



Application for Exemption Certificate for Replacement Parts for Farm Machinery and Equipment

Unified Business Identifier (UBI) / Tax Reporting Account (TRA) Number (if applicable) _____

Federal Employer Identification Number (FEIN) (if applicable) _____

Type of agricultural product grown, raised, or produced: _____

Type of Entity: Individual Corporation Sole Proprietor Partnership Other (Explain) _____

Applicant Name _____

Farm Name _____

Farm Address _____

City _____

State _____

Zip Code _____

Mailing Address _____

City _____

State _____

Zip Code _____

Phone Number () _____

E-mail Address _____

Farmer applies for:

- Exemption Certificate (for an established farmer)**

The issuance of an Exemption Certificate for Replacement Parts for Farm Machinery and Equipment is conditioned upon a farmer who grows, raises, or produces agricultural products, having gross annual sales of those products of at least \$10,000.

A farmer who applies for the exemption certificate must attach a copy of Schedule F of Form 1040, Form 1120, or other applicable form filed with the Internal Revenue Service indicating the amount of the farmer's gross sales of agricultural products for the calendar year before this application.

- Conditional Exemption Certificate (farming for less than one full calendar year)**

A farmer who has not farmed for the full calendar year may be eligible for a conditional Exemption Certificate for Replacement Parts for Farm Machinery and Equipment. The issuance of a conditional exemption certificate is conditioned upon the farmer making gross sales of agricultural products grown, raised, or produced by the farmer of at least \$10,000 in the first full calendar year that the farmer engages in the business of farming.

A farmer who receives a conditional exemption certificate must provide documentation of the amount of gross sales of agricultural products made during the first full calendar year of farming by December 31st of the second calendar year following this application.

A farmer who receives a conditional exemption certificate and either fails to provide the required documentation or does not meet the threshold for gross sales of agricultural products in the first full calendar year of engaging in the business of farming is subject to the amount of the tax exemption claimed and interest.

Applicant first engaged in the business of farming on _____ (date)

I, the undersigned applicant, certify that I:

- Am an eligible farmer as defined.
- Understand that use of the exemption certificate issued to me is limited to the purchase of replacement parts for farm machinery and equipment used primarily for growing, raising, or producing agricultural products for sale.
- Understand that I must keep and make records available to the Department to verify eligibility.
- Understand that I am subject to the retail sales or use tax and interest on purchases that do not qualify for the exemption.

Applicant Name _____

Title _____

Applicant Signature _____

Send completed application to:

Department of Revenue
Taxpayer Account Administration
PO Box 47476
Olympia, WA 98504-7476

Keep a copy of this application and all attachments for your records

- Attach** a copy of Schedule F of Form 1040, Form 1120, or other applicable form filed with the Internal Revenue Service (IRS)

What is a replacement part for qualifying farm machinery and equipment?

Chapter 172, Laws of 2006, provides that neither retail sales nor use tax applies to purchases of replacement parts for qualifying farm machinery and equipment.

A replacement part is a part that replaces an existing part, or which is essential to maintain the working condition of a piece of qualifying farm machinery and equipment.

A replacement part **does not** include an item that may be desirable but is not essential for maintaining the working condition of a piece of qualifying farm machinery and equipment, unless the item replaces an existing part. A replacement part **does not** include paint, fuel, oil, grease, hydraulic fluids, anti freeze, and similar items.

What is qualifying farm machinery and equipment?

Qualifying farm machinery and equipment is machinery and equipment used primarily (more than 50%) to grow, raise, or produce agricultural products for sale. This includes farm tractors as defined in RCW 46.04.180 and other farm implements.

Qualifying farm machinery and equipment **does not** include:

- Farm vehicles and other vehicles as defined in chapter 46.04 RCW (other than farm tractors and other farm implements as described above);
- Lawn tractors;
- All terrain vehicles;
- Aircraft;
- Hand tools and hand powered tools; and
- Property that has a useful life of less than one year.

Who is an eligible farmer?

To be eligible for the sales and use tax exemptions, a person must be an "eligible farmer." RCW 82.04.213 provides that a farmer is a person who, on land the person owns or has a present right of possession, grows, raises, or produces agricultural products for sale.

A farmer is eligible for the tax exemptions if:

- The farmer's gross sales of agricultural products grown, raised, or produced by the farmer was at least \$10,000 in the calendar year immediately before applying for the exemption.
- The farmer possesses an exemption certificate that was transferred to the farmer because of a change in legal entity and the certificate expires before the new entity engages in farming for a full calendar year, but only if the combined gross proceeds of sales of agricultural products of the previous entity and new entity are at least \$10,000 in the calendar year immediately before the farmer applies to renew the exemption certificate. For example, a farmer is a sole proprietor and possesses an exemption certificate issued by the Department. Six months before the certificate expires, the farmer reorganizes his farming business and is the only shareholder. Upon notification, the Department transfers the farmer's exemption certificate to the new entity for the remaining six months. After the exemption certificate expires, the new entity can apply to renew the certificate if, in the calendar year immediately before applying to renew the certificate, the combined gross proceeds of sales of agricultural products by the farmer and the successor corporation is at least \$10,000.
- The farmer does not otherwise meet the definition of "eligible farmer," did not engage in farming for the full calendar year immediately before applying for the exemption, and did not engage in farming at all in any other previous year. In other words, the farmer is new to farming.
- The applicant would otherwise be an eligible farmer except that they are not a "person" as defined in RCW 82.04.030. For example, a state university that grows, raises, or produces agricultural products for sale is an "eligible farmer" if its gross proceeds of sales of agricultural products is at least \$10,000 during the calendar year immediately before applying for the exemption certificate, even though a state university is not a person under RCW 82.04.030.

A person that grows agricultural products for his or her own consumption, sells animals or substances in connection with operating a stockyard or a slaughter or packing house, or extracts, cultivates, or raises timber **is not** a farmer with respect to those activities and **is not** eligible for the sales and use tax exemptions for replacement parts for farm machinery and equipment.

What is an agricultural product?

RCW 82.04.213 provides that an "agricultural product" is any product of plant cultivation or animal husbandry. Examples include:

- Products of horticulture, grain cultivation, vermiculture, viticulture, and aquaculture, as defined in RCW 15.85.020;
- Plantation Christmas trees;
- Short-rotation hardwoods, as defined in RCW 84.33.035;
- Animals, including birds and insects, and substances obtained from animals, birds and insects; and
- Turf

Pet animals **are not** agricultural products. Thus, persons who raise animal pets **are not** farmers and **are not** eligible for the exemptions. RCW 16.70.020 provides that the following are pet animals:

- Dogs;
- Cats;
- Monkeys and other similar primates;
- Turtles;
- Psittacine (parrot family) birds;
- Skunks; and
- Any other species of wild or domestic animals sold or retained for the purpose of being kept as a household pet.