The AVMA's 2000 economic survey of US veterinarians included questions on financial aspects of private veterinary practice operation. This permitted analysis of gross practice revenue, net practice income, return on capital, return to labor and management, cash operating expenses, and operating expense and financial ratios. Practices were included in this analysis if they employed at least 1 full-time veterinarian, had been established for >1 year, were operational ≥48 weeks in 1999, and reported gross income, expense, asset, and liability data on the survey form.

Mean and median values were reported for selected variables. High values may skew the estimate of the mean above the median, especially for financial data. Therefore, median values for these data provide a better measure of the central tendency of the sample and are more representative of a typical veterinary practice than mean values. See the 2001 edition of the *Economic Report on Veterinarians & Veterinary Practices* for a full presentation of the results of the AVMA's 2000 economic survey of US veterinarians.

**Practice Revenue**

Median gross practice revenue for all practice types in 1999 was $403,771 (Table 1). During the period of 1997 to 1999, median gross practice revenue increased at a compound annualized rate of 5.6%. Median gross practice revenue varied widely by practice type. In 1999, median gross practice revenue ranged from $150,000 for unspecified practices to $465,000 for mixed animal practices. In 1997, median gross practice revenue ranged from $249,942 for unspecified practices to $513,000 for large animal predominant practices.

Total practice expenses were computed as the sum of all cash operating expenses and employed (nonowner) veterinarians' earnings. Office rent was included in gross practice expenses only if practice real estate was...
leased from someone other than a veterinarian involved in the practice. Median total practice expenses were $269,821 in 1999, compared with $226,722 in 1997. Median total practice expenses increased at a compound annualized rate of 9.1% during the 1997 to 1999 period. Median total practice expenses ranged from $51,112 for unspecified practices to $318,267 for small animal exclusive practices. In 1997, median practice expenses ranged from $131,557 for large animal exclusive practices to $384,533 for large animal predominant practices.

**Net Practice Income**

Net practice income was calculated as gross practice revenue minus total practice expenses. For all practices, 1999 median net practice income was $107,861, compared with $123,353 in 1997. Median net practice income ranged from $64,958 for unspecified practices to $120,000 for large animal predominant practices in 1999. Median net practice income ranged from $49,381 for unspecified practices to $134,280 for small animal exclusive practices in 1999. Median net practice income for all practices was 27% of median gross practice revenue in 1999, compared with 34% in 1997. In 1999, median net practice income as a percentage of median gross practice revenue ranged from 23% for mixed animal practices to 43% for large animal exclusive and unspecified practices.

Net practice income includes return on capital invested and return to labor and management. Return on capital invested was estimated as 12% of owners’ equity in long-term practice assets. Equity was defined as the difference between the fair market value of fixed practice assets (eg, the value of real property, vehicles, and equipment) and long-term debt (mortgages and notes payable for >1 year). Median return on capital per practice was $10,125 in 1999, compared with $10,004

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in 1997. Median return on capital ranged from $102 for unspecified practices to $14,100 for small animal predominant practices. In 1997, median return on capital ranged from $2,400 for large animal exclusive practices to $11,340 for small animal predominant practices.

Return to labor and management (ie, human capital) is the residual of the calculation net practice income minus return on capital. Return to labor and management represents monies available to compensate practice owners for their labor, management, and entrepreneurial initiative. Median return to labor and management for 1999 was $89,704, compared with $112,128 in 1997. Median return to labor and management ranged from $63,207 for unspecified practices to $98,600 for large animal predominant practices. In 1997, median return to labor and management ranged from $46,081 for unspecified practices to $124,350 for small animal exclusive practices. Median return to labor and management was 31% of median gross practice revenue in 1997 and 22% in 1999 (Fig 1).

### Practice Owner’s Income

Net practice income per owner was computed by dividing net practice income by the number of full-time-equivalent owners working in the practice. Mean number of owners for all practice types was 1.45/practice, ranging from 1.14 for unspecified practices to 2.12 for mixed animal practices. Median number of owners per practice was 1.0 for each practice type.

Median net income per practice owner in 1999 was $91,500, compared with $102,559 in 1997 (Table 2). Median net income per owner ranged from $66,916 for unspecified practices to $97,000 for small animal exclusive practices. In 1997, median net practice income per owner ranged from $37,786 for unspecified practices to $114,101 for small animal exclusive practice owners.

Median return to labor and management per practice owner was $78,720 in 1999, compared with $93,815 in 1997 (Table 2). Median return to labor and management per owner ranged from $62,503 for mixed animal practices to $83,100 for small animal exclusive practices. In 1997, median return to labor and management per owner ranged from $31,036 for unspecified practices to $105,872 for small exclusive practices. Subtracting the owner's salary from return to labor and management per owner yields the return to management per veterinarian-owner or residual profit. Residual profit represents anticipated entrepreneurial profit in excess of expected return on capital and labor. Median residual profit per practice owner for all practice types was $3,143 in 1999, compared with $18,070 in 1997. Residual profit per owner ranged from –$3,200 for unspecified practices to $15,100 for equine practices in 1999. Median residual profit per owner as a percentage of median gross practice revenue ranged from 0.13% for small animal exclusive practices to 3.0% for equine practices. In 1997, residual profit per owner ranged from $9,200 for mixed animal practices to $25,659 for equine practices. Median residual profit per owner as a percentage of median gross practice revenue ranged from 2.0% for large animal predominant practices to 8.5% for equine practices.

### References


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