Chapter 02 Agricultural

100 Definitions

1. Farm Tractor, for the purpose of this regulation, is limited to self-propelled equipment which performs no farm function within itself other than to move, draw or furnish power to other implements which may be attached. The term farm tractor does not include self-powered units which perform specialized functions such as combines, cotton pickers, hay balers, sprayers, dusters and stationary power units.
2. Farm Implement— means a complete unit that performs a specialized mechanical function and which is identifiable as a specific piece of equipment that is ordinary and customarily used on a farm. The trade term whole goods is not synonymous with the tax term farm implements.
3. Farmer— means an individual or company who grows agricultural products for market on land owned or leased by such individual or company. 4. Agricultural products shall include field crops, truck and horticultural products, livestock and livestock products, poultry and poultry products and any other product of the soil or water produced on a commercial scale for market.
5. Agricultural purpose means the predominant or exclusive growing or raising of agricultural products on a farmer's own land or land leased by the farmer for growing or raising agricultural products.
6. A professional logger is a person, corporation, limited liability company or other entity, or an agent thereof, who possesses a professional logger's permit issued by the Mississippi State Tax Commission.
7. Dairy producer, for the purposes of this regulation, means any person engaged in the production of milk for commercial use.

101 Tax Rates

1. Sales of farm tractors to farmers for agricultural purposes are taxable at the special rate of 1½%. Sales of tractors to anyone other than a farmer are taxable at the regular retail rate of tax.
2. The sales of farm implements to farmers for use directly in the production of poultry, ratite, domesticated fish as defined in Miss. Code Ann. Section 69-7-501, livestock, livestock products, agricultural crops or ornamental plant crops or used for other agricultural purposes when used on the farm are subject to the special rate of 1 ½ %.
3. Parts and labor used to maintain and/or repair farm tractors or farm implements which would be taxed at the special rate of 1 ½ % are also subject to the special rate of 1 ½ %.
4. The 1 ½ % rate of tax also applies to sales to professional loggers on all equipment used in logging, pulpwood operations or tree farming which is either self-propelled or which is mounted so that it is permanently attached to other equipment which is self-propelled or permanently attached to other equipment drawn by a vehicle which is self-propelled. Parts and labor used to

maintain and/or repair such equipment are also subject to the special rate of 1 ½ %.

5. Sales of aerators to domestic fish farmers for use in the raising of domesticated fish as defined in Miss. Code Ann. Section 69-7-501are taxed at the special 1 ½ % rate.
6. Sales of materials to a dairy producer used in the repair, renovation, addition to, expansion and/or improvement of buildings and related facilities used by a dairy producer shall be taxed at the rate of 3 ½ %.
7. Sales of three wheelers, four wheelers or other all terrain vehicles (ATVs) are taxable at the regular retail rate unless the unit has a power takeoff and such power take-off is used to power an attached piece of farm machinery and is used exclusively for agricultural purposes. If the unit meets these requirements and is approved by the Commissioner, then it will be subject to tax as a self-propelled farm implement.
8. All purchases of tools, supplies, machinery and equipment which are bought for use in operation of farm implement businesses and not for resale, or which do not become an integral part of equipment being repaired are taxable at the regular rate of sales or use tax.
9. All purchases of farm machinery, parts and other merchandise for resale are exempt from sales or use tax.
10. The following are intended as examples only of items sold to farmers that are not subject to the special reduced rate of tax:
    a. Garden Tractor
    b. Rotary Tiller
    c. Power Saw
    d. Lawn Mower
    e. String Trimmer
    f. Storage Bin which provides no function other than storage
    g. Hand Tools
    h. Manual Posthole Digger
    o. Trailers for Highway use or any other vehicles which require a tag

102 Trade-ins

1. When a trade-in is taken as part payment, the tax applies on the difference received between the selling price and the amount allowed for a trade-in. A trade-in is limited to property of the same kind and character as that normally carried in inventory for sale.
2. When a sale is made involving different rates of tax, the amount allowed for a trade-in should be deducted from the selling price of property taxed at the same rate as the trade-in item. 3. When an item subject to the regular retail rate such as a trailer for highway use is traded as part payment on a tractor or other item subject to the special 1 ½ % rate, the net difference is taxable at the special 1 ½% rate and the subsequent sale of the trailer for highway use is taxable at the regular retail rate.

103 Warranties sales. Sales under a warranty agreement with the manufacturer are exempt on that part charged to the factory. Any part of the charge made to the customer is taxable at the appropriate rate.

104 Internal sales.

1. Sales of parts and labor that are necessary to repair farm equipment in inventory are exempt, since the tax will apply on the sale of the repaired equipment.
2. Sales tax applies on finance charges that are added when a dealer carries his own paper.

105 Repossession. Repossession shall be treated as returned merchandise and credit will be allowed only for the uncollected part of the selling price previously reported. The subsequent sale of the repossessed item will be taxable on the same basis as the sale of new merchandise.

106 Exemptions

1. Sales of seed, vegetable seedlings, livestock feed, poultry feed, fish feed and fertilizer are exempt when sold to anyone and in any amount.
2. Livestock, fish and poultry feed, which includes hay, silage, beet or citrus pulp, cotton seed hulls, grain, shorts, chops, bran, mash, cottonseed meal or cake, black strap molasses, stock salt (but not table salt), oyster shells, grit and any other feed additive that stimulates growth, is exempt when sold to be used as food for livestock, fish and poultry. Sales of food for dogs, cats, or other pets and deer or wildlife are taxable at the regular retail rate of tax (examples: deer corn, bird feed, etc.)
3. Sales of defoliants, insecticides, fungicides, herbicides and baby chicks are exempt when they are to be used in growing agricultural and forestry products for market. When sold for use on lawns or home gardens, such retail sales are taxed at the regular retail rate.
4. Sales of bagging and ties for baling cotton, hay baling wire and twine, boxes, bags and cans are exempt from tax when made to persons for use in growing or preparing agricultural products for market when possession thereof passes to the customer at the time of sale of the product contained therein.
5. A sale of ingredients to a manufacturer of livestock or poultry feed for sale is exempt.
6. Sales of all antibiotics, hormones and hormone preparations, drugs, medicines and other medications including serums and vaccines, vitamins, minerals or other nutrients for use in the production and growing of fish, livestock, and poultry by whomever sold is exempt. Such exemption shall be in addition to the exemption provided for feed for fish, livestock, and poultry.

107 Cooperative Associations are liable for sales tax on the same basis as other taxpayers, except that sales of agricultural products produced by members that have not been subjected to any manufacturing process are exempt. Sales of ice

cream, pasteurized milk, butter and the like are therefore taxable at the regular retail rate of tax.

108 Sales tax also applies on gross income from compressing and storing cotton, custom meat processing and other services as listed under Miss. Code Ann. Section 27-65-23.109 Purchases by agricultural cooperatives for their own use are taxable at the regular retail rate of sales or use tax. Purchases of merchandise for resale by licensed retail agricultural cooperatives are exempt from sales or use tax. Purchases of manufacturing or processing machinery and machine parts for use in manufacturing a commodity for sale or rental are taxable at the 1 ½ % special rate of tax.

110 Cotton Gins

1. Sales and Barter. The exchange of cottonseed meal and hulls for cottonseed is considered an exempt sale of livestock feed. Sales of any other property, unless specifically exempt, are taxable at the regular retail rate of tax.
2. Purchases. Sales or purchases of machinery and machine parts which are to be used directly in the ginning process are taxable at the special 1 ½ % rate of tax. Forklift trucks used directly in the ginning process are considered to be manufacturing machinery. Charges for electric power or other fuels for operation of cotton gins are taxable at the special industrial rate of 1 ½ %. Bagging and ties for baling cotton are exempt from sales or use tax. Other purchases of materials and services are taxable at the regular retail rate of tax.

111 Cotton Compresses

1. The regular retail rate of sales tax applies on the following income accounts of cotton compresses (only if service is performed at cotton compresses and is not a pass through charge from cotton gins): compression, flat delivery, storage, weighing, lining, sampling, patching, branding or markings handling, cotton sold for charges and insurance. If the insurance charge is shown, then the corresponding insurance expense is a deductible item.
2. The following income accounts are exempt from sales tax: bagging, band, loose cotton and sweepings, patches and financial income such as interest on investments. Charges made directly to agencies of the United States Government or the State of Mississippi for storage of property owned by them may also be excluded from taxable gross income.
3. Purchases of permanent bale tags by cotton compresses are exempt from sales tax. Purchases of marking figures and strips, rivets and twine are likewise exempt when used as bagging and ties. Purchases of electric power, fuel, manufacturing machinery, repairs and parts (band cutters, band slicers, band rollers, lift trucks, riveting machines and other processing machines) used directly in the processing operation are taxable at the special 1 ½ % rate of sales or use tax.
4. Purchases of all other equipment and supplies (building materials, car door openers, car loaders, conveyors, cotton hooks, fire extinguishes, hand trucks, janitorial supplies, office supplies, cotton receipts, sampling machines, scales,

trailers, oil, graphite, etc.) are taxable at the regular retail rate of sales or use tax.

112 Rentals. Rental or lease of machinery and other tangible personal property is taxed at the same rates as sales of the same property.

113 Records. Adequate records must be maintained to substantiate tax classifications of sales and Purchases.

114 (Reserved)

Chapter 02 Agricultural

100 Definitions

1. "Farm Tractor"--, fFor the purpose of this regulation, is limited to self-propelled equipment which performs no farm function within itself other than to move, draw or furnish power to other implements which may be attached. The term "farm tractor" does not include self-powered units, which perform specialized functions such as combines, cotton pickers, hay balers, sprayers, dusters and stationary power units.
2. "Farm Implement"--__M means a complete unit that performs a specialized mechanical function and which is identifiable as a specific piece of equipment that is ordinary and customarily used on a farm. This term does not include replacement parts or tools. The trade term "whole goods" is not synonymous with the tax term "farm implements".
3. "Farmer"--__M means an individual or company, who grows agricultural products for market on land owned or leased by such individual or company.
4. "Agricultural products" shall include field crops, truck and horticultural products, livestock and livestock products, poultry and poultry products and any other product of the soil or water produced on a commercial scale for market.
5. Agricultural purpose means the predominant or exclusive growing or raising of agricultural products on a farmer`s own land or land leased by the farmer for growing or raising agricultural products.
6. A professional logger is a person, corporation, limited liability company or other entity, or an agent thereof, who possesses a professional logger's permit issued by the Mississippi State Tax Commission.
7. Dairy producer, for the purposes of this regulation, means any person engaged in the production of milk for commercial use.

101 Tax Rates

1. Sales of farm tractors to farmers for agricultural purposes are taxable at the special rate of 1½%. Sales of tractors to anyone other than a farmer are taxable at the regular retail rate of tax.
2. The sales of farm implements to farmers for use directly in the production of poultry, ratite, domesticated fish as defined in Miss. Code Ann. Section 69-7-501, livestock, livestock products, agricultural crops or ornamental plant crops or used for other agricultural purposes when used on the farm are subject to the special rate of 1 ½ 3%.
3. Parts and labor used to maintain and/or repair farm tractors or farm implements which would be taxed at the special rate of 1 ½ % are also subject to the special rate of 1 ½ %.
4. The 1 ½ 3% rate of tax also applies to sales to professional loggers ofn all equipment used in logging, pulpwood operations or tree farming which is either self-propelled or which is mounted so that it is permanently attached to other equipment which is self-propelled or permanently attached to other equipment drawn by a vehicle which is self-propelled. Parts and labor used to

maintain and/or repair such equipment are also subject to the special rate of 1 ½ %.

54. Sales of aerators to domestic fish farmers for use in the raising of domesticated fish as defined in Miss. Code Ann. Section 69-7-501, ~~Mississippi Code of 1972,~~ are taxed at the special 1 ½ ~~3~~% rate.

6. Sales of materials to a dairy producer used in the repair, renovation, addition to, expansion and/or improvement of buildings and related facilities used by a dairy producer shall be taxed at the rate of 3 ½ %.

75. Sales of three wheelers, four wheelers or other all terrain vehicles (ATVs) are taxable at the regular retail rate unless the unit has a power takeoff and such power take-off is used to power an attached piece of farm machinery and is used exclusively for agricultural purposes. If the unit meets these requirements and is approved by the Commissioner, then it will be subject to tax as a self-propelled farm implement.

86. All purchases of tools, supplies, machinery and equipment which are bought for use in operation of farm implement businesses and not for resale, or which do not become an integral part of equipment being repaired are taxable at the regular rate of sales or use tax.

97. All purchases of farm machinery, parts and other merchandise for resale are exempt from sales or use tax.

108. The following are intended as examples only of items sold to farmers that are not subject to the special reduced rate of tax:

a. Garden Tractor
b. Rotary Tiller
c. Power Saw
d. Lawn Mower
e. String Trimmer
~~f. Track Assembly~~
~~g. Tractor Cab~~
~~h. Dual Wheels~~
~~i. Tractor Front Weights~~
fj. ~~Grain~~ Storage Bin which provides no function other than storage
~~k. Tractor Fuel Tank~~
gl. Hand Tools
~~m. Tractor Rims~~
hn. Manual Posthole Digger
o. Trailers for Highway use or any other vehicles which require a tag

102 Trade-ins

1. When a trade-in is taken as part payment, the tax applies on the difference received between the selling price and the amount allowed for a trade-in. A trade-in is limited to property of the same kind and character as that normally carried in inventory for sale.
2. When a sale is made involving different rates of tax, the amount allowed for a trade-in should be deducted from the selling price of property taxed at the same rate as the trade-in item. ~~For example: a dealer sells a farm tractor and~~

~~attached four-row cultivator for $3,500. The sale price of the tractor of $2,500 is taxable at the special 1% rate, and the cultivator price of $1,000 is taxable at the special 3% rate. He accepts a tractor as a trade-in and allows $400 as part payment. The $400 allowance must be deducted from the $2,500 tractor sale rather than from the $1,000 cultivator sale.~~

3. When an ~~3%~~ item subject to the regular retail rate such as a trailer for highway use~~combine~~ is traded as part payment on a tractor or other item subject to the special 1 ½ % rate, the net difference is taxable at the special 1 ½% rate and the subsequent sale of the ~~combine~~ trailer for highway use is taxable at the regular retail~~special 3%~~ rate.

103 Warranties sales. Sales under a warranty agreement with the manufacturer are exempt on that part charged to the factory. Any part of the charge made to the customer is taxable at the ~~regular retail~~appropriate rate.

104 Internal sales.

1. Sales of parts and labor that are necessary to repair farm equipment in inventory are exempt, since the tax will apply on the sale of the repaired equipment.
2. Sales tax applies on finance charges that are added when a dealer carries his own paper.

105 Repossession. Repossession shall be treated as returned merchandise and credit will be allowed only for the uncollected part of the selling price previously reported. The subsequent sale of the repossessed item will be taxable on the same basis as the sale of new merchandise.

106 Exemptions

1. Sales of seed, vegetable seedlings, livestock feed, poultry feed, fish feed and fertilizer are exempt when sold to anyone and in any amount.
2. "Livestock, fish and poultry feed, which " includes hay, silage, beet or citrus pulp, cotton seed hulls, grain, shorts, chops, bran, mash, cottonseed meal or cake, black strap molasses, stock salt (but not table salt), oyster shells, grit and any other feed additive that stimulates growth, is exempt when sold to be used as food for livestock, fish and poultry. Sales of food for dogs, cats, or other pets and deer ~~and other pets~~ or wildlife are taxable at the regular retail rate of tax (examples: deer corn, bird feed, etc.)
3. Sales of defoliants, insecticides, fungicides, herbicides and baby chicks are exempt when they are to be used in growing agricultural and forestry products for market. When sold for use on lawns or home gardens, such retail sales are taxed at the regular retail rate.
4. Sales of bagging and ties for baling cotton, hay baling wire and twine, boxes, bags and cans are exempt from tax when made to persons for use in growing or preparing agricultural products for market when possession thereof passes to the customer at the time of sale of the product contained therein.

5. A sale of ingredients to a manufacturer of livestock or poultry feed for sale is exempt.
6. Sales of all antibiotics, hormones and hormone preparations, drugs, medicines and other medications including serums and vaccines, vitamins, minerals or other nutrients for use in the production and growing of fish, livestock, and poultry by whomever sold is exempt. Such exemption shall be in addition to the exemption provided for feed for fish, livestock, and poultry.

107 Cooperative Associations

~~1.~~ ~~A~~ are liable for sales tax on the same basis as other taxpayers, except that sales of agricultural products produced by members that have not been subjected to any manufacturing process are exempt. Sales of ice cream, pasteurized milk, butter and the like are therefore taxable at the regular retail rate of tax.

108 ~~2.~~ Sales tax also applies on gross income from compressing and storing cotton, custom meat processing and other services as listed under Miss. Code Ann. Section 27-65-23.

~~3.~~109 Purchases by agricultural cooperatives for their own use are taxable at the regular retail rate of sales or use tax. Purchases of merchandise for resale by licensed retail agricultural cooperatives are exempt from sales or use tax. Purchases of manufacturing or processing machinery and machine parts for use in manufacturing a commodity for sale or rental are taxable at the 1 ½ % special rate of tax.

1100~~8~~ Cotton Gins

~~1. The 15 cent per bale tax on cotton gins stands repealed and is longer imposed, effective July 1, 1997.~~

1~~2~~. Sales and Barter. The exchange of cottonseed meal and hulls for cottonseed is considered an exempt sale of livestock feed. Sales of any other property, unless specifically exempt, are taxable at the regular retail rate of tax.

2~~3~~. Purchases. Sales or purchases of machinery and machine parts which are to be used directly in the ginning process are taxable at the special 1 ½ % rate of tax. Forklift trucks used directly in the ginning process are considered to be manufacturing machinery. Charges for electric power or other fuels for operation of cotton gins are taxable at the special industrial rate of 1 ½ %. Bagging and ties for baling cotton are exempt from sales or use tax. Other purchases of materials and services are taxable at the regular retail rate of tax.

1110~~9~~ Cotton Compresses

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2. The following income accounts are exempt from sales tax: bagging, band, loose cotton and sweepings, patches and financial income such as interest on

investments. Charges made directly to agencies of the United States Government or the State of Mississippi for storage of property owned by them may also be excluded from taxable gross income.

3. Purchases of permanent bale tags by cotton compresses are exempt from sales tax. Purchases of marking figures and strips, rivets and twine are likewise exempt when used as bagging and ties. Purchases of electric power, fuel, manufacturing machinery, repairs and parts (band cutters, band slicers, band rollers, lift trucks, riveting machines and other processing machines) used directly in the processing operation are taxable at the special 1 ½ % rate of sales or use tax.
4. Purchases of all other equipment and supplies (building materials, car door openers, car loaders, conveyors, cotton hooks, fire extinguishes, hand trucks, janitorial supplies, office supplies, cotton receipts, sampling machines, scales, trailers, oil, graphite, etc.) are taxable at the regular retail rate of sales or use tax.

11~~0~~20 Rentals. Rental or lease of machinery and other tangible personal property is taxed at the same rates as sales of the same property.

11~~1~~31 Records. Adequate records must be maintained to substantiate tax classifications of sales and Purchases.

11~~2~~42 (Reserved)