

My name is Jill Skochdopole. I am a Doctor of Veterinary Medicine and I own Ryegate Small Animal Hospital. I am here as an individual taxpayer, small business owner, and as part of the Vermont Veterinary Medical Association.

As veterinarians, our number one goal in changing the statutory language is to achieve clarity concerning our Sales and Use Tax obligations.

- Veterinary medicine has changed dramatically from what it was in 1969 when the current statute was written. The companion and production animal veterinary medicine of today is multifaceted and complex, but is still regulated by a two-word tax code.
- The Tax Department wrote a Bulletin in 2010 to attempt to clarify the tax situation for veterinarians. After 6 years, however, they removed it because they felt it was too vague and unenforceable.

Their current proposal is to leave the Statutes unchanged and create a new bulletin using various interpretations of the words “veterinary supplies” and portions of the Medical Exemptions Statute that are applicable. Unfortunately, the drafts of the newly proposed bulletin are far more ambiguous than the prior one. The result is a tax code which will be difficult at best to implement due to these grey areas which cannot be resolved.

- These ambiguities lead to differing interpretations between auditors and veterinarians. During an audit, much time is spent on both sides trying to resolve issues for which there are no clear interpretation. Here are a few examples of the problems we face:
 - a. The machine I use in my practice to analyze blood samples comes off the exact same assembly line as those used in human medicine. Under the proposed scheme, the veterinary machine is taxed, the human machine is not. The taxability is solely determined by which logo is painted on the front of the machine. The machines themselves are virtually identical.
 - b. The dewormers I use are formulated for use in both agricultural animals and pets – do some clients get charged sales tax and others don’t?
 - c. I carry a pain medication that comes in a flavored liquid specifically made palatable for animal use. The exact same medicine also comes as a human generic pill; if the medication leaves the hospital in pill form, it is tax exempt. If it leaves as the veterinary formulation, it is taxed. Does this make sense?
 - d. We carry a drug for cats that is also taken by humans with the same condition. The veterinary product is specially coated to prevent people from being exposed to it when they handle their cats medicine. The same medication is also available as an uncoated human generic form. Is one to be taxed and one not? Again, it’s the exact same medication, just a different label.
- The change we are seeking represents no change in tax policy and would be revenue neutral. What the tax department has suggested would be a *significant* change in policy that would unfairly target pet owners. The idea that pets are a “luxury item” has been discussed in the context of the recent tax policy discussions.

I submit to you that while very advanced veterinary care may indeed be a luxury that only some can afford, pets themselves *are not* a luxury. Pets are necessary companions for people in all levels of society. Every day we strive to serve all of our clients and many of them are low income, or on public assistance.

These folks will sometimes go without food or their own medicine to make sure their pets are healthy, and as free from stress and pain as they can manage. To call these people's pets a luxury is a disservice to them and the animals they care for. To many, pets are as essential to their lives as food on the table and a roof over their head, and adding costs to their care will end up being a regressive tax policy.

- Thank you for giving me this time to speak in front of the committee. I want to reiterate that our main concern is to have clearly defined guidelines going forward. We believe our efforts to change the statute will benefit not only veterinarians and tax department officials, but pet owners as well.

It will definitely increase costs for both me and my clients:

- 35% of my gross income comes from product sales; currently 16% is subject to sales tax and the other 84% is prescription drugs are sales tax exempt at this time
- Excluding payroll, 30% of my expenses are medical supplies that are currently sales tax exempt
- For us on our side of the state, New Hampshire and the internet will have yet a bigger advantage