



## Agricultural Inputs – Exempt from Missouri Sales Tax or Not

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The majority of the inputs purchased for use in production agriculture are exempt from Missouri sales tax. However, not all inputs are exempt – which ones are and which are not? Information used as a training manual for Missouri sales/use tax auditors is now available on the web at: [www.dor.state.mo.us/tax/audit/manual/TOC.htm](http://www.dor.state.mo.us/tax/audit/manual/TOC.htm).

In addition to providing criteria and some rationale for why some items are exempt while other items are not – the site provides a link for two fairly comprehensive lists that set forth items that generally do or do not qualify for the agricultural exemption. This site and the two lists have proven quite useful in determining if particular input purchases are exempt from sales tax or not.

The following are excerpts from this site relative to the agricultural exemption.

[Section 144.030.2\(22\)](#) exempts: all sales of feed additives; propane, natural gas, electricity or diesel fuel used exclusively for drying agricultural crops; and farm machinery, if they meet a three-part test. The components of the test are:

- used exclusively for agricultural purposes,
- used on land owned or leased to produce farm products, and
- used directly in producing farm products.

Historically, items had to be tangible personal property at the time of title transfer to qualify. Items that were physically affixed to real property and therefore lost their character as tangible equipment at the time of transfer did not qualify for the exemption. For example, the sale of portable grain bins was exempt, but the sale of non-portable grain bins was taxable.

...farm machinery as exempt, whether or not such machinery or equipment is attached to a vehicle or real property. The rule on bins currently makes the distinction whether it is used during or after production. Feed storage bins are exempt, and grain bins are considered taxable. Repair and replacement parts purchased for use on farm machinery are exempt from tax. Consumable supplies such as grease, oil and antifreeze are not considered parts and are taxable items.

Effective August 28, 1998, Senate Bill 936 added the following exemptions to [section 144.030.1\(22\)](#):

- all feed for livestock or poultry, regardless of whether the livestock or poultry are to be sold ultimately in processed form or otherwise;
- adjuvants and foam markers used to enhance the application of pesticides;
- pesticides and herbicides used in the production of crops, aquaculture, livestock or poultry;
- lubricants used exclusively for farm machinery and equipment; and grain bins that are used for storage of grain for resale.



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