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Exemption of sales tax on certain uses of utilities and fuel

by Charles Brown, farm management specialist, 641-673-5841, crbrown@iastate.edu

Certain uses of utilities and fuel are exempt from Iowa sales tax. The purchase of water, electricity, liquefied petroleum gas or other forms of energy used for agriculture production may be exempt from Iowa sales tax.

To claim these exemptions complete forms 31-113, Iowa Sales Tax Exemption Certificate/Energy Used in Processing/Agriculture, and give it to your supplier. This will only take care of future sales tax. If you have been paying sales tax and shouldn't have, you need to file IA 843, Claim for Refund. Claims for refund on current purchases are due within three years of the quarterly due date for the period in which the tax was charged. Formerly, taxpayers could file a claim for refund for sales tax within four or five years of that date. The change was made by the 1999 Legislature to gradually adjust the refund periods to conform to those allowed for other taxes.

Fuels used in heating or cooling of livestock buildings on the farm are exempt from sales and use tax. Fuel used in grain drying is exempt because it is used in processing an agriculture product.

Water used in watering livestock is exempt, as is water used by greenhouses for agriculture purposes.

Electricity used in cooling or heating livestock buildings or grain drying is exempt, but keeping the lights on does not qualify.

Proper documentation must be provided to the utility company to receive the exemption for electric energy or gas used in agriculture production. Separate meters would be ideal, but not always practical. Form 31-113 will help to calculate the percentage of the electricity or gas used for agriculture production.

Each farmer applying for utility sales tax exemption should calculate both the exempt and nonexempt percentages of utility use. Your utility company should be able to help with this calculation, if help is needed.

Depending on the type of operation a farmer has, the sales tax could amount to several hundred dollars a year.



ARC/PLC decisions: a three-step process

by Steven D. Johnson, PhD, farm management specialist, 515-957-5790, sjohns@iastate.edu

A few months ago, the USDA Farm Service Agency (FSA) mailed letters to farmland owners and their producers with a summary of covered commodities. This was actually the start of a 3-step process for the new commodity crop program.

Now, farmland owners by FSA farm number have a one-time opportunity to: (1) maintain the farm's

2013 base acres of covered commodities through 2018; or (2) reallocate base acres among those covered commodities planted on the farm during the 2009 to 2012 crop years.

There are important decisions coming up this fall and winter for both landowners as well as current producers on the farm.