

Chapter Three

Taxability of Agriculture-Related Items

GR-41. RAW FARM PRODUCTS GROWN IN ARKANSAS

Gross receipts derived from sales of raw products including Christmas trees, produced or grown at a farm, orchard, or garden in Arkansas are exempt from tax.

1. The sale of the products is made by the producer directly to the customer from the farm..
2. The sale is not from an established business located off the farm.
3. Grass sod is not a raw farm product.

GR-42. DAIRY, LIVESTOCK (INCLUDING DOMESTICATED FISH),POULTRY PRODUCTS

1. Gross receipts derived from the sale of baby chickens in Arkansas are exempt from the tax.
2. Gross receipts derived from the sale of livestock including domesticated fish by producers at special livestock sales are exempt from the tax.

Livestock includes cattle, horses, mules, sheep, hogs, and any other animals kept for commercial use or profit.

3. Gross receipts derived from the sale of dairy products by a dairy product producer are exempt from the tax.
 - A. Dairy product producer must own less than six (6) dairy cows.
 - B. The dairy products must be produced in Arkansas and sold by the producer directly to the consumer from the farm.
 - C. The sale cannot be from an established business located off the farm.
4. Gross receipts derived from the sale of poultry products are exempt from the tax.
 - A. The poultry or poultry products must be produced in Arkansas.
 - B. The products must be produced in Arkansas and sold by the producer directly to the consumer from the farm.
 - C. The sale cannot be from an established business located off the farm.

GR-43. COTTON GIN BALING MATERIALS, AGRICULTURAL SEED & TOMATO TWINE (AMENDED 11/6/95)

1. Gross receipts derived from the sale of bagging, packaging and tie materials sold to, and used by, cotton gins in Arkansas are exempt from the tax.
 - A. Must be used for packaging and tying, or for packaging or tying baled cotton in Arkansas.
 - B. Twine used in production of tomato crops in Arkansas is also exempt from the tax.
2. Gross receipts derived from the sale of cotton, seed cotton, lint cotton, or baled cotton (whether compressed or not) are exempt from the tax.
3. Gross receipts derived from the sale of cotton seed in its original condition are exempt from the tax.
4. Gross receipts derived from the sale of seed to be used in the commercial production of any agricultural product, or in the commercial production of any agricultural seed are exempt from the tax.
 - A. This includes the sale of seedlings used in the commercial production of timber.
 - B. Commercial production means that the purchaser of the seed or seedling is engaged in the business of growing agricultural products including the production of timber.
 - C. Agricultural means operations engaged in for the production of food, fiber, or timber.

GR-45. CERTAIN PRODUCTS USED FOR LIVESTOCK AND POULTRY (AMENDED 11/6/95)

Gross receipts derived from sales of agricultural fertilizer, agricultural limestone, and agricultural chemicals are exempt from the tax. Agricultural chemicals includes but is not limited to:

1. Agricultural pesticides and agricultural herbicides.
2. Vaccines, medications, and medicinal preparations used in treating livestock and poultry.
3. Pesticides and herbicides used in and around poultry and other animal houses.
4. Agricultural chemicals and fertilizer used in the commercial production of timber are exempt.

Gross receipts derived from sales of feedstuffs used in growing and producing livestock or poultry for commercial production in Arkansas are exempt from the tax.

1. Feedstuffs includes:
 - A. Processed or unprocessed grains.
 - B. Mixed or unmixed grains.
 - C. Whole or ground hay, whole or ground straw.
 - D. Hulls, whether mixed with other materials or not.
 - E. Food supplements including hormones, antibiotics, vitamins, minerals, and medications.
2. Food supplements need not be nutritious or for medicinal purposes.
3. Livestock includes cattle, horses, mules, sheep, hogs, and any other animals kept for commercial use or profit.

GR-51. EXEMPTION FROM TAX - FARM MACHINERY AND EQUIPMENT

The gross receipts derived from the sale of new and used farm equipment and machinery is exempt from sales tax.

Farm equipment and machinery means agricultural implements used exclusively and directly for the agricultural production of food or fiber as a business.

1. Exclusively means the implement is used on land owned or leased for the purpose of agricultural production of food or fiber as a business.

A person who uses agricultural implements in the production of food or fiber primarily for his own consumption is not entitled to the exemption.

2. Directly means those implements used in the actual agricultural production of food or fiber to be sold in processed form or otherwise at retail, or machinery and equipment used in the agricultural production of farm products to be fed to livestock or poultry which is to be sold ultimately in processed form or at retail.

The following implements are exempt from the tax although this list is not intended to be all inclusive:

1. Combines, cotton pickers, cotton module builders, cotton trailers.
2. Cultivators, discs, farm tractors (not garden tractors), harrows.
3. Irrigation equipment (pipes, hoses, pumps, gates, and other equipment which is movable and does not become affixed to real property).

Irrigation equipment which is designed or intended to be permanently attached or incorporated into real property is not exempt.
4. Milking equipment, milking machines.
5. Mechanical pickers, planters, plows.
6. Rotary hoes, sprayers, spreaders, and threshing machines.
7. All terrain vehicles that are not subject to licensing and registration for use on highways.
8. Machinery and equipment used in poultry grow-out houses.
 - A. Heaters, cages, feeding systems.
 - B. Storage bins for short term storage of feed..
 - C. Medicators and watering systems.
 - D. Augers.
 - E. Fans and generators.
 - F. Temporary Cattle Panels, chutes and head gates
9. Equipment used by egg and poultry producers in farming operations.
 - A. Egg racks.
 - B. Poultry loaders, and module coop systems.

The following implements are not exempt:

1. Containers, storage facilities (except see 8(B)).
2. Implements used in the severance of timber.
3. Cattle Panels, chutes and head gates fixed to real property.
4. Any motor vehicle of a type subject to registration for use on the highway.
5. Airplanes.
6. Hand tools.
7. Attachments to and accessories not essential to the operation of the equipment itself and purchased separately from the original equipment purchase.
8. Items which are incorporated into real property.
9. Repair labor and repair parts.

Each purchaser of farm machinery and equipment must certify in writing that he is engaged in farming and the farm machinery and equipment will be used only in farming.

Act 1033 of 1999 exempts from sales tax the purchase of farm equipment and machinery sold to grass sod farmers and nurserymen.

Act 1334 of 1999 exempts from sales tax the first \$ 50,000 of the purchase price of sales of machinery or equipment and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber. The exemption does not apply to purchases of repair or replacement parts. It applies only to off-road equipment.