

## The Importance of Sales Tax Exemptions to Arkansas Agriculture

Sales-tax exemptions are a crucial tool for Arkansas agricultural producers. These exemptions serve as cost reductions that directly enhance farm profitability, benefiting not only individual farmers but also the entire agricultural sector. The prosperity of rural communities is closely linked to farming and these tax exemptions enable farmers to invest more in their local communities, contribute to local infrastructure, and support local businesses.

Agriculture is one of the largest industries in Arkansas, with 42,000 farms managing 14 million acres, roughly 41% of the land in the state. Forested land makes up another 19 million acres, or 55% of the state. In total, agriculture accounts for approximately 96% of the state's land usage.

As with any business, our state's farmers, ranchers, and foresters are tasked with operating a profitable business, and it is important they compete on a level playing field with other states across the nation. There are 45 states in the U.S. which charge a sales tax. Each of those offer agricultural sales-tax exemptions in some capacity. Arkansas is among a group of 32 states that offer agricultural producers a sales-tax exemption on all six major categories, including machinery, fuel, chemicals, seed, animals, and feed.

### Southeastern Sales Tax Exemptions

State	Tax Rate	Machinery	Fuel	Chemicals	Seed	Animals	Feed
Arkansas	6.50	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Mississippi	7.00	Not Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Missouri	4.23	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Tennessee	7.00	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Louisiana	5.00	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Texas	6.25	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Oklahoma	4.50	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt

Information Provided by University of Arkansas Division of Agriculture

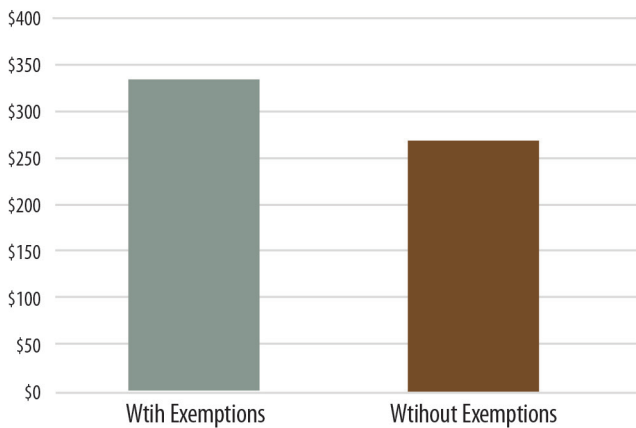
Sales-tax exemptions allow agricultural producers the ability to stay competitive with other industries, operate on a level playing field with farmers and ranchers in other states, avoid layering of taxes, and preserve farm income. In many cases the exemption of the 6.5% state sales tax can account for roughly 50% of a farmer or ranchers' profitability.

Tax exemptions for producers encourage agricultural investments and promote economic development. These exemptions enable farmers to allocate resources toward expanding their operations, purchasing advanced equipment, and implementing innovative farming and ranching practices by reducing expenses.

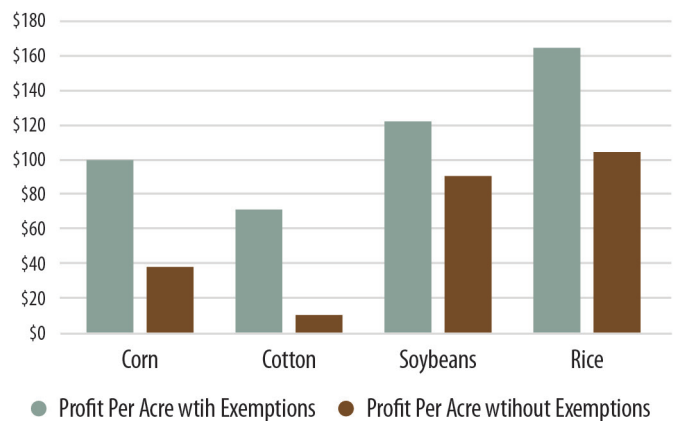
Farmers have little control over many factors of their production such as input costs, commodity prices, weather, pests, and diseases. Sales-tax exemptions can help mitigate these negative impacts by providing financial relief to producers during such challenging situations. This allows farmers to invest more within their communities, which leads to increased economic activity, improved quality of life, and helps prevent rural depopulation.

The overall value of agricultural exemptions statewide total more than \$550 million. Using the University of Arkansas Extension’s Agricultural Enterprise Budgets, we determined the average Arkansas crop farm can account \$32–\$62 of its profitability per acre to these exemptions, while the average Arkansas cow-calf farm can account \$55–\$74 of its profitability per head to sales-tax exemptions.

### Impact of Sales Tax Exemptions in Cow/Calf Production (per head)



### Impact of Sales Tax Exemptions in Crop Production (per acre)



Across the state, sales-tax exemptions account for an average 46% of farm profitability. However, because many costs and inputs associated with agriculture exist regardless of prices or yield (such as feed, fuel, fertilizer, chemicals, and seed), exemptions may account for a far greater percentage of a producer’s bottom line if profits decrease. In such years, sales-tax exemptions likely make up the bulk of a producer’s profit margin or reduce the losses incurred for the year.

Not all agricultural input items are tax exempt; gasoline and #2 diesel as well as machinery repairs, parts, and service all require taxation. Over \$52 million in sales taxes are paid by farmers and ranchers annually on non-exempt farm inputs.

Tax exemptions are not exclusive to agriculture, many other industries rely on sales-tax exemptions to remain competitive. Important exemptions exist for oil and gas production, manufacturing and processing, certain medical and legal services, advertising, and publishing.

Arkansas Farm Bureau and its 193,000 members support sales-tax exemptions for Arkansas farmers. These exemptions help to ensure that producers can remain profitable and competitive on a national and global scale. The money producers save on sales-tax exemptions circulates many times through rural communities and help to keep the economy of small-town Arkansas running.

### Arkansas Ag. Tax Exemptions

<b>Commercial Farming Sales Tax Exemption</b>	New and used farm machinery and equipment including tractors, ATVs, and implements
<b>Farm Utility Exemption</b>	Poultry and livestock facilities including broiler, egg, turkey, hatchery, hog, beef, swine, greenhouse, aquaculture coolers pumps and aerators.
<b>Other Exemptions Include</b>	Fuel, chemicals, fertilizer, seed, animals, feed, net wrap, reproductive materials, fencing materials, some utilities
<b>Products Sold Directly from Farm to Consumer</b>	<ul style="list-style-type: none"> <li>• Milk – if milking less than six cows</li> <li>• Eggs</li> <li>• Hay</li> <li>• Livestock</li> <li>• Horticultural products</li> </ul>



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