

SUT-157 - Cotton Ginning - For-Hire Agricultural Services Exemption

This article is for informational purposes only.

A business owns a gin. The business gins the cotton for area farmers and is either paid for the service of ginning by the farmers' cotton or exchanges the ginning service for the cotton seeds. The cotton is returned to the farmer. This business may have already qualified for and received authorization from the Department as a manufacturer. This business can qualify for the Agricultural Sales and Use Tax Certificate of Exemption under the criteria of providing for-hire custom agricultural services for the processing of agricultural products.

The cotton gin, repair or replacement parts, and repair labor for the cotton gin, and the electricity, natural gas, liquefied gas, or fuel oil used to operate the gin can be purchased tax exempt by a person in the business of providing for-hire ginning services if the person is a holder of an Agricultural Sales and Use Tax Certificate of Exemption.

The electricity, natural gas, liquefied gas, or fuel oil used to operate the cotton gin is directly used to produce fiber for human consumption. Such energy fuel used to operate the gin must be separately metered from other energy fuels that are subject to tax at the 1.5% tax rate on energy fuel sold to and use by manufacturers.