

SECTION 8 - FARMING

8-1 AGRICULTURAL EXEMPTIONS AND EXCLUSIONS

A. The retail sale and the storage, use, or consumption of the following tangible personal property is exempt from tax in this State:

1. commercial fertilizer, lime, land plaster, seeds, plastic mulch, plant bed covers, potting soil (**effective January 1, 2006**), and baler twine (**effective October 1, 2007**) sold to farmers for agricultural purposes;
2. horses or mules sold to farmers for agricultural purposes;
3. The following substances, when purchased for use on animals or plants, as appropriate, held or produced for commercial purposes, are exempt from tax. The exemption **does not** apply to any equipment or devices used to administer, release, apply, or otherwise dispense these substances:
 - a. remedies, vaccines, medications, litter materials, and feeds for animals;
 - b. rodenticides, insecticides, herbicides, fungicides, and pesticides;
 - c. defoliant for use on cotton or other crops;
 - d. plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents, for tobacco and other crops.
4. products of forests and mines in their original or unmanufactured state when such sales are made by the producer in the capacity of producer;
5. cotton, tobacco, peanuts, or other farm products sold to manufacturers for further manufacturing or processing;
6. baby chicks and poults sold for commercial poultry or egg production;
7. products of a farm sold in their original state by the producer of the products if the producer is not primarily a retail merchant and ice used to preserve agriculture, aquaculture, and commercial fishery products until the products are sold at retail;
8. any of the following:
 - a. commercially manufactured facilities to be used for commercial purposes for housing, raising, or feeding of animals or for housing equipment necessary for these commercial activities;
 - b. building materials, supplies, fixtures, and equipment that become a part of and are used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities;
 - c. commercially manufactured equipment, parts, and accessories for the equipment, used in a facility that is exempt from tax under this subdivision or in

an enclosure or a structure whose building materials are exempt from tax under this subdivision;

- d. the lease or rental of tobacco sheets used in handling tobacco in the warehouse and transporting tobacco to and from the warehouse.

History Note: Authority G.S. 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: April 1, 2008; January 1, 2007; July 1, 2005;
December 1, 2002; June 1, 2002; October 1, 1999;
October 15, 1998; January 6, 1997.

8-2 MACHINES AND MACHINERY AND OTHER ITEMS SOLD TO FARMERS

- A. The word “**farmer**” as used in this Bulletin includes dairy operators, poultry farmers, egg producers, farmers who raise fish or water plants, livestock farmers, crop farmers, nurserymen, greenhouse operators, orchardmen, and other persons coming within the generally accepted definition of the word. It does not include a person who merely cultivates a garden for personal use.

Note: For the definition of “**agricultural**,” see Sales and Use Tax Technical Bulletin 10-1.

- B. Sales to farmers of farm machinery, attachment, and repair parts for farm machinery, and lubricants applied to farm machinery for use by them in planting, cultivating, harvesting, or curing of farm crops including nursery or greenhouse stock and products of the forest, or to dairy operators, poultry farmers, egg producers, and producers of animals are exempt from sales and use tax. Sales of farm machinery, attachment, and repair parts for farm machinery, and lubricants applied to farm machinery to farmers for any purpose or use not defined in G.S. 105-164.13(1), or to any person other than a farmer as herein defined, even though for a use or purpose herein defined, are subject to the general rate of State tax and any applicable local sales or use tax without limitation. To qualify for the exemption, the transaction must be a sale of farm machinery, attachment, and repair parts for farm machinery, and lubricants applied to farm machinery to a farmer for one of the uses or purposes herein defined and unless all three conditions are met, the sale is subject to the general rate of State tax and any applicable local sales or use tax without limit. **(Prior to January 1, 2006, qualifying farm machinery, attachment, and repair parts for farm machinery, and lubricants applied to farm machinery were subject to a 1% State tax with a maximum tax of \$80.00 per article.)**

C. Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E

- 1. The **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, is to be properly executed by a farmer or producer and accepted by a vendor as the vendor's authority for exempting sales, leases, or rentals of qualifying farm machinery; attachment and repair parts for farm machinery; lubricants applied to farm machinery; containers; or other qualifying farm items listed in G.S. 105-164.13.
- 2. Farmers and producers purchasing, leasing, or renting exempt tangible personal property or purchasing packaging materials which are exempt from sales and use tax shall furnish to a retail or wholesale merchant either:
 - a. a **Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E**, or
 - b. other evidence in writing adequate to support exempting a sale from the tax.

3. When a customer makes a qualifying purchase of an item and executes a Certificate of Exemption which is then furnished to the vendor, the vendor is relieved of the liability for any additional tax that is subsequently determined to be due and the purchaser has assumed liability for the tax. This is not the case if the vendor does not have a properly executed Certificate of Exemption or other evidence in writing adequate to support a full or partial exemption on file. In the absence of proper documentation, the vendor can be held liable for any additional tax determined to be due on a transaction.

D. Examples of sales of farm machinery, attachment, and repair parts for farm machinery, and lubricants applied to farm machinery that are exempt from tax when sold to farmers for use by them in planting, cultivating, harvesting, or curing farm crops are listed below. Prior to January 1, 2006, these items were subject to a 1% State rate of tax with a maximum tax of \$80.00 per article.

1. balers (not tobacco balers);
2. chain saws;
3. combines;
4. corn and hay elevators;
5. corn pickers and snappers;
6. cotton pickers;
7. cultivators;
8. fertilizer distributors;
9. forage blowers;
10. grain loaders;
11. harrows;
12. harvester threshers;
13. harvesters;
14. hydraulic fluids;
15. manure loaders;
16. manure spreaders;
17. mechanical rakes;
18. motor oils, greases, lubricants, and anti-freeze;
19. mowers;
20. non-highway trailers;
21. planters;
22. platform carriers;
23. plows;
24. portable insecticide sprayers;
25. power loader lifts;
26. rod weeders;
27. rotary hoes;
28. rotary tillers;
29. seeders;
30. shredders for corn stalks;
31. stalk cutters;
32. tobacco curers;
33. tobacco flues;
34. tobacco transplanters;
35. tobacco trucks or slides;
36. tractors;
37. wagons; and
38. wind-rowers.

This list is not intended to be exclusive and is for illustrative purposes only.

E. The following sales of tangible personal property to farmers are exempt from tax. Prior to January 1, 2006, sales of these items to farmers were subject to a 1% State rate of tax with an \$80.00 maximum per article of merchandise:

1. sales to farmers of bulk tobacco barns, racks, and all parts and accessories thereto and similar apparatus used for the curing and drying of tobacco or another crop;
2. sales to farmers of grain, feed, or soybean storage facilities and accessories thereto, whether or not dryers are attached, and all similar apparatus and accessories thereto for the storage of grain, feed, or soybeans; and
3. sales of containers to farmers and producers for use in the planting, producing, harvesting, curing, marketing, packaging, selling, transporting, or delivering of their products. Containers that go with and become a part of the sale of their products at wholesale or retail continue to be exempt from tax.

F. Examples of items subject to the general rate of State tax and any applicable local sales or use tax when sold to farmers:

1. baler twine (other than packaging material); (**effective October 1, 2007** baler twine is exempt);
2. drainage tile;
3. lawn mowers;
4. oil storage tanks and fittings;
5. paint, cleaning compounds and brushes;
6. snow plows;
7. tobacco balers;
8. tobacco sheets;
9. tobacco sticks and tobacco twine; and
10. tools for maintaining machinery and equipment.

This list is not intended to be exclusive and is for illustrative purposes only.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: April 1, 2008; January 1, 2007; July 1, 2005;
December 1, 2002; June 1, 2002; October 1, 1999;
May 10, 1999.

8-3 CERTAIN SALES TO COMMERCIAL ANIMAL FARMERS

A. In accordance with G.S. 105-164.13(4c), the following items are exempt from tax:

1. commercially manufactured facilities to be used for commercial purposes for housing, raising, or feeding animals or for housing equipment necessary for these commercial activities;
2. building materials, supplies, fixtures, and equipment that become a part of and are used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities;

3. commercially manufactured equipment, and parts and accessories for the equipment, used in a facility that is exempt from tax under this subdivision or in an enclosure or a structure whose building materials are exempt from tax under this subdivision.
- B.** For the purpose of this Bulletin, the word “**animal**” means swine, cattle, horses, mules, sheep, chickens, turkeys and other similar domestic animals, fowl, and fish usually held or produced for commercial purposes. The word “**commercial**” means “**held or produced for income or profit**” and does not include the production of animals for one's personal use or consumption and not for sale.
- C. The following are examples of commercially manufactured equipment, parts and accessories therefor which are exempt from sales and use tax in accordance with G.S. 105-164.13(4c) when placed or installed in or affixed to a commercially manufactured facility, enclosure or structure:**
1. animal clippers and parts therefor to animal farmers for use in the production of animals;
 2. cooling fans;
 3. egg cooling cabinets for housing, raising, or feeding poultry;
 4. feed mills;
 5. mechanical barn cleaners;
 6. scales; and
 7. silo unloaders.

This list is not intended to be exclusive and is for illustrative purposes only.

D. Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E

1. This certificate may be completed by a commercial animal farmer and by a contractor or subcontractor performing work encompassed in a contract for such farmers and accepted by a vendor in support of the exemption from sales or use tax for sales of the type of property described in G.S. 105-164.13(4c) and for the use described therein.
2. A commercial animal farmer making frequent purchases of such property from the same vendor shall not be required to furnish more than one certificate to that vendor in connection with such purchases as long as the property purchased is the type generally and ordinarily used by the purchaser as described in G.S. 105-164.13(4c) and provided there is no change in the character of the purchaser's business which is known to the vendor. A contractor or subcontractor shall not be required to furnish more than one certificate in connection with each construction project notwithstanding that in the performance of the contract the vendor may make multiple deliveries of the property purchased. Vendors may wish to obtain a certificate in connection with each sale of such property to purchasers who only make occasional or infrequent purchases or in connection with purchases of a questionable nature.
3. If the certificate is properly executed, a vendor is relieved of liability for any additional tax found to be due with reference to a sale for which the vendor did not charge sales tax in reliance on the certificate. By executing the certificate, the purchaser assumes liability for any sales tax subsequently determined to be due. The vendor is not protected in this manner without the certificate.
4. Vendors who do not choose to use the Certificate of Exemption must maintain other written evidence adequate to support the conclusion that a sale is exempt from tax in accordance with the provisions of G.S. 105-164.13(4c).

5. The statute presumes that all gross receipts of wholesale merchants and retailers are subject to the retail sales tax until the contrary is established by proper records. Sales invoices, purchase orders, shipping orders, delivery tickets and any other pertinent records of the vendor and vendee must be made available for examination by the Secretary of Revenue or his duly authorized agents. If the vendors fail to maintain adequate evidence in their records that the sales are exempt from tax, the vendors will be liable for the tax thereon.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: April 1, 2008; July 1, 2005; June 1, 2002;
October 15, 1998; January 6, 1997.

8-4 FUEL SOLD TO FARMERS

A. Electricity

The gross receipts derived by a utility from sales of electricity, other than receipts from the sale of electricity by a municipality whose only supplier of electric power is a federal agency and who is required by contract with that federal agency to make payments in lieu of taxes, to farmers for use by the farmer for any purpose other than preparing food, heating a dwelling or other household purpose, are subject to the 2.83% State rate of tax when measured by a separate meter or another device. **Effective October 1, 2007**, the rate is reduced from 2.83% to 1.8%. **Effective July 1, 2008**, the rate is reduced to 1.4%. **Effective July 1, 2009**, the rate is reduced to 0.8%. **Effective July 1, 2010**, sales of electricity to farmers for qualifying purposes are exempt. Such receipts are not subject to the local sales and use tax. The quantity of electricity purchased or used at any one time shall not be a determinative factor as to whether its sale or use is or is not subject to the reduced rate of tax.

- B. Sales of fuels or combustibles, other than electricity and those otherwise exempt by statute, to a farmer for use by him for any farm purpose other than preparing food, heating a dwelling, or other household purposes, are subject to the 1% State rate of sales or use tax. Fuels or combustibles include bottled gas, coal, coke, fuel oil, oxygen, acetylene, hydrogen, and liquefied petroleum gas. **Effective January 1, 2006**, fuels previously subject to the 1% State rate of tax are exempt from tax.
- C. Sales of fuel, other than electricity, to farmers for preparing food, heating a dwelling, or other household purposes are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: April 1, 2008; January 1, 2007; February 1, 2004;
June 1, 2002; January 6, 1997.

8-5 EXPERIMENTAL FARMS

North Carolina State University and the North Carolina Department of Agriculture operate experimental farms which sell the farm products they produce and therefore are classified as farmers within the generally accepted meaning of the word. The farms at Women's Prison, Caledonia Prison and its field unit also come within the classification of farmers.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996.

8-6 IRRIGATION EQUIPMENT

Irrigation equipment, including irrigation pumps, irrigation pipe, sprays, and nozzles, is farm machinery when sold to farmers; however, the entire irrigation system is not classified as a single article for sales and use tax purposes. The irrigation pump would be subject to the 1% State rate of tax with a maximum tax of \$80.00. The remainder of the irrigation system is subject to the 1% State rate of tax. **Effective January 1, 2006**, irrigation equipment sold to farmers is exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-7 TRACTORS, BACKHOES, AND DRAGLINES

Sales of tractors, backhoes, or draglines to farmers for use in the construction and maintenance of drainage facilities to promote the growth of farm crops are subject to the 1% State rate of tax with a maximum tax of \$80.00 per article. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-8 ANTIFREEZE FOR USE IN TRACTOR TIRES

Sales of calcium chloride solutions to farmers for use as an antifreeze in tractor tires are subject to the 1% State rate of tax. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-9 COTTON BAGS AND SHEETS

Sales to farmers of cotton-picking bags and cotton sheets for use in harvesting cotton are subject to the 1% State rate of tax. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-10 TOBACCO TYING MACHINES

Sales of tobacco tying machines to farmers for use in harvesting tobacco crops are subject to the 1% State rate of tax. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-11 MECHANICAL POST HOLE DIGGERS

Sales of mechanical post hole diggers to farmers for use in building fences for use in their farming operations are subject to the 1% State rate of tax. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-12 LIQUID FERTILIZER APPLICATORS

Sales of liquid fertilizer applicators to farmers for use in planting or cultivating farm crops are subject to the 1% State rate of tax. **Effective January 1, 2006**, sales of these items to farmers are exempt from tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: January 1, 2007.

8-13 EGG CLEANING DETERGENT

Sales of egg cleaning detergent to poultry farmers for use in cleaning eggs are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

8-14 SICKLE GRINDERS

Sales of sickle grinders to farmers for use are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

8-15 SNAPBEAN GRADERS

Snapbean graders are not used in the planting, cultivating, harvesting or curing of farm crops and are subject to the general rate of State tax and any applicable local sales or use tax when sold to farmers for use.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

8-16 VENTILATORS

Ventilators which have no moving parts and which are installed in tobacco barns, other than bulk tobacco barns, are subject to the general rate of State tax and any applicable local sales or use

tax. The ventilators are a part of the building or structure and are not classified as farm machines or machinery.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

8-17 RIGHT-OF-WAY EQUIPMENT

Sales of tractors and bush-cutting equipment to power companies, railroad companies, counties, cities and contractors for use in cutting and maintaining rights-of-way are subject to the general rate of State tax and any applicable local sales or use tax.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002.

8-18 BABY CHICKS AND POULTS

A. Exempt Sales of Chicks and Eggs

The following sales are exempt from tax:

1. sales of baby chicks and poults to poultry farmers, egg producers, and hatcheries for commercial poultry or egg production;
2. sales of eggs to be used in hatching baby chicks and poults which will be sold or used for commercial poultry or egg production;
3. all sales of eggs, baby chicks, and poults for resale, irrespective of by whom sold; and
4. sales of eggs, baby chicks, and poults by egg producers and poultry farmers when such sales are made by them in their capacity as producers. Generally, hatcheries do not qualify as producers of farm products within the provisions of G.S. 105-164.13(4b). Hatchery sales which are not exempt under Paragraph A. 1., 2. or 3. of this Bulletin are subject to general rate of State tax and any applicable local sales or use tax.

B. Taxable Sales of Chicks and Eggs

All sales of eggs, baby chicks, and poults which do not qualify for exemption under one or more of the provisions set forth in Paragraph A. of this Bulletin are subject to the general rate of State tax and any applicable local sales or use tax unless otherwise exempt.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
Issued: June 1, 1996;
Revised: June 1, 2002; January 15, 1999.

8-19 COMMERCIAL FISHERMEN

- A. **Sales to a holder of a standard commercial fishing license** issued under G.S. 113-168.2 or a **shellfish license** issued under G.S. 113-169.2 of boats, fuel oil, lubricating oils, machinery, equipment, nets, rigging, paints, parts, accessories, and supplies, such as paint brushes, acetylene, oxygen, paint rollers, funnels, sanding discs, welding rods, saw blades, drill bits, and similar property, including foul weather gear, gloves, and life vests, for use by them principally in

commercial fishing operations are exempt from sales or use tax. The exemption also applies to an operator of a for-hire boat, as defined in G.S. 113-174, for primary use in the commercial use of the boat.

- B.** The term “**commercial fishing operations**” means all operations preparatory to, during and subsequent to the taking of all marine mammals, all shellfish, all crustaceans, and all other fishes with the use of commercial fishing equipment or by any means, if a primary purpose of taking is to sell the fish. Commercial fishing operations also include charter boat and head boat operators when they operate under a charter or as a head boat taking people fishing for hire, but does not include persons principally taking fish for recreational or personal use or consumption.

C. Streamlined Sales and Use Tax Agreement Certificate of Exemption, Form E-595E

1. The certificate may be completed by a person who fishes commercially and accepted by a retail or wholesale merchant as the merchant's authority to sell the items named in G.S. 105-164.13(9) exempt from tax. Each certificate shall be prepared in duplicate and a copy retained by the commercial fisherman and by the merchant. If it is determined that any of said property is subsequently used in a manner that renders it taxable, the purchaser, by executing this certificate, assumes liability for applicable sales and use tax, penalty, and interest and payment thereof to the North Carolina Department of Revenue.
2. The certificate may not be used to purchase food, clothing, or other personal effects of commercial fishermen other than foul weather gear, gloves, and life vests for use in commercial fishing operations. Sales to commercial fishermen of tableware, toothpaste, soap, or other personal effects are subject to the general rate of State tax and any applicable local sales or use tax. Sales to commercial fishermen of food are subject to tax as addressed in Section 19 of the Sales and Use Tax Technical Bulletins.
3. Vendors who do not choose to use the Certificate of Exemption must maintain other evidence in writing adequate to support the conclusion that such sales are exempt from tax in accordance with the provisions of G.S. 105-164.13(9). To be exempt from sales or use tax, the property must be of a type named in the statute and must be sold to persons for use by them principally in commercial fishing operations.
4. Every vendor shall keep and preserve suitable records of the gross income, gross receipts and/or gross receipts of sales of such business and such other books, records, or accounts as may be necessary to determine the amount of tax for which he is liable. It shall be presumed that all gross receipts of such vendors are subject to the retail sales tax until the contrary is established by proper records.

History Note: Authority G.S. 105-164.4; 105-164.6; 105-164.13; 105-264;
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June 1, 2002; October 15, 1998.