

Agri-sawdust & Coverings

Notice #08-05

Sales and Use Tax

August 2008

**Highlights**

- Exemptions clarified for agri-sawdust and plastic and canvas coverings.
- Agri-sawdust
- Plastic & canvas covering
- Procedures for making tax exempt purchases
- Purchasers are responsible if items are not used in a tax exempt manner

**References:**

T.C.A. § 67-6-207

INTRODUCTION

This notice is intended to provide taxpayers with information concerning certain items that can be purchased tax exempt by farmers, timber harvesters and nursery operators who have received an agricultural certificate of exemption from the Commissioner of Revenue.

This notice clarifies previous information provided by the Department regarding agricultural exemptions for agri-sawdust and plastic and canvas coverings used in the care of plants or to cover storage facilities.

DISCUSSION

Tenn. Code Ann. § 67-6-207, provides a list of items that are exempt from sales and use tax when purchased by a farmer, timber harvester or nursery operator who holds an agricultural exemption certificate. Included in the list of items that can be purchased exempt from tax are agri-sawdust and plastic and canvas coverings.

- Agri-sawdust is a term used primarily for Tennessee sales and use tax purposes and includes sawdust, wood shavings, chips, and slabs. Agri-sawdust used as bedding for livestock, as mulch or covering for raising plants, as energy fuel for drying or smoking tobacco or other agricultural products, or energy fuel in the production of nursery or greenhouse products is exempt from sales and use tax when purchased by persons presenting their Tennessee Agricultural Sales and Use Tax Certificate of Exemption.
- Plastic and canvas coverings used in the care and raising of plants, seeds, or seedlings includes tarpaulins. Usage in the care and raising of plants, seeds, or seedlings also includes a protective covering for agricultural or horticultural products such as tarps covering bales of hay. The exemption for plastic and canvas coverings also include tarpaulins used to cover feed bins, silos, and other similar storage structures.

Documentation

In order to purchase these items exempt from tax, the purchaser must present a copy of his or her agricultural exemption certificate or card to the seller. Sellers may obtain, in place of a copy of the agricultural exemption certificate or card, a fully completed Streamlined Sales Tax Certificate of Exemption form which must include the account number appearing on the certificate issued by the department. Streamlined Sales Tax Certificates of Exemption forms are available on the department's Web site.

Tax Responsibility

The purchaser is liable for the sales tax, penalties and interest on purchases made free of tax when issuing an exemption certificate to a retailer if the items are not used in a tax exempt manner.

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.