

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice # 07-01: Sales and Use Tax – Utilities – Agricultural Production Animals

Background

Minnesota Statutes, section 297A.69, subdivision 2, provides a sales tax exemption for fuels, electricity, gas and steam used or consumed in the agricultural production process. Subdivision 2 further provides that utilities used for space heating, cooling and lighting are exempt when they are in excess of the average climate control or lighting needed for the production area and necessary to produce a particular product. Minnesota Rules, part 8130.5500, subpart 4a, provides that the purchase of fuel, electricity or gas to power a machine or fixture that controls the lighting or climate of a building is taxable unless the lighting or climate control is a special requirement necessary to produce that particular agricultural product.

Department Position

It is the department's position that the purchase of all fuel, gas and electricity that is used to heat, cool, light and ventilate facilities in which agricultural animals are housed, is consumed and used directly in the agricultural production process and is therefore exempt from the sales tax. Thermal and air quality control is necessary to maintain the health of and prevent disease in agricultural production animals.

Ventilation is typically the primary means of maintaining the desired air quality, velocity, humidity and temperature in buildings housing agricultural production animals. Ventilation is needed to provide adequate oxygen; remove moisture, gases and odors; regulate temperature; and dilute airborne disease organisms.

Thermal control is vital to the agricultural production process as extremes in temperatures can affect the health of the animals and the production of agricultural products. Both the lack of sufficient heat and the effects of heat stress will affect agricultural production animals. Young animals often have special thermal requirements as they develop their immune systems and adjust to dietary and environmental conditions. Older animals often generate enough heat themselves to maintain optimum temperatures but supplemental heat may be needed in cold weather.

Examples

A farmer houses swine in a confinement facility and purchases utilities to heat, cool, ventilate and light the facility. The utilities can be purchased exempt from the sales tax. The exemption does not apply to space heating, cooling or lighting used or consumed in the nonproduction portions of the facility, such as office or administrative areas.

A farmer who raises dairy cattle can purchase electricity to heat, cool, ventilate and light the barn exempt from the sales tax under the agricultural production exemption. The agricultural production exemption would also apply to electricity purchased to power automatic feeding systems; feed grinders; tank heaters; and milking machines, milk coolers and milker washer units.

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