



*This publication is written for cooperatives, elevators, agricultural-chemical dealers, and fertilizer dealers.*

The intent of this publication is to help clarify misunderstandings in sales and use tax which have been found through the audit procedures of the Iowa Department of Revenue and Finance. Errors found relate to purchases by these companies for their own use.

## THE FACTS

- ✓ Farm Machinery and equipment is **not exempt** unless it is used directly and primarily in production of agricultural products.
- ✓ *"Production of agricultural products begins"* with:
  - Cultivation of land previously cleared for planting crops; or
  - The purchase or breeding of livestock or domesticated fowl.
- ✓ *"Production of Agricultural products ceases"* when a product has been transported to the point where it will be sold by the farmer or processed.
- ✓ All vehicles subject to registration are taxable without qualification.
- ✓ All equipment attached to a vehicle subject to registration are taxable without qualification.
- ✓ Parts used in the repair of exempt machinery and equipment are usually exempt.
- ✓ Labor to repair exempt machinery and equipment is always taxable. If parts are not separately itemized from labor, the entire charge is subject to tax.
- ✓ Computers are taxable unless they are listed as either commercial or industrial real estate; and are used in

processing or storage of data by an insurance company, financial institution or commercial enterprise. (Co-ops are normally organized under Iowa Code 521(a) for non-profit organizations, and therefore not considered to meet criteria as a "commercial enterprise.")

## **TAXABLE VS. EXEMPT EXAMPLES OF USAGE**

1 | If a nurse tank is attached to a vehicle subject to registration, the nurse tank is taxable.

A nurse tank (i.e. anhydrous ammonia tank) drawn by a self-propelled implement of husbandry is exempt.

2 | A grain-vacuum-conveyer is used at an elevator is taxable.

The same grain-vacuum-conveyer used primarily and directly on a farm in agricultural production is exempt.

3 | A farmer uses a tractor to till fields and harvest crops. The farmer will buy the tractor exempt.

The same tractor will be taxable if purchased by an elevator to primarily haul grain from an unloading dock to a silo.

4 | A co-op uses a skidloader 60% of the time to clean the feedlot of its livestock operation. The remaining 40% is used to handle fertilizer and do utility work on the co-op premises. The skidloader is exempt because its primary purpose (60%) is used in agricultural production.

A company uses a skidloader 100% of the time to transfer fertilizer at its fertilizer blending facility. The skidloader is taxable because it is not being directly and primarily used in agricultural production.



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## ADDITIONAL INFORMATION

Further information regarding farm machinery and equipment purchases is available by contacting the Department.

**TAXPAYER SERVICES**  
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**General questions:**

800-367-3388 (in Iowa)  
(515) 281-3114  
(Des Moines/out of Iowa)

**Forms sent by mail:**

800-532-1531 (in Iowa)  
(515) 281-7239  
(Des Moines/out of Iowa)

**Bulletin board:**

**ERIN (electronic revenue  
information network)**  
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(515) 281-3248  
(Des Moines/out of Iowa)

**Forms sent by fax:**

**Tax-Fax**  
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