

"Farm equipment and machinery" means any appliance used directly and principally for the purpose of producing agricultural products, including nursery products, for sale and use or consumption off the premises, the retail price of which, for any such single article, exceeds \$250; but does not include an automobile, truck, household appliances or property which becomes real property when erected or installed. Also considered "farm equipment and machinery" are: grain bins and attachments thereto which are sold to or used by a farmer; aircraft designed and used for crop dusting; trailers used to transport livestock; self-propelled fertilizer or chemical application equipment used to spread fertilizer or chemicals on farms to aid in the production of food or fiber for human or animal consumption; systems for poultry environment control, feeding and watering poultry and conveying eggs. Also included is the lease or rental of farm equipment and machinery regardless of rental cost, provided that the original cost of the farm equipment and machinery exceeded \$250. Effective July 1, 1998, equipment *exclusively* used for harvesting timber qualifies as "farm equipment and machinery." Also after July 1, 1998, replacement parts and labor relative to the repair of such farm equipment and machinery are exempt from sales and use tax.¹

Tennessee law exempts or provides a reduced tax rate for types of tangible personal property, including certain agricultural supplies and products, when such property is used in a manner specified in the law. See list below. *When selling these items tax exempt, the dealer should include the purchaser's name and address and have the purchaser sign a statement either on or attached to the invoice indicating that the item is used for the purpose authorized by statute.*

- (1) Gasoline or diesel fuel used for agricultural purposes;
- (2) Seeds, seedlings, plants grown from seed and liners (cuttings) which will produce food or fiber (including tobacco) for human or animal consumption;
- (3) Fertilizer to be used to aid in the growth and development of seeds, seedlings or plants which will produce food or fiber (including tobacco) for human or animal consumption;
- (4) Pesticides which are sold for the purpose of aiding in the production of food or fiber (including tobacco) for human or animal consumption. "Pesticide" means any substance or mixture of substances or chemicals intended for defoliating or desiccating plants or for preventing, destroying, repelling or mitigating any insects, rodents, fungi, bacteria or weeds, including, but not limited to, insecticides, fungicides, bactericides, herbicides, desiccants, defoliant, plant regulators and nematocides. In order to qualify as a "pesticide", the substance must be registered and labeled in a manner consistent with the federal law governing pesticides;
- (5) Adjuvants and surfactants solutions sold exclusively for the purpose of mixture with pesticides or for use as a soil conditioner when such is intended to aid in the growth and development of food or fiber (including tobacco) for human or animal consumption;
- (6) Containers for farm products and plastic or canvas used in the care and raising of plants, seeds or seedlings, which will produce food or fiber (including tobacco) for human or animal consumption, and plastic or canvas used in covering feed bins, silos and other similar storage structures;
- (7) Any of the items described in subsections (2), (3), (4), (5) and (6) above when sold directly to a nurseryman.

The law also provides for a reduced state tax rate of 1.5% for electricity and liquified gas when sold to or used by farmers and nurserymen directly in the production of food or fiber for human or animal consumption or to aid in the growing of a horticultural product for sale. This reduced rate also applies to the sale of coal, wood, wood products or wood by-products, or fuel oil, used as energy fuel in the production of nursery and greenhouse crops. *This affidavit should be used for purchasing these items at a reduced rate of tax.*

¹ The Department issued Important Notices dated July 1, 1998, relative to the amendments for timber harvesting equipment and for replacement parts and labor relative to repair of farm equipment and machinery. These notices may be obtained from the Department or may be found on the Department's webpage at www.state.tn.us/revenue.