Answers to common agriculture tax exempt questions

Source: Jerry Pierce, coordinator for the Kentucky Farm Business Management program

In extension, we have received a lot questions about the agriculture sales tax exemption law since it was passed by the 2020 Kentucky legislature.

 Legislators passed this law to help ensure only those actively farming receive the 6% sales tax exemption on qualifying purchases. It also creates an online database that gives businesses a one-stop-shop to verify that a farmer is sales tax exempt.

Exempt items are not changing from past years, but what is changing is that you will have to apply for a sales tax exemption number from the Kentucky Department of Revenue before Jan. 1. You can get this application, Form 51A800, online at [https://revenue.ky.gov/Forms/51A800%20(4-21)\_fill-in.pdf](https://revenue.ky.gov/Forms/51A800%20%284-21%29_fill-in.pdf). The application is short. You will need your driver’s license number and proof that you farm using one of the following documents:

* IRS Schedule F, Profit or Loss from Farming
* IRS Form 4835, Farm Rental Income and Expenses
* Farm Service Agency number
* Other documentation that establishes your agricultural activity

It is important to note that the Department of Revenue prefers you submit the IRS Schedule F, if possible. If approved, you will receive a letter from the Department of Revenue containing your agriculture exemption number.

Sales tax exempt items include many materials used to produce crops and livestock for human consumption. It is important to note the words “human consumption.” This is the reason why horses and horse-related items and lawn care tools like zero-turn mowers are not tax exempt.

You will need to have the agricultural sales tax exemption number and the Farm Exemption Certificate, Form 51A158, for farm and machinery purchases. For the construction of farm facilities, use your tax exemption number along with the Certificate of Exemption for Materials, Machinery and Equipment, Form 51A159.

Beginning Jan. 1, you should provide a completed exemption certificate containing your agriculture exemption number to each of your agricultural suppliers.

After that, you can use the agriculture exemption number as evidence of an exempt purchase for as long as the number is valid. The agricultural sales tax exemption is valid for three years after the day it was issued. After that date, you will have to reapply for the exemption.

For more information about agricultural sales tax exemptions, contact the (YOUR COUNTY) office of the University of Kentucky Cooperative Extension Service.

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