

Revenue Ruling 29-87-9 Economic Development Tax Incentives

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Economic Development Tax Incentives – Agricultural Products. AGRICULTURAL PRODUCTS INCLUDE THOSE PRODUCTS THAT ARE GROWN OR RAISED ON THE FARM OR RANCH AND THE INTERMEDIATE PRODUCTS PROCESSED FROM SUCH PRODUCTS THAT ARE NOT YET READY FOR USE BY THE FINAL CONSUMER.

Advice has been requested as to whether the term "agricultural products" as set out in the personal property tax exemption provided in the Employment and Investment Growth Act includes products that are partially manufactured or processed and are sold for more processing before they are in a consumer useable form.

Section 77-4105(2)(c), R.S.Supp. 1987, provides in part that:

Personal property which is business equipment . . . utilized in a business which is involved directly in the manufacture or processing of agricultural products, . . .

Such property shall be exempt from the tax on personal property

The taxpayers are processing products that are grown or raised on a farm or ranch. The taxpayers do not purchase the products directly from the farmer or rancher, but purchase them from another person who has partially processed the products from the original form they were in when on the farm or ranch. The taxpayer will continue processing or manufacturing the products, thereby making another product that will be useable by the final consumer.

The key is that the taxpayers are purchasing products that are substantially the same as the products on the farm. While the products may have been physically altered by the initial processing, the products have not yet undergone significant changes from their state on the farm. Therefore, the taxpayer is merely completing the change from agricultural farm products to edible consumer products.

This is considered the manufacturing or processing of agricultural products whether the complete conversion into edible consumer products is done by one taxpayer, or by a series of unrelated taxpayers. Once a product has been processed or manufactured into an edible consumer product, it will no longer be considered an "agricultural product" for purposes of the Employment and Investment Growth Act.

APPROVED:

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November 3, 1987
