

This Revenue Notice was revoked and superseded on December 14, 1998 by Revenue Notice #98-25.

Department of Revenue

Revenue Notice #92-22 - Sales and Use Tax - Logging Equipment

Minnesota Statutes §§ 297A.02 and 297A.021 impose a tax of 2.5% on sales or rental of new or used logging equipment. To qualify for the 2.5% rate, the logging equipment purchased must be new or used equipment, machinery, implements, accessories, or contrivances used directly or principally in the production or used for sale of raw or unfinished forest products including pulpwood, saw logs, full length trees and wood chips.

A. 2.5% Logging Equipment

The following is a representative list of logging equipment, machinery, implements, accessories, and contrivances that qualify for the 2.5% tax rate:

- tree felling devices, including tree harvesters, fellers and feller bunchers used principally to sever trees at the stump or accumulate the severed trees at the stump area;
- tree skidding devices, including grapple skidders, cable skidders, bunchers, and forwarders used principally to transport a severed tree or a portion of the tree from the stump area to a landing site;
- loading devices either portable or truck, stationary or crawler/carrier mounted including boom loaders, front end loaders, grapple loaders, and log stackers used primarily in loading, handling, or transferring a severed tree or portion of the tree prior to the removal from the landing site;
- devices including scarifiers, planters, cultivators, and brush saws used in reforestation at the stump site including those used for the preparation, seeding or cultivation of the soil and those used to promote tree growth;
- carriers of above devices/equipment if not registered for road use and subject to motor vehicle excise tax;
- portable logging equipment used in the field such as:
 - chain saws;
 - delimiting devices used primarily to remove limbs from the bole (trunk) of the tree;
 - debarking devices used primarily to remove the bark of the tree;
 - tree slashing devices used primarily to cut trees to designated lengths;

- chipping devices including chip harvesters, tree chippers and brush chippers used primarily for transforming a tree, with or without limbs, and brush into wood chip form;
- screening devices used primarily to sort and remove undesirable material from tree chips;
- portable generators.

B. 6.5% Equipment

The following items are not included in the definition of logging equipment and, therefore, do not qualify for the 2.5% rate:

- new or used equipment, machinery, implements, accessories, and contrivances used in the processing or manufacturing of material derived from raw forest products;
- tools, shop equipment, communication equipment, and other logging supplies;
- motor vehicles registered for road use and subject to motor vehicle excise tax;
- snowmobiles, snow blowers, garden type tractors, or garden tillers and the repair and replacement parts for those vehicles and machines.

Road building equipment that is used for the purpose of building roads to provide access to a timber permit does not qualify for the 2.5% tax rate because the equipment is not used directly and principally in production.

Most loggers purchase supplies, tools and other items that are used for logging purposes but are not considered "logging equipment" as they do not meet the above definition of logging equipment. They are not used directly and principally in production or they are specifically excluded from the definition by law. These items, subject to the 6.5% tax rate, include, but are not limited to:

- accessory items such as cable, chain, winches, conveyors and blades not originally purchased with the "logging equipment"
- air compressors
- building materials and supplies
- garden-type tractors
- gasoline/diesel storage tanks
- gas or diesel powered engines (unless used directly and principally in production)
- generator units
- hand tools
- lighting equipment
- paint

- recreational all-terrain vehicles
- repair equipment used in the field
- safety equipment
- service tank pumps
- service tanks (for transport of fuel to field)
- shop equipment
- shovels and spades
- snow blowers
- snowmobiles
- sprayers (high pressure for cleaning equipment)
- tire changers
- tools
- truck boxes
- truck hoists
- truck racks
- vehicles registered for use on public streets and highways
- vehicles used to transport personnel, equipment and/or supplies to the field
- welding equipment

C. Rentals or leases

Equipment dealers who rent logging equipment and other pieces of equipment to their customers must collect tax on the amount of the rental fee. If the equipment being rented fits the definition of logging equipment given above, the 2.5% tax rate applies to the rental payment. If the machine or equipment does not fit the definition of logging equipment, the 6.5% tax rate applies to the rental payment. Rentals to construction contractors and others for non-logging use are taxable at the 6.5% rate.

D. Repair and replacement parts

An exemption is provided for the sale of repair and replacement parts, except tires, used for maintenance or repair of logging equipment, if the part replaces a logging equipment part assigned a specific or generic part number by the manufacturer of the logging equipment. The exemption applies only to repair and replacement parts used on logging machinery that qualifies for the 2.5% tax rate, as previously defined. Items such as batteries, spark plugs, oil filters, and other general repair parts qualify for the exemption if they are used to repair qualifying logging equipment as defined.

E. Exemption certificates

If the seller is unable to determine at the time of sale if the item should be taxed at the 2.5% rate or be exempt as a repair part, the seller should ask the buyer for a written statement or an exemption certificate, Form ST-3, stating that the buyer is in

the business of logging and the equipment or parts are being used in the logging business.

Michael E. Boekhaus
Director, Appeals, Legal Services &
Criminal Investigation Division

November 9, 1992
RN 92-22
SUT/logging/SEK