



Nebraska Department of  
**REVENUE**

# Special Agri-Business

## 2016

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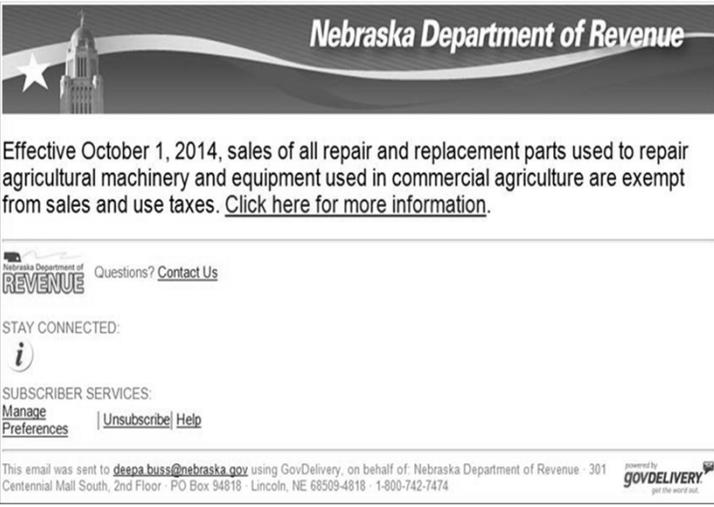
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Nebraska Department of Revenue

Effective October 1, 2014, sales of all repair and replacement parts used to repair agricultural machinery and equipment used in commercial agriculture are exempt from sales and use taxes. [Click here for more information.](#)

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## Sales Tax Exemption for Agricultural Repair and Replacement Parts

Effective October 1, 2014, sales of all repair and replacement parts used to repair agricultural machinery and equipment used in commercial agriculture are exempt from sales and use taxes.

- [LB 96 \(2014\)](#)
- [News Release \(09/30/2014\)](#)
- [Information Guide: Agricultural Machinery and Equipment Sales Tax Exemption](#)
- [Nebraska Resale or Exempt Sale Certificate, Form 13](#)

The purchaser must issue to the seller a properly completed Form 13, Section B, exempt category 2, to exempt the purchase from tax.
- [Nebraska Sales and Use Tax Refund Claim for Agricultural Machinery and Equipment Purchases or Leases, Form 7AG-1](#)
- [Nebraska Sales Tax Exemption Chart](#)
- [Reg-1-094, Agricultural Machinery and Equipment Refund](#)

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# Overview of Sales and Use Tax

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Overview of Sales Tax

## Sales tax is...

- ... a transactional tax,
- ... based on the transaction, rather than the item sold.

## A sale is...

- ... the transfer of title or possession of an item, or
- ... providing a service,
- ... for consideration.

For more information, see our guide [Nebraska and Local Sales Tax](#) or [Reg-0-001 - Nature of Sales Tax](#).

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Overview of Sales Tax (continued)

## A lease or rental of tangible personal property...

- ...can be a sale,
- ...if there is transfer of possession.

Sales tax is due on each lease or rental payment.

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## The Bottom Line for Sales Tax

Sellers must collect sales tax  
or  
document why they did not.

## What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
  - Sales tax is collected and remitted by the seller.
  - Use tax is paid directly to the Department by the purchaser/consumer.

## Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
  - Where delivery occurs or
  - Where first usage in Nebraska takes place.

## When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
  - Internet, catalog, mail order
  - Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
  - Auto mechanic
  - Hair salon

Note: Be sure to maintain good records!

# Agricultural Machinery and Equipment

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Ag Machinery and Equip (continued)

Commercial agriculture is:

- Producing food products or other useful and valuable crops;  
or
- Raising or caring for animals.

The crops or animals can either be sold or used by the farmer/rancher to produce other products for sale.

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Ag Machinery and Equip (continued)

Commercial agriculture also includes commercial production in:

- Feedlots;
- Greenhouses;
- Nurseries;
- Sod farms; and
- Tree farms.

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Ag Machinery and Equip (continued)

Commercial agriculture does not include:

- Animals in sale barns;
- Animals in stockyards;
- Storage of products in commercial elevators; or
- Storage of products off the farm.

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Purchases of ag equipment are sales and use tax exempt when all three of these criteria are met (refer to Reg-1-094):

- The item is used directly in commercial agriculture;
- The item meets the definition of ag equipment; and
- The purchaser properly completes a Form 13, Section B.

Ag equipment:

- Must be depreciable tangible personal property, even if the owner chooses not to depreciate it for income tax purposes;
- Has a determinable life of more than 1 year; and
- Is used in commercial agriculture for the production of income.

- Leases of qualified ag equipment are exempt from sales and use taxes when used directly in commercial agriculture.
- The lessee must give a Form 13, Section B to the lessor.

Ag equipment does not include:

- Real estate;
- Licensable motor vehicles;
- Equipment used in processing at a commercial facility;
- Well drilling equipment; or
- Office equipment
- Other equipment that is not agricultural machinery and equipment.

Qualified ag equipment is exempt from sales and use taxes when purchased at an auction...

...provided the purchaser gives the auctioneer a properly completed **Form 13, Section B, Category 2.**

## Form 13, Section B

REVENUE		Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption		Form 13
Name and Mailing Address of Purchaser		Name and Mailing Address of Seller		
Name		Name		
Legal Name		Legal Name		
Street Address (Do not use PO Box)		Street or Other Mailing Address		
City State Zip Code		City State Zip Code		
Check Type of Certificate				
<input type="checkbox"/> Single Purchase		If single purchase is checked, enter the related invoice or purchase order number: _____		
<input checked="" type="checkbox"/> Blanket		If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:				
<b>Check One</b> <input type="checkbox"/> Purchase for Resale (Complete Section A.) <input checked="" type="checkbox"/> Exempt Purchase (Complete Section B.) <input type="checkbox"/> Contractor (Complete Section C.)				
<b>Section B—Nebraska Exempt Sale Certificate</b>				
The basis for this exemption is exemption category <u>2</u> (insert appropriate number for the category of exemption described on the reverse side).				
If exemption category 2 or 5 is claimed, enter the following information:				
Description of Items Purchased		Intended Use of Items Purchased		
farm machinery, repair and replacement parts		commercial agriculture		
If exemption category 3 or 4 is claimed, enter your Nebraska Exemption Certificate number: 05-_____ Do not enter your Federal Employer ID Number.				
If exemption category 6 is claimed, the seller must enter the following information and sign this form below:				
Description of Items Sold	Date of Seller's Original Purchase	Was tax paid when purchased by seller?	Was item depreciable?	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

For more information, see [Form 13 instructions.](#)

# Repair and Replacement Parts for Ag Equipment

- Effective October 1, 2014, all repair and replacement parts are exempt if both criteria are met
  - The property repaired is agricultural machinery and equipment
  - The repair parts are sold to eligible purchasers.
- Buyers complete a Form 13 to exempt these sales.
- Repair labor is sales tax exempt

Repair and Replacement Parts for Ag Equip (continued)

- If repair parts were purchased prior to October 1, 2014, the purchaser may apply for a refund of the tax if:
  - The repair parts are depreciable; and
  - The property repaired is qualified ag equipment.
- To obtain a refund, file a Form 7AG-1 within 3 years of the date of purchase.

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Repair and Replacement Parts for Ag Equip (continued)

## Form 7AG-1

**Nebraska Sales and Use Tax Refund Claim**  
for Agricultural Machinery and Equipment Purchases or Leases  
• Read instructions on reverse side  
• Type or print clearly

**FORM 7AG-1**

PLEASE DO NOT WRITE IN THIS SPACE

Federal Employer ID or Social Security Number \_\_\_\_\_

**NAME AND MAILING ADDRESS OF PURCHASER/LESSEE**  
Name \_\_\_\_\_  
Street or Other Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Country where property will be located for property taxation (a copy of this claim will be forwarded to the appropriate country assessor and all property listed herein will be subject to personal property taxation) \_\_\_\_\_

If leased, will this property be leased or rented for less than one year?  
 YES  NO

QUALIFYING AGRICULTURAL MACHINERY AND EQUIPMENT					
Description of Property (List Each Item Separately)	Date Purchased/Leased Mo. Day Yr.	Net Purchase/Lease Price \$	Local Jurisdiction Imposing Tax	Local Sales and Use Tax Paid \$	Nebraska Sales and Use Tax Paid \$
1					
2					
3					
4					
5					
6 Total local sales and use tax paid				6	\$
7 Total Nebraska sales and use tax paid				7	\$
8 Total refund claimed for Nebraska and local sales and use tax paid (total of lines 6 and 7). No refund will be made if the total amount claimed is less than \$2.00.				8	\$

I declare, under penalty of law, that I have examined this claim, and to the best of my knowledge and belief it is correct and complete. I also declare that payment of this claim has not been previously made by the state, nor have I claimed or received a refund from the state.

**sign here** Signature of Purchaser, Lessee, or Agent \_\_\_\_\_ Printed Name \_\_\_\_\_ Telephone Number \_\_\_\_\_ Date \_\_\_\_\_

For more detailed information, refer to the Form 7AG-1 instructions.

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# Contractor Issues

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Contractor Issues

## When Work on Ag Equipment Involves Charges for Contractor Labor

- Contractor labor is sales tax exempt; and
- The contractor option chosen determines taxability of purchases of ag equipment or any repair parts.

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## Option 1 Contractor

- Transactions with the Supplier
  - The Option 1 contractor can purchase building materials and fixtures sales tax exempt for resale.
  - They must give their Nebraska supplier a properly completed Form 13, Section C, Block 1.
- Transactions with the Farmer/Rancher
  - The Option 1 contractor must collect sales tax on separately stated charges for building materials and fixtures unless...
  - A properly completed Form 13, Section B, Category 2, is obtained for qualified agricultural machinery and equipment (for example, a stirrator in a grain bin).

## Option 2 Contractor

- Transactions with the Supplier
  - The Option 2 contractor pays sales or use tax on its purchase of building materials and fixtures.
- Transactions with the Farmer/Rancher
  - The Option 2 contractor does not collect sales tax on any portion of the invoice and cannot accept a Form 13.

## Option 3 Contractor

- Transactions with the Supplier
  - The Option 3 contractor buys building materials and fixtures sales tax exempt.
  - They must give their Nebraska supplier a properly completed Form 13, Section C, Block 1.
- Transactions with the Farmer/Rancher
  - The Option 3 contractor must remit use tax at the rate in effect at the time and place of withdrawal of building materials and fixtures from inventory.
  - They do not collect sales tax on any portion of the invoice and cannot accept a Form 13.

Contractor Issues (continued)

## Form 13, Section C

<b>Nebraska Resale or Exempt Sale Certificate</b>		FORM <b>13</b>
for Sales Tax Exemption		<b>RESET FORM</b>
<small>• Read instructions on reverse side/see note below</small>		
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER
Name _____		Name _____
Street or Other Mailing Address _____		Street or Other Mailing Address _____
City _____	State _____	Zip Code _____
City _____	State _____	Zip Code _____
Check Type of Certificate		
<input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket <small>If blanket is checked, this certificate is valid until revoked in writing by the purchaser.</small>		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:		
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		
<b>SECTION C—For Contractors Only</b>		
<b>1. Purchases of Building Materials or Fixtures:</b>		
<input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is:    01-_____		
<b>2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (exempt entity):</b>		
<input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.		
For more detailed information, refer to the <b>Form 13 instructions and Reg-1-017, Contractors.</b>		

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Purchases That Do Not Qualify

## Buildings and Most Structures Do Not Qualify for the Ag Equipment Exemption

- Concrete feed bunks do not qualify if they are permanently attached.
- Barns and outbuildings do not qualify.
- Grain bins do not qualify.
- However, the stirrator in the grain bin does qualify for the exemption.

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Ag Seeds and Plants (continued)

## Seeds and Plants Cannot Be Purchased Sales Tax Exempt When Used for the Following Planting Purposes

- Residential or commercial lawns
- Private ornamental gardens
- Private golf courses
- Seed for land that is removed from production

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# Personal Property Tax

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Personal Property Tax

## Personal Property Tax

- All depreciable ag equipment must be reported for personal property tax purposes, even if sales tax is paid on the item.
- Property tax is not related to sales tax.

Refer to  
Sales and Use Tax [Regulation 1-094.05](#) –  
Agricultural Machinery and Equipment Refund, and  
[Personal Property](#) on the Property Assessment website  
for additional information.

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Personal Property Tax (continued)

- All depreciable tangible personal property owned as of January 1 at 12:01 a.m. each year must be reported.
- A [Nebraska Personal Property Return](#) is filed with the county assessor.
- The return must be filed each year on or before May 1.

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# Water and Energy Source Utility Exemption

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### Water Used for Ag Purposes

Water is sales tax exempt when more than 90% of the water billed through the meter is used for one or more of the following tax exempt purposes:

- Irrigation of agricultural lands; or
- Care for qualifying animals.

A Form 13 must be issued to the utility when claiming this exemption, unless the utility assigns a formal usage classification.

### Energy Source Utility Exemption

A qualified energy source is sales tax exempt when more than 50% of the energy is used for:

- Commercial feed grinding;
- Commercial grain drying;
- Farming; or
- Irrigation.

To purchase energy sources sales tax exempt, give a Form 13E to the seller.

Refer to Sales and Use Tax Regulation 1-089 Energy Source Utility Exemption, for more information.

- Example of Qualified Use

The electricity billed through a single meter at a hog confinement building qualifies (more than 50% rule).

- Example of Nonqualified Use

The energy used in the farmer/rancher's repair shop is taxable.

The seller is not responsible for collecting sales tax on sales of dyed diesel fuel when delivery takes place by

- Pumping it into a bulk tank equipped with a hose and nozzle;
- Pumping it directly into the fuel tank of an off-road vehicle;
  - Farm tractor      ○ Bulldozer      ○ Excavator
  - Combine          ○ Road grader      ○ Boat
- Pumping it directly into a supply tank that fuels equipment that generates electricity; or
- Pumping it directly into a supply tank that fuels stationary crop irrigation equipment.

## Taxable Energy Source

Dyed diesel fuel is subject to sales and use tax when:

- Used in certain equipment
  - Reefer unit
  - De-watering equipment
  - Diesel powered light tower equipment
  - Diesel powered air compressor

Refer to Sales and Use Tax Regulation 1-089-Energy Source Utility Exemption, for more information.

## Form 13E

Nebraska Energy Source Exempt Sale		RESET FORM Certificate	FORM 13E
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER	
Name _____		Name _____	
Street or Other Mailing Address _____		Street or Other Mailing Address _____	
City _____	State _____	City _____	State _____
Zip Code _____		Zip Code _____	
Check Type of Certificate: <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket <small>If Blanket is checked, this certificate is valid until revoked in writing by the purchaser.</small>			
Purchaser's Account Number _____		Was an energy audit (analysis) completed prior to issuing this certificate to the seller? <input type="checkbox"/> YES <input type="checkbox"/> NO	
Describe your business operations:			
<input type="checkbox"/> A. Our purchase of electricity or compressed natural gas is exempt from Nebraska sales and use tax because more than 50 percent of the energy charge through meter number(s) _____ has been properly determined to be used or directly consumed in: (check appropriate box)			
<input type="checkbox"/> Manufacturing and Processing <input type="checkbox"/> Farming <input type="checkbox"/> Generation of Electricity			
<input type="checkbox"/> Irrigation <input type="checkbox"/> Refining			
<input type="checkbox"/> B. Our purchase of coal, fuel oil, diesel fuel, tractor fuel, coke, nuclear fuel, butane, propane, or gas is exempt from Nebraska sales and use tax because more than 50 percent of the amount purchased is used or directly consumed in: (check appropriate box)			
<input type="checkbox"/> Manufacturing and Processing <input type="checkbox"/> Farming <input type="checkbox"/> Generation of Electricity			
<input type="checkbox"/> Irrigation <input type="checkbox"/> Refining			
Any purchaser, or the agent thereof, or other person who completes this certificate for any purchase which is not otherwise exempted from the sales and use tax under the Nebraska Revenue Act, as amended, shall in addition to any tax, interest, or penalty otherwise imposed, be subject to a penalty of \$100.00 or ten times the tax, whichever amount is larger, for each instance of presentation and misuse. With regard to a blanket certificate, said penalty shall apply to each purchase made during the period the blanket certificate is in effect. Under the penalties of law, I declare that I am authorized to sign this certificate, and to the best of my knowledge and belief, it is correct and complete.			
<b>sign here</b> _____ <small>Authorized Signature of Purchaser</small>		_____	_____
		<small>Title</small>	<small>Date Issued</small>

For more detailed information, refer to the Form 13E instructions.



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