

# FARM Library

Financial and Risk Management Database

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## Sales Tax Exemption For Agricultural Repair Parts

### New Legislation

LB 96 was passed this year in the Nebraska State Legislature that will make the sales of all repair and replacement parts used to repair agricultural machinery and equipment exempt from sale tax. This legislation will go into effect on October 1<sup>st</sup>, 2014.

Any repairs made prior to October 1<sup>st</sup>, 2014 will still be subject to sales tax. Repairs prior to that date that must be capitalized (put on your depreciation schedule) are still eligible for a refund. In other words, if you made a repair to a piece of farm equipment that substantially increased the value and life of the asset causing to be classified as a capital purchase, you can file for a refund of the sales tax paid. Prior to October 1<sup>st</sup>, 2014, this is the only way to get repairs free from sales tax.

### Qualifying Assets

For repairs to be exempt from sales tax, the repair must be done on agricultural machinery & equipment used in commercial agriculture. To be defined as commercial agriculture, you “must be in the business of producing food producers or other useful and valuable crops, or raising animal life.” This does include commercial production in greenhouses, nurseries, tree farms, sod farms and feedlots, but does not include commercial elevators or animals held in stockyards or sale barns.

The asset itself must also be a qualifying asset. Those that qualify must be “tangible personal property that is used DIRECTLY in cultivating or harvesting a crop, raising or caring for animal life or collecting or processing an agricultural product on the farm or ranch”. This means assets such as four-wheelers, utility vehicles, lawn mowers and other farm assets that are not directly tied to production will not meet the exemption for sales tax.

The state has an information guide available with a list of items that do and do not qualify for the sale tax exemption at the following link: <http://www.revenue.nebraska.gov/info/6-368.pdf>

## Procedure

To be eligible for an exemption from sales tax, you must provide your vendor with a Nebraska Form 13. You can find these at <http://www.revenue.nebraska.gov> by searching for "Form 13". As the agricultural producer, you will be responsible for providing these to each vendor prior to purchases. When you are completing the form, you can designate whether this is a single purchase or a blanket. If you select "Blanket", the certificate stays in effect until you notify the vendor in writing that it needs to be revoked. You must also select "Exempt Purchase" and completed Section B of the form. You will also mark that you are exempt based on category 2. For most repairs, you will select that "No" the tax was not paid when purchased and "No" the item was not depreciable.

There will likely be some adjustments as this law takes effect, but it should be a fairly simple adjustment after you have issued the Form 13 to all your vendors.