

November 12, 2008

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

The California Veterinary Medical Association (CVMA) is strongly opposed to the sales and use tax proposal contained in your *"Governor's Budget: Special Session 2008-09"* document, pertaining to "veterinarian services." This proposed tax will significantly affect the health and welfare of California pets.

Your "Special Session" proposal recommends that on February 1, 2009 the sales and use tax be broadened to include services, such as "appliance and furniture repair, vehicle repair, golf, and **veterinarian services**." Governor, we know that you have held veterinary medical professionals in high esteem during your time in office. Therefore, it is confusing and disappointing to our association that you would subject complicated veterinary medical procedures and treatments for taxation, and further compare them with the likes of furniture repair, and recreational activities such as golf. Animal surgical procedures and treatments are no different than human medical procedures, and taxing veterinary services is tantamount to taxing human surgery and treatments.

Your proposal, if implemented, will serve as a significant disincentive for individuals seeking veterinary care for their animals, particularly during this sizeable economic downturn. Veterinary clients will not be able to afford treatments for their animals which will be detrimental to animal health and to the health of the public at large. The result will be that many animals won't get the medical care they need and they will be abandoned or euthanized.

Further, this tax is discriminatory in that it singles out only one healing arts profession under Division 2 of the Business and Professions Code, when it is clear that other medical professions, such as optometrists and audiologists, while providing diagnostic services and treatment, also provide retail services. We question why other boards and bureaus were not singled out for this taxation, even though they provide professional services and retail services.

There is a significant difference between taxing services and taxing a medical necessity, such as animal surgery. In 1985, Governor Deukmejian signed SB 961 by Senator Seymour, which provided that a veterinarian is the consumer, rather than the retailer of drugs and medicines used in veterinary services, and that these drugs and medicines shall not be subject to the California Sales and Use Tax Law. The bill stipulated that: "if a veterinarian administers a shot, the veterinarian is the consumer of the shot. If a veterinarian sells medicines to be administered by the animal's owner, the veterinarian is considered the retailer." (*Analysis by the Legislative Analyst, August 28, 1985*)

Specifically, the law states:

“Section 2. Section 6018.1 of the Revenue and Taxation Code

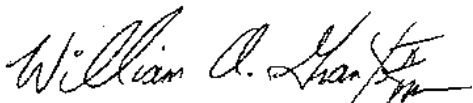
6018.1. A licensed veterinarian is a consumer of, and shall not be considered a retailer within the provisions of this part with respect to, drugs and medicines used or furnished by him or her in the performance of his or her professional services.

For the purposes of this section, ‘drugs and medicines’ includes substances or preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if these soaps are available only to veterinarians. The term does not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.”

Lastly, your proposal would cause havoc and confusion, particularly in conjunction with the above-referenced law. Under your tax concept, a Parvo vaccine would not be subject to taxation, but a spay or neuter procedure would be. Further, the 1985 law was enacted because it was felt that the sale or use of drugs and medicines for veterinarians should be similar to provisions in law for optometrists, podiatrists, and others. As veterinarians are defined as healing arts practitioners in the Health and Safety Code and Business and Professions Code, we will oppose efforts to distinguish our profession separate from the physicians, dentists, optometrists, podiatrists, etc.

For these reasons, we must strongly oppose your proposal to implement a sales and use tax on veterinary services.

Sincerely,



William A. Grant II, DVM
CVMA President

cc: The Honorable Karen Bass, Assembly Speaker
The Honorable Mike Villines, Assembly Republican Leader
The Honorable Don Perata, Senate President pro Tempore
The Honorable Darrell Steinberg, Senate President pro Tempore-Elect
The Honorable Dave Cogdill, Senate Republican Leader
Susan Kennedy, Office of Governor Schwarzenegger
Mike Genest, Director, Department of Finance