

Guidelines for Complying with KY Use and Sales Tax Laws & Regulations

Over the years, the proper interpretation of the Sales and Use Tax regulation has surfaced many times. It seems every time the administration changes; we see an increased number of sales tax audits. The following are a set of guidelines which hopefully will simplify the sales tax issue. These guidelines have been taken from the KY Revenue Cabinet Regulations and written correspondence with the Director of the Division of Sales & Use Tax, KY Revenue Cabinet.

1. All veterinarians, if not currently registered for Kentucky sales and use tax, should complete form 10A100, available on the Revenue Cabinet website at www.revenue.ky.gov, to obtain a retail seller's permit or a consumer's use tax number.
2. In accordance with regulation 103 KAR 26:090(1), veterinarians are the consumers of all tangible personal property used in performing their services and tax applies at the point of sale, either by way of sales tax paid to the vendor or use tax reported by the purchaser on those purchases from out of state.
3. When a veterinarian makes retail sales of items that are not part of the veterinarian's examination or consultation, including but not limited to collars, leashes, chew bones, and grooming products, the sales tax applies to the gross receipts from such sales.
4. Items dispensed through the practice of veterinary medicine, including drugs, medicines, flea products, and prescription pet food, are considered to be consumed by the veterinarian as part of the provision of the service and are not retail sales. To document that these items are consumed in the practice, the items must be initially prescribed by the veterinarian and noted on the patient card or client record. Each successive refill of the items must be treated as refill of a prescription and re-entered on the patient record. The entry OC @ NC (oral consult at no charge) should always be included on the invoice and record. This will document that the medicine is part of an ongoing treatment and that the refill was authorized by the attending veterinarian.
5.
 - a. If a veterinarian administers medications like pour-on insecticides, then these are consumed as part of the provision of the service and are not considered retail sales. These medications are then taxable to the veterinarian and are not eligible for the farm chemical exemption. Refer to statute KRS 139.480(8).
 - b. When a veterinarian makes a direct retail sale to a farmer of farm chemicals, such as ear tags and pour-on pesticides, where the veterinarian does not administer the medication and does not treat this charge on their internal charts as a consultation, then the veterinarian must receive a signed Farm Exemption certificate (form 51A158) from the farmer at the time of the sale to document the exempt transaction. Veterinarians should issue a resale certificate to their suppliers for ear tags and pour-on insecticides that they expect to directly sell to farming clients.

If you need further assistance, you may contact the Division of Sales and Use Tax at (502) 564-5170.