



## Are Farmers Exempt from Illinois Sales Tax?

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This question seems to come up often. The answer to the question, however, is "No"! Farmer's are not exempt from sales tax but some equipment they buy may be exempt. To explain this we must first know the history of this subject. In the early 1980's, Illinois passed the 86 Illinois Administration Code 130.305 exempting machinery (personal machinery that is moveable) from the State of Illinois sales tax. This machinery is narrowed to only include machinery used in the "production of crops, livestock, animal husbandry, floriculture, horticulture and viticulture". This was lobbied hard for by farm equipment dealers and other ag groups.

Left out of the bill was anything connected to the real estate (i.e. grain bins, confinement buildings, machine sheds, etc.), as well as transportation equipment such as trucks.

Included in "production ag activity" tax exemption are farrowing crates, stalls, fence panels, and flooring with a waste disposal system. In 1998, the General Assembly clarified some new exemptions to take into account up-to-date technology like precision farming, soil testing equipment, computers, monitors, software and GPS mapping.

So, what about lawn mowers, small tractor mowers and ATV's? There are situations on different farms that could make this answer very difficult. Is it used exclusively or partially in production agriculture? Is it used directly in production of a crop? Does it have a PTO shaft; and used for other farm chores besides lawn mowing? Does it have an alternative use that is non-ag to others? Where is the line between a lawn mower and a tractor? I know that some dealers make you pay sales tax on these items regardless of use. By the way, Illinois Dept of Revenue does audit for compliance especially on sales tax.

But, if you have a good reason to not pay sales tax, there is a form you must fill out and sign to exempt the equipment. It is an ST-587, which is available at the Illinois Department of Revenue website, below, or the machinery dealer may have them on hand.

We have heard stories about buying ATV's and lawn mowers from other states and not paying Illinois sales tax on them. Remember, all dealers have to keep names and addresses. I have heard of farmers getting a sales tax bill plus penalties years later as a result of an audit by the Illinois Department of Revenue.

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For more information or questions you can go to: [www.revenue.state.il.us](http://www.revenue.state.il.us) and look up Publication 104.

If the dealer does not correctly charge you sales tax, you can pay it voluntarily by going to Illinois Department of Revenue's website and choosing Web File and Pay. You can also file and pay it with your Illinois 1040, Page 2, Line 22. This is very convenient.