

Tennessee Agricultural Sales and Use Tax Guide



September 2019

Dear Tennessee Taxpayer,

This guide is designed to help farmers, timber harvesters, nursery operators, and dealers from whom they buy, to understand the scope of exemptions and reduced rates, the purchases that remain taxable, and how to effectively administer these tax provisions.

The information provided is general in nature. The excerpts from the sales tax law are through the 2019 legislative session. The opinions expressed here are informal and do not constitute a revenue or letter ruling pursuant to the provisions of Tennessee Code Annotated § 67-1-109. Future amendments, court decisions, regulation changes, or other factors could change the opinions expressed herein.

If you have any questions, please visit www.TN.gov/Revenue. Click on “Revenue Help” to find hundreds of frequently asked questions and answers! You can also submit a question for email response if you are unable to locate your answer or if the question involves a tax account matter.

We also offer telephone assistance from 7:00am to 5:00pm, Central time, each business day. Our main office address and telephone numbers are as follows:

Tennessee Department of Revenue
Taxpayer Services Division
Andrew Jackson Building
500 Deaderick Street
Nashville, TN 37242

Toll-Free: (800) 342-1003
Out-of-State: (615) 253-0600
TDD: (615) 741-7398

The locations and addresses of each of our regional offices are provided below. For your convenience, you may wish to call or send correspondence via email as described above since most issues can be resolved by telephone or email.

Regional Offices

Knoxville

7175 Strawberry Plains Pike
Suite 209
Knoxville, TN 37914

Chattanooga

1301 Riverfront Parkway
Suite 203
Chattanooga, TN 37402

Jackson

Lowell Thomas State Office Building
225 Dr. Martin L. King Jr. Drive
Suite 340
Jackson, TN 38301

Johnson City

204 High Point Drive
Johnson City, TN 37601

Memphis

3150 Appling Road
Bartlett, TN 38133

Table of Contents

Agricultural Exemptions	4
Qualification for Agricultural Exemptions	5
Application for the Agricultural Exemption Certificate	6
Exemption from Sales and Use Tax of Agricultural Products by the Producer	6
Community Gardens	7
Agritourism	7
Value-added Products and Prepared Food	8
Agricultural Exemption Frequently Asked Questions	9
Important Notice #07-12, Farmers, Timber Harvesters, and Nursery Operators	23
Important Notice #07-13, Retailer’s Notice – Sales to Farmers, Timber Harvesters and Nursery Operators	29
Important Notice #07-19, County Clerk’s Notice – Sales to Farmers, Timber Harvesters and Nursery Operators	31
Important Notice #08-05 Agri-Sawdust & Coverings	33
Important Notice #14-05 Agricultural Unmanned Aircraft Systems	34
Important Notice #17-04, Agricultural Uses of Mowers	35
Farmers, Timber Harvesters, and Nursery Operators’ Application Form (Effective February 2017)	37
Farmers and Nursery Operator’s Exemption Certificate – Example	40

Tenn. Code Ann. § 67-6-207 was amended in January of 2008, to provide new language regarding farm equipment and machinery exemptions for farmers, timber harvesters, and nursery operators and to combine all of the exemptions under one section of the sales and use tax code.

Also included in Tenn. Code Ann. § 67-6-207 are the criteria required for a person to qualify as a farmer, timber harvester, or nursery operator for purposes of obtaining exemptions.

Farmers, timber harvesters, and nursery operators must apply for a personalized Agricultural Exemption Certificate that will be issued by the Department of Revenue in the name of the applicant and which must be renewed every four years. The qualifications for exemption and the application process are discussed later in this guide.

Effective January 1, 2020, Public Chapter 436 expands the definition of “agricultural land” for purposes of the greenbelt designation to include two noncontiguous tracts of land within the same county totaling at least 15 acres and separated only by a road, body of water or public or private easement.

Agricultural Exemptions
[Tenn. Code Ann. § 67-6-207]

The sale at retail, lease, rental, use, consumption, distribution, repair, storage for use, or consumption in this state of the following tangible personal property is specifically exempted from the tax imposed by this chapter when sold to a qualified farmer, timber harvester, or nursery operator.

- + Farm equipment or machinery, including all-terrain vehicles and agricultural unmanned aircraft systems, used directly and principally for producing agricultural and nursery products for sale;

- + Hay wagons and silage wagons used directly and principally in producing agricultural and nursery products for sale;
- + Grain bins and attachments thereto;
- + Aircraft such as an ag-cat or other similar airplanes which are designed for crop dusting purposes;
- + Equipment used exclusively for harvesting timber;
- + Trailers used to transport livestock, to transport farm products, nursery stock, or equipment, supplies or products used in agriculture, or for other agriculture purposes relating to the operation and maintenance of a farm;
- + Self-propelled fertilizer or chemical application equipment used to spread fertilizer or chemical to aid in the production of food or fiber for human or animal consumption;
- + Tender beds and spreader beds, even if mounted on a truck;
- + Systems for poultry environment control, feeding, watering, and conveying eggs;
- + Parts and labor used in the repair of exempt farm equipment and machinery;
- + Gasoline or diesel fuel used for “agricultural purposes” as defined in Tenn. Code Ann. § 67-6-102. Diesel fuel includes dyed diesel used in cutting and harvesting trees by qualified timber harvesters;
- + Containers for farm products or plastic and canvas used in the care of plants or

- as a protective covering for agricultural products;
 - + Livestock and poultry feeds, drugs used for livestock, and instruments used for the administration of such drugs;
 - + Seeds, seedlings, plants grown from seed, and cuttings that will produce food, fiber, or tobacco;
 - + Fertilizer and pesticides used to aid the growth and development of seeds, seedlings, or plants. Also included are solutions either specifically created or mixtures with pesticides for use as a soil conditioner;
 - + Any substance used in the reproduction of livestock, including embryos and semen;
 - + Agri-sawdust – sawdust, wood shavings, chips, and slabs;
 - + Water furnished by a utility district and used exclusively in a farming operation;
 - + Electricity, natural gas, and liquefied gas, including propane and butane, used directly for producing food or fiber for human or animal consumption or to aid in growing horticultural products for sale; and
 - + Coal, wood, wood products, wood by-products, or fuel oil used as energy fuel to produce food or fiber or nursery or greenhouse products.
- + Materials that become real property when installed, including gravel, concrete, building materials (except temporary fencing such as corral panels and gates);
 - Straw purchased from a supplier other than the agricultural producer;
 - + Trucks, flat-bed trailers, and semi-trailers that are used to transport farm products over the road to market, to transport machinery over the road between farms, or to pick up and carry supplies over the road to the farm; and
 - + Lawn mowers designed for residential use that are used 50% or more of the time for non-agricultural purposes such as mowing lawns and landscaped areas.

Qualification for Agricultural Exemptions

An applicant will qualify for exemption as a farmer, timber harvester, or nursery operator if one or more of the following criteria are met. The farmer, timber harvester, or nursery operator:

While not an all-inclusive list, items that do not qualify for the agricultural exemption include but are not limited to:

- + Clothing items;
- Automobiles and trucks as well as repair parts and labor for the automobiles and trucks;
- + Is the owner or lessee of agricultural land from which \$1,000 or more of agricultural products were produced and sold during the year, including payments from government sources;
- + Provides for-hire custom agricultural services of plowing, planting, harvesting, growing, raising or processing of agricultural products or for the maintenance of agricultural land;
- + Is the owner of land that qualifies for taxation under the provisions of the Agricultural Forest and Open Space Land Act of 1976;

- + The person's federal income tax return contains one or more of the following: (a) Business activity on IRS Schedule F (Profit or Loss from Farming) or (b) Farm rental activity on IRS Form 4835; (Farm Rental Income and Expenses) or Schedule E (Supplemental Income and Loss); or
- + The person otherwise establishes to the satisfaction of the Commissioner that the person is actively engaged in the business of raising, harvesting or otherwise producing agricultural commodities as defined in Tenn. Code Ann. § 67-6-301(c)(2).

Persons qualifying as manufacturers cannot also qualify for the agricultural exemption certificate and vice versa.

Application for the Agricultural Exemption Certificate

Persons seeking to become qualified farmers, timber harvesters, or nursery operators must submit an application for the agricultural certificate of exemption to the Tennessee Department of Revenue. This application requires such information as the Commissioner deems necessary to determine whether or not the exemption is applicable. If the Commissioner finds that the applicant is entitled to be a qualified farmer, timber harvester, or nursery operator, the Commissioner will issue a certificate granting such authority for a period of four years or until the applicant is no longer operating within the scope of its original application. Any misrepresentation made on the application by the applicant will subject the applicant to any applicable tax, penalty, and interest.

Persons who have obtained authority from the Commissioner to make purchases tax exempt as a qualified farmer, timber harvester, or nursery operator shall provide their vendors with a copy of the certificate

issued by the Commissioner or a fully completed Streamlined Sales Tax Certificate of Exemption, which must include the exemption authorization number included on the certificate issued by the Commissioner, to evidence qualification for the exemption.

Persons making purchases exempt from tax under this section shall keep records to establish that the property qualifies for the exemption. The purchaser shall be liable for tax, penalty, and interest for making non-qualifying purchases without payment of tax.

Exemption from Sales and Use Tax of Agricultural Products Grown or Produced [Tenn. Code Ann. § 67-6-301]

The gross proceeds derived from sales of livestock, nursery stock, poultry, and other farm or nursery products, made in any calendar year directly by a farmer or nursery operator, are exempt from the sales or use tax if 50% or more of the products sold are grown or produced in the calendar year by the farmer or nursery operator making the sale.

If less than 50% of the products being sold in any calendar year are grown or produced by the farmer or nursery operator, then only the gross proceeds of sales of the products actually grown or produced by such farmer or nursery operator are exempt from the sales or use tax.

Generally, when sales of livestock, nursery stock, poultry, or other farm or nursery products are made to consumers, other than as described here, they are not exempt from the sales or use tax. In other words, when a farmer sells farm products that the farmer produced to a person who sells only products grown by others, such as a grocery store, the resale by the grocery store of the farm products is subject to the sales or use tax.

When livestock and livestock products, poultry and poultry products, or farm, nursery, and agricultural products are produced by a

farmer or nursery operator and used by the nursery operator or members of the nursery operator's family, the sales or use tax law states specifically that Tennessee use tax does not apply.

When agricultural commodities sold by anyone other than the producer to a third party who is purchasing to acquire raw products for use or for sale in the process of preparing, finishing, or manufacturing the agricultural commodities for retail sale to the ultimate consumer, such sales are exempt from the sales or use tax, including payment of the tax applicable to the sale, storage, use, transfer, or any other utilization or handling of the products.

In such instances, the tax will be collected on the sale of the agricultural commodities when they are actually sold as a marketable or finished product to the ultimate consumer. The tax will be collected only once.

For sales or use tax purposes, "agricultural commodity" means horticultural, poultry, farm products, livestock, livestock products, and harvested trees.

Sales made directly from a farmer or nursery operator to a consumer through an online nonprofit farmers' market are exempt from sales or use tax providing that:

- + An amount equal to the consumer's full purchase price is transmitted by the consumer or the online farmers' market to the farmer; and
- + The cooperative or other organizing body of the online farmers' market charges no fee or other charge for facilitating the sales other than "virtual booth" rental fees assessed to participating farmers to cover actual costs incurred in operating the online farmers' market. [Tenn. Code Ann. § 67-6-301(a)]

Community Gardens

Effective March 21, 2014, the sale of products that are grown or produced in a community garden in any calendar year are exempt from sales tax when sold by a representative of the community garden. [Tenn. Code Ann. § 67-6-301(d)]

A "community garden" is defined in Tenn. Code Ann. § 43-24-102 as a piece of real property, either on vacant public land or private land, cultivated by residents of a neighborhood or community, or members of a homeowners or condominium owners association, for purposes of providing vegetables, nuts, herbs, fruit, or flowers, whether by means of cultivating annual, biennial, or perennial plants or trees, or honey and honey byproducts, through the placement and use of beehives, for use of the residents of the neighborhood or community or members of the homeowners or condominium owners association.

Agritourism

Agritourism is farm-based tourism where visitors are able to see and experience life in agricultural areas and participate in various farm activities.. Agritourism activities may include: assisting with farming tasks, picking fruits and vegetables, visiting mazes cut in crop fields or "Halloween" mazes (including Halloween-oriented activities and characters in costume), horse riding, honey tasting, educational sessions, participation in hay rides (which may include picnics, campfires or bonfires, and entertainment such as music and dancing), shopping in gift shops and farm stands for local and regional produce or hand-crafted gifts, and purchasing food and beverages.

If participants are charged admission to engage in such agritourism activities, these charges are generally subject to sales tax. Tenn. Code Ann. § 67-6-212 imposes sales taxes on fees or other charges made for admission to places of amusement,

sports, entertainment, exhibition, display, or other recreational events or activities.

If the activities are only educational in nature (i.e., where guests are merely shown how a farm operates, are given demonstrations, etc.) without any amusement, recreation, or entertainment activities, such as horse riding or hay rides, charges for these tours would not be subject to the sales or use tax.

If participants are permitted to pick fruits and vegetables for which an additional charge is made, these sales would not be subject to the sales or use tax as long as the farm making the sale produces at least 50% of the products sold. However, when involved as a part of an amusement, entertainment, or recreation activity, the charges for the fruits and vegetables must be made separately from the charge for the amusement, entertainment, or recreation event in order to qualify for exemption.

The farmer must collect tax on the sale of products purchased from others and sold if more than 50% of the gross sales are from the sale of products produced by others. Generally, hand-crafted gifts would also be subject to the sales or use tax unless made from products produced by the farmer.

If the person selling the agritourism adventure is not the owner or operator of the farm, but has simply contracted with a farm to conduct such activities on the farm, then the total charge made by the seller for the admissions to the amusement, entertainment, or recreation event and for sales of fruits and vegetables is subject to the sales or use tax.

Value-added Products and Prepared Food

Some farmers or growers will use agricultural products grown by the farmer to make other products known as “value-added” products.

For “value-added” products to be eligible for sale as tax-exempt farm products, the farmer must raise the products used to make the value-added product. Farm products may be preserved and sold as tax-exempt as long as the only non-raised ingredients added are preserving additives such as water, sugar, salt, and pectin.

Sometimes farmers and growers engaged in agritourism or similar activities will have concession stands at which the farmer will sell food items prepared from agricultural products grown by the farmer. If the food product sold at concession is made entirely from ingredients raised by the farmer, except for the addition of water, sugar, salt, pectin, or other preservatives, it is considered a tax-exempt farm product. However if any ingredient, other than water, sugar, salt, pectin, or other preservatives, that the farmer did not raise is added to the food product, the entire sale is taxable.

For questions and answers regarding farm, nursery, timber harvesting, equipment, machinery, and repair and replacement parts, refer to Tenn. Code Ann. § 67-6-207.

Frequently Asked Questions

Agricultural Exemption

1a. What items are exempt from sales and use tax?

Generally, the following items are exempt from sales and use tax when sold to qualified farmers, timber harvesters, or nursery operators.

- Farm equipment or machinery including all-terrain vehicles and agricultural unmanned aircraft systems used directly and principally for producing agricultural and nursery products for sale
- Hay wagons and silage wagons used directly and principally in producing agricultural and nursery products for sale
- Grain bins and attachments
- Aircraft designed and used for crop dusting
- Equipment used solely for harvesting timber (does not include trailers and trucks for transporting)
- Livestock trailers along with trailers used to transport farm products, nursery stock, or equipment, supplies or products used in agriculture, or for other agriculture purposes relating to the operation and maintenance of a farm
- Water furnished by a utility district and used exclusively in a farming operation
- Self-propelled fertilizer or chemical application equipment
- Tender beds and spreader beds even if mounted on a truck
- Systems for poultry environment control, feeding, watering, and egg conveyance
- Replacement parts and labor for exempt farm machinery and equipment
- Gas or diesel fuel used for agricultural purposes (does not include pre-mixed gas and oil of one gal. or less)
- Seeds, seedlings, plants, fertilizer, and pesticides used to produce food or fiber, including tobacco, for human or animal consumption
- Farm containers and plastic or canvas covers used in raising plants, including tobacco, for human or animal consumption
- Feed and drugs for livestock and poultry and instruments used for the administration of such drugs
- Agri-sawdust, which includes sawdust, wood shavings, chips, and slabs
- Electricity, natural gas, liquefied gas, coal, wood, and fuel oil used in the production of food and fiber for human or animal consumption or in the production of nursery and greenhouse crops

1b. What items are not eligible for exemption?

- Clothing items
- Automobiles, trucks, and repair parts and services for automobiles and trucks
- Materials that become real property when installed, including gravel, concrete, building materials (excluding temporary fencing such as corral panels and gates)

- Trucks, flat-bed trailers, and semi-trailers that are used to transport farm products over the road to market, to transport machinery over the road between farms, or to pick up and carry supplies over the road to the farm
- Lawn mowers designed for residential use that are used 50% or more of the time for non-agricultural purposes such as mowing lawns and landscaped areas
- Straw purchased from any supplier other than the agricultural producer

2. I've heard that for an original purchase of farm equipment to be exempt, it must cost more than \$250. Do the repair part and/or labor on the farm machinery and equipment have to exceed \$250 also?

Machinery, equipment, and appliances do not have to cost \$250 or more to be exempt farm machinery or equipment. In addition, the charge for repair or replacement parts or repair labor does not have to cost \$250 to be exempt. However, the repair or replacement parts and repair labor must be for qualifying equipment and sold to a qualified farmer, timber harvester, or nursery operator.

3. A seller charges purchasers for delivery of machinery and equipment to the farm, nursery, or forest. Is the delivery charge taxable?

Delivery charges made by the seller are a part of the sales price of property regardless of whether the delivery charge is separately itemized on the invoice. If the machinery and equipment, repair or replacement parts, or other items delivered qualify for an agricultural exemption, then the delivery charge is equally exempt.

4. How do the single article laws apply to a sale of a tractor and implement(s) included on the same invoice?

A single article is defined as one item of tangible personal property that is considered, by common understanding, to be a separate unit, exclusive of any accessories or extra parts, and that is capable of being sold as an independent unit or a common unit of measure. The single article laws apply to each single item of tangible personal property. A tractor and a farm implement (e.g., plow, rake, mower, or bucket, etc.) are commonly understood to each be a separate unit that is priced and sold as an independent item. State and local tax would be calculated separately for the tractor and for each implement. The single article local tax limitation and the additional state single article tax are not calculated on a total invoice amount for multiple articles of tangible personal property.

Note that the single article law that treats parts and accessories installed on a motor vehicle as a part of the motor vehicle does not apply to tractors.

5. I am not a farmer or nursery operator. Can I buy seeds, seedlings, and plants that produce food or fiber for human or animal consumption free of tax?

No. Tenn. Code Ann. § 67-6-207 limits the exemption from sales tax on agricultural purchases such as seeds, seedlings, and plants to produce food or fiber for human or animal consumption only to purchases by persons that have qualified for and received the Agricultural Sales and Use Tax Certificate of Exemption.

6. I am not a farmer, but, in the past, I have purchased items such as wood shavings and bales of hay to use in my small horse stable and rabbit cages. Will I be able to purchase these items without payment of sales tax?

No. Persons that do not qualify as a farmers or nurserymen under Tenn. Code Ann. §67-6-207(e) cannot make tax-exempt purchases for agricultural purposes. Shavings and hay (usually wheat straw) used for bedding or as absorbent materials continue to be subject to tax. These items are not specified in the statute as exempt and do not fit within any of the categories of exempt items.

7. My wife and I own a couple of horses stabled in another county. We ride only on the weekends. A couple of years ago, we bought a horse trailer tax-exempt. We are planning to buy another trailer next year. Will it be exempt?

Only qualified farmers that have been issued the agricultural exemption certificate can buy the livestock trailers exempt from the sales tax. Livestock trailers purchased by non-qualifying persons are subject to sales or use tax.

8. I just paid \$300 for tarpaulins and plastic to cover my round bales or hay stacked in a field. Can those items be purchased tax-exempt?

Yes. If purchased by a qualified agricultural certificate holder, plastic and canvas coverings, including tarpaulins, can be purchased tax-exempt for use (1) in the care and raising of plants, seeds, or seedlings; (2) to cover agricultural and horticultural products, including hay; and (3) to cover a silo, grain bin, or other similar structure. .

9. Are flat bed trailers used principally to transport seed, fertilizer, etc., to a farm, farm commodities to a market; or farm equipment from one farm to another farm exempt from the sales tax as farm equipment?

Yes. Trailers used to transport livestock, farm products, nursery stock, equipment, supplies, or products used in agriculture or for other agricultural purposes relating to the operation and maintenance of a farm are specifically exempt as farm equipment and machinery.

10. I am a qualified farmer, and I am buying corral panels. These come separately in 12-foot lengths. The panels sell for \$25 each. The gates come in 8-foot lengths and sell for \$40 each. The panels and gates can be chained together. I buy the panels and gates separately according to the configuration that I need. Can the panels and gates be purchased tax-exempt?

Yes. The portable corral panels and gates will qualify as appliances used directly and principally to produce an agricultural product. Items do not have to meet a sales price threshold to qualify for exemption.

11. Can a farmer or nursery operator buy a lawnmower that will be used to mow his or her lawn tax exempt on an agricultural exemption certificate?

No. However, if the lawn mower is directly used more than 50% of the time for agricultural purposes, the farmer or nursery operator may purchase the lawn mower tax-exempt on an agricultural exemption certificate. The Department may ask for additional information to verify that the mower meets the requirements for exemption. A farmer or nursery operator is responsible for tax, penalty, and interest on purchases that do not qualify for exemption.

12. Can a nursery operator or sod farm purchase seeds used to grow sod sold by the nursery operator or sod farm exempt from sales tax on an agricultural exemption certificate?

No. The exemption for seeds and seedlings in Tenn. Code Ann. § 67-6-207(a)(10) is for seeds, seedlings, and plants grown from seed and liners or cuttings, including tobacco, that will produce food or fiber for human or animal consumption. Although sod is an agricultural product exempt from sales tax when sold by the grower or producer, sod is not normally grown to produce food for consumption by humans or animals.

A nursery operator or sod farm can register for a Tennessee sales or use tax account and obtain a Tennessee certificate of resale upon which such seed or seedlings can be purchased exempt from sales tax as ingredients or components of a product to be sold to others. The nursery operator or sod farm, when completing the periodic Tennessee sales or use tax returns, will report sod sales as gross sales on Line 1 of the sales or use tax return and exempt the transactions by also reporting them on Schedule A, Line 6.

13. Can I purchase a farm truck exempt from sales or use tax?

No. Trucks and automobiles are specifically listed in the statute as types of machinery that will not qualify for the exemption.

14. I have a truck that is exclusively for farm use. Are the tires and/or other repairs on the truck exempt from sales tax?

No. Tenn. Code Ann. § 67-6-207(a)(1) specifically provides that a truck is not farm equipment. Since the truck is subject to the sales tax, any tires, replacement parts, and labor performed on the truck are subject to the sales tax. The same answer applies to the trucks and trailers that loggers use to remove harvested timber from the forest.

15. Is water used for agricultural purposes exempt from tax?

Yes. If the water is furnished by a utility district and used exclusively in a farming operation then the water is exempt from sales and use tax.

ATVs

16. Previously, when I bought an ATV as farm equipment, I was required to pay the sales tax and petition for a refund. Is this the current process?

No. Farmers, nursery operators, and timber harvesters who have an agricultural exemption certificate may present the certificate to the dealer and purchase the ATV tax exempt. The exemption is available only when the name on the billing and the title and registration is identical to the name on the Agricultural Sales and Use Tax Certificate of Exemption.

17. I have a “four wheeler” that qualifies as farm equipment. I am having it repaired. Is the repair exempt?

Yes. The purchaser must present the agricultural exemption certificate to purchase the repair parts and repair labor for the qualified “four wheeler” exempt from tax.

Repair

18. Has anything about repair to qualified farm equipment changed?

No. Repair and replacement parts and labor to repair qualified machinery, equipment, or appliances are exempt from the sales tax when billed to and paid for a person holding the agricultural exemption certificate.

19. Are batteries, oil filters, fuel filters, and air filters purchased to replace like articles on farm equipment exempt from sales tax?

Yes. These are considered replacement parts and, when sold to a qualified farmer, timber harvester, or nursery operator for use on qualifying machinery, replacement parts can be purchased tax exempt.

20. Are replacement tires and rims for tractors, combines, livestock trailers, and other qualifying equipment and machinery tax exempt?

Yes. These are considered replacement parts and, when sold to a qualified farmer, timber harvester, or nursery operator for use on qualifying machinery, replacement parts can be purchased tax exempt.

21. Is the tire disposal fee part of the price of the tire and exempt from tax for qualified machinery, or is the tire disposal fee subject to sales tax, since it is itemized on the invoice separate from the tire?

If the tire is a qualified repair or replacement part for qualifying farm equipment, the tire disposal fee is exempt when purchased by a holder of the agricultural certificate of exemption.

22. I bought two rear tires for my farm tractor. Included in the price are line item charges for water and methanol and a fee for pumping the mixture into the tire. What is exempt?

The tires and the labor to install the tires on qualifying machinery, including the pumping fee, can be purchased tax exempt by a qualifying person. The fees for pumping the water and methanol into the tires are considered part of the sales price of the repair labor even if the pumping fee is separately itemized. A charge for water furnished by a utility district and used exclusively in a farming operation is exempt from sales and use tax. However, methanol, like other substances, such as oil, antifreeze, and transmission and hydraulic fluids, continues to be subject to tax.

23. Is adaptive equipment, such as radios or additional lights, which is installed on qualified farm machinery exempt from tax?

Generally, the addition of new parts of this type where a similar part did not previously exist is taxable. However, if the part replaced an existing part on qualified farm equipment, it is exempt from the tax when purchased by a qualified person.

24. I buy chains, cables, fasteners, nuts, bolts, and shear pins to replace those that break on my qualified farm and timber harvesting equipment. Are these exempt from the sales tax?

Yes. When these items are purchased by a qualifying farmer, timber harvester, or nursery operator as repair or replacement parts for qualified machinery, the items may be purchased tax exempt.

25. Is an exemption available for smaller items such as link bars, stabilizers, lug nuts, draw bars, blades for hay mowers and bush hogs, hoses for hydraulically operated equipment (to adapt the equipment to the tractors hydraulic system), disc or bog blades, plow points, etc.?

If these parts are used to repair or replace an existing part on qualified equipment, the items can be purchased exempt from tax by a qualified farmer, timber harvester, or nursery operator.

26. I am having my tractor painted. Are the paint and labor taxable?

Paint, primers, and the labor to apply these to qualified farm machinery and equipment can be purchased by a qualified farmer, timber harvester, or nursery operator exempt from tax.

27. Can lubricants and other liquids that will be used in qualifying machinery be purchased tax exempt by a qualified farmer, timber harvester, or nursery operator?

No. It is important to keep in mind that liquids (oil, antifreeze, transmission and hydraulic fluids, solutions for rear tires, greases, etc.) are not exempt even when sold to a qualified farmer, timber harvester, or nursery operator.

28. Are wrenches, sockets, jacks, air compressors, grease guns, welders, and similar items used to repair farm equipment considered exempt?

No. The exemption extends only to qualified farm machinery, farm equipment, and subsequent repair parts and repair labor to such equipment. It does not extend to tools or equipment used to repair or maintain the machinery. However, welding rods and the wire for wire feed (MIG) welders,

used to repair farm equipment and machinery are tax exempt. Welding rods and wire for wire feed (MIG) welders are exempt because they become part of the repaired equipment.

Energy Fuel

29. What is the sales tax rate on energy (electricity, natural and propane gas, coal, firewood) purchased by a farmer or nursery operator?

Under current sales and use tax law, upon presentation of the agricultural exemption certificate to the supplier of energy, the purchaser is exempt from the sales tax. Such energy fuel purchased for other uses does not qualify for the agricultural exemption.

30. Are electricity, natural gas, and other energy fuels used to heat a dairy barn or farrowing pen or to provide electricity on the farm or nursery exempt from sales and use tax?

Yes. Tenn. Code Ann. § 67-6-207 exempts electricity, natural gas, liquefied gas, coal, and wood used directly in the production of food or fiber for human or animal consumption or to aid in the growing of horticultural products for sale by a qualified farmer or nursery operator.

31. Are oxygen and acetylene used as energy fuel for my welder, which I use to repair farm equipment, exempt from sales tax?

No. There is no provision in the statute for exemption of the oxygen and acetylene. The welder is a repair tool and is subject to tax. The oxygen and acetylene used in the welder do not qualify for any of the agricultural exemptions. There is no provision for exemption for tools used to repair farm equipment and machinery.

Warranty Contracts

32. Are sales of warranty or service contracts covering the repair or maintenance of qualified tax-exempt agricultural machinery subject to tax?

Yes. The sales of extended warranty or maintenance contracts are subject to sales tax even if the contracts cover the repair or maintenance of machinery and equipment that qualify for the agricultural exemption. The Department views warranty or maintenance contracts as an independent intangible right to receive service that is taxable under Tenn. Code Ann. § 67-6-208.

Timber Harvesting

33. May timber harvesters purchase dyed diesel exempt from sales and use tax?

Yes, dyed diesel is exempt from sales and use tax if purchased by a timber harvester and used for agricultural purposes. According to Tenn. Code Ann. § 67-6-102, "agricultural purposes" include the operation of logging equipment used in cutting and harvesting trees.

34. Please explain the equipment and machinery exemption for "loggers" or timber harvesters.

Any machinery used exclusively (100% of the time) in the harvesting of timber is within the exemption for qualified agricultural equipment. Any subsequent repair labor and repair or replacement parts for qualifying equipment, when sold to a qualified timber harvester that has been

issued the agricultural exemption certificate, are exempt from sales and use tax. Examples include chainsaws, log skidders, bulldozers used in a qualified manner, and equipment used to load the logs onto trucks and trailers. Trucks and trailers are specifically listed as equipment that will not qualify, even if the equipment is used to transport the logs to a saw mill or other market.

35. Is a chainsaw considered farm or logging equipment?

Chainsaws used in cutting or harvesting timber will qualify for the exemption if purchased by a qualified person who has been issued the agricultural certificate of exemption.

Under the statute, farm equipment is not determined by what it is, but by how it is used in the production of an agricultural product. A chainsaw used principally for the purpose of producing an agricultural product qualifies. A chainsaw used to cut firewood or other unqualified uses by a farmer, does not qualify as exempt machinery used directly and principally to produce agricultural products.

36. I am a logger. I have purchased a truck without a bed of any type. I would like to take the truck to a business to purchase a “claw” lift and have it installed on my truck. The “claw” lift will only be used to pick up logs and load them onto other trucks or trailers in the forest. Am I exempt on the purchase and installation of the lift?

Yes. When it can be documented that a customized application of machinery or equipment is used exclusively for the harvesting of timber, then the machinery and equipment can be purchased tax exempt. However, this will not extend to the chassis of the truck. In this example, the truck and bare chassis are taxable. The “claw” lift and the installation of the lift, when sold to a qualified timber harvester, are exempt from tax. The installation service is a part of the sales price of the “claw” lift and can be purchased tax exempt if the “claw” lift sold by the seller is also exempt from tax. If the logger purchases the truck with the lift already installed, and there is no breakdown of the price of the truck and the lift, the total price is subject to tax.

Real Property

37. Are fencing wire, posts, and other fencing materials exempt?

Fencing materials that become realty upon installation continue to be subject to tax. The statute specifically excludes from the agricultural exemption items that become realty upon installation.

Fencing, including electric fencing, that is portable, intended to be moved, and does not damage the real property when it is moved does not become real property upon installation and, therefore, may be purchased tax exempt by a holder of the agricultural certificate of exemption.

38. Will you distinguish between “grain bins” and “silos” for the purposes for the agricultural exemption?

Yes. Grain bins are specifically named as being exempt agricultural equipment when purchased by qualified farmers. Grain bins are structures with augers, fans, and related equipment designed to dry the grain to a state desired for market. Conversely, silos are structures designed to contain silage and cause a heated fermentation process to convert the harvested silage to a state desired to

feed the cattle, usually during the winter. Silos are structures that are clearly realty. A silo or materials to build the silo continue to be subject to tax. There is no specific listing for an exemption for silos in the statute.

39. I am building a barn on my farm. Do the lumber and other building materials qualify for sales tax exemption?

No. The materials for the barn become realty upon installation and continue to be subject to tax. Items that become realty do not qualify for the agricultural exemption.

Non-farming Use

40. I run an antique tractor business. I buy older model tractors and restore them for sale to collectors and farmers. These tractors will be used for show, collection, or investment. Are the tractors and the parts sold to others for these tractors exempt under the law?

No. In order to qualify for farm equipment tax exemption, the tractor must be used principally in the production of a farm commodity for sale. Here, the restored tractors are to be used for show, collection, or investment purposes. While, as a dealer, you can buy the parts that you will use to restore the tractor on a resale certificate, the sale of the tractors for purposes other than the production of a farm commodity for sale, or unless otherwise tax exempt, is subject to the sales tax. The same answer applies to the sale of parts for tractors not used in a qualified capacity.

Qualification for Agricultural Exemptions

41. Who qualifies for the agricultural exemption certificate?

Persons applying for the agricultural exemption certificate must meet at least one of the following criteria:

(a) Must be the owner or lessee of agricultural land from which \$1,000 or more of agricultural products were produced and sold during the year, including payments from government sources;

(b) Must be in the business of providing for-hire custom agricultural services of plowing, planting, harvesting, growing, raising, or processing agricultural products or the maintenance of agricultural land;

(c) Must be the owner of land that qualifies for taxation under the provisions of the Agricultural Forest and Open Space Land Act of 1976;

(d) The applicant's federal income tax return contains one or both of the following:

(i) Business activity on IRS Schedule F (Profit or Loss from Farming);

(ii) Farm rental activity on IRS Schedule 4835 (Farm Rental Income and Expenses); or

(e) The applicant must establish to the satisfaction of the Commissioner that he or she is actively engaged in the business of raising, harvesting, or otherwise producing agricultural commodities.

42. I live just across the state line in Kentucky. I operate a farm in Kentucky. I buy a lot of my farm equipment and supplies in Tennessee. Can I qualify for the Agricultural Sales and Use Tax Certificate of Exemption?

Yes. Farmers, timber harvesters, and nursery operators that are located outside Tennessee can apply for and receive the Tennessee Agricultural Sales and Use Tax Certificate of Exemption in the same manner as in-state farmers, timber harvesters, or nursery operators. Not all states issue certificates of exemption to farmers, timber harvesters, or nursery operators located in their states. However, certificates of exemption issued to farmers, timber harvesters, or nursery operators by other states will not be honored. To make tax-exempt purchases in this state, they will need to apply for the Tennessee Agricultural Sales and Use Tax Certificate of Exemption.

43. Does a sawmill operator qualify as tax-exempt and the sawmill equipment qualify as farm equipment and machinery?

No. A sawmill is after-the-fact of timber harvesting and does not fall within the exemption for cutting and harvesting timber. However, because the mill converts the logs to lumber for sale, upon application to the Department, the sawmill operator may be considered eligible for exemption from sales tax as a manufacturer.

44. Is operating a cotton gin considered farming?

There are at least three possibilities in this category:

(a) A qualified farmer with an agricultural certificate of exemption purchases his own gin to gin the cotton that he has grown. The cotton gin is machinery and equipment used directly and principally to produce an agricultural product and can be purchased tax exempt by the qualified farmer.

(b) A business owns a gin and gins the cotton for area farmers. The business is either paid for the service of ginning by the farmers' cotton or exchanges the ginning service for the cotton seeds. The cotton is returned to the farmer. This business may have already qualified for and received authorization from the Department as a manufacturer. This business can qualify for the Agricultural Sales and Use Tax Certificate of Exemption under the criteria of *providing for-hire custom agricultural services for the processing of agricultural products*. The cotton gin, repair or replacement parts, and repair labor for the cotton gin, and the electricity, natural gas, liquefied gas, or fuel oil used to operate the gin can be purchased tax exempt by a person in the business of providing for-hire ginning services if the person is a holder of an Agricultural Sales and Use Tax Certificate of Exemption. The electricity, natural gas, liquefied gas, or fuel oil used to operate the cotton gin is directly used to produce fiber for human consumption. Such energy fuel used to operate the gin must be separately metered from other energy fuels that are subject to tax at the 1.5% tax rate on energy fuel sold to and use by manufacturers.

(c) A business owns a gin. The business buys cotton from the area farmers, processes the cotton by separating the seed from the fiber, and sells the seed and cotton to others for further sale. Under these conditions, and upon application to the Department of Revenue, the business may qualify as a manufacturer (processor) eligible for sales tax exemption on machinery and equipment used to process the cotton and reduced tax rates on water and energy fuel used by the manufacturer. This business is *not* providing for-hire services to process the farmers' cotton and therefore will not

qualify for the agricultural certificate of exemption. The cotton gin, repair and replacement parts, and repair labor for the cotton gin can be purchased exempt from tax if the business has qualified for and received authorization as a manufacturer. The electricity, natural gas, liquefied gas, or fuel oil used to operate the cotton gin will be subject to tax at the 1.5% tax rate on energy fuel sold to and used by qualified manufacturers.

45. Can persons that board horses or train horses qualify for the agricultural certificate of exemption?

Persons that board horses owned by others are providing for-hire services for raising an agricultural product. Livestock feed, livestock drugs, and instruments used to administer the livestock drugs can be purchased tax exempt by a horse boarder that has received the agricultural certificate of exemption.

Training horses is a non-taxable service in Tennessee. Trainers that are not also providing the boarding of horses owned by others do not meet any of the criteria for qualifying for the agricultural certificate of exemption. Trainers are not providing for-hire services to raise or process an agricultural product.

Application for the Agricultural Certificate of Exemption

46. Where can I find the agricultural application for sales tax exemption and information regarding the exemption?

Information regarding the agricultural exemptions, the applications, and instructions for completing the application can be found on the Department of Revenue's web site at www.TN.gov/revenue or by calling (615) 253-0600 or, toll-free within Tennessee (800) 342-1003.

47. How long will it take to get the certificate of exemption?

In most cases, if necessary documents are provided with the application, it takes the Department 3 – 5 days to process the application for exemption.

48. Can a dealer refuse to accept the agricultural certificate of exemption to make a tax-exempt sale?

Yes. There is nothing in the sales tax statutes or regulations that mandate a dealer to recognize an exemption. A seller would likely refuse to allow the use of an agricultural certificate of exemption or a farmer's affidavit if the seller knew that the item would not qualify for the exemption. For example, a seller should refuse to make a sale of a diamond ring tax exempt if the purchaser presents an agricultural certificate of exemption as the basis for making the purchase tax exempt.

49. Once I receive the agricultural certificate of exemption, will I have to reapply or renew the certificate?

The agricultural certificate of exemption is valid for four years or until the applicant is no longer qualified within the four-year period. Current exemption holders are reissued and mailed exemption certificates every fourth year prior to the expiration of their certificates. No action is needed on

behalf of current exemption holders unless you have changed your address or you no longer meet the requirements for exemption.

50. Do I need multiple exemption certificates for each project or joint venture with another farm?

While a formal general partnership may apply for an exemption certificate in the partnership's name, submitting a joint application for exemption is not mandatory for temporary partnerships, projects, or joint ventures. For these temporary ventures, each party may maintain their own separate exemption status. If your supplier creates one account for your temporary partnership or joint venture, each partner should provide the supplier a copy of their individual exemption certificate.

Sales of Agricultural Products

51. Are farmers and nursery operators who buy and sell agricultural products, including livestock, required to present the certificate of exemption to buy agricultural products, including livestock, tax exempt or obtain copies of purchasers' exemption certificates to sell agricultural products tax exempt?

No. Agricultural products grown and produced by a farmer and purchased directly from the farmer that grew or produced the agricultural products are not subject to sales or use tax. The farmer is not required to obtain the Agricultural Sales and Use Tax Certificate of Exemption to make tax-exempt sales of agricultural products that the farmer grew or produced. The Agricultural Sales and Use Tax Certificate of Exemption is required to make tax-exempt purchases of machinery, repairs, and certain supplies for use by a qualified farmer, timber harvester, or nursery operator.

Agritourism

52. Would a riding trail operator qualify for the agricultural certificate of exemption?

No. Providing riding trails is not one of the criteria that will qualify for the agricultural certificate of exemption. It should be noted that, according to Tenn. Code Ann. § 67-6-212, charges for using riding trails or for providing horses to ride are considered fees or charges for an amusement, entertainment, or recreational activity that are subject to tax, and the seller must collect the tax on charges for trail riding or providing horses to ride.

53. I have a "corn maze" cut in a 100 acre cornfield. I charge \$8 for people to enter and try to find their way out. Should I charge sales tax on the \$8?

Yes. Under Tenn. Code Ann. § 67-6-212, this is considered to be an amusement, recreation, or entertainment activity subject to state and local sales tax.

54. Occasionally I have a hayride, where members of the local community, school classes, churches, civic organizations, etc., pay me to conduct the hay ride on my farm. I may include picnics, local country band entertainment, etc. Are the charges subject to the sales tax?

Yes, as an amusement, recreation or entertainment activity. In some circumstances, you may be paid by a church, school or other organization qualified for sales tax exemption. If you are paid

directly by the organization and obtain the organization's exemption certificate, you will not be required to collect the tax.

55. When in season, I may sell my farm produce to attendees of agritourism events. Will the farm produce then become taxable?

No. As long as the farm products are grown or produced by the farmer or 50% or more of the produce sold by the farmer is grown or produced by the farmer, the sale of the farm produce is not subject to tax. The charges for the non-taxable farm produce must be separate from the charges for the taxable amusement, recreation, and entertainment activity.

56. In conjunction with an agritourism event, I provide food that my family has cooked from my own farm produce. Should I charge tax on the prepared food?

If the cooked food is entirely from your own produce or agricultural products, and there is a separate charge for the cooked food from the amusement, recreation, or entertainment activity, the sale of the prepared food is exempt from sales tax.

If the cooked or prepared food or "value-added" product contains non-raised components, ingredients other than water, sugar, salt, pectin, or preservatives, the prepared food becomes subject to the 7% state sales tax plus the local sales tax rate in effect in your jurisdiction.

Additionally, combining the charge for the non-taxable prepared food with that of the taxable entertainment activity into one 'bundled' charge will subject the total bundled charge to tax. It should also be pointed out that your sales of beverages, (soft drinks, beer, tea, etc.) produced by others are taxable.

57. I cut trees from my own farm; and I have the lumber sawed. My family then makes and sells birdhouses, baskets, and similar crafts. Should I charge sales tax on these items?

No. As long as these items are created from wood from your farm, they are not taxable. However, if you buy the lumber and other components from a supplier, the sale of the home-made craft is taxable.

58. During the Halloween season, I sell pumpkins that I have grown in conjunction with agritourism activities and from a stand in my driveway. Are the sales of the pumpkins subject to the sales tax?

No. As long as you have produced the farm commodity, it is not taxable

59. I sold \$2,000 worth of pumpkins this year: \$1,200 from pumpkins I produced and \$800 from sales of pumpkins I bought from Farmer Jones. Some were sold alone and others during agritourism activities. Am I liable for sales tax?

No. If you produce 50% or more of the total pumpkins sold, then none of the sales of the pumpkins are subject to the sales tax. Sales of livestock and poultry, nursery stock, farm, and nursery products sold by the grower/producer are exempted from sales tax. Thus, any portion of your annual sales that are these types of products you have grown or raised is exempt from sales tax. If these agricultural products raised or produced by the farmer constitute at least 50% of all sales of

livestock and poultry, nursery stock, farm and nursery products for the entire year, all of the farmer's sales of these types of products made during the year are exempt from sales tax. If these types of products raised or produced by the farmer constitute less than 50% of all sales of these products for the entire year, the portion raised by the farmer are exempt but the portion obtained from other sources and sold by the farmer are subject to sales tax.

Conversely, if you sold \$800 of your own pumpkins and \$1,200 worth of pumpkins produced by Farmer Jones, the sales of the \$1,200 worth of pumpkins produced by Farmer Jones and sold by you are taxable. Sales of the \$800 worth of pumpkins grown by you remain exempt from tax. Record keeping is required to confirm the separation.

60. I give pumpkins to the first 100 school children who visit my farm. Am I subject to the use tax?

No. As long as you grew or produced 50% or more of the pumpkins you sell, or as long as you purchased the pumpkins directly from a farmer who grew or produced the pumpkins, no use tax is due on the pumpkins given away to school children. If you purchased the pumpkins from someone other than the grower or producer of the pumpkins, you owe tax on the purchase price of the pumpkins.

61. My family raises hogs. We slaughter them and produce ham, bacon, and sausage. We sell these during agritourism activities and from a small store on the farm. Should we collect sales tax on these sales?

No. You may sell ham, bacon, and sausage exempt from sales tax if you do not add non-raised ingredients other than water, salt, sugar, pectin, or preservatives to your products. However, if you add any product that you did not raise yourself, other than water, salt, sugar, pectin, or preservatives, you will have to collect sales tax on the sale of the product(s) containing these non-raised ingredients.

62. My family has an orchard, and we use our fruit to make and sell jams and jellies. We use jars, lids, rings, etc., to contain the product and buy preservatives to incorporate into the product. We sell our products both in conjunction with the amusement, recreation, and entertainment activities as well as from our garage. Should we collect tax on our jams and jellies?

No. Sales of jams or jellies made from fruit grown or produced by the farmer and directly sold by the farmer are not subject to tax if the farmer has added nothing more than water, salt, sugar, pectin, or preservatives to the fruit. If any non-raised ingredients, other than water, salt, sugar, pectin, or preservatives are added, the sale of the jams and jellies will be subject to sales tax.

If such a farmer has qualified for the Agricultural Sales and Use Tax Certificate of Exemption, the purchase of containers for farm products can be purchased exempt from tax.

Tennessee Department of Revenue Reagan Farr, Commissioner	
www.Tennessee.gov/revenue	
FARMERS, TIMBER HARVESTERS & NURSERY OPERATORS	
Notice #07-12	Sales and Use Tax
November 2007	
 <p>Highlights</p> <ul style="list-style-type: none"> ➤ <i>Effective 1/1/2008 purchasers must have an Agricultural Sales and Use Tax Certificate of Exemption to make purchases exempt from tax</i> ➤ <i>Qualifications for exemption certificate</i> ➤ <i>Applying for and using exemption certificate</i> ➤ <i>Farmers affidavits are not valid for purchases made after 12/31/2007</i> 	<p>INTRODUCTION</p> <p>This notice is intended to provide information concerning recent changes in Tennessee sales and use tax laws related to the expansion of the agricultural tax exemptions. This notice will also provide information regarding the new requirements for obtaining the certificate of exemption needed in order to make tax-exempt purchases.</p> <p>Effective January 1, 2008, farmers, timber harvesters and nursery operators must qualify for and receive an Agricultural Sales and Use Tax Certificate of Exemption from the Department of Revenue to make agricultural purchases exempt from tax.</p> <p>Effective January 1, 2008, agricultural exemptions available to qualified farmers, timber harvesters and nursery operators have been expanded.</p> <p>DISCUSSION</p> <p>Farmers, timber harvesters and nursery operators applying to the Department of Revenue for the new exemption certificate must meet one or more of the following criteria.</p> <ul style="list-style-type: none"> • Is the owner or lessee of agricultural land from which \$1,000 or more of agricultural products were produced or sold during the year, including payments from government sources; • Is in the business of providing for-hire custom agricultural services of plowing, planting, harvesting, growing, raising, or processing agricultural products or the maintenance of agricultural land; • Is the owner of land that qualifies for taxation under the provisions of the Agricultural Forest and Open Space Land Act of 1976; • The applicant's federal income tax return contains one or more of the following: <ul style="list-style-type: none"> – Business activity on IRS schedule F (Profit or Loss From Farming); or – Farm rental activity on IRS form 4835 (Farm Rental Income and Expenses) or Schedule E (Supplemental Income and Loss); or • The applicant establishes to the satisfaction of the commissioner that he or she is actively engaged in the business of raising, harvesting or otherwise producing agricultural commodities. <p>The application for the new exemption certificate is available on the department's Web site, www.Tennessee.gov/revenue. Qualified applicants will be issued the Agricultural Sales and Use Tax Certificate of Exemption which includes a new exemption number. To make using the exemption certificate easier, a wallet-sized card containing the same information will also be issued.</p> <p>The exemption certificate or card must be presented to sellers to make tax-exempt agricultural purchases. The exemption certificate must be renewed every four years. The farmer and nursery operator affidavit previously used for making tax-exempt purchases is not valid after December 31, 2007.</p>

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call (615) 253-0600
Email TN.Revenue@state.tn.us

Sales and Use Tax

<p>➤ <i>Items qualifying for exemption T.C.A. §67-6-207</i></p>	<p><u>Items Qualifying for Exemption</u> Purchases of the following items are exempt from sales and use tax ONLY when sold and billed to persons that have received the Agricultural Sales and Use Tax Certificate of Exemption and present the exemption certificate or card that contains the new exemption number to the seller.</p>
<p>➤ <i>Machinery, equipment and appliances</i></p>	<ul style="list-style-type: none"> • Machinery, equipment or appliances used directly and principally for producing agricultural and nursery products for sale and consumption off the premises. This does not include automobiles, trucks, household appliances, or property which becomes real property when erected or installed. Note that the machinery, equipment, or appliance no longer has to cost more than \$250 to be exempt farm machinery or equipment. • Hay wagons, silage wagons, trailers used directly and principally in producing agricultural and nursery products for sale and consumption off the premises. Trucks, flat-bed trailers, and semi-trailers that are used to transport farm products over the road to market, to transport machinery over the road between farms, or to pick up and carry supplies over the road to the farm <u>do not</u> qualify as farm machinery equipment and <u>cannot</u> be purchased without the payment of tax. • Sales of all-terrain vehicles (ATVs) for use directly and principally in the production of agricultural or nursery products for sale and consumption off the premises. Qualified purchasers are no longer required to pay tax on the purchase of ATVs and upon approval by the department obtain a refund of the tax from the seller. Sales of ATVs when purchased by a person presenting the new exemption certificate or card are exempt from tax. • Equipment used exclusively for harvesting timber. • Trailers used to transport livestock. • Self-propelled fertilizer or chemical application equipment used to spread fertilizer or chemicals to aid in production of food or fiber for human or animal consumption. • Tender beds & spreader beds, even if mounted on a truck. • Grain bins and attachments. • Aircraft designed and used for crop dusting. • Systems for poultry environment control, feeding and watering poultry and conveying eggs.
<p>➤ <i>Replacement parts and repair labor</i></p>	<ul style="list-style-type: none"> • Replacement parts or repair labor for repair of machinery, equipment and appliances qualifying for this exemption.
<p>➤ <i>Energy fuels</i></p>	<ul style="list-style-type: none"> • Gasoline and diesel fuel used for agricultural purposes as defined in Tenn. Code Ann. Section 67-6-102. Note that the purchase of dyed diesel fuel used in vehicles, not operated on public highways, and logging

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Sales and Use Tax

➤ *Supplies*

equipment that is used in cutting and harvesting trees is no longer subject to sales tax when purchased by a person presenting the new exemption certificate or card.

- Electricity, natural gas, and liquefied gas, including propane and butane used directly in producing food or fiber for human or animal consumption or aid in growing horticultural product for sale. **Note that the 1.5% state sales tax is repealed. These purchases are completely exempt when purchased by a person presenting the new exemption certificate or card.**
- Coal, wood, wood products or wood by-products or fuel oil, which is used as energy fuel in the production of food or fiber for human or animal consumption or in production of nursery or greenhouse crops. **Note that the 1.5% state sales tax is repealed. These purchases are completely exempt when purchased by a person presenting the new exemption certificate or card.**
- Seeds, seedlings, plants grown from seed and liners (cuttings) to produce food or fiber, including tobacco, for human or animal consumption.
- Fertilizer to be used to aid in the growth and development of seeds, seedlings, or plants.
- Pesticides which are sold for the purpose of aiding in the production of food or fiber, including tobacco, for human or animal consumption.
- Containers for farm products and plastic or canvas used in the care and raising of plants, seeds or seedlings, and plastic or canvas used in covering feed bins, silos and other similar storage structures.
- Livestock and poultry feeds, drugs used for livestock and instruments used for the administration of such drugs.
- Any natural or artificial substance used in the reproduction of livestock.
- Adjuvants and surfactants solutions sold exclusively for the purpose of mixture with insecticides, pesticides, fungicides, or herbicides or for use as a soil conditioner when used to aid in the growth and development of food or fiber, including tobacco, for human or animal consumption.
- Agri-sawdust.

➤ *"Agricultural purposes" defined for exempt gasoline & diesel fuel T.C.A. § 67-6-102*

"Agricultural purposes" means operating tractors or other farm equipment used exclusively, whether for hire or not, in plowing, planting, harvesting, raising or processing of farm products at a farm, nursery or greenhouse; or operating farm irrigation systems; or operating motor vehicles or other logging equipment used exclusively, whether for hire or not, in cutting and harvesting trees; when such vehicles or equipment are not operated upon the public highways of this state.

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Sales and Use Tax

➤ *Purchasers are responsible if purchases are not used in tax exempt manner*

Tax Responsibility

Qualified farmers, timber harvesters and nursery operators are liable for the sales tax, penalty and interest on purchases made free of tax if:

- 1) The machinery and equipment, including any repair or replacement parts, are not used directly and principally in producing agricultural or horticultural products for sale and consumption off the premises, or exclusively used in harvesting timber, or
- 2) The supplies are not used to produce food or fiber for human or animal consumption, or
- 3) He or she allows other persons to use his or her exemption certificate or number to make tax-exempt purchases.

➤ *Sellers are responsible if they do not maintain a copy of the exemption documentation*

Sellers are liable for the sales tax, penalty and interest on sales made free of tax if:

- 1) The seller does not maintain a copy of the exemption certificate or card, which must include the new exemption number, in their records, or
- 2) The invoice or bill does not contain the name and address of the qualified farmer, timber harvester or nursery operator presenting the exemption certificate or number, or
- 3) The invoice or bill does not contain a description of the products purchased by the farmer, timber harvester or nursery operator.

➤ *Sales of agricultural products grown or produced by farmers T.C.A. § 67-6-301*

Sales of Agricultural Products

Agricultural products, including livestock and horticultural products, that are produced or grown by the farmer or nursery operator continue to be exempt from sales and use tax when sold by the farmer or nursery operator. A person does not have to qualify for the exemption certificate to make tax-exempt sales of agricultural products grown or produced by that person. Farmers and nursery operators are not required to obtain exemption certificates from purchasers of agricultural products that are grown or produced by the farmer or nursery operator.

➤ *Streamlined Sales Tax Certificate of Exemption form is on the department's Web site*

Streamlined Sales Tax Exemption Form

Sellers may obtain, in place of a copy of the new exemption certificate or card, a fully completed Streamlined Sales Tax Certificate of Exemption form which must include the exemption number appearing on the Agricultural Sales and Use Tax Certificate of Exemption issued by the department. Streamlined Sales Tax Certificates of Exemption forms are available on the department's Web site.

 **References:**

PC 602 (2007)
T.C.A. § 67-6-102
T.C.A. § 67-6-207
T.C.A. § 67-6-301

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.

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Tennessee Department of Revenue	
Reagan Farr, Commissioner	
www.Tennessee.gov/revenue	
RETAILER'S NOTICE	
SALES TO FARMERS, TIMBER HARVESTERS & NURSERY OPERATORS	
Notice #07-13	Sales and Use Tax
	November 2007
 <p>Highlights</p> <ul style="list-style-type: none"> ➤ <i>Effective 1/1/2008 purchasers must have an Agricultural Sales and Use Tax Certificate of Exemption to make purchases exempt from tax</i> ➤ <i>Procedure for making tax-exempt sales</i> ➤ <i>Streamlined Sales Tax Certificate of Exemption form is on the department's Web site</i> ➤ <i>Farmers affidavits are not valid for purchases made after 12/31/2007</i> 	<p>INTRODUCTION</p> <p>This notice is intended to provide retailers with information concerning recent changes in Tennessee sales and use tax laws related to the expansion of the agricultural tax exemptions. This notice will also provide information regarding the new agricultural exemption certificates that must be presented to sellers in order to make tax-exempt purchases.</p> <p>Effective January 1, 2008, only persons who have been issued an Agricultural Sales and Use Tax Certificate of Exemption by the Department of Revenue are permitted to make agricultural purchases exempt from tax.</p> <p>DISCUSSION</p> <p>Farmers, timber harvesters and nursery operators must apply to the Department of Revenue for the new exemption certificate. The exemption certificate will contain the name and address of the qualifying person and an exemption number. To make using the exemption certificate easier, the department will issue a wallet-sized card containing the same information.</p> <p>When a seller makes a tax-exempt sale to a farmer, timber harvester or nursery operator who has presented the seller with the exemption certificate or card, the seller must:</p> <ol style="list-style-type: none"> 1) Include the name and address of the purchaser on the invoice; 2) Include a list or description of the products purchased on the invoice; 3) Obtain a copy of the new exemption certificate or card; and 4) Maintain a copy of the invoice and exemption certificate or card in his or her books and records. <p>When an employee or family member makes a purchase on behalf of the exempt farmer, timber harvester or nursery operator, the seller must include the name of the employee or family member making the purchase on the invoice. In addition, the purchase must be billed or invoiced in the name of the exempt farmer, timber harvester or nursery operator.</p> <p>Sellers may obtain, in place of a copy of the new exemption certificate or card, a fully completed Streamlined Sales Tax Certificate of Exemption form which must include the exemption number appearing on the Agricultural Sales and Use Tax Certificate of Exemption issued by the department. Streamlined Sales Tax Certificate of Exemption forms are available on the department's Web site.</p> <p>Once a certificate of exemption is obtained, sellers are not required to obtain an additional copy of the exemption certificate for subsequent tax-exempt sales. The farmers and nursery operators affidavit previously used by sellers for making tax-exempt agricultural sales is not valid after December 31, 2007.</p>

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➤ *Items qualifying for exemption are in T.C.A. § 67-6-207*

➤ *Machinery, equipment & appliances*

➤ *Replacement parts & repair labor*

➤ *Energy fuels*

Items Qualifying for Exemption

The following items are exempt from sales and use tax **ONLY** when sold and billed to persons that have received the Agricultural Sales and Use Tax Certificate of Exemption and present to the seller the exemption certificate or card that contains the new exemption number.

- Machinery, equipment or appliances used directly and principally for producing agricultural and nursery products for sale and consumption off the premises. This does not include automobiles, trucks, household appliances, or property which becomes real property when erected or installed. **Note that the machinery, equipment, or appliance no longer has to cost more than \$250 to be exempt farm machinery or equipment.**
- Hay wagons, silage wagons, trailers used directly and principally in producing agricultural and nursery products for sale and consumption off the premises. Trucks, flat-bed trailers, and semi-trailers that are used to transport farm products over the road to market, to transport machinery over the road between farms, or to pick up and carry supplies over the road to the farm do not qualify as farm machinery equipment and cannot be purchased without the payment of tax.
- Sales of all-terrain vehicles (ATVs) for use directly and principally in the production of agricultural or nursery products for sale and consumption off the premises. **Sellers are no longer required to collect tax on the sale of ATVs and refund the tax to the purchaser upon approval by the department.** Sales of ATVs to persons presenting the new exemption certificate or card are exempt from tax.
- Equipment used exclusively for harvesting timber.
- Trailers used to transport livestock.
- Self-propelled fertilizer or chemical application equipment used to spread fertilizer or chemicals to aid in production of food or fiber for human or animal consumption.
- Tender beds & spreader beds, even if mounted on a truck.
- Grain bins and attachments.
- Aircraft designed and used for crop dusting.
- Systems for poultry environment control, feeding and watering poultry and conveying eggs.
- Replacement parts or repair labor for repair of machinery, equipment and appliances qualifying for this exemption.
- Gasoline and diesel fuel used for agricultural purposes as defined in Tenn. Code Ann. Section 67-6-102. **Note that the sale of dyed diesel fuel used in logging equipment that is used in cutting and harvesting**

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call (615) 253-0600
Email TN.Revenue@state.tn.us

➤ *Supplies*

trees is no longer subject to sales tax when purchased by a person presenting the new exemption certificate or card.

- Electricity, natural gas, and liquefied gas, including propane and butane used directly in producing food or fiber for human or animal consumption or aid in growing horticultural product for sale. **Note that the 1.5% state sales tax is repealed. These purchases are completely exempt when purchased by a person presenting the new exemption certificate or card.**
- Coal, wood, wood products or wood by-products or fuel oil, which is used as energy fuel in the production of food or fiber for human or animal consumption or in production of nursery or greenhouse crops. **Note that the 1.5% state sales tax is repealed. These purchases are completely exempt when purchased by a person presenting the new exemption certificate or card.**
- Seeds, seedlings, plants grown from seed and liners (cuttings) to produce food or fiber, including tobacco, for human or animal consumption;
- Fertilizer to be used to aid in the growth and development of seeds, seedlings, or plants.
- Pesticides which are sold for the purpose of aiding in the production of food or fiber, including tobacco, for human or animal consumption.
- Containers for farm products and plastic or canvas used in the care and raising of plants, seeds or seedlings, and plastic or canvas used in covering feed bins, silos and other similar storage structures.
- Livestock and poultry feeds, drugs used for livestock and instruments used for the administration of such drugs.
- Any natural or artificial substance used in the reproduction of livestock.
- Adjuvants and surfactants solutions sold exclusively for the purpose of mixture with insecticides, pesticides, fungicides, or herbicides or for use as a soil conditioner when used to aid in the growth and development of food or fiber, including tobacco, for human or animal consumption.
- Agri-sawdust.

➤ *"Agricultural purposes" defined for exempt gasoline & diesel fuel in T.C.A. § 67-6-102*

"Agricultural purposes" means operating tractors or other farm equipment used exclusively, whether for hire or not, in plowing, planting, harvesting, raising or processing of farm products at a farm, nursery or greenhouse; or operating farm irrigation systems; or operating motor vehicles or other logging equipment used exclusively, whether for hire or not, in cutting and harvesting trees; when such vehicles or equipment are not operated upon the public highways of this state.

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call (615) 253-0600
Email TN.Revenue@state.tn.us

➤ *Purchasers are responsible if purchases are not used in a tax exempt manner*

➤ *Sellers are responsible if they do not maintain a copy of the exemption documentation*

➤ *Application for the new exemption certificate is on the department's Web site*

Tax Responsibility

Sellers may make tax-exempt sales of the items listed when the purchaser presents to the seller the exemption certificate or card that contains the new exemption number.

- Farmers, timber harvesters and nursery operators are liable for the sales tax, penalty and interest on purchases made free of tax if:
 - 1) The machinery and equipment, including any repair or replacement parts, are not used directly and principally in producing agricultural or horticultural products for sale and consumption off the premises, or
 - 2) The supplies are not used to produce food or fiber for human or animal consumption, or
 - 3) He or she allows other persons to use his or her exemption certificate or number to make tax-exempt purchases.
- Sellers are liable for the sales tax, penalty and interest on sales made free of tax if:
 - 1) The seller does not maintain a copy of the new exemption certificate or card which must include the exemption number issued by the department in their records, or
 - 2) The invoice or bill does not contain the name and address of the qualified farmer, timber harvester or nursery operator presenting the exemption certificate or number, or
 - 3) The invoice or bill does not contain a description of the products purchased by the farmer, timber harvester or nursery operator.

Applications for Exemption Certificates

The application for the new exemption certificate is available on the department's Web site, www.Tennessee.gov/revenue. Sellers are encouraged to download and have application forms and this notice available for purchasers who have not received or made an application for the Tennessee Agricultural Sales and Use Tax Exemption Certificate.



References:

PC 602 (2007)
T.C.A. § 67-6-102
T.C.A. § 67-6-207

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call (615) 253-0600
Email TN.Revenue@state.tn.us

County Clerks Notice

Sales to Farmers, Timber Harvesters, and Nursery Operators

Notice #07-19

Sales and Use Tax

December 2007



Highlights

➤ *Effective 1/1/2008 purchasers must have an Agricultural Sales and Use Tax Certificate of Exemption to make purchases exempt from tax*

➤ *The Agricultural Sales and Use Tax Certificate of Exemption has a unique exemption account number*

➤ *Procedural changes relating to livestock trailers and ATVs effective 1/1/2008*

➤ *Trucks, flat-bed trailers & semi-trailers used over the road continue to be taxable.*

INTRODUCTION

This notice is intended to provide the county clerks with information concerning significant changes in Tennessee sales and use tax laws related to agricultural tax exemptions. Tenn. Code Ann. § 67-6-207 has been amended to permit agricultural exemptions only to persons qualified as farmers, timber harvesters, and nursery operators.

Effective January 1, 2008, only persons who have been issued an Agricultural Sales and Use Tax Certificate of Exemption by the Department of Revenue are permitted to make agricultural purchases exempt from sales tax. The two most significant changes for county clerks relate to sales of:

- **Trailers used to transport livestock, as defined in Tenn. Code Ann. Section 44-18-101, and**
- **Purchases of all-terrain vehicles (ATVs)**

Each Agricultural Sales and Use Tax Certificate of Exemption will include the name of the qualified farmer, timber harvester or nursery operator on the face of the certificate. It will also include a unique sales tax exemption account number.

DISCUSSION

For county clerks, this change in the statute will require procedural changes with regard to livestock trailers and ATVs purchased by qualified farmers, timber harvesters, and nursery operators. **Effective January 1, 2008, the farmer and nursery operator affidavit previously used to make tax-exempt purchases is no longer valid.**

Livestock Trailers

- Only those holding an agricultural certificate of exemption may purchase a livestock trailer free of sales tax.
- Dealers will have primary responsibility for checking to ensure the proper certificate is presented before selling the trailer exempt from tax.
- If a person purchases from another person who is not a dealer and later comes to the clerk's office to register the trailer, the owner must present the agricultural certificate of exemption in order to be exempt from sales tax.
- Trucks, flat-bed trailers and semi-trailers that are used to transport farm products over the road to market, to transport machinery over the road between farms, or to pick up and carry supplies over the road to the farm remain taxable.

For more information, call toll free 1-888-871-3171
Nashville area and out-of-state call (615) 741-3101
Email TN.Revenue@state.tn.us

➤ *ATVs sold to persons issued an Agricultural Sales and Use Tax Certificate of Exemption are exempt*

➤ *The name on the certificate of exemption must match the title and registration.*

➤ *Clerks must make copies of the certificate of exemption to forward with the application*

ATVs

- Clerks will no longer be required to collect tax on the sale of ATVs made to persons issued an Agricultural Sales and Use Tax Certificate of Exemption by the Department of Revenue.
- Dealers will have primary responsibility for checking to ensure the proper certificate is presented before selling an ATV without collecting tax.
- Those without a certificate of exemption will not be permitted to purchase an ATV exempt from sales tax.
- If a person purchases from another person who is not a dealer and later comes to the clerk's office to register the ATV, the owner must present the agricultural certificate of exemption in order to be exempt from sales tax.

For both ATVs and livestock trailers, the exemption is available only when the name on the title and registration is identical to the name on the Agricultural Sales and Use Tax Certificate of Exemption.

To make using the certificate of exemption easier, the department also issued wallet-sized cards containing the same information as the certificate of exemption. The Clerks will need to make a copy of the agricultural certificate of exemption or card to forward along with the application, just as they currently do with other tax exemption certificates. Clerks may obtain, in place of a copy of the agricultural certificate of exemption or card, a fully completed Streamlined Sales Tax Certificate of Exemption form which must include the exemption account number appearing on the Agricultural Sales and Use Tax Certificate of Exemption.

Additional information is available on Revenue's Web site at the following link:

<http://www.tennessee.gov/revenue/misc/farmerexemption.htm>



References:

PC 602 (2007)
T.C.A. § 67-6-102
T.C.A. § 67-6-207

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For more information, call toll free 1-888-871-3171
Nashville area and out-of-state call (615) 741-3101
Email TN.Revenue@state.tn.us

Agri-sawdust & Coverings

Notice #08-05

Sales and Use Tax

August 2008



Highlights

➤ Exemptions clarified for agri-sawdust and plastic and canvas coverings.

➤ Agri-sawdust

➤ Plastic & canvas covering

➤ Procedures for making tax exempt purchases

➤ Purchasers are responsible if items are not used in a tax exempt manner



References:

T.C.A. § 67-6-207

INTRODUCTION

This notice is intended to provide taxpayers with information concerning certain items that can be purchased tax exempt by farmers, timber harvesters and nursery operators who have received an agricultural certificate of exemption from the Commissioner of Revenue.

This notice clarifies previous information provided by the Department regarding agricultural exemptions for agri-sawdust and plastic and canvas coverings used in the care of plants or to cover storage facilities.

DISCUSSION

Tenn. Code Ann. § 67-6-207, provides a list of items that are exempt from sales and use tax when purchased by a farmer, timber harvester or nursery operator who holds an agricultural exemption certificate. Included in the list of items that can be purchased exempt from tax are agri-sawdust and plastic and canvas coverings.

- Agri-sawdust is a term used primarily for Tennessee sales and use tax purposes and includes sawdust, wood shavings, chips, and slabs. Agri-sawdust used as bedding for livestock, as mulch or covering for raising plants, as energy fuel for drying or smoking tobacco or other agricultural products, or energy fuel in the production of nursery or greenhouse products is exempt from sales and use tax when purchased by persons presenting their Tennessee Agricultural Sales and Use Tax Certificate of Exemption.
- Plastic and canvas coverings used in the care and raising of plants, seeds, or seedlings includes tarpaulins. Usage in the care and raising of plants, seeds, or seedlings also includes a protective covering for agricultural or horticultural products such as tarps covering bales of hay. The exemption for plastic and canvas coverings also include tarpaulins used to cover feed bins, silos, and other similar storage structures.

Documentation

In order to purchase these items exempt from tax, the purchaser must present a copy of his or her agricultural exemption certificate or card to the seller. Sellers may obtain, in place of a copy of the agricultural exemption certificate or card, a fully completed Streamlined Sales Tax Certificate of Exemption form which must include the account number appearing on the certificate issued by the department. Streamlined Sales Tax Certificates of Exemption forms are available on the department's Web site.

Tax Responsibility

The purchaser is liable for the sales tax, penalties and interest on purchases made free of tax when issuing an exemption certificate to a retailer if the items are not used in a tax exempt manner.

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.

For more tax information, call toll free 1-800-342-1003
 Nashville area and out-of-state call (615) 253-0600
 Email TN.Revenue@state.tn.us

Agricultural Unmanned Aircraft Systems

Notice # 14-05

Sales and Use Tax

June 2014



Highlights

INTRODUCTION

The Department of Revenue considers unmanned aircraft systems used for certain agricultural purposes to be items farmers and others who hold agricultural exemption certificates can buy tax-free.

DISCUSSION

State law lists certain items that are exempt from sales and use tax when a farmer, timber harvester or nursery operator who holds an agricultural exemption certificate purchases them. See Important Notice 07-12 for specifics concerning who may qualify for the agricultural exemption certificate.

Appliances used directly and principally for producing agricultural and nursery products for sale and consumption off the premises are included among the tax-exempt items. Automobiles, trucks, household appliances or property that becomes real property when erected or installed do not qualify for the exemption.

The Department considers unmanned aircraft systems (UAS) used in sowing, planting, growing, monitoring, managing or harvesting farm products and nursery stock to be an appliance that qualifies for the agricultural exemption. The UAS includes an unmanned aircraft as well as the support equipment elements required to operate an unmanned aircraft for its intended purpose. Examples of the support equipment elements are: data and photographic recorder links such as payload sensors and cameras; communications links such as radio and video systems; control stations such as remote control radios, joysticks and ground control stations; and telemetry and navigation equipment such as transceivers and antenna.

Documentation

To purchase these items and not pay tax, the qualified purchaser must present to the seller a copy of its agricultural exemption certificate issued by the Commissioner of Revenue. Sellers may obtain, in place of a copy of the agricultural exemption certificate, a fully completed [Streamlined Sales Tax Certificate of Exemption form](#), which must include the account number that is on the certificate the Commissioner issued.

Tax Responsibility

The consumer is responsible for paying sales tax, penalties and interest on purchases if items purchased with an agricultural exemption certificate are not used in a manner that qualifies for tax exemption.

➤ Unmanned aircraft systems used in sowing, planting, growing, monitoring, managing or harvesting agricultural and nursery products are considered exempt agriculture appliances.

➤ An agricultural exemption certificate is required to make tax-exempt purchases.

**References:**

T.C.A. § 67-6-207

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the Department or your tax professional for further guidance.

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call 615-253-0700
Email TN.Revenue@tn.gov



Sales and Use Tax Notice

Notice #17-04

March 2017

Agricultural Uses of Mowers

Mowers Used Directly and Principally for Producing Agricultural and Nursery Products for Sale May Qualify for the Agriculture Exemption

State law exempts certain appliances sold to qualified farmers and nursery operators that are used directly and principally in producing agricultural and nursery products for sale and consumption off the premises. Sales of mowing equipment and appliances may qualify for the agriculture exemption.

Mowers Used in Harvesting or Used to Aid in the Production of Agricultural and Nursery Products Are Considered to be Used Directly in the Production

The Department considers a mower to be used directly in the production of agricultural and nursery products when the mower is used in harvesting or to aid in the production of agricultural and nursery products. Mowing aids in the production of agricultural and nursery products when it controls harmful or toxic plants or reduces insect and rodent infestations.

While not an all-inclusive list, the following are direct uses of mowing equipment and appliances that aid in the production of agricultural and nursery products:

- Mowing areas around barns, coops, and pens where livestock or poultry are kept
- Mowing around barns, grain bins, and other storage facilities where farm or nursery products, and livestock or poultry feed are stored

- Mowing around and between trees, shrubbery and other horticultural products by a tree farmer or nursery operator
- Mowing orchards and vineyards
- Mowing pastures including fence line areas where livestock graze

Mowing lawns is not part of an agricultural production process and does not qualify for the exemption.

Agricultural Equipment Must Be Used More Than 50% of the Time in the Production of Agricultural and Nursery Products to be Exempt

State law does not require that agricultural equipment and appliances be used exclusively in the production of agricultural and nursery products. It does, however, require that they be used primarily (more than 50% of the time) for this purpose. Thus, if the equipment or appliance has multiple uses, and some are non-agricultural uses, the equipment or appliance must be directly used more than 50% of the time in the production of agricultural and nursery products in order to qualify for the exemption.

Mowers designed for residential use on lawns and landscaped areas generally do not qualify for the agricultural exemption because they are typically used for non-agricultural purposes. If a farmer or nursery operator purchases a residential lawn mower tax-exempt, the Department may ask them to submit additional information to verify they understand the requirements of the exemption and that the mower is used more than 50% of the time for exempt purposes.

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A farmer or nursery operator is responsible for paying any tax, penalty and interest due on items that do not qualify for the exemption.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-6-207

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TENNESSEE DEPARTMENT OF REVENUE
Application for the Agricultural
Sales and Use Tax Exemption

1. Entity Name _____ FEIN/SSN/SOS# _____
2. Mailing Address _____
Street City State ZIP Code
3. Entity Phone No. _____ Email Address _____
4. Farm Location _____
Street City County
5. Entity Contact _____
Name Phone Number (Required) Email Address
6. Type of entity: Farmer Timber Harvester Nursery Operator
7. Type of ownership:
 - a. Partnership
 - b. Professional LLC
 - c. S Corporation
 - d. Sole Proprietorship
 - e. Limited Partnership
 - f. Other Professional Corporation
 - f. Marital Joint Ownership
(must provide SSN for joint owners)
 - g. Limited Liability Company
 - i. Corporation
8. Applicant must meet at least one of the following criteria to receive the agricultural exemption. Check all that apply. **You must submit proper documentation with application (see instructions).**
 - a. The owner or lessee of agricultural land from which \$1,000 or more of agricultural products were produced and sold during the year, including payments from government sources.
 - b. In the business of providing for-hire custom agricultural services for the plowing, planting, harvesting, growing, raising, or processing of agricultural products or for the maintenance of agricultural land.
 - c. The owner of land that qualifies for taxation under the provisions of the Agricultural Forest and Open Space Land Act of 1976 (Tenn. Code Ann. § 67-5-1001 et seq.).
 - d. Have a federal income tax return that contains one or more of the following:
 - i. Business activity on IRS Schedule F (Profit or Loss from Farming)
 - ii. Farm rental activity on IRS Form 4835 (Farm Rental Income and Expenses) or Schedule E (Supplemental Income and Loss)
 - e. Otherwise establish to the satisfaction of the Commissioner of Revenue that you are actively engaged in the business of raising, harvesting, or otherwise producing agricultural commodities as defined in Tenn. Code Ann. § 67-6-301(c)(2).

Affidavit of Applicant

Under penalties of perjury, I declare that to the best of my knowledge this information is true and correct. I understand that any authority given as a result of this application is limited to purchases of the agricultural items specifically listed under Tenn. Code Ann. § 67-6-207 that will be used in producing agricultural products, including nursery products, or used for harvesting timber. The use of this authority for purposes other than those authorized by law may result in the assessment of additional taxes, penalties, and interest.

Print Name _____ Title _____
 Signature _____ Date _____

Please mail application and attachments to:
 Tennessee Department of Revenue
 Taxpayer Services Division
 500 Deaderick Street
 Nashville, TN 37242

RV-F1308401 (2-17)

Tenn. Code Ann. § 67-6-207 provides a sales and use tax exemption to “qualified farmers and nurserymen” for the purchase of specifically listed agricultural items. A qualified farmer or nurseryman is defined as someone who:

- 1) is the owner or lessee of agricultural land from which \$1,000 or more of agricultural products were produced and sold during the year, including payments from government sources,
- 2) is in the business of providing for-hire custom agricultural services for the plowing, planting, harvesting, growing, raising, or processing of agricultural products or for the maintenance of agricultural land,
- 3) is the owner of land that qualifies for taxation under the provisions of the Agricultural Forest and Open Space Land Act of 1976,
- 4) has a federal income tax return that contains business activity on IRS Schedule F, farm rental activity on IRS Form 4835, and/or farm rental activity on IRS Schedule E, or
- 5) can otherwise establish to the satisfaction of the Commissioner that he/she is actively engaged in the business of raising, harvesting, or otherwise producing agricultural commodities as defined in Tenn. Code Ann. § 67-6-301(c)(2).

A Tennessee farmer, timber harvester, or nursery operator wishing to make tax exempt purchases must obtain the Agricultural Sales and Use Tax Certificate of Exemption prior to making purchases without the payment of tax. Applicants must complete this form in its entirety and mail it and all requested information to the Department of Revenue at the address on the front page. If the application is approved, the taxpayer will be issued the Agricultural Sales and Use Tax Certificate of Exemption. The Department reissues the Agricultural Exemption Certificates every four years.

Taxpayers that receive the exemption certificate must provide their vendors with a copy of the certificate, a copy of the exemption card included with the certificate, or a fully completed Streamlined Sales Tax Certificate of exemption, which must include the Agricultural Exemption Number printed on the certificate.

Agricultural items that may be purchased tax exempt include appliances used directly and principally for the purpose of producing agricultural products including nursery products; equipment used exclusively for harvesting timber; gasoline or diesel used for agricultural purposes; seeds, seedlings, plants grown from seed; fertilizer; pesticides; livestock and poultry feeds; and drugs used for livestock.

Instructions:

- 1) - 5) Business information.
 - 6) Indicate the type of entity.
 - 7) Indicate the type of legal ownership of the entity.
 - 8) You must meet at least one of the listed criteria in order to qualify for the exemption. Indicate which criteria are met. You must submit with this application the following supporting documentation depending on the criteria that is selected.
 - a) Proof of government payments and/or copies of tax returns reflecting income information.
 - b) Copies of Form 1099.
 - c) A copy of the qualification of the land under the Agricultural Forest and Open Space Land Act.

- d)(i) A copy of Schedule F.
- d)(ii) A copy of Form 4835 or Schedule E, whichever is applicable.
- e) A detailed statement of why you should qualify for the agricultural exemption. If you have recently begun agricultural operations or have just acquired your land, you also should submit a business plan that includes the following information:
 - Date the land was acquired.
 - Number of acres under cultivation and/or breed and number of livestock being raised.
 - Projected date of first sale of agricultural product and projected income.
 - Marketing plan (how will you sell your agricultural product?).

RV-F1308401 (2-17)



**STATE OF TENNESSEE
DEPARTMENT OF REVENUE**

Name	Effective Date: January 1, 2016
Farm Name	Expiration Date: June 30, 2019
Address	Account No: 1000X000X-SLC
	Exemption No: 999999999
	Facility Address:
	XXXXXXXXXXXXXXXXXX
	XXXXXXXXXXXXXXXXXX, TN

**Agricultural
Sales and Use Tax Certificate of Exemption**

The taxpayer is a qualified farmer, nurseryman, or timber harvester and, therefore, may purchase exempt from sales and use tax:

- appliances used directly and principally for the purpose of producing agricultural products, including nursery products, for sale or consumption off the premises, and equipment used exclusively for harvesting timber
- repair parts and repair labor for qualified agricultural items
- gasoline and diesel fuel used for agricultural purposes, energy fuel used in the production of food or fiber for human or animal consumption, or for growing horticultural products and nursery and green house crops for sale
- seeds, seedlings, plants grown from seed, fertilizer, pesticides, livestock and poultry feed, and drugs for livestock.

Seller's Name

Seller's Address (City & State)

I, _____, as an authorized representative of the taxpayer named above, affirm that the purchases qualify for the exemption and will be used at the location of the facility address referenced above. Under penalty of perjury, I affirm this to be a true and correct statement.

Print Name of Authorized Representative

Signature of Authorized Representative

Date

The supplier must maintain a copy of this document as evidence of the sales tax exemption.

**Tennessee Agricultural
Sales and Use Tax Exemption Certificate**

Effective Date: January 1, 2016
Expiration Date: June 30, 2019
Exemption No: 999999999
Name: FARM NAME
Location Address: ADDRESS XXXXXXXXXXXXXXX
XXXXXXXXX TN 37XXX



I certify that the purchases qualify under the agricultural sales and use tax exemption, that they will be used directly and principally for the purpose of producing agricultural products for sale and consumption off the premises, and they will be used at the location referenced above.

Signature of Purchaser _____

**Tennessee Agricultural
Sales and Use Tax Exemption Certificate**

Effective Date: January 1, 2016
Expiration Date: June 30, 2019
Exemption No: 999999999
Name: FARM NAME
Location Address: ADDRESS XXXXXXXXXXXXXXX
XXXXXXXXX TN 37XXX



I certify that the purchases qualify under the agricultural sales and use tax exemption, that they will be used directly and principally for the purpose of producing agricultural products for sale and consumption off the premises, and they will be used at the location referenced above.

Signature of Purchaser _____