

Mississippi Department of Revenue

Sales Tax Applicable to Farm Tractors and Farm Implements

Sales Tax
Technical Bulletin
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PURPOSE & SCOPE

Farmers are provided a reduced rate of tax for the purchase of farm tractors and farm implements. This reduced rate also applies to purchases of parts and labor to maintain and repair such items. The law requires that these items must be used by the farmer for agricultural purposes in order to qualify for the reduced rate. The purpose of this Technical Bulletin is to provide information and additional guidance on the correct rate of tax for many common items purchased by farmers.

REFERENCES:

Miss. Code Ann. Section 27-65-17. The Department of Revenue has published a rule that deals with agriculture that can be found on our website under Mississippi Administrative Code Title 35, Part IV, Subpart 08, Chapter 02 Agricultural.

Discussion of Taxability

Mississippi Sales Tax Law provides a reduced rate for farm tractors and farm implements. There is a requirement that such tractors and implements must be sold to farmer for agricultural purposes. The reduced rate provided is 1½% and this rate covers the sales of the tractors and implements, as well as the sale of parts and labor used to maintain and/or repair such equipment. Sales of tractors or implements to anyone other than a farmer are taxable at the rate of 7%. However, there is NO exemption or reduced rate for general supplies purchased for use by farmers on the farm.

The Department of Revenue has also published an *Affidavit of Farmer Purchasing Tractors, Farm Implements and/or Parts and Labor*. This affidavit is to be completed by a farmer who is purchasing tractors, implements, or parts or labor and who is attesting to the fact that such items do in fact qualify for the reduced rate of tax. By signing the affidavit, the farmer is agreeing that if the tractor or implements purchased and the parts and labor used to maintain and repair such equipment is not used in the manner required by the statutes to qualify for the reduced rate, the farmer will be responsible for remitting the difference between the 1½% special reduced rate and the 7% regular retail rate, plus a 50% fraud penalty and any applicable interest. This affidavit must be completed annually and a copy of such affidavit must be provided to each vendor from which the farmer does business and claims the reduced rate on purchases from such vendor.

Items Eligible for Reduced Rate

Farm Tractors – self-propelled equipment which performs no farm function within itself other than to move, draw or furnish power to other implement(s) attached. Includes parts used to maintain or repair tractors.

Farm Implements – complete units that perform a specialized mechanical function and which are identifiable as a specific piece of equipment that is ordinarily and customarily used on a farm. Includes parts used to maintain or repair implements. Hand tools are not considered farm implements.

The following is a list of farm implements but is not intended to be all inclusive:

- Combines
- Cotton pickers
- Hay balers
- Sprayers or dusters
- Stationary power units
- Manure spreaders and fertilizer distributors
- Milking machines
- Ploughs
- Harvesters
- Seeders
- Cultivators or tillers
- Irrigation systems – sprinklers, center pivots, hydroponics, drips
- Grain carts with built in grain augers
- Grain dryers
- Farm trailers (cannot be for road use) – without motive power, designed to carry property and is drawn by a farm tractor
- Aerators
- All-terrain vehicles (ATV) and utility task vehicles (UTV) – see below

Farmer means an individual or company who grows agricultural products for market on land owned or leased by such individual or company. It does not include contract or custom harvesters.

Agricultural products include field crops, truck and horticultural products, livestock and livestock products, poultry and poultry products, domesticated fish and fish products, dairy products and any other product of the soil or water produced on a commercial scale for market.

Agricultural purposes means the predominant or exclusive growing or raising of agricultural products on a farmer's own land or land leased by the farmer for growing or raising agricultural products.

Anyone wishing to purchase an ATV or UTV at the reduced rate MUST complete an Affidavit for the Purchase of ATV or UTV for Farm Use attesting to the fact that he/she is a farmer and the equipment purchased will be used for agricultural purposes. This affidavit must be completed for EACH ATV or UTV purchased where the farmer is claiming the reduced 1½% rate.

Items Not Eligible for the Reduced Rate

There are various miscellaneous supply items and small equipment purchases that do NOT qualify for the reduced rate of tax even when sold to a farmer for farm use. Examples of these items include:

- Garden tractor
- Rotary tiller
- Power saw and other power tools
- Lawn mower
- String trimmer
- Storage bins which provide no function other than storage
- Hand tools
- Manual posthole digger
- Trailers for highway use or any other vehicle which is required to be tagged
- Cleaning supplies including shop towels and rags
- Bug or rodent poison; insect repellent
- Gas can or other containers
- Car washes or wash supplies
- Parts or labor used to repair or maintain vehicles which are required to be tagged (includes tires)
- Pet food
- Nails, zip ties or other materials used to fasten or secure items
- Pine straw
- Gloves, hats and other clothing items
- Flash lights and other hand held lights; bulbs
- Hand wipes or other personal cleaning products
- Batteries – this does not include batteries purchased as replacement parts for farm tractors or implements.
- Concrete mix
- Leaf blowers and rakes

Items that are Exempt from Tax

All sales of the following are exempt from tax when sold to anyone in any amount:

- Seeds (includes tomato and potato slips)
- Livestock feed

- Poultry feed
- Fish feed
- Fertilizer
- Antibiotics, hormones, drugs, medicines, serums and vaccines, vitamins, minerals or other nutrients for use in the production and growing of fish, livestock, and poultry by anyone.

All sales of the following are exempt from tax when they are to be used in growing agricultural or forest products for market:

- Defoliants
- Insecticides
- Fungicides
- Herbicides
- Baby chicks

Sales of these items for use on lawns or home gardens are taxable at the rate of 7%.

Sales of bagging and ties for baling cotton, hay baling wire and twine, boxes, bags and cans are exempt from tax when made to persons for use in growing or preparing agricultural products for market AND when possession passes to the customer at the time of sale of the product contained therein.