

Agricultural Unmanned Aircraft Systems

Notice #14-05

Sales and Use Tax

June 2014



Highlights

- *Unmanned aircraft systems used in sowing, planting, growing, monitoring, managing or harvesting agricultural and nursery products are considered exempt agriculture appliances.*
- *An agricultural exemption certificate is required to make tax-exempt purchases.*



References:

T.C.A. § 67-6-207

INTRODUCTION

The Department of Revenue considers unmanned aircraft systems used for certain agricultural purposes to be items farmers and others who hold agricultural exemption certificates can buy tax-free.

DISCUSSION

State law lists certain items that are exempt from sales and use tax when a farmer, timber harvester or nursery operator who holds an agricultural exemption certificate purchases them. See Important Notice 07-12 for specifics concerning who may qualify for the agricultural exemption certificate.

Appliances used directly and principally for producing agricultural and nursery products for sale and consumption off the premises are included among the tax-exempt items. Automobiles, trucks, household appliances or property that becomes real property when erected or installed do not qualify for the exemption.

The Department considers unmanned aircraft systems (UAS) used in sowing, planting, growing, monitoring, managing or harvesting farm products and nursery stock to be an appliance that qualifies for the agricultural exemption. The UAS includes an unmanned aircraft as well as the support equipment elements required to operate an unmanned aircraft for its intended purpose. Examples of the support equipment elements are: data and photographic recorder links such as payload sensors and cameras; communications links such as radio and video systems; control stations such as remote control radios, joysticks and ground control stations; and telemetry and navigation equipment such as transceivers and antenna.

Documentation

To purchase these items and not pay tax, the qualified purchaser must present to the seller a copy of its agricultural exemption certificate issued by the Commissioner of Revenue. Sellers may obtain, in place of a copy of the agricultural exemption certificate, a fully completed [Streamlined Sales Tax Certificate of Exemption form](#), which must include the account number that is on the certificate the Commissioner issued.

Tax Responsibility

The consumer is responsible for paying sales tax, penalties and interest on purchases if items purchased with an agricultural exemption certificate are not used in a manner that qualifies for tax exemption.

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.