Department of Revenue

Sales and Use Tax Notice

Notice #19-10 June 2019

Agricultural Water

Water Used Directly in the Production of Food or Fiber, and Nursery or Greenhouse Crops is Exempt from Sales and Use Tax

Beginning July 1, 2019, water purchased by a qualified farmer or nursery operator that is used directly in the growing and producing of food or fiber for human or animal consumption, as well as nursery and greenhouse crops for sale, is exempt from sales and use tax. To qualify for the tax exemption, water for agricultural use as described above must be separately metered from water for non–agricultural uses. The tax exemption does not apply to sales of utility water for residential or other business uses (e.g., industrial).

Examples of Tax Exempt Uses of Agricultural Water

Examples of tax exempt uses of agricultural water include, but are not limited to:

- Irrigation of fruits, vegetables and other agricultural crops, and nursery flowers and plants
- Watering livestock (i.e., animals commonly grown for food or fiber, horses, mules, and other draft animals)
- Application of fertilizers and pesticides
- Washing agricultural produce

Farmers and Nursery Operators Must Provide the Water Utility with Their Agricultural Sales and Use Tax Exemption Certificate

In order to purchase the agricultural water exempt from tax, the purchaser must present a copy of their Agricultural Sales and Use Tax Exemption Certificate to the seller. Alternatively, in place of a copy of the agricultural exemption certificate, the purchaser may present a fully completed Streamlined Sales Tax Certificate of Exemption form that includes the exemption number on the agricultural certificate issued by the Department.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-6-207(a)(18); Public Chapter 427 (2019)

Disclaimer: 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.