

# Nursery and Greenhouse Production

Sales Tax Fact Sheet 121C

## What's New

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 3.

Nursery and greenhouse production farms that grow trees, shrubs, perennials, annuals, potted plants, and other plants for sale ultimately at retail qualify for the agricultural production and farm machinery exemptions. The definitions of farm machinery and agricultural production start on page 2. Nursery and greenhouse operations that store plant stock waiting to be sold at retail or house inventory for landscapers do not qualify for the agricultural production and farm machinery exemptions.

## Agricultural Production

Agricultural production includes, but is not limited to the following activities when they result in a product that will ultimately be sold at retail:

- Floriculture – cultivating flowering plants
- Horticulture – cultivating fruits, vegetables, and plants
- Silviculture – the care and cultivation of forest trees

Persons in the business of agricultural production may buy certain items without paying tax. This applies to items used or consumed in the production process, whether or not they become part of the product produced.

To claim exemption, you must give the seller a completed Form ST3, *Certificate of Exemption*. Specify the Agricultural production exemption.

For more information, see the Agricultural and Farming Industry Guide.

## Items That Qualify for Exemption

### Crop Inputs

- Chemicals used in agricultural production
- Seeds, trees, fertilizers, and herbicides, including when purchased for used by farmers in a federal or state conservation program
- Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process
- Soil and soil amendments including peat

### Machinery and Greenhouse Fuel

- Fuels, electricity, gas, and steam used or consumed in the production process. Specifically, the exemption applies to energy used for excess climate control or specialized lighting necessary to produce agricultural products.
- Petroleum products and lubricants

## Temporary Greenhouse Coverings

- Ground cover
- Poly film (short lived, pliable plastic film used on temporary greenhouses) and fastening supplies
- Shade cloth and heat retention cloth
- Shade compounds and greenhouse paints

To qualify for exemption, temporary greenhouse coverings must be consumed in agricultural production. Permanent greenhouse coverings, including glass and polycarbonate are taxable. Greenhouse building materials, including portable framing materials, are taxable.

**Accessory tools, equipment, and other short-lived items** are exempt if all three of the following requirements are met:

- Are separate, detachable units
- Produce a direct effect on the product
- Have a useful life of less than 12 months when used continuously in production under normal conditions

**Other Items Sold with the Product** (may be purchased exempt for resale)

- Bamboo and other support material
- Non-returnable packaging materials including plant pots, containers, plant sleeves, and decorative pot covers
- Non-returnable pallets
- Product labels and other marking materials

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## Farm Machinery

New and used farm machinery is exempt from sales tax. This exemption applies to new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in nursery and greenhouse product of plants for sale at retail. To qualify the machinery must meet the definition of farm machinery and must be used directly and principally in agricultural production.

Principally means the equipment must be used 50% or more of its operating time in agricultural production.

Certain machinery and equipment purchased for the production of nursery and greenhouse crops are exempt. To claim the exemption, give your supplier a completed Form ST3, *Certificate of Exemption*. Specify the Farm machinery exemption.

### Examples of Exempt Farm Machinery

#### Irrigation and Application Equipment

- Application sprayers, foggers and nozzles, shutoff valves, hoses
- Automatic watering systems including poly pipe and fittings, misting nozzles, controllers and timers
- Backflow preventers
- Capillary water mats
- Fog nozzles and shutoff valves
- Hoses and water wands
- Sprayers and foggers

#### Climate Control Equipment

- Evaporative cooling equipment
- Climate control systems, including light meters and temperature alarms necessary to the system
- Greenhouse heaters and fans
- Special greenhouse lighting for growing plants

#### Production Equipment (propagation, spoil preparation, and plant preparation equipment)

- Carts for movement of plants within the production area
- Conveyors used within the production area
- Potting machines
- Propagation mats and thermostats
- Seeders
- Soil mixers and potting machines
- Soil sterilizer machinery

### Other Qualifying Machinery

- Cultivators
- Front end loaders and forklifts used in production areas
- Harvesting equipment and accessories
- Planters
- Production loaders and forklifts
- Specialized greenhouse benches
- Tractors
- Weed control implements

### Examples of Taxable Items

- Building materials
- Carts for movement of plants within retail area
- Communication equipment and cell phones
- Equipment used primarily in retail areas
- Hand tools such as pruners, rakes, shears, and shovels
- Landscaping equipment
- Lawn mowers (unless used in production of sod for sale)
- Motor vehicles
- Office and retail equipment
- Polycarbonate and glass greenhouse coverings
- Safety equipment including gas masks, goggles, and respirators
- Shop equipment and tools
- Snow blowers
- Tarps
- Tires
- Watering cans
- Welding equipment

### ATV's

Generally, all-terrain vehicles (ATV's) do not qualify for the farm machinery exemption. However, when an ATV is used directly and principally in agricultural production, it qualifies for the farm machinery exemption.

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### Repair and Replacement Parts

There is an exemption for repair and replacement parts, except tires, used for the maintenance and repair of farm machinery if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery.

The exemption applies only to repair and replacement parts used on farm machinery that qualifies for exemption. The purchaser must be in the business of agricultural production to claim this exemption. Tires are not included in the exemption.

To claim the exemption, give your supplier a completed Form ST3, *Certificate of Exemption*. Specify the Farm machinery exemption.

For more information, see the Agricultural and Farming Industry Guide.

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### Use Tax

If you buy taxable items or services that are used, stored, or consumed in Minnesota without paying sales tax, you owe use tax. If you buy taxable items and pay another state's sales tax at a lower rate, you owe use tax based on the difference in tax rates. For more information, see the *Use Tax for Businesses Fact Sheet*.

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### Local Sales and Use Taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see the Local Sales and Use Tax Guide.

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### How to Report Sales and Use Tax

You must report state and local sales and use taxes online through e-Services at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

**Legal References**

Minnesota Statute 297A.61

subd. 12, Farm machinery

subd. 36, Agricultural production

Minnesota Statute 297A.69

subd. 2, Material consumed in agricultural production

subd. 3, Farm machinery repair parts

subd. 4, Farm machinery

Minnesota Rule 8130.1100, Utilities and residential heating fuels

Minnesota Rule 8130.5500, Agricultural and industrial production

**Fact Sheets**

*Use Tax for Businesses*

**Guides**

Agricultural and Farming

Local Sales and Use Tax