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## Teeth in the New York State Tax Law

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Dentists, oral surgeons, prosthodontists and other oral health care professionals practicing in New York State will soon notice some changes to their tax pictures, due to a March 20, 2006 ruling from the New York State Department of Taxation and Finance. The ruling, a reinterpretation of longstanding tax law, redefines what is – and is not – subject to state sales tax.

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### **MORE PROFESSIONAL SUPPLIES TAXABLE**

According to the new interpretation, “dental supplies – other than drugs and medicines – used by a dentist (including his or her employees) in providing dental care for compensation are subject to sales tax.”

This includes, for example:

- ❖ porcelain
- ❖ mercalloy
- ❖ gold
- ❖ silver
- ❖ acrylic
- ❖ denture base
- ❖ amalgam
- ❖ composite resin
- ❖ silicate
- ❖ dental floss

So you should expect to see the cost of all your treatment and restoration supplies go up by 8.375% for city practices, the combined amount of New York State and City Sales Tax.

Your supplier is responsible for collecting and remitting the sales tax on these items.

However, you are ultimately responsible for paying the tax, even if your supplier does not charge it. This would require the filing of a sales tax return, which is something most dental practices have probably never done.

### **FEWER TAXES PASSABLE DIRECTLY TO PATIENTS**

Prosthetic dental devices (that is, devices that completely or partially replace a missing, permanently inoperative or permanently malfunctioning body part) continue to be tax exempt. Prosthetic dental devices covered by this ruling include:

- ❖ implants
- ❖ dentures
- ❖ bridges
- ❖ full and partial crowns (temporary and permanent)
- ❖ onlays
- ❖ inlays



## **SOME SALES TAXES STILL PAYABLE BY PATIENTS**

Patients must still pay sales tax on some items not primarily or customarily used to replace missing, inoperative or malfunctioning body parts. These include products generally viewed as cosmetic:

- ❖ laminate veneers
- ❖ decorative caps
- ❖ specialty teeth
- ❖ jewelry teeth

## **THE BOTTOM LINE**

Most oral health care professionals will want to review their fee structures because of this ruling. Although sales taxes paid will be tax-deductible, in many instances, practices will want to recoup this significant additional expense through appropriate fee increases.

## **EFFECTIVE DATE**

The change in policy will take effect for sales and uses occurring on or after June 1, 2006.

## **FURTHER INFORMATION**

This information is of a general nature.

No action should be taken without consulting a professional advisor as to applicability in your particular circumstance.

Please call Lawrence Katz at our offices if we can be of assistance in helping you understand how your practice will be affected.

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