

AGRICULTURAL TAX PLANNING

New Florida Sales Tax Exemptions for Farmers

By Thomas J. Bryant, CPA and Ryan Beasley, CPA

Effective July 1, 2015, Florida has added or expanded several Sales and Use Tax exemptions to its statutes affecting agricultural businesses. The larger vendors that we in agriculture commonly deal with will be aware of these changes; however, some smaller single business owners may not initially be up to speed on these new exemptions. These are significant changes and all Florida farmers should be aware of them as they are beneficial to us by reducing the sales tax that we pay. In fact, the Florida Farm Bureau Federation has estimated that these new exemptions will save farmers in excess of \$13 million a year in state and local sales taxes. The term farmer as we know includes cattle ranchers.

Limited Exemption for Farm Trailers Weighing 12,000 Pounds or Less

As of July 1, 2015, Florida sales tax is no longer imposed on that portion of the sales price below \$20,000 for a trailer weighing 12,000 pounds or less purchased

by a farmer for exclusive use in agricultural production or to transport farm products from his or her farm or ranch to a place where the farmer transfers ownership of his or her products to another. Farmers can also use the trailer to transport their farm/ranch equipment. However, the exemption does not apply to the lease or rental of a trailer. The exemption also will apply whether or not the trailer is licensed for highway use.

Here is an example. Joe, a cattle rancher, purchases a cattle trailer for \$23,000 weighing less than 12,000 pounds. Joe uses the trailer exclusively in his agricultural business including hauling his cattle from his ranch to market. Joe will pay sales tax on \$3,000, the amount of the purchase price that exceeds \$20,000.

Qualifying Power Farm Equipment Exemption Expanded

"Effective July 1, 2015, the sale, rental, lease, use, consumption, repair, and storage for use in

Florida of power farm equipment or irrigation equipment, including replacement parts and accessories for power farm equipment or irrigation equipment are exempt from sales tax." Power farm equipment used in the storage of raw products on the farm is included in this exemption.

Examples of "power farm equipment" as provided by the Florida Department of Revenue (FDOR) include but are not limited to: augers, combines, conveyors, disks, dozers, feeding systems, forklifts, generators, harrows, hay bailers, irrigation motors, mowers, plows, power units, pumps, refrigeration equipment, skidders and tractors. Examples of qualifying parts and accessories include, but are not limited to: radios, batteries, tires, GPS equipment, replacement parts, blades, hoses, pumps, sprinkler heads, conveyer belts, gauges and lubricants.

Pickup trucks and all-terrain vehicles should also be exempt if used exclusively on the farm for farm production. These vehicles would not be licensed as motor vehicles for use on public roads. Also, vehicles registered as "goats" also are tax exempt. These vehicles are primarily designed and used for hauling citrus fruit within citrus groves, but may also be used by farmers for harvesting other crops.

In general, for this exemption to apply, the power farm equipment must be used exclusively in the agricultural production of crops or products as produced by agricultural industries on a farm or in a forest, or fire prevention and suppression work with respect to such products and crops. The term "used exclusively" is vital in the determination of what equipment may qualify for the

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exemption. Equipment used for agricultural production or processing on several different farms should qualify for the exemption, but equipment used on a farm but also used for a non-agricultural purposes may not.

Exemption for Stakes Used to Support Plants

Stakes used by a farmer to support plants during agricultural production are now

exempt from Florida sales tax as of July 1, 2015. "The term "agricultural production" means the production of plants and animals useful to humans, including the preparation, planting, cultivating, and harvesting of these products or any other practices necessary to accomplish production of these products through the harvest phase, including storage of raw products on the farm and to some extent the preparation of these products for human use and final sale or other disposition. Aquaculture, horticulture, floriculture, viticulture, dairy, livestock, poultry, bees, forestry, and all forms of farm products and farm production are included in this term.

Definition of "Livestock" Expanded to Include Aquaculture Products

Effective July 1, 2015, the definition of livestock in the Florida Statutes has been expanded to include aquaculture products. Feed for livestock is exempt from Florida sales and use tax. Aquaculture products are defined in the Florida Statutes and identified by the Department of Agriculture and Consumer Services as "aquatic organisms and any product derived from aquatic organisms that are owned and propagated, grown, or produced under controlled conditions."

Some examples of aquaculture products which could qualify as livestock under the revised definition include, but are not limited to: fresh, brackish, and saltwater fish; shrimp; stone, mud, and swimming crabs; mollusks including conchs, mussels,

oysters, and scallops; and reptiles including turtles, alligators, and crocodiles.

Electricity Used for Agricultural Purposes Exemption Expanded

Under previous law, the sales tax exemption for electricity used on a farm for the production or processing of farm products was limited to that used "directly and exclusively" for the production or processing of agricultural farm products on a farm.

As of July 1, 2015, the exemption has been expanded to include electricity used for indirect purposes in the production or processing of farm products on a farm. The exemption now applies to indirect uses such as: power supplied to facilities on the farm used to repair farm equipment, power supplied to administrative offices located on the farm,

and power supplied to restroom facilities located on the farm.

Qualifying farm production equipment includes but is not limited to: irrigation pumps, milking machines, potting equipment, feeding systems, aerators, and computerized monitoring equipment. Examples of processing equipment include conveyers, freezers, chillers, packaging equipment, and computerized processing equipment.

The exemption only applies if the electricity is separately metered from that used for non-production or non-processing purposes such as a retail facility. If all electricity is metered through a central meter and used for both tax exempt and taxable purposes, all electricity is subject to taxation.

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For purposes of this exemption, the FDOR defines a "farmer" as a person who is directly engaged in the business of producing crops, livestock, or other agricultural commodities. "The term includes, but is not limited to; horse breeders, nurserymen, dairy farmers, poultry farmers, cattle ranchers, apiarists, and persons raising fish."

"Processing means the act of changing or converting the nature of a product after it has been harvested."

Electricity separately metered and supplying power to poultry houses, dairy farms, horse stables, greenhouses, and processing facilities located on a farm is also tax exempt.

Summary

As stated throughout the article, all of the sales and use tax changes are effective as of July 1, 2015. To obtain any of the sales tax exemptions listed above, a properly completed sales tax exemption certificate specifically addressing the exemption you

are requesting is required to be presented to the vender no later than at time of purchase. For example, if you are buying a trailer to be used exclusively in your farming business and it weighs 12,000 pounds or less, you would complete the exemption certificate "Farm Trailers Weighing 12,000 or Less" as provided by the FDOR and present it to your vender to obtain the exemption.

The Florida Department of Revenue has issued a suggested exemption certificate for the trailer exemption as well as for the other four exemptions stated in the article. Beasley, Bryant & Company has provided these suggested exemption certificates on its website, www.beasleybryantcpa.com, under the heading "New Suggested Florida Sales Tax Exemption Certificates. The forms and other information can also be found on the Department's website, www.myflorida.com/dor or by calling Taxpayer Services at 800-352-3671.

If you as a taxpayer in an

agricultural business or are not sure whether or not your particular business is agricultural, you should contact the FDOR or your tax professional.

For information on this topic or other tax planning for ranching and farming, please contact me at (863) 640-2008 or tom@beasleybryantcpa.com and /or Ryan Beasley at (863) 646-1373 or ryan@beasleybryantcpa.com.

For information on other relevant topics visit our website at www.beasleybryantcpa.com.

We at Beasley, Bryant & Company, CPA's, P. A. are experienced in agricultural business problems, tax issues or concerns, and are here to help you.

Thomas J. Bryant, CPA is Senior Tax Partner, and Ryan Beasley, CPA is Tax & Business Management Partner; Beasley, Bryant & Company, CPA's, P. A., Lakeland, Florida (863) 646-1373. □

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