

A bill for an act

relating to sales and use taxes; expanding the definition of farm machinery;
exempting construction and other materials used in livestock farming operations;
amending Minnesota Statutes 2006, sections 297A.61, subdivision 12; 297A.69,
subdivisions 2, 3, 4.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 297A.61, subdivision 12, is amended to
read:

Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery,
equipment, implements, accessories, and contrivances used directly and principally in
agricultural production of tangible personal property intended to be sold ultimately at
retail including, but not limited to:

(1) machinery for the preparation, seeding, or cultivation of soil for growing
agricultural crops;

(2) barn cleaners, milking systems, grain ~~dryers~~ drying systems, grain bins,
other feed and forage storage bins and equipment, including silage bagging systems,
concrete bunkers and silos, feeding systems including stationary feed bunks, and similar
installations, whether or not the equipment is installed by the seller and becomes part
of the real property; and

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe
fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation
system when sold as part of an irrigation system, whether or not the equipment is installed
by the seller and becomes part of the real property.

(b) Farm machinery includes machinery for the maintenance of land in state or
federal agricultural programs.

(c) Farm machinery does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, ~~grain bins~~, fencing material, communication equipment, and other farm supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles or snow blowers;

(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in the production of horses not raised for slaughter, fur-bearing animals, or research animals.

EFFECTIVE DATE. This section is effective for sales and purchases made after January 1, 2007.

Sec. 2. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, ~~except that~~ including electricity, gas, or steam used for space heating, cooling, or lighting ~~is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product, of farm buildings and~~ lighting around farm buildings, except for heating, cooling, and lighting of residential buildings;

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; ~~and~~

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product;

(9) interior crates, partitions, calf hutches, cow mats and mattresses, and syringes and needles for livestock as defined in section 17A.03, subdivision 5; and

(10) building materials used in construction of buildings and interior and exterior housing and containment facilities for livestock, as defined in section 17A.03, subdivision 5.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

EFFECTIVE DATE. This section is effective beginning with sales and purchases made after January 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

Subd. 3. **Repair and replacement parts.** Repair and replacement parts, ~~except tires,~~ used for maintenance or repair of farm machinery, logging equipment, and aquaculture production equipment are exempt, if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

EFFECTIVE DATE. This section is effective for sales and purchases made after January 1, 2007.

Sec. 4. Minnesota Statutes 2006, section 297A.69, subdivision 4, is amended to read:

Subd. 4. **Machinery, equipment, and fencing.** The following machinery, equipment, and fencing is exempt:

(1) farm machinery;

(2) logging equipment, including chain saws used for commercial logging;

(3) fencing used for the containment of ~~farmed cervidae, as defined in section 35.153, subdivision 3~~ livestock as defined in section 17A.03, subdivision 5;

(4) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, aquacultural production equipment, or logging equipment, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and

(5) aquaculture production equipment.

4.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
4.2 January 1, 2007.