

# Minnesota revenue notice

## Revenue Notice # 92-10 Sales and Use Tax - Agricultural Production

**(Update: Revenue Notice #92-10 has been revoked by Revenue Notice #98-22.)**

Minnesota Statutes section 297A.25, subd. 9, exempts materials that are used or consumed in agricultural production from the sales and use tax. The following are examples of taxable and exempt purchases for agricultural use.

**Agricultural and farm animals.** Animals that become food for human consumption are exempt from sales tax. Examples of exempt farm animals are cows, chickens, pigs, etc. Purchases of other forms of animals, such as dogs and cats, are taxable.

Sales of horses for breeding, agricultural production, recreational use, or for racing are taxable.

**Feeds, feed additives, and feed supplements** purchased for agricultural animals (cows, pigs, sheep, chickens, etc.) and for animals that are raised for the purpose of resale are exempt from the sales tax. The purchase of feed for nonagricultural animals such as pets and animals held for breeding purposes is taxable. For example, the feed for a breeder dog is taxable, but the feed for puppies that will be sold is exempt.

Dog food which is used to feed dogs that are used exclusively as herd dogs is exempt.

**Plants or seeds** used directly in agricultural production are exempt from sales tax. Items such as lawn, flower or vegetable garden seeds, and plants purchased for home gardens are taxable.

**Building materials and supplies** used in the construction, repair, or maintenance of farm buildings, fences, or a farm residence are taxable.

**Nonreturnable packaging** materials such as berry boxes, egg cartons, paper bags, and twine are exempt from sales tax.

**Fuels or electrical energy** used or consumed directly in the production of agricultural products are exempt from sales tax. For example, the electricity used to operate a milk separator or the fuel used to operate a chicken brooder would be exempt.

Fuel or electricity used for space heating or lighting or for storing or preserving products is taxable. The following are examples of taxable fuel and electricity use:

- \* heating a chicken laying house or cattle barn
- \* lighting farm buildings or operating yard lights
- \* running a milk cooler

Chemicals, including fertilizers, which are applied to agricultural crops to achieve soil fertilization, weed control, or eliminating of crop disease or to prevent or destroy insect infestation of growing crops are exempt from sales tax. Fertilizers and other chemicals used to treat lawns and for fertilizing and weed control in home gardens are taxable.

**Chemicals** used for the control or eradication of animal disease are exempt. This includes insecticides (fly sprays, fly tapes and chemical blocks), and pesticides and rodenticides (rat/gopher poison, louse killers) that are used in the eradication of insects, predators and other animal pests for the health and

protection of agricultural animals. Insect sprays for household use are taxable.

Detergents or other cleaning chemicals used in cleaning or sanitizing farm animal dwellings are taxable. Disinfectants which are not mere additives of detergents, and are applied to agricultural animals or used in disinfecting their environment, i.e., dwellings, for the control or eradication of animal disease or pests are exempt from tax.

Chemicals used in cleaning or sanitizing food processing machinery or equipment, such as dairy equipment, are exempt. This exemption includes chemicals used to clean the outside of the equipment but does not include those used to clean the surrounding work areas.

**Petroleum products**, radiator antifreeze, and lubricants used or consumed in agricultural production are exempt from sales tax. Examples of exempt products are:

- \* gasoline, diesel fuel, propane, grease, or oil used or consumed

in farm equipment that is used to produce agricultural products

- \* lubricants such as penetrating oil, pulsator oil, and surge oil

- \* fuels such as propane used for drying grain

**Drugs and medicines** that are purchased for administration to farm animals are exempt from sales tax. Some examples of exempt drugs and medicine are calf boluses, dehorning paste, first aid spray, foot rot spray, mastitis treatments, mastitis tubes, pink eye bomb, semen, scour tablets, terramycin powder, udder cream or ointment, and udder guard.

**Artificial Insemination.** The retail sale of semen to ranchers and farmers, who themselves are in the business of agricultural production, is exempt from sales tax. The sale of liquid nitrogen to ranchers and farmers is exempt as the sale of a chemical used in the processing of an agricultural product. The sale of semen supplies such as charts, office records, inseminating gloves, and inseminating catheters to ranchers and farmers is taxable.

**Other services.** Some garden and arborist services that are normally taxable may be exempt if purchased by farmers or commercial crop growers if the services are to be used in the production of agricultural products for resale. Also, the service provider may purchase materials, such as chemicals and fertilizers, used or consumed in providing these nontaxable agricultural services exempt from sales tax.

**Machinery and equipment** purchased or leased for use directly and principally in agricultural production is subject to sales tax at the reduced rate of 2.5 percent. Examples of qualifying machinery and equipment are tractors, combines, corn pickers, and milking machines.

Equipment and machinery that does not qualify for the reduced sales tax rate is subject to tax at the rate of 6.5 percent. Examples of equipment that does not qualify for the reduced rate are trucks, trailers, air compressors, and ventilator fans.

Accessory tools, equipment and other short lived items are exempt if they meet all three of the following criteria:

- \* are separate detachable units,

- \* are used in producing a direct effect upon the product, and,

- \* have an ordinary useful life of less than twelve months.

Examples of items which qualify for this exemption are milk filter discs and mower sickle sections. Hand

tools such as shovels, rakes, and hoes do not qualify for this exemption.

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