



# Cornhusker Economics

## Nebraska Agricultural Machinery and Equipment Sales Tax Exemption

Market Report	Year Ago	4 Wks Ago	1-31-20
<b>Livestock and Products.</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	*	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	177.15	*	175.81
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	149.16	*	144.12
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	216.65	208.96	213.26
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	50.22	*	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	66.11	73.54	70.53
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	131.38	148.60	152.15
National Carcass Lamb Cutout FOB. . . . .	380.90	420.81	423.15
<b>Crops.</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	4.63	4.26	4.14
Corn, No. 2, Yellow Columbus, bu. . . . .	3.52	3.69	3.68
Soybeans, No. 1, Yellow Columbus, bu. . . . .	8.15	8.69	8.17
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	5.70	5.98	5.89
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	3.30	3.39	3.38
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	*	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	100.00	107.50	107.50
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	85.00	95.00	98.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	142.50	160.50	147.83
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	52.0	50.00	51.83
<b>* No Market</b>			

Nebraska sales and use tax for farmers and ranchers can be a difficult subject. When purchasing or leasing depreciable agricultural machinery and equipment for commercial agricultural use those purchases are listed as exempt from Nebraska and local sales and use taxes. The purchase of a 200-horsepower tractor or a new 12-row planter often is the first to come to mind when thinking of assets that fall into that category. The question that often arises though is what about other items such as a seed tender, auger wagon, or skid steer? For that answer you have to do research on both the law and the intended use.

The law in Nebraska defines the term of agricultural machinery and equipment as follows: *Agricultural machinery and equipment is tangible personal property that is used directly in cultivating or harvesting a crop, raising or caring for animal life, or collecting or processing an agricultural product on the farm or ranch.* [Nebraska Department of Revenue Information Guide 6-368](#). Furthermore agricultural machinery and equipment must be depreciable, which requires a determinable life of longer than one year. The key, which is difficult in some cases, to this definition is the restriction that machinery and equipment must be used **directly** for the purposes stated above. The Nebraska Department of Revenue has provided a great example of this direct-use definition. If you were to purchase a grain storage bin from an Option 1 contractor, parts of that purchase would be taxable and parts of that purchase would be tax exempt. Items such as auger systems, bin sweeps,

stirrators, and fans would all fall under the tax exemption. On the other side though, items such as the electrical control box, ladders, and the grain bin would be taxable.

To figure this out, we need to know the intended use of the machinery or equipment. A certain piece of equipment purchased by Farmer A might be taxable while that same piece of equipment purchased by Farmer B might be tax exempt. The Nebraska Department of Revenue gives an example of such a scenario. If Farmer B purchased a mower to mow hay that will then be fed to livestock, that mower is tax exempt. If Farmer A purchased an identical mower to mow under a fence line, that purchase is taxable. Compare the intended use to the definition for agricultural machinery and equipment -- *It must be used directly in cultivating or harvesting a crop, raising or caring for animal life, or collecting or processing an agricultural product.* Farmer B's use directly fits into that definition. Farmer A's intended use does not fit that definition. Another prime example is ATVs and UTVs. If you purchased a UTV to be used to apply weed control on crops or feed livestock, that purchase is tax exempt. If you purchased a UTV to be used to check livestock or irrigated pivots, that purchase is taxable. The Nebraska Department of Revenue Information Guide 6-368 referenced earlier has more examples of tax exempt vs. taxable purchases. There is a very fine line between taxable and tax exempt and it is sometimes debatable.

There are a few key forms when dealing with sales tax. The first is [Form 13](#). This form is needed when setting up accounts with new vendors to designate the sales tax treatment of your operation. I recommend keeping a handful of Form 13s readily available for use at new businesses or auctions. The second form is [Form 7AG-1](#). With sales and use tax being a tough subject there will be times when you could be charged sales tax on a purchase that should have been sales tax exempt. Form 7AG-1 provides a process to request a review and refund of a purchase that was taxed and should have been tax exempt.

Another point of interest is with auctions. Farm and estate auction items are taxable. Any sale made, supervised, or aided by an auctioneer, or by an agent of the auctioneer, does not qualify as an occasional sale. This includes household goods, personal effects, tools, miscellaneous items, and farm machinery and equipment that are sold at a sale that is conducted, super-

vised, or aided by an auctioneer. As referenced above, having a Form 13 readily available to the auctioneer will be required if the machinery falls under the sales tax exempt status. In addition to paying sales tax on the winning bid amount, any buyer's premium, sometimes called a transaction fee, is also taxable. To read more about Nebraska sales and use tax for auction, please see [Nebraska Department of Revenue Information Guide 6-361](#).

This article barely scratches the surface and for some probably raises more questions than it answers. The Nebraska Department of Revenue provides additional resources to help answer those lingering questions. Short online videos are currently being developed to discuss generalized questions that occur. In addition by calling [800-742-7474](#) you can speak with a representative from the Nebraska Department of Revenue to discuss specific machinery or equipment you may have questions about or schedule an appointment to talk with a representative in person.

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