

Farm Machinery

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Sales Tax
Fact Sheet

New and used farm machinery is exempt from sales tax. To qualify for the exemption, the machinery must meet the definition of “farm machinery” and must be used directly and principally in “agricultural production.” The definitions of farm machinery and agricultural production are in the box at right.

Principally means the equipment must be used 50 percent or more of its operating time in agricultural production.

To claim exemption, you must give the seller a fully completed Certificate of Exemption, Form ST3, using the “Farm machinery” exemption.

The exemption **does not apply** to machinery or equipment purchased for use in processing agricultural products or other activities that are not specifically identified in the definition of farm machinery. Examples of businesses that don’t generally qualify for the exemption include:

- processing plants
- meat packers
- elevators
- fur farming
- hobby farms
- landscapers
- raising horses or research animals

Note: If equipment is used for manufacturing, fabricating, mining or refining products for sale at retail, the equipment may qualify as capital equipment. See Fact Sheet 103, Capital Equipment, for details.

Repair and replacement parts

There is an exemption for repair and replacement parts, *except tires*, used for the maintenance and repair of farm machinery if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery.

The exemption applies only to repair and replacement parts used on farm machinery that qualifies for exemption. The purchaser must be in the business of agricultural production to claim this exemption. Tires are not included in this exemption.

Minnesota Statute 297A.61, Subd. 12

“Farm machinery” means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production of personal property intended to be sold ultimately at retail including, but not limited to:

1. machinery for the preparation, seeding or cultivation of soil for growing agricultural crops;
2. barn cleaners, milking systems, grain dryers, feeding systems including stationary feed bunks, and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property; and
3. irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

Farm machinery does not include:

1. repair or replacement parts*;
2. tools, shop equipment, grain bins, fencing material*, communication equipment, and other farm supplies;
3. motor vehicles taxed under chapter 297B;
4. snowmobiles or snow blowers;
5. lawn mowers except those used in the production of sod for sale or garden-type tractors or garden tillers; or
6. machinery, equipment, implements, accessories, and contrivances used directly in the production of horses not raised for slaughter, fur-bearing animals, or research animals.

**Repair and replacement parts, and fencing materials are not exempt as farm machinery, but are exempt in other parts of the law and are explained in this fact sheet.*

Minnesota Statute 297A.61, Subd. 36

“Agricultural production” includes, but is not limited to, horticulture, silviculture, floriculture, maple syrup harvesting, and the raising of pets, livestock as defined in section 17A.03, subdivision 5, poultry, dairy and poultry products, bees and apiary products, the raising and harvesting of agricultural crops, sod, fur-bearing animals, research animals, and horses.

Exempt farm machinery

The following is a representative list of farm machinery, equipment, implements, accessories and contrivances that qualify for exemption when used directly and principally in qualifying activities.

Field equipment—planting, cultivating, harvesting

aircraft for field spraying and dusting
bale accumulators
bale loaders
bale stackers
balers
binders
combine corn heads
combine headers
combine pickups
combines
corn pickers
corn planters
cultivators
discs
drags
drill transports
fertilizer spreaders
fertilizer tanks
field sprayers and dusters
forage harvesters
forage hay pickups
GPS systems (global positioning systems)
grain drill fillers
grain drill monitors
grain drills
harrows
harvesters
hay conditioners
hay crushers
hay loaders
hay mowers
hay rakes
irrigation equipment
land levelers
lime spreaders
pickers
planters
plows
rock pickers
rod weeders
rotary hoes
seed cleaners
seed treaters
seeders
silage blowers

Field equipment continued

silage cutters, feeders, loaders, unloaders
stalk cutters
swathers
tillage hitches
tractors
windrowers

Crop handling (grain, hay, etc.):

Augers and auger cleaners
corn shellers
elevators
farm hoists (if used for loading or unloading crops)
farm wagons and trailers (non-highway)
grain augers
grain bin cleaners
grain cleaners
grain coolers/fan units
grain dryers
grain moisture testers
potato conveyors
stack movers
stackers and hay cages
truck box auger cleaners

Animal equipment

automatic feeding systems
bedding chopper
brooder heaters
calf hutches
calving pens (portable handling equipment)
cattle currying and oiling machines
crowding tubs
cow mats
farrowing crates/pens (portable)
feed carts
feed bunks
feed grinders
feed mills
feed mixers
feed treaters
fountains, cups
gravity feeders
gravity waterers
hammer mills
head gates
incubators
livestock fountains
mixer-feeder wagons

Animal equipment continued

power feed wagons
self-feeders
squeeze gates
stock tanks
stock tank heaters
turning tables
ventilation fans (for animal health and welfare)
waterers

Nursery and greenhouse

(see Fact Sheet 174)
application sprayers, foggers and nozzles, shutoff valves, hoses
automatic watering systems including poly pipe and fittings, misting nozzles, controllers and timers
capillary water mats
carts for movement of plants within the production area
climate control systems, including light meters and temperature alarms necessary to the system
conveyors used within the production area
cultivators
evaporative cooling equipment
flat and pot fillers
greenhouse heaters and fans
harvesting equipment
potting machines
production loaders and forklifts
propagation mats and thermostats
seeders
soil mixers
soil sterilizer machinery
special greenhouse lighting for growing plants
specialized greenhouse benches
tractor weed control implements
tractors
water wands

Poultry equipment

automatic egg graders
blood spot detectors
egg orientors
egg packers

Dairy equipment

bulk tank washer attachments
milking machines
milk coolers
milk meters
milker unit washers
milking systems

Manure handling

barn cleaners
gutter cleaners
liquid manure spreaders
manure pumps
manure spreaders

Miscellaneous

aquaculture equipment (see Fact Sheet 130)
bee keeping equipment
fencing for farmed cervidae
loaders
logging equipment (see Fact Sheet 108)
maple syrup harvesting equipment
portable generators
portable scales
post drivers
post hole diggers (power driven)
skid steer loaders
tile plows
tire chains
tractor wheel weights
tractor tracks

Nurseries and greenhouses

Nursery and greenhouse operations that grow trees, shrubs, perennials, annuals, potted plants and other plants for sale qualify for the farm machinery exemption.

See Fact Sheet 174, Nursery and Greenhouse Production and Fact Sheet 100, Agricultural Production for more information.

Fencing

Most fencing materials are taxable. However, an exemption applies to fencing for raising farmed cervidae as defined in M. S. 35.153. Cervidae are members of the deer family and elk, moose, caribou, reindeer, and muntjac. The fencing must be used to confine farmed cervidae to prevent them from escaping and it must be eight feet high to qualify for the exemption.

Manure handling systems

Machinery or equipment that is part of a manure handling system qualifies for exemption. This includes such items as pumps, agitators, valves, hoses, and spreaders. It does not include slotted flooring, concrete pits or other items that are part of the livestock building structure.

Grain dryer systems

Grain bins or grain hoppers used for storing grain do not qualify for the farm machinery exemption. However, grain drying equipment used in agricultural production qualifies for exemption. This includes the dryer, drying system components and similar type equipment. It does not include the grain bin structure or equipment used for storage of grain.

Generators

Primary and backup generator units are exempt if they are used to generate electricity for the purpose of operating farm machinery.

If the generator is used for *general* heating or lighting, it is taxable. However, if it is used to generate electricity to provide light or space heating *essential* to the production of livestock, dairy animals, dairy products, or poultry and poultry products, it is exempt.

Installations into real property

Barn cleaners, milking systems, feeding systems, grain dryers, irrigation equipment and similar items that are installed and become part of real property qualify for exemption even when sold to the contractor who makes the installation. Contractors may also buy repair or replacement parts for this equipment

exempt from sales tax. The contractor should give the seller a fully completed Certificate of Exemption, Form ST3, using the “Farm machinery” exemption. Contractors must pay sales or use tax on building materials and other items that do not qualify as farm machinery as defined in this fact sheet.

ATV's

All terrain vehicles (ATV's) generally do not qualify for the farm machinery exemption. However, if the purchaser uses the ATV directly and principally in agricultural production, it qualifies for the farm machinery exemption. The purchaser must give the seller a fully completed Certificate of Exemption, Form ST3, using the “Farm machinery” exemption.

Livestock confinement systems

Livestock confinement system, as used in this fact sheet, means the complete livestock or poultry production facility. It includes the buildings, feed and water systems, manure handling systems, livestock handling equipment, pens and gating, slotted flooring, ventilation systems, and other incidental items. For sales and use tax purposes, livestock confinement systems can generally be separated into three categories:

Building: This is the basic structure including walls, roof, foundation and electrical wiring that serves the general building. This structure is treated as real property. Therefore, the cost of materials for these structures is taxable to the builder. This applies whether the builder is a contractor, owner or lessor, or is hired by an exempt entity. Payments for leasing real property are not taxable.

Equipment qualifying for exemption: Exempt items include components for feeding systems, watering systems, certain livestock handling equipment, ventilation systems that directly affect the health and productivity of the livestock, and other items that are considered *farm machinery*. Materials purchased to build qualifying equipment that becomes real property may be purchased exempt from tax by the builder.

Taxable equipment: Taxable items include interior pens, gates, free stall partitions, stalls, poultry cages, slotted flooring, and ventilator fans used for general building ventilation. These are generally considered tangible personal property. Retail sales or leases of these items are taxable.

Lessors of livestock confinement systems must separate the components of the entire system into these categories to properly apply sales and use tax. If the charges are not separately stated, sales tax applies to the entire charge.

Rental or lease of farm machinery

If the machinery fits the definition of farm machinery, no tax applies to lease or rental payments. If the machine or implement does not fit the definition of farm machinery, or is rented to contractors or others for nonagricultural use, the rentals are taxable.

Taxable items

Certain items used on a farm do not qualify as *farm machinery*. They don't meet the definition of farm machinery either because they aren't used directly and principally in agricultural production, or because they are specifically excluded from the definition by law. The items listed below, and their repair and replacement parts, are taxable.

Equipment not used directly and principally in production

backhoes
bird cannons
electric pest controllers
loading chutes
pig flooring
portable brooder houses
portable chutes
service tank pumps
service tanks (for transporting fuel to field)
slotted flooring
storage tanks
water well heaters

Safety equipment

gas masks
goggles
respirators

Building materials and supplies used in construction of farm buildings, including

barns
farrowing houses
grain bins
hoop barns
machine sheds
milk houses
pole barns

Fencing materials

chicken cages
corral panels
fence posts
fencing materials
free stall partitions
gate closers
pens
portable corrals
portable pens and stalls

Aircraft

Aircraft used specifically for agricultural spraying qualify for exemption.

Tools

branding irons
dehorers
hand rakes
hand tools
hive tools
pitch forks
pruners and shears
shovels and spades

Shop equipment

fuel storage tanks
hoists, farm/shop
shop equipment
tire changers
welding equipment

Communication equipment

cell phones
radio equipment
telephone equipment

Miscellaneous

chicken and duck pluckers
conveyors, carts and trailers used in retail areas
drain tile
garden tillers
garden tractors
grain storage bins and hoppers
lawn mowers (unless used in production of sod for sale)
motor vehicles
paint
portable grain bins
snow blowers
snowmobiles
tarps (canvas, plastic, etc.)
tires
watering cans

Farm auctions

Farm auction sales are exempt from sales and use tax. Farm auction means a public auction conducted by a licensed auctioneer if substantially all of the property sold consists of property used in the trade or business of farming and non-business property such as household goods.

Custom farm work

Machinery purchased by an individual or a business to perform part of the agricultural production process for a farmer (such as planting, spraying, crop dusting, harvesting, etc.) qualifies for exemption. For example, if a person buys farm machinery to be used for custom combining or custom spraying, the exemption applies.

Motor vehicles

Motor vehicles required to be licensed for highway use are always taxable. This includes cars, vans, utility vehicles, trucks, and horse and livestock trailers.

Local sales and use taxes

If you are located in an area with a local tax, local sales or use tax may also be due on taxable items you buy or sell. Local taxes are listed and explained in detail in Fact Sheet 164, Local Sales and Use Taxes.

How to report sales and use tax

Report state and local sales and use taxes electronically over the Internet at www.revenue.state.mn.us. If you don't have Internet access, you can file by phone at 1-800-570-3329. See Fact Sheet 170, Step-by-Step Guide to Filing and Paying Sales and Use Tax Electronically for more information.

References

M. S. 35.153, Definitions
M. S. 297A.61, Subd. 12 Farm machinery
M. S. 297A.61, Subd. 36, Agricultural production
M. S. 297A.67, Subd. 23, Occasional sales
M. S. 297A.69, Subd. 3, Repair and replacement parts
M. S. 297A.69, Subd. 4, Machinery, equipment, and fencing
Revenue Notice 99-14, Farm Machinery

Other fact sheets you may need:

Agricultural Production, #100
Use Tax for Businesses, #146
Nursery and Greenhouse Production, #174