

Ruling 96-03

Vermont Department of Taxes

Date: March 7, 1996

Written By: Gloria Hobson, Business Taxes Policy Analyst

Approved By: Edward W. Haase, Commissioner of Taxes

You requested a formal ruling on the applicability of Vermont's sales and use tax to items sold by your company. The ruling is based on the facts contained in your letters of December 29, 1995 and February 21, 1996.

Issue: Do composting equipment and supplies sold to farmers qualify for exemption from sales and use tax under 32 V.S.A. Section 9741(25) as agricultural equipment and machinery?

Facts: [Taxpayer] sells five types of products to farmers that make compost from manure or crop residues. The farmer may sell the compost or use it for soil amendment on the farm. The five products are:

1. Compost Turning Machines mix and aerate the composting ingredients during the composting process.
2. Compost Bulking Agents create conditions conducive for composting dairy manure.
3. Compost Monitoring Devices monitor temperature, moisture, and chemical content to evaluate the composting process.
4. Pile-Shaper Spreader Attachments hitch to manure spreaders to create compost windrows of proper size and shape to assure optimal composting of materials.
5. Compost Covers are placed on compost windrows to maintain appropriate temperature and moisture conditions and destroy pathogens and weed seeds during the composting process.

The covers are rated to last two to seven years under normal conditions.

Ruling: The compost turning machine, pile-shaper spreader attachments, compost monitoring device and compost covers are exempt as agricultural machinery and equipment under 32 V.S.A.

Section 9741(25). The compost bulking agents of sawdust, wood chips, horse manure mixed with bedding, mulch, soybean and other straw, and corn stover are exempt under 32 V.S.A. Section 9741(3).

Vermont exempts agricultural machinery and equipment under 32 V.S.A. Section 9741(25) when used directly and exclusively in the production for sale of tangible personal property on farms. The compost turning machine, pile-shaper spreader attachment, and compost covers qualify as agricultural machinery and equipment as they produce either a product for sale or a product used to cause the growth of productive plants. These items are used directly and exclusively to cause other property to become a constituent or part of a farm product. Regulations 1.9741(25)-2(j) and 1.9741(25)-4. When the compost is sold, the machinery and equipment is used directly and exclusively to produce an agricultural product for sale. If the farmer uses the compost as soil amendment to land used to grow vegetables or grains that are either sold or used to feed productive agricultural animals, then the composting machinery and equipment are part of the direct production process. The composting machinery and equipment meets the requirements of being involved in direct production under Regulation 1.9741(25)-2(j) which cites as example items used "...to care for and cause the growth of productive plants ... " The compost monitoring device is exempt as equipment used to test and inspect an agricultural product during the farm production cycle. Regulation 1.9741(25)-5.

The bulking agents used in composting are wood chips, sawdust, mulch, soybean and other straw, corn stover, horse manure mixed with bedding. Wood chips, sawdust, mulch, soybean and other straw are considered bedding and exempted by 32 V.S.A. Section 9741(3). The corn stover would be exempted as agricultural feed and the horse manure mixed with bedding as fertilizer under 32 V.S.A. Section 9741(3). This law section exempts categories of materials and the exemption is not contingent upon the use of the material being used as bedding, feed, or fertilizer. However, other additives used in the composting process may be taxable if they do not qualify under 32 V.S.A. 9741(3).

This ruling is issued solely to your business and is limited to the facts presented as affected by current statutes and regulations. Other taxpayers may refer to this ruling to determine the Department's general approach, but the Department will not be bound by this ruling in the case of any other taxpayer or in the case of any change in the relevant statute or regulations.