

**Paying the Sales and Use Tax in Vermont
Tooth brushes, tooth paste and
floss given to patients during a dental visit
are now taxable!**

Q & A related to this tax rule change!

5-19-11

In this article, the Vermont Department of Taxes provides some answers to questions about the proper collection of the sales tax on preventative dental products and supplies.

An introduction to the topic. The sales of toothpaste, toothbrushes, dental floss and most other supplies used in maintaining oral health are subject to the Vermont Sales Tax. Retail stores and dentists selling these items to patients should collect the tax when selling the items. In addition, dentists providing customers free dental supplies that were purchased from vendors not collecting the sales tax are subject to the use tax. This interpretation of the law is different from a formal Vermont Department of Taxes Ruling of August 21, 1997. At that time, the department stated that these items of nominal value, when given to patients during treatment were not subject to the sales or use tax.

When was this new ruling effective? Vermont joined the Streamlined Sales and Use Tax Agreement effective January 1, 2007. By joining with other states, we agreed to apply a set of rules that are used consistently in as many jurisdictions as possible. The Department of Taxes reviewed its rulings and practices and at that time recognized that toothbrush giveaways should be subject to the use tax.

Why are toothbrushes subject to tax? – Isn't there an exemption for medical supplies?

There is an exemption for medical supplies in the Vermont sales tax laws. The exemption is limited to those items that are either used in the dental office for the care of patients or "used in treatment to alleviate human suffering or to correct human disabilities." Toothbrushes, toothpaste, and dental floss are used more generally for the prevention of health problems and preventative supplies are not included in the sales tax exemption. Other examples of preventative supplies used in medicine that are subject to the sales tax include suntan lotions, foot baths and medic alert bracelets.

When we give a toothbrush away, there is no sales price, so isn't the tax zero? It is true that dentists do not need to charge a sales tax on items they give their patients. However, that does not mean that no tax is paid. If the dentist purchased but did not pay a sales tax to his/her supplier for the items given to patients, then a use tax is due based on the purchase price from the supplier. There are several examples of products given away to customers that are subject to use tax. Some companies provide taxable products as promotional items and others (such as dentists) to support the health benefits of continuing use of the product. Items that are not sold but given away are often subject to the use tax. A use tax is due whenever a taxable item is purchased without payment of the sales tax. The dentist typically must buy the toothbrushes from a supplier in order to give them to patients. Many out-of-state suppliers will not charge the dentist a sales tax for these purchases (Vermont suppliers are required to collect the tax) and whenever no sales

tax is paid, the dentist must provide the state with a use tax payment – the same as when any Vermonter purchases an item in a state with no sales tax and brings that item home or has it delivered to Vermont. If the dentist has paid the sales tax on the toothbrushes, he or she does not need to remit a use tax to the state.

How do I know that sales tax paid to out of state suppliers are paid to the state?

Vendors collecting the Vermont sales tax are required to notify customers that the sales tax has been collected. This notification is evident on an invoice or receipt as the itemized payment of the Vermont Sales Tax or a statement that the Vermont Sales Tax is included in the price. Once a vendor has collected the sales tax, it is their obligation to remit that tax to the Vermont Department of Taxes on a regular basis. The customer has no use tax obligation if the vendor has asserted collection of the tax.

How do dentists remit their collected sales tax to the state? Most dental offices should have a Vermont Business Account number that is required to withhold income tax payments from employees or sell taxable items to the public. You received that account number when you registered with the Department of Taxes. If, in registering, you did not register to file and remit the sales and use tax, you can update your Vermont Business Tax Application, Form S-1. Once this application is processed you will receive a registration packet that includes your business account number, any licenses required, and returns for filing. You will also receive a letter stating your account filing frequency (monthly, quarterly, or annual), and information about *VTBizfile*, the department's e-filing system that allows you to file your returns and make payments on your account electronically. If you have a Vermont Business Account number but do not receive the sales and use return information, or for any other questions, contact the Business Tax Division of the Vermont Department of Taxes at (802) 828-2551 or by email bustax@state.vt.us .

Included below are links to additional information about this process.

Guide to Vermont Business Taxes:

<http://www.state.vt.us/tax/pdf.word.excel/business/guidetobustaxes.pdf>

Application for Business Tax Account:

<http://www.state.vt.us/tax/pdf.word.excel/forms/business/s-1&instr.pdf>