

Filing for Sales Tax Refund

Sales tax exemptions are for fuels, including electricity, which are used for agricultural processing and production.

Documentation is the key to receiving this exemption. If having a separate meter for farm use is not practical, a listing of the equipment used for farm production is necessary. We also require that you sign a certification stating that if circumstances change or if it is later determined that the electricity sold has been used or disposed of in a non-exempt manner, that you are solely responsible for such taxes.

Determine the percentage of your total electrical energy consumed for farm production. The first step is to take your previous 12 months electric billing statements to provide a guide for your total annual used. In the event your previous 12 months were not a typical year for your farm, you can use any 12 month period that is representative. If you do not have your previous history of electric consumption, we can provide this information.

The basic formula for calculating the percentage of electricity used for production is: The sum of electricity used for production divided by the total used, multiplied by 100. It is usually more convenient to calculate the non-production used to find the percentage of sales tax exemption.

As for example, assume your total electric consumption for the year was 55,000 kilowatt hours (kWh). You have calculated your use in kWh for production at 27,000 divided by 55,000 X 100 = 49%, can be used in your application for exemption.

To calculate the amount of electricity used for production, start by making an inventory of all your farmstead equipment. The listing should include for **EACH** item:

	<i>For Example – one item may be:</i>
- Piece of equipment by function	Fan Motor
- Motor horsepower	5 (HP motor)
- kWh used per hour	5 (kWh use per hour)
- Hours used per month	120 (hours per month)
- kWh per month	600 (kWh per month)
- kWh per year	7200 (kWh per year)

After your inventory is completed, use this formula to calculate the percentage of your sales tax exemption. We can provide you with the required sales tax exemption form and we can help determine what information you need.

Remember that only production and processing are sales tax exempt. **Lighting in livestock buildings, security lights or any outdoor lighting is subject to sales tax.** If the only separation you need to make is between production and the lighting load, it may be easier to calculate the lighting load to get your exemption percentage. Calculating the lighting is done by, multiplying the wattage by the number of hours used, then dividing by 1,000 to get kWh used. Also, if you have more than one farmstead a separate sales tax exemption form is required for each. A properly documented certificate should be suitable.