meets any of the following descriptions and is not food, a dietary supplement, or an alcoholic beverage:
 - (1) Is recognized in the United States Pharmacopoeia, Homeopathic Pharmacopoeia of the United States, or National Formulary.
 - (2) Is intended for use in the diagnosis, care, mitigation, treatment, or prevention of disease.
 - (3) Is intended to affect the structure or function of the body.”
- b. “**Over-the-counter drug**” is defined in G.S. 105-164.3(25a) as “A drug that can be dispensed under federal law without a prescription and is required by 21 C.F.R. § 210.66 to have a label containing a ‘Drug Facts’ panel and a statement of its active ingredients.”
- c. “**Prescription**” is defined in G.S. 105-164.3(29) as “An order, formula, or recipe issued orally, in writing, electronically, or by another means of transmission by a physician, dentist, veterinarian, or another person licensed to prescribe drugs.”

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; February 1, 2004; December 1, 2002;
June 1, 2002; October 1, 1999; June 1, 1999; October 15, 1998.

16-2 SALES BY VETERINARIANS**A. Sales of Medicines and Drugs****1. Remedies, Vaccines, and Medications Sold for Treating Animals Held or Produced for Commercial Purposes**

- a. Sales by a veterinarian of remedies, vaccines, and medications for use in the treatment of animals held or produced for commercial purposes are exempt from sales or use tax. Animals include cattle, horses, mules, sheep, chickens, turkeys, and other domestic animals usually found on a farm. Animals held or produced for commercial purposes also include horses housed at boarding stables.
- b. The exemption **does not** apply to equipment or devices used to administer, release, apply, or otherwise dispense remedies, vaccines, and medications.

2. Prescription Drugs

All prescription drugs are exempt from sales and use tax regardless of their use. The exemption includes ingredients used to produce drugs, packaging materials, and instructions or information about the product packaged with the drugs. Over-the-counter drugs sold on prescription and insulin continue to be exempt from tax.

B. Sales of Products Other Than Medicines and Drugs

A veterinarian may, as a regular part of his practice, maintain an inventory of tangible personal property not exempt by statute and is liable to collect the general rate of State tax and any applicable local sales tax thereon. Such items may include flea or tick powder and spray, soap, pet food (including special diet food), collars, toys, and identification tags.

C. Veterinarian's Use of a Certificate of Exemption

A veterinarian who maintains an inventory for the purpose of making sales of medicines, drugs, flea or tick powder and spray, soap, pet food, collars, and similar items at retail must register with the Department and collect and remit the applicable tax on such sales. A veterinarian who uses tangible personal property in rendering professional services and also makes sales of the same type property may, in connection with such purchases, furnish the **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, to his vendors. The veterinarian is then liable for remitting the applicable use tax on the cost of the property which is used and the applicable sales tax on sales of such property to users or consumers unless exempt by statute.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: February 1, 2007; July 1, 2005; February 1, 2004;
December 1, 2002; June 1, 2002; October 1, 1999; June 1, 1999;
October 15, 1998.

16-3 PURCHASES BY VETERINARIANS**A. Use of Medicines and Drugs**

A veterinarian is considered to be the user or consumer of medicines and drugs which he purchases for use in administering treatment to patients. Therefore, sales to a veterinarian for

such use, unless otherwise exempt from tax by statute, are subject to the general rate of State tax and any applicable local sales and use tax. Prescription drugs are exempt from sales and use tax.

1. Remedies, Vaccines, and Medications Used in Treating Animals Held or Produced for Commercial Purposes

Purchases by a veterinarian of remedies, vaccines, and medications for use in the treatment of animals held or produced for commercial purposes are exempt from sales or use tax. Animals include cattle, horses, mules, sheep, chickens, turkeys, and other domestic animals usually found on a farm. Animals held or produced for commercial purposes also include horses housed at boarding stables. The exemption **does not** apply to equipment or devices used to administer, release, apply, or otherwise dispense remedies, vaccines, and medications.

2. Medicines and Drugs Used in the Treatment of Pets

Medicines and drugs that are administered by a veterinarian, or by an assistant under the veterinarian's direction, during the treatment of pets, such as birds, cats, and dogs, are subject to the general rate of State tax and any applicable local sales or use tax unless specifically exempt by statute. For example, if a veterinarian administers a pill or injection to a cat as part of its treatment, he is liable for tax on the cost price of the pill or injection administered unless the pill or injection is a "**prescription drug.**" As another example, if a veterinarian furnishes a bottle of pills to the pet owner to be taken home and administered to the pet but does not write a prescription for the pills or make a separate charge for the pills from the services provided, the veterinarian is liable for tax on the cost of the pills provided unless the pills are classified as a "**prescription drug.**"

B. Use of a Certificate of Exemption

1. A veterinarian who makes purchases of medicines and drugs for use in the treatment of animals and pets, and by reason of the multiple uses to be made of the medicines and drugs cannot determine the application of tax thereto until they are used may furnish a **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, to each vendor in connection with such purchases. The veterinarian then assumes liability for payment of the applicable use tax to the Secretary of Revenue on that portion of the medicines and drugs used in the treatment of pets unless exempt by statute. A veterinarian making purchases pursuant to a Certificate of Exemption must register with the Department for the purpose of remitting the use tax due on that portion of such medicines and drugs used in treating pets unless exempt by statute.
2. The Certificate of Exemption should be prepared in duplicate and copies retained by the veterinarian and the vendor as a part of their permanent records.
3. Vendors that do not choose to accept the Certificate of Exemption must maintain other evidence in writing adequate to support the conclusion that such sales are exempt from tax in accordance with the provisions of G.S. 105-164.13(2a)a.

C. Purchases of Medical Supplies, Instruments, and Equipment

Purchases by a veterinarian of medical supplies, instruments, and equipment used for testing, diagnosis, prevention, treatment, or cure of diseases in animals and pets are subject to the general rate of State tax and any applicable local sales or use tax. Medical supplies include cotton, gauze, adhesive tape, bandages, and other dressings. Medical instruments and equipment include knives, needles, scissors, microscopes, X-ray machines, and other laboratory

equipment. Although some instruments and equipment may be classified as durable medical equipment which is exempt from tax when sold on prescription, they are not acquired by veterinarians pursuant to a prescription, and the exemption would not apply.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1999;
Revised: February 1, 2007; July 1, 2005; February 1, 2004;
December 1, 2002; June 1, 2002; October 1, 1999.

16-4 VETERINARIANS – BUNDLED TRANSACTIONS

If certain taxable and exempt medical products are sold together for one non-itemized price, the transaction may be considered a “**bundled transaction**” and subject to specific taxability rules. For additional information on bundled transactions, refer to Sales and Use Tax Technical Bulletin 34-25.

History Note: Authority G.S. 105-164.3; 105-164.4D; 105-264;
Issued: April 1, 2008.