



Florida Tax Exemption for Selected Farm Equipment¹

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TOPIC SERIES Tax Exemption for Agricultural Producers.

offered partial tax exemptions (3%) for farm equipment. The new law exempts agricultural producers from any taxes and discretionary surtaxes associated with the sale, purchase, lease, or rental of *certain new and used* power-driven farm equipment (Florida Administrative Tax Code 12A-1.087 Sections 1 and 2, Chapter 2005-197).

Introduction

The current downturn in the economy, rising energy and labor costs, and lagging specialty crop prices have growers looking more closely at ways to reduce both capital and operating costs. One way for growers to do this is by taking advantage of all eligible tax exemptions. A recent survey of South Florida growers revealed that many were unaware of all the tax exemptions to which they are entitled. One of the tax exemptions for Florida agricultural producers is related to power-driven farm equipment.

The Power Farm Equipment Tax Exemption Law

This law passed during the 2005 session of the Florida Legislature and became effective on July 1, 2005. The law expands existing provisions that only

Farm Equipment Included in the Statute

The law covers all power-driven farm equipment used exclusively on a farm or in a forest for undertaking activities such as plowing, planting, cultivating, and harvesting of agricultural crops, or for fire prevention and suppression work with respect to such agricultural products. It includes both moving and stationary equipment; that is, equipment that is able to move by its own propulsion or power, and stationary equipment such as irrigation systems that require an external source to perform their functions. In the latter case, the law also applies to external power sources such as generators or other types of power units. Specific examples of power equipment covered under the statute include augers, combines, conveyors, disks, dozers, feeding systems, harrows, hay balers, irrigation motors, mowers, plows, pumps, skidders, and tractors (Florida Department of

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Revenue 2005). The key point is that the exemption only applies if the equipment will be *used exclusively* for agricultural purposes, or an agricultural-related purpose for fire prevention and suppression work with respect to agricultural commodities.

Procedure for Obtaining the Tax Exemption

To secure the exemption, the purchaser, renter, or lessee of the equipment needs to provide the seller (owner) with a signed written statement certifying that the equipment purchased will only be used “on a farm or in a forest in plowing, planting, cultivating, or harvesting crops or products as produced by agricultural industries, or for fire prevention and suppression work with respect to such crops or products” (Florida Department of Revenue 2005). Appendix A at the end of this publication provides a sample statement that was prepared by the Florida State Department of Revenue.

Conclusion

Agricultural producers, particularly those producing non-grain commodities, are feeling the effects of a slowing economy amidst the rise in input costs. The expansion of the farm equipment tax exemption law in 2005 to provide full, rather than partial, tax relief for selected farm equipment, as well as expanding the range of equipment covered, was intended to provide agricultural producers with added incentives, given the enormous risks involved in agricultural production. When agricultural producers are unaware of such provisions, they pay unnecessary taxes that otherwise would contribute to the profitability of their farming enterprises. Examples of this would be paying an extra U.S. \$700 for a piece of equipment that costs U.S. \$10,000 or an extra U.S. \$3,500 if it costs U.S. \$50,000. Hence the purpose of the article is to increase agricultural producers awareness of such laws so that they are in a better position to take advantage of tax exemptions to which they are entitled.

Resources

For further information, contact the State of Florida Department of Revenue at

<http://www.myflorida.com/dor> , or call Florida Taxpayer Services at 1 (800) 367-8331.

References

Florida Department of Revenue. 2005. HB 0643: Expansion of the exemption for certain farm equipment. Tax Information Publication No. 05A01-03, Florida Department of Revenue, Tallahassee, FL (June 15).
<http://dor.myflorida.com/dor/tips/tip05a01-03.html>

Appendix A.

**EXEMPTION CERTIFICATE
CERTAIN POWER FARM EQUIPMENT**

This is certify that the power farm equipment identified below, purchased on or after _____ (date) from _____ (Selling Dealer's Business Name) is purchased, leased, licensed, or rented for the following purpose:

() Power farm equipment for exclusive use in the agricultural production of crops or products, as produced by those agricultural industries included in § 570.02(1), F.S., or

() Power farm equipment for exclusive use in fire prevention and suppression work for such crops or products, as produced by those agricultural industries included in § 570.02(1), F.S.

POWER FARM EQUIPMENT:

I understand that if I use the equipment for any purpose other than the one stated, then I must pay tax on the purchase or lease price of the taxable item directly to the Department of Revenue. I understand that if I fraudulently issue this certificate to evade the payment of sales tax I will be liable for payment of the sales tax plus a penalty of 200% of the tax and may be subject to conviction of a third degree felony.

The exemption specified by the purchaser may be verified by calling 1(800) 352-3671.

Purchaser's Name:

Purchaser's Address:

Name and Title of Purchaser's Authorized Representative:

By: _____
(Signature of Purchaser or Authorized Representative)

Title: _____
(Title -- only if purchased by an authorized representative of a business entity)

Date _____