

Agricultural Machinery, Equipment & Supplies: Taxable or Tax Exempt?

When purchasing agricultural machinery, equipment, and supplies, it may not be obvious to the seller or purchaser whether the item is subject to Vermont Sales Tax or whether it is exempt from tax. This fact sheet provides a brief series of questions that the Vermont Department of Taxes has created to help you determine whether an item is taxable or qualifies for the exemption for agricultural machinery, equipment, and supplies.

Questions for Agricultural Machinery & Equipment (see questions for agricultural supplies on the reverse side)

Please use the questions below to determine whether an item qualifies for the exemption for agricultural machinery and equipment.

Note to purchaser: This is a *use-based* exemption. The exemption is determined by how the machinery and equipment is actually used in an agricultural business. The item may be taxable if you do not use the item exactly as required by the questions stated here.

Note to seller: The burden of proving whether or not an exemption applies to the machinery and equipment being sold is on the person required to collect tax—the seller.

If the answer is “yes” to all of the questions stated below, the seller may accept an exemption certificate for agricultural

machinery and equipment. You are not required to collect tax for the item as long as you obtain a fully completed and accurate exemption certificate from the purchaser at the time of the transaction.

Please be aware that a seller is liable for unpaid sales tax if an exemption certificate is not obtained in good faith. For example, a seller is not relieved from tax liability if it commits fraud or solicits a purchaser to commit fraud by unlawfully claiming an exemption.

1. Is it machinery or equipment? Note that agricultural supplies are not machinery or equipment. Please see the reverse side for questions about supplies.

Yes Continue to question #2.

No Stop! The exemption for agricultural machinery and equipment does not apply.

2. Will it be used on a farm, orchard, nursery, or in a greenhouse or other similar structure used primarily for the raising of agricultural or horticultural commodities for sale? “Farm” means an enterprise using land and improvements for agricultural and horticultural production for the sale of tangible personal property. Operations for food processing, logging and lumbering, cheese making, stockyards and slaughterhouses, and pet or sport-animal breeding are *not* farms.

Yes Continue to question #3.

No Stop! The exemption for agricultural machinery and equipment does not apply.

3. Will it be used in producing crops, dairy products, maple syrup, or raising livestock for sale?

Yes Continue to question #4.

No Stop! The exemption for agricultural machinery and equipment does not apply.

4. Will it be used to produce tangible personal property *for sale*? Note that tangible personal property which is consumed for personal use or is given away is not considered to be “for sale.”

Yes Continue to question #5 on second side.

No Stop! The exemption for agricultural machinery and equipment does not apply.

5. Will it be used *predominately* in the production of tangible personal property for sale?

“Predominately” means the machinery or equipment is used to produce tangible personal property for sale 75% or more of the time it is in use. Use of the machinery before or after production is not a qualifying use. Maintenance, cleaning, transportation, land clearing, construction, and building repair are not considered to be part of production.

Yes If all five questions are answered “yes,” the item being purchased is exempt from Vermont Sales Tax.

No Stop! The exemption for agricultural machinery and equipment does not apply.

Questions for Agricultural Supplies

Please use the questions below to determine whether an item qualifies for the exemption for agricultural supplies. Be sure to read the notes that follow the questions for further instruction.

1. Does the item fall within one of the following categories of supplies: agriculture feeds, seed, plants, baler twine, silage bags, agricultural wrap, sheets of plastic for bunker covers, liming materials, breeding and other livestock, semen breeding fees, baby chicks, turkey poults, agriculture chemicals other than pesticides, veterinary supplies, and bedding? Fertilizers and pesticides are addressed below.

Yes Continue to question #2.

No Stop! The exemption for agricultural supplies does not apply.

2. Is the item typically used in agriculture? Items are not typically used for agriculture when they are more commonly used for non-farming activities. Examples: grass seed, flowering plants, and pet food.

Yes The item is typically used in agriculture. The item is not subject to tax and may be purchased without an exemption certificate.

No The item is *not* typically used in agriculture. Continue to question #3 to determine if the item can be purchased with an exemption certificate.

3. For items that are not typically used in agriculture, does the purchaser intend to use it for an agricultural purpose?

“Agricultural purpose” means that the purchaser will use it to produce crops, farm products, or livestock for resale.

Yes The item may be purchased with a complete and accurate exemption certificate.

No Stop! The exemption for agricultural supplies does not apply.

Note for fertilizers and pesticides: Fertilizers and pesticides are only exempt if they are used to produce tangible personal property for sale on farms. Accordingly, an exemption certificate is required.

Please review the following list of examples of taxable protective gear: Some clothing is exempt from sales tax but protective gear is not. The following items are sometimes used on farms and are *taxable* protective gear:

- breathing masks
- face shields
- protective gloves
- goggles
- hearing protectors
- helmets
- safety belts
- tool belts

If you have questions about how to properly apply the Vermont Sales Tax on purchases of agricultural machinery, equipment, and supplies, contact the Vermont Department of Taxes at tax.business@vermont.gov or (802) 828-2551. You may also visit our website at tax.vermont.gov for information and to obtain Form S-3A, Vermont Sales Tax Exemption Certificate for Agricultural Fertilizers, Pesticides, Machinery & Equipment.

