



Sales and Use Tax Division
North Carolina Department of Revenue
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www.ncdor.gov

**IMPORTANT NOTICE: QUALIFYING FARMER AND CONDITIONAL FARMER
EXEMPTION EXPANSION**

Retroactive to July 1, 2014, a qualifying farmer or conditional farmer includes a dairy operator, a poultry farmer, an egg producer, and a livestock farmer, a farmer of crops, a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758, **and a person who boards horses**. Additionally, **certain items purchased to fulfill a service** for a person who holds a qualifying farmer exemption certificate or a conditional exemption certificate issued under N.C. Gen. Stat. § 105-164.28A are exempt from sales and use tax pursuant to N.C. Gen. Stat. § 105-164.13E(c1).

Refund

A person who boards horses or a person that provides a service for a person who holds a qualifying farmer exemption certificate or a conditional exemption certificate, as herein described, that paid sales and use tax for a return period beginning July 1, 2014 and ending prior to June 12, 2018 on an item exempt from sales and use tax pursuant to N.C. Gen. Stat. § 105-164.13E, may apply to the Department for a refund of any excess tax paid, to the extent the refund is the result of the amendment made to N.C. Gen. Stat. § 105-164.13E. **A request for a refund must be made on or before October 1, 2018**. Notwithstanding N.C. Gen. Stat. § 105-241.6, a request for a refund received after this date is barred and the provisions of N.C. Gen. Stat. § 105-164.11 do not apply. To apply for a refund, complete and submit to the Department Form E-588, Business Claim for Refund State, County and Transit Sales and Use Taxes, reference this Important Notice, and attach documentation to substantiate this State's sales and use tax was paid on the qualifying item(s).

Qualifying Farmer

A "qualifying farmer" is a person who has an annual "income from farming operations" for the preceding taxable year of ten thousand dollars (\$10,000) or more or who has an average annual "income from farming operations" for the three preceding taxable years of ten thousand dollars (\$10,000) or more. The term "income from farming operations" means sales plus any other amounts treated as gross income under the Code, as defined in N.C. Gen. Stat. §105-228.90, from farming operations. A qualifying farmer includes a dairy operator, a poultry farmer, an egg producer, and a livestock farmer, a farmer of crops, a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758, and a person who boards horses. Tangible personal property, digital property, and services exempt from sales and use tax when purchased by a qualifying farmer for use in farming operations are set out in N.C. Gen. Stat. § 105-164.13E.

To apply for a qualifying farmer exemption certificate number, complete and submit to the Department Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases. **The qualifying farmer exemption certificate expires when a person fails to meet the income threshold for three consecutive income tax years or ceases to engage in farming operations, whichever comes first.**

Conditional Exemption Certificate

A person who does not meet the criteria of a qualifying farmer may apply to the Department for a conditional exemption certificate under N.C. Gen. Stat. § 105-164.28A. A person with a conditional exemption certificate is allowed to purchase items exempt from sales and use tax to the same extent as a qualifying farmer. To receive a conditional exemption certificate, the person must certify that the person intends to engage in farming operations and that the person will timely file State and federal income tax returns that reflect income and expenses incurred from farming operations during the taxable years that the conditional exemption certificate applies. Additional conditions for a conditional exemption certificate are set out in N.C. Gen. Stat. § 105-164.13E.

To apply for a conditional farmer exemption certificate number, complete and submit to the Department Form E-595CF, Application for Conditional Farmer Exemption Certificate Number for Qualified Purchases. The Department may not issue a conditional farmer exemption certificate to a person who has had a conditional farmer exemption certificate issued during the prior 15 income tax years.

Services for a Qualifying or Conditional Farmer

Any of the substances listed below when purchased to fulfill a service for a person who holds a qualifying farmer exemption certificate or a conditional exemption certificate issued under N.C. Gen. Stat. § 105-164.28A for use on animals or plants, as appropriate, held or produced for commercial purposes is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. This exemption does not apply to any equipment or devices used to administer, release, apply, or otherwise dispense these substances:

- a. Remedies, vaccines, medications, litter materials, and feeds for animals.
- b. Rodenticides, insecticides, herbicides, fungicides, and pesticides.
- c. Defoliants for use on cotton or other crops.
- d. Plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents for tobacco and other crops.
- e. Semen.

A person that purchases one of the above listed items to fulfill a service for a person who holds a qualifying farmer exemption certificate or a conditional exemption certificate must provide to the retailer a completed Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or the data elements as required by N.C. Gen. Stat. § 105-164.28. The person who purchases the item must provide to the retailer the qualifying farmer exemption certificate number or the conditional exemption certificate number for whom the service is being provided to substantiate the reason for the exemption. A person that purchases an item exempt from sales and use tax must maintain records to substantiate that an item was used to provide a service for a person who holds a qualifying farmer exemption certificate or a conditional exemption certificate.

Assistance

General questions regarding this notice should be directed to the Department at telephone number 1-877-252-3052 (toll-free).

To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance issued prior to the date of this notice conflicts with this important notice, the provisions contained in this important notice supersede.