Farm Equipment Exemption

GENERAL INFORMATION

A sales tax exemption is provided for certain qualifying farm, dairy and ranch equipment and shipping aids.

Loveland sales tax exempts many non-registered farm vehicles, towed equipment, trailers, and the attachments to these vehicles, irrigation equipment, dairy equipment, aircraft used in crop dusting, and repair and maintenance parts for the previous exempt items. Loveland also exempts farm use of bailing wire, binders twine, surface wrap, pallets and crates.

Shipping pallets, aids and crates are exempt when used in the transfer or shipping of agricultural products.

FARM EQUIPMENT

While the broad term ‘farm equipment’ is used, only non-registered vehicles, trailers and towables are included as exempt. The exemption law defines farm equipment to be farm tractors and implements of husbandry as defined in motor vehicle statutes. These motor vehicle definitions are based on the segregation of vehicles into registered and non-registered classifications.

‘Farm tractor’ means every motor vehicle which is designed and used as a farm implement. ‘Implement of husbandry’ means every vehicle that is designed, adapted or used for agricultural purposes. Thus, other than irrigation equipment, no fixed equipment is exempt, regardless of how movable or how often it is moved. Where plants, crops or livestock are brought to the equipment, the equipment remains taxable.

Vehicles taken into fields, corrals, etc., and moved about on the land to perform work with plants, crops or livestock are the items considered for exemption, with the other restrictions as noted below.

The purchased or leased equipment must be used directly and primarily on a farm, ranch or at a ‘livestock production facility.’ It cannot be used incidentally for agricultural use, nor can it be used for janitorial, building maintenance, office, sales, distribution (even of farm products), research or transportation use.

A ‘livestock production facility’ means any structure used predominantly for the housing, containing, sheltering, or feeding of livestock, including, without limitation, barns, corrals, feedlots, and swine houses.
NOTE: Barns, corrals, feedlots, etc., are not themselves exempt from taxation.

The activities qualifying for exemption are agricultural, viticultural, fruit, vegetable, milk, honey, poultry, egg and livestock production. Livestock means cattle, horses, mules, burros, sheep, lambs, poultry, swine, ostrich, llama, alpaca and goats or other animals raised for food, fiber or hide production, and alternative livestock, but not pet animals as defined in $

An "agricultural commodity" means any agricultural commodity, except that, for purposes of this sales tax exemption, "agricultural commodity" shall also include sugar beets, timber, and timber products, oats, malting barley, barley, hops, rice milo, and other feed grain.

For farm equipment to be exempt there must be primary use with plants or livestock produced for profit. It does not include, for example, home gardens with incidental sales, weed mowing, petting zoos, stables for pleasure riding, trail riding or pack use of horses, mules, llamas, polo horses, etc.

The purchase must be qualifying ‘farm equipment’:

♦ Irrigation equipment having a per unit purchase price of at least $1,000,

♦ Vehicles that qualify as implements of husbandry are those vehicles that are exempt from registration and are designed, adapted or used for agricultural purposes. An example would be a feed truck. Trailers designed to carry this equipment are also implements of husbandry,

♦ Attachments to exempt farm tractors or implements of husbandry that are machinery and equipment that aid or enhance the performance of the tractor or implement,

♦ Bailing wire, binder twine, surface wrap, pallets and crates.

♦ Aircraft designed or adapted to undertake agricultural applications, but the agricultural application use must be the primary use and not merely incidental to a farm operation.

♦ Parts for maintenance and repair of the farm equipment that qualifies for exemption.

Exempt equipment also includes hay balers, hay stacking equipment, combines, tillage and harvesting equipment, and other heavy movable farm equipment primarily used on farms and not on highways. Trailers specially designed to move such equipment on highways are considered component parts of such implements of husbandry.

The purchase is not exempt if it is subject to registration as a vehicle, or if its use is incidental to farm, ranch or livestock production facility operation.

Leased farm equipment that otherwise qualifies under the above restrictions must have a fair market value of at least $1,000 in order to qualify for the exemption.
DAIRY EQUIPMENT

The exemption includes any item that is used at a farm dairy in connection with the production of raw milk, such as: milking claws, shells, inflators, pulsators, meters, cow identification systems, transponders, automatic takeoffs, piping, receiver jars, pumps, filter assemblies, milk containment tanks, cooling compressors, wash vats, clean in place assemblies, wash lines, wash control units, pulsator controls, milking system controls, programmable logical control systems, vacuum pumps, vacuum distribution tanks, back flush and related valves, rubber and similar hoses, rubber and similar gaskets, and any other similar or related item used in any diary facility or farm dairy operation or in the production of raw milk, regardless of whether or not the item has become a fixture. It does NOT include equipment used at a commercial dairy in connection with the production of pasteurized, separated milk products for retail sale.

AFFIDAVIT INFORMATION

Buyers must sign and complete the entire 'Affidavit for Colorado Sales Tax Exemption for Farm Equipment' (DR 0511), testifying to their qualification for exemption. Vendors must retain the affidavit for three years from the date they file that month's sales tax return. The city may request copies of such affidavits at any time during that three year period. Buyers remain liable for tax, interest and any applicable penalties if the purchase is used in a manner that does not qualify for the exemption.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN’S TERMS OF THE RELEVANT LOVELAND TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE LMTC (LOVELAND MUNICIPAL TAX CODE) AND APPLICABLE RULES AND REGULATIONS.