

Q: Where may I find the International Guild of Hair Removal Specialists, Inc. (IGHRS)?

A: [Click here](#) to find the Code of Ethics of the International Guild of Professional Electrologists (IGPE).

Q: Where may I find the Standards of Ethical Practice for Cosmetic Therapists?

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Q: Why are cosmetic therapists being taxed?

A: The Legislature, in consultation with the Department of Taxation, expanded the base of "taxable events" for purposes of the state sales tax. Language was included in House Bill 95 (the Budget Bill) to expand the tax base to cover "personal services," including hair removal "and other similar services." The relevant statute, Ohio Revised Code Section 5739.01(B)(3)(r), adds to the definition of taxable events for purposes of the state sales tax: "On and after August 1, 2003, personal care service is or is to be provided to an individual. As used in this division, "personal care service" includes skin care, the application of cosmetics, manicuring, pedicuring, hair removal, tattooing, body piercing, tanning, massage, and other similar services. 'Personal care service' does not include a service provided by or on the order of a licensed physician or licensed chiropractor, or the cutting, coloring, or styling of an individual's hair."

Q: When does the sales tax on cosmetic therapy services take effect?

A: Cosmetic therapists must be in compliance with the sales tax by August 1, 2003.

Q: What is considered a “taxable event” covered by the sales tax?

A: A taxable event is when there is an actual sale of cosmetic therapy services. If you perform a treatment on a patient who is not seeing you on a doctor’s order, and the patient or a third party pays you, you must collect and report that tax. Where service providers barter for services from one another, the sales tax still applies because the payment by service is a form of compensation.

Q: As a cosmetic therapist, what are my responsibilities under the new law?

A: If you are a cosmetic therapist and perform hair removal that is subject to the sales tax, you have two overarching responsibilities: you must collect the tax from your clients, and you must report and remit the tax to the state. Additionally, to claim any exemption, cosmetic therapists must rely, in good faith, upon the physician's order.

Q: Will insurance companies reimburse providers for the amount of the sales tax?

A: Depending on the circumstances, an insurance company that will cover cosmetic therapy services may or may not also pay for the sales tax. Whether or not a third party payer will reimburse for the sales tax, the cosmetic therapist is required to collect and remit the tax.

Q: Will a cosmetic therapist now be required to obtain a vendor's license?

A: Yes, a cosmetic therapist will be required to obtain one of two types of vendor's licenses. The type you need depends on your practice. If a cosmetic therapist operates out of a fixed location, the cosmetic therapist must obtain a vendor's license through the county auditor in the county where the business is located. Information on contacting county auditors can be found at <http://www.caa.org/DIRECTORY/index.htm>

If a cosmetic therapist does not operate out of any specific location but rather provides services at different locations, the cosmetic therapist should obtain a transient vendor's license from the State Department of Taxation. The forms are available at http://www.state.oh.us/tax/business_forms_Sales.html

A vendor's license through the county auditor's office costs \$25.00. The transient vendor's license through the Department of Taxation also costs \$25.00.

Q: Is a cosmetic therapist responsible for obtaining a vendor's license if he/she works out of a physician's office?

A: Physical co-location with a physician does not confer an automatic exemption from the sales tax. Only when providing cosmetic therapy services on the order of a physician or as an employee of the physician, is the cosmetic therapist exempt from the taxation requirement and the need for a vendor's license. The physician does, however, need a vendor's license and must collect and remit the tax on any hair removal services not covered by a physician's order.

Q: What is the statutory requirement for the posting of a vendor's license?

A: There is no requirement to display a regular county vendor's license. On the other hand, Ohio Revised Code Section 5739.17(E) requires every holder of a transient vendor's license to display the license or a copy of it, "prominently, in plain view, at every place of business of the transient vendor."

Q: Are there any exemptions for cosmetic therapy services being taxed?

A: Yes, according to Ohio Revised Code Section 5739.01(B)(3)(r), a cosmetic therapy service performed on the order of a physician is exempt from taxation. Although there is no specific language in the statute, the order should specify cosmetic therapy services and be patient specific. There is no requirement that the order be written, but should there be a Department of Taxation audit, written orders may help a cosmetic therapist document the exemptions. In addition, the fact that a third party payer may reimburse for a cosmetic therapy service does not exempt the procedure from the sales tax, nor does employment in a physician's office provide a blanket exemption.

Q: Who is encompassed within the definition of “physician”?

A: Ohio Revised Code Section 5739.01(B)(3)(r), uses the terms "physician" and "chiropractor." The Department of Taxation has indicated that the term is meant, in this context, to include MDs, DOs, podiatrists and dentists, in addition to chiropractors.

Q: Do cosmetic therapy services provided at clinics associated with cosmetic therapy schools qualify as "taxable events" under the new law?

A: Whether a school clinic is subject to the tax depends on whether the school is a government entity, which under other sections of the code enjoys exemption from taxation. State cosmetic therapy schools are not required to collect and remit the sales tax for services rendered in their clinics. Proprietary schools are still responsible for the tax.

Q: What records should be kept to prove compliance with the sales tax?

A: Department of Taxation auditors would likely look at primary business records, i.e., invoices (which must include the taxable amount), account records, and records of the physician's order. Normal prudent business practices should be followed to best comply with the sales tax. The statute of limitations is four years, but the most cautious avenue is to keep business records for a longer period.

Q: How often must cosmetic therapists file taxes to be in compliance with the sales tax law?

A: Generally, the deadline for filing and remitting sales taxes is the 23rd of each month, however certain types of business may be required to file more or less frequently. The amount that is collected in taxes determines the times at which the taxes must be remitted. The following page from the Ohio Department of Taxation's Annual Report sets out the schedule for remittance:
http://www.state.oh.us/tax/Publications/2001_Annual%20Report/26-sales.pdf

Q: What are the penalties for failing to comply with the new sales tax?

A: The penalty could be up to 50% of the total of taxes due, in addition to the original tax amount. The criminal penalty is up to \$1000. For “allowable ignorance,” that is, cases in which a therapist did not comply with the law simply due to a lack of understanding of his or her responsibilities, there may be a 15% penalty.

Q: What are my responsibilities regarding the sales tax when a gift certificate is purchased for cosmetic therapy services?

A: If the certificate is for the performance of a specified service (i.e. a certificate for one or more treatments) you need not collect tax from the recipient when that service is performed. Such certificates sold on and after August 1, 2003 are subject to sales tax when the certificate is sold. Any additional amount you charge the recipient for additional services would be taxable.

If the certificate is for a specified dollar value (i. e. fifty dollars toward any product or service at a salon), the certificate is treated the same as cash. When such a certificate is used to purchase taxable property or services, tax should be charged on the full price of the property or service.

Q: What can be done about unlicensed persons or licensed cosmetic therapists who are not complying with the new tax requirements?

A: The Ohio Department of Taxation will investigate if it has knowledge of non-compliance. If you know of a person you believe to be not in compliance, you may report via e-mail, regular mail or by phone. By entering the Ohio Department of Taxation's website, www.state.oh.us/tax/, the form may be accessed by clicking on "Contact Us" and then clicking on an option called "E-mail US Suspected Tax Fraud." The form may be printed out and sent in or e-mailed to the Department of Taxation. The Ohio Tax Fraud Hotline is reached by calling 800-757-6091.