



Exemptions for Farmers and Commercial Horse Boarding Operators

Introduction

Farmers and commercial horse boarding operators can buy certain items and services without paying state and local sales or use taxes. This bulletin:

- identifies what purchases are exempt from tax,
- identifies what purchases are eligible for a refund or credit of tax, and
- describes what exemption or other documents should be used to make these purchases or apply for refunds or credits.

Definitions

The word *farming* covers many different activities, including:

- agriculture, floriculture, horticulture, aquaculture, viniculture, viticulture, and silviculture;
- stock, dairy, poultry, fruit or vegetable, graping, truck, and tree farming (e.g., maple trees or Christmas trees);
- ranching;
- raising fur-bearing animals;
- operating orchards;
- raising, growing, and harvesting crops, livestock, and livestock products; and
- raising, growing, and harvesting woodland products including logs, timber, lumber, pulpwood, posts, and firewood.

A *commercial horse boarding operation* is a business that:

- operates on at least seven acres;
- boards at least 10 horses (regardless of ownership); and
- receives \$10,000 or more in gross receipts annually from fees generated from:
 - the boarding of horses; or
 - the production for sale of crops, livestock, and livestock products; or
 - both these activities.

A commercial horse boarding operation does not include any operation where the primary on-site function is horse racing.

Farm production begins with the preparation of the soil or other growing medium, or with the beginning of the life cycle for animals. Farm production ends when the product is ready for sale in its natural state. For farm products that will be converted into other products, farm production ceases when the normal development of the farm product has reached a stage where it will be processed or converted into another product.

Example: *Production ends when cattle are ready to be processed into meat; raw milk into butter, cheese or bottled milk; grapes into wine or juice, etc.*

Exemption certificates and refunds

To make qualifying purchases, other than motor fuel and diesel motor fuel, without paying sales tax, a farmer or commercial horse boarding operator must fill out [Form ST-125, Farmer's and Commercial Horse Boarding Operator's Exemption Certificate](#), and give it to the seller. See below for special rules for purchases of motor fuel and diesel motor fuel.

Any sales tax paid on a purchase that otherwise qualifies for the exemption can be refunded. See Tax Bulletins [How to Apply for a Refund of Sales and Use Tax \(TB-ST-350\)](#), and [Sales Tax Credits \(TB-ST-810\)](#).

Machinery, equipment, and supplies

A farmer's or commercial horse boarding operator's purchase of tangible personal property, such as machinery, equipment, and supplies, is exempt from sales tax if the property is used or consumed predominantly (more than 50% of the time) in farm production or in commercial horse boarding operations.

Property that can be purchased exempt from sales tax includes, but is not limited to:

- bale throwers
- barn cleaners
- barn ventilators
- beekeeping supplies
- blowers
- bulk milk tanks
- combines
- conveyors
- electrical systems
- farm wagons and carts
- feed and feed troughs
- fertilizers
- grain bins and tanks
- grain drills
- harvesters
- irrigation pipes and fittings
- livestock bedding
- manure spreaders
- parts and tools for farm equipment
- piping systems
- plants, seeds, and other propagative materials
- plows
- sprayers
- tack
- tractors

Computers

A computer that will be used predominantly in either farm production or in a commercial horse boarding operation, or in both, can be purchased without the payment of sales tax. This includes a computer used predominantly to:

- turn milking machines on and off;
- direct machinery and equipment used for measuring and delivering feed to livestock;
- turn irrigation systems on and off;
- maintain animal feed, weight, and health records; or
- perform agricultural research.

Vehicles

Motor vehicles, trailers, ATVs, boats, and snowmobiles that are used predominantly in farm production or in a commercial horse boarding operation, or in both, are exempt from sales and use taxes. In order to be exempt, the vehicle, trailer, ATV, boat, or snowmobile must be used for farm production on property actually farmed or on property actually used in a horse boarding operation, or both. Usage can be measured by hours of use or by miles traveled.

Building materials

Building materials that will be used to build, add to, improve, install, maintain or repair real property used predominantly in farm production or in a commercial horse boarding operation, or in both, can be purchased without paying sales tax. These tax-free purchases may be made by a farmer or commercial horse boarder, or by a contractor hired to do the work. **Note:** The exemption for purchases of building materials by contractors, subcontractors, or repairmen is available only if the materials become an integral component part of a building, structure, or real property used predominantly in farm production or in a commercial horse boarding operation, or in both.

Examples would be purchases of materials to build or repair:

- animal barns,
- hay and feed storage barns,
- barns or garages to park and store farm production equipment,
- fences,
- silos, and
- greenhouses.

A contractor, subcontractor or repairman should use [Form ST-120.1](#), *Contractor Exempt Purchase Certificate*, to make qualifying exempt purchases.

Services

Charges for installing, maintaining, servicing, or repairing tangible personal property, or for maintaining, servicing, or repairing real property, used or consumed predominantly in farm production or in a commercial horse boarding operation, or in both, are also exempt from sales and use taxes.

Example: *A commercial horse boarder hires a contractor to repair the roof on a stable used to house horses. This repair service is exempt.*

Example: *A farmer hires a contractor to perform maintenance on the farm's irrigation system. This maintenance service is exempt.*

Example: *A farmer hires a contractor to install a fence to keep cows in a pasture. This installation service is exempt from tax.*

Utilities

Utilities used or consumed in farm production or in a commercial horse boarding operation, or in both, are also exempt from sales and use taxes. This includes:

- non-highway diesel motor fuel (but not motor fuel or highway diesel motor fuel);
- gas (natural gas, propane, etc.);
- electricity;
- refrigeration;
- steam; and
- gas, electric, refrigeration and steam services.

Non-highway diesel motor fuel that is used in farm production or in a commercial horse boarding operation, or in both, can be purchased exempt from sales and use taxes by giving the seller [Form FT-1004](#), *Certificate of Purchases of Non-Highway Diesel Motor Fuel or Residual Petroleum Product for Farmers and Commercial Horse Boarding Operations*.

Motor fuel and highway diesel motor fuel

Motor fuel (gasoline) and *highway diesel motor fuel* cannot be purchased without paying sales tax. However, a farmer or commercial horse boarder can use [Form FT-500, Application for Refund of Sales Tax Paid on Petroleum Products](#), to claim a refund of sales tax paid on these products when used in farm production or in a commercial horse boarding operation, or in both.

Additionally, a farmer (but not a commercial horse boarder) can use [Form FT-420, Refund Application for Farmers Purchasing Motor Fuel](#), to claim a refund of the motor fuel excise tax, the petroleum business tax, and the sales tax on motor fuel (but not diesel motor fuel) used *directly and exclusively* in farm production.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Sections 1101(b)(19), 1101(b)(20), 1115(a)(6), (15) and (16), 1115(c)(2), and 1115(j)

Regulations: Section 528.7

Memoranda:

[TSB-M-00\(8\)S](#), *Farmers and Commercial Horse Boarding Operations*

[TSB-M-18\(1\)S](#), *Summary of Sales and Use Tax Changes Enacted in the 2018-2019 Budget Bill*

Bulletins:

[How to Apply for a Refund of Sales and Use Tax \(TB-ST-350\)](#)

[Sales Tax Credits \(TB-ST-810\)](#)