

**Revenue Notice # 98-25 was modified on April 2, 2007.
Please see below.**

MINNESOTA DEPARTMENT OF REVENUE

Modification of Revenue Notice # 98-25: Sales and Use Tax – Logging Equipment – Qualifying Equipment *

***With modifications shown (see “Key” below).**

This revenue notice ~~revokes and supersedes~~ modifies Revenue Notice # ~~92-22~~ 98-25, which was published on ~~October 9, 1992~~ December 14, 1998.

~~Minnesota Statutes, §§ 297A.01, subdivision 15(4) and 297A.02, subdivision 2, impose a tax of 2.0% on sales or rentals of new logging equipment made after June 30, 1998. This rate will be reduced to 1.0% for purchases or rentals of new logging equipment made after June 30, 1999. Purchases or rentals of new logging equipment made after June 30, 2000, will be wholly exempt from sales taxation. Purchases or rentals of used logging equipment are exempt from sales tax under Minnesota Statutes, § 297A.25, subdivision 59.~~

~~To qualify for the reduced rate, the logging equipment purchased must be new and must be utilized directly and principally in the production for sale of raw or unfinished forest products, including: pulpwood, saw logs, full length trees or wood chips.~~

Statutory Authority

Minnesota Statutes, section 297A.69, subdivision 4, provides an exemption from sales and use tax for logging equipment, including chain saws used for commercial logging, and for primary and backup generator units used to generate electricity for the purpose of operating logging equipment.

Minnesota Statutes, section 297A.61, subdivision 37, defines logging equipment to mean new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the commercial cutting or removal or both of timber or other solid wood forest products intended to be sold ultimately at retail, including, but not limited to:

- (1) machinery used for bucking, bunching, debarking, delimiting, felling, forwarding, loading, piling, skidding, topping, and yarding operations performed on timber; and
- (2) chain saws.

Logging equipment does not include:

- (1) repair or replacement parts;
- (2) tools, shop equipment, communication equipment, and other logging supplies;
- (3) motor vehicles taxed under Minnesota Statutes, chapter 297B;
- (4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or
- (5) machinery, equipment, implements, accessories, and contrivances used in the creation of other commercial wood products for sale to others, including, but not limited to, milling, planing, carving, wood chipping, or paper manufacturing.

Minnesota Statutes, section 297A.69, subdivision 3, provides an exemption from sales and use tax for repair and replacement parts, except tires, used for maintenance or repair of logging equipment if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

A. Eligible New Logging Equipment

The following is a representative list of the logging equipment, machinery, implements, accessories, and contrivances that qualify for the ~~reduced tax rate.~~ logging equipment exemption:

- 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, 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;
- accessory items, such as cables, chains, winches, conveyors, and blades;
- reforesting devices, including scarifiers, planters, cultivators and brush saws used in reforesting at the stump site, including those used for the preparation, seeding or cultivation of the soil and those used to promote tree growth;

- carriers for above devices/equipment, if not registered for road use and not subject to sales tax on motor vehicles; or
- 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 to primarily cut trees to designated lengths;
 - chipping devices including chip harvesters, tree chippers, and brush chippers used primarily for transforming a tree and brush into wood chip form in conjunction with the commercial cutting or removal of timber;
 - screening devices used primarily to sort and remove undesirable material from tree chips; or
 - portable generators.

B. 6.5% Equipment that Does Not Qualify as Logging Equipment

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

- 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 sales tax on motor vehicles; or
- 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 to building roads~~ to provide access to a timber area does not qualify for the ~~reduced tax rate exemption~~ because the equipment is not used directly and principally in ~~production~~ the commercial cutting or removal of timber or other solid wood forest products intended to be sold ultimately at retail.

Most loggers purchase supplies, tools and other items that are used for logging purposes but are not considered "logging equipment" because they are not used directly and principally in ~~production~~ the commercial cutting and/or removal of timber or other solid wood products intended to be sold ultimately at retail or they are specifically excluded from the definition by law. Such items are subject to the ~~6.5% sales tax rate~~, including, but not limited to:

- ~~accessory items such as cables, chains, 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~~ the commercial cutting or removal of timber);
- generator units (unless used to generate electricity for the purpose of operating logging equipment);
- hand tools;
- lighting equipment;
- paint;
- recreational all-terrain vehicles;
- repair equipment (whether or not 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; or
- welding equipment.

C. ~~Rentals or Leases~~ Reforestation Devices

~~Equipment dealers who rent new 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 new logging equipment given above, the reduced 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.~~

Reforestation devices, while not logging equipment, may qualify as exempt farm machinery under Minnesota Statutes, section 297A.69, subdivision 4. Reforestation devices include 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.

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 ~~reduced tax rate~~ exemption, as defined above. 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 reduced rate or be exempt as logging equipment or 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.~~

Dated: 14 December 1998 _____

Terese Koenig, Director
Appeals, Legal Services and Criminal
Investigation Division

JOHN H. MANSUN, Assistant Commissioner
for Tax Policy and External Relations

Publication Date: April 2, 2007

***Key:** Underlining indicates additions to existing Revenue Notice language. Strikeouts indicate deletions from existing Revenue Notice language.

Please see page 2 for a clean, printable copy of this notice as modified.

MINNESOTA DEPARTMENT OF REVENUE

Modification of Revenue Notice # 98-25: Sales and Use Tax – Logging Equipment – Qualifying Equipment**

** As modified

This revenue notice modifies Revenue Notice # 98-25, which was published on December 14, 1998.

Statutory Authority

Minnesota Statutes, section 297A.69, subdivision 4, provides an exemption from sales and use tax for logging equipment, including chain saws used for commercial logging, and for primary and backup generator units used to generate electricity for the purpose of operating logging equipment.

Minnesota Statutes, section 297A.61, subdivision 37, defines logging equipment to mean new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the commercial cutting or removal of both of timber or other solid wood forest products intended to be sold ultimately at retail, including, but not limited to:

- (1) machinery used for bucking, bunching, debarking, delimiting, felling, forwarding, loading, piling, skidding, topping, and yarding operations performed on timber; and
- (2) chain saws.

Logging equipment does not include:

- (1) repair or replacement parts;
- (2) tools, shop equipment, communication equipment, and other logging supplies;
- (3) motor vehicles taxed under Minnesota Statutes, chapter 297B;
- (4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or
- (5) machinery, equipment, implements, accessories, and contrivances used in the creation of other commercial wood products for sale to others, including, but not limited to, milling, planing, carving, wood chipping, or paper manufacturing.

Minnesota Statutes, section 297A.69, subdivision 3, provides an exemption from sales and use tax for repair and replacement parts, except tires, used for maintenance or repair of logging equipment if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

A. Eligible Logging Equipment

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

- 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, 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;
- accessory items, such as cables, chains, winches, conveyors, and blades;
- carriers for above devices/equipment, if not registered for road use and not subject to sales tax on motor vehicles; or
- 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 to primarily cut trees to designated lengths;
 - chipping devices including chip harvesters, tree chippers, and brush chippers used in conjunction with the commercial cutting or removal of timber;
 - screening devices used primarily to sort and remove undesirable material from tree chips; or
 - portable generators.

B. Equipment That Does Not Qualify as Logging Equipment

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

- 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 sales tax on motor vehicles; or
- 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 to build roads to provide access to a timber area does not qualify for the exemption because the equipment is not used directly and principally in the commercial cutting or removal of timber or other solid wood forest products intended to be sold ultimately at retail.

Most loggers purchase supplies, tools and other items that are used for logging purposes but are not considered "logging equipment" because they are not used directly and principally in the commercial cutting and/or removal of timber or other solid wood products intended to be sold ultimately at retail or they are specifically excluded from the definition by law.

Such items are subject to the sales tax, including, but not limited to:

- air compressors;
- building materials and supplies;
- garden-type tractors;
- gasoline/diesel storage tanks;
- gas or diesel powered engines (unless used directly and principally in the commercial cutting or removal of timber);
- generator units (unless used to generate electricity for the purpose of operating logging equipment);
- hand tools;
- lighting equipment;
- paint;
- recreational all-terrain vehicles;
- repair equipment (whether or not 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; or
- welding equipment.

C. Reforesting Devices

Reforesting devices, while not logging equipment, may qualify as exempt farm machinery under Minnesota Statutes, section 297A.69, subdivision 4. Reforesting devices include 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.

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 exemption, as defined above. 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.

JOHN H. MANSUN, Assistant Commissioner
for Tax Policy and External Relations

Publication Date: April 2, 2007