



Do Farmers Pay Iowa Sales Tax?

Information for businesses
from the

IOWA  Department of **REVENUE**

Aren't Farmers Always Exempt from Sales Tax?

NO

Whether a farmer pays sales tax depends on what is purchased and what it is used for.

How Do Items Have to be Used to be Exempt?

Generally, items purchased must be used **directly and primarily in agricultural production** to be exempt from sales tax.

What is Included in Agricultural Production?

"Agricultural production" includes the following:

- the raising of crops, livestock, or domesticated fowl for market
- production of flowering, ornamental, or vegetable plants in commercial greenhouses and other similar businesses
- aquaculture
- nurseries
- ranches
- orchards
- dairies
- feedlot operations, whether or not crops are grown on the property or if the livestock are owned by feedlot operators
- operations that grow or raise seed for sale to farmers

What Isn't Considered Agricultural Production?

Examples of activities that are not "agricultural production":

- logging
- production of Christmas trees
- beekeeping
- raising mink and other nondomesticated furbearing animals
- raising nondomesticated fowl
- land placed in the federal government's Conservation Reserve Program (CRP)
- clearing or preparation of previously uncultivated land
- creation of farm ponds
- construction of machine sheds, confinement facilities, storage bins, or other farm buildings

When Does Agricultural Production Begin & End?

"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.

What Types of Animals are Considered Livestock?

The following are examples of livestock:

- sheep
- cattle
- swine/hogs
- goats
- ostriches
- rheas
- emus
- farm deer*
- bison
- fish and other animals which are products of aquaculture

* "Farm deer" includes fallow deer, red deer, elk, sika, whitetail, and mule deer but not free-ranging whitetail or mule deer. Farm deer does not include unmarked free-ranging elk.

What Types of Animals are Considered Domesticated Fowl?

Examples of domesticated fowl are:

- chickens
- turkeys
- ducks
- geese
- pigeons

What Types of Items are Exempt When Used in Ag Production?

- Bedding used for livestock or domesticated fowl:
 - woodchips
 - sawdust
 - hay
 - straw
 - paper
- Chemicals / Fertilizers
- Draft horses:
 - Belgian
 - Clydesdale
 - Percheron
 - Shire
- Drainage tile

Exempt Items (continued)

- Feed for livestock or domesticated fowl:
 - including antibiotics
 - other medicines
 - vitamins & minerals
- Machinery and equipment used directly and primarily in agricultural production:
 - self-propelled implements
 - implements customarily drawn or attached to a self-propelled implement
 - auxiliary attachments (including GPS) which improve the performance, safety, operation, or efficiency of the farm machinery or equipment
 - replacement parts:
 - oil / gas filters
 - spark plugs
 - tires

Exempt Items (continued)

- Packing materials used for agricultural production:
 - containers
 - labels
 - cartons
 - pallets
 - packing cases
 - wrapping
 - baling wire
 - twine
 - bags
 - bottles
 - shipping cases

Exempt Items (continued)

- Utilities used for agricultural production:
 - electricity
 - natural gas
 - liquefied petroleum gas (LPG)
 - other forms of energy / fuel
 - energy / fuel used in heating or cooling (not general lighting) of livestock buildings on the farm
 - fuel used in an implement of husbandry, such as a tractor or combine
 - energy / fuel used to dry grain
 - drinking water for livestock or domesticated fowl

What Types of Items are Taxable Even if Purchased by a Farmer?

- Computers
- Machinery & equipment that become real property
- Pets and racing animals:
 - horses, except draft horses
 - mules
 - dogs
 - cats
 - pet food & medicine
- Supplies:
 - oil
 - grease

Taxable Items (continued)

- Registered vehicles (subject to the 5% one-time registration fee):
 - pickups
 - stock trucks
 - grain trucks
 - camping trailers
 - livestock trailers
- Utilities for personal use:
 - household use
 - farm shops

What About Services?

Services performed on a farm are generally taxable to the same extent they are taxable to any other type of business.

See [Services: Which Ones Are Taxable?](#)(78-524)

The following are examples of taxable services:

- exterminating bugs, roaches, and all other pests in the farm home
- exterminating bugs, rodents, and all other pests in grain bins, full or empty
- repairing a tractor or other farm equipment
- routine maintenance services, such as oil changes
- pressure washing a livestock building
- welding

The following are examples of exempt services:

- veterinary services
- spraying pests to prevent or control infestation of cropland

Are There Lists of Exempt & Taxable Items I Can Look At?

YES

- See [Exempt for Agricultural Production](#)
- See [Exempt for Dairy and Livestock Production](#)
- See [Exempt for Flowering, Ornamental, or Vegetable Plant Production](#)
- See [Taxable Even if Used in Agricultural Production](#)

How Do Farmers Claim Exemption When They Qualify?

- A seller must obtain a completed [exemption certificate](#) (pdf) from the purchaser to verify the purchase qualifies for exemption.
- See [Exemption Certificates: How and When to Use Them](#) (pdf).

What if Tax has Already Been Paid by Mistake?

The person who paid the tax should file an [IA 843 Claim for Refund](#) (pdf) with the Department to request a sales / use tax refund. Refunds may be requested up to three years from when the tax payment was due or one year from when the tax was paid, whichever time is the later.

Questions?

- For more information see [Farmers Guide to Iowa Taxes](#)
- Call us: 8 a.m. - 4:15 p.m. CT
515-281-3114 or
1-800-367-3388 (Iowa, Omaha, Rock Island, Moline)
- E-mail us at idr@iowa.gov