



STATE OF UTAH

Utah State Tax Commission
210 North 1950 West
Salt Lake City, UT 84134

FREQUENTLY ASKED QUESTIONS

ATV Sales & Use Tax Review

Q: What is Sales and Use Tax?

A: Sales and use taxes are transaction taxes that apply to purchases of tangible personal property and certain services.

Q: What is the agricultural exemption?

A: An exemption from sales and use tax is allowed on the purchase of “tangible personal property used or consumed primarily and directly in farming operations.” See *Utah Code Section 59-12-104(18)*.

Q: What activities are considered “farming operations” for purposes of the agricultural exemption?

A: “A person is engaged in ‘farming operations’ if that person may deduct farm related expenses under Sections 162 or 212, Internal Revenue Code.” See *Administrative Rule R865-19S-49*. Under this definition, to meet the requirements for the agricultural sales tax exemption, your activity must be a commercial venture involving the production of agricultural products intended for resale.

Q: Where can I find the tax laws and rules regarding the agricultural exemption?

A: Utah Code Title 59 Chapter 12 Part 1 Section 59-12-104(18) and Administrative Rule 865-19S-49.

Links to the Utah Code and Administrative Rules can be found at our website www.tax.utah.gov/selfreview (select the **ATV Project** link).

Q: I live and/or work on a farm. Do I qualify for the agricultural exemption?

A: To qualify for the exemption, you must be able to deduct farm related expenses. You must be an owner or part owner of a farm in order to deduct the farm’s expenses and qualify for the exemption.

Q: What if I purchased the ATV in my name, but bought it on behalf of a farm, and don’t personally own it?

A: If you purchased the ATV on behalf of a farm, either as a foreman, or in some similar capacity, please provide documentation that the ATV was registered in the name of the farm, and that the farm or an owner of the farm paid for the ATV or reimbursed the cost to you.

Q: I own agricultural land that I rent/lease to others who engage in farming operations. Do I qualify for the agricultural exemption?

A: No. Receiving rental or lease income from the rental or lease of your land does not qualify as “farming operations” for purposes of the agricultural exemption. In order to qualify for the exemption you must be the person farming the property. The tenant/lessee may qualify for the agricultural exemption if they are engaged in farming operations, but you as the owner/lessor of the property do not qualify for the exemption.

Q: What if I already sold the ATV to someone else?

A: Because sales and use tax is a transaction tax, the tax is due on the transaction that occurred when you purchased the ATV, whether or not you still own it.

Q: What is a Schedule F?

A: Schedule F is an Internal Revenue Service (IRS) Form. It is a statement of profit or loss from farming that reports farm income and farm expenses. It is filed with an individual’s Income Tax Return (Form 1040), or a partnership’s Return of Income (Form 1065).

Q: I engage in commercial farming operations, but did not file a Schedule F for the year in which I purchased the ATV. What other documentation can I provide to prove my exemption from sales tax?

A: Suitable documentation may include a profit and loss statement, copies of invoices showing sales of agricultural products, or similar accounting records. If you filed a Schedule C (Profit or Loss From Business) or Schedule E (Supplemental Income and Loss) with your tax return, instead of Schedule F, a copy of that schedule may be adequate documentation if it indicates the agricultural nature of your business. Whatever documentation you provide, it must show that your farm was being used to produce agricultural products for commercial sale at the time of your ATV purchase. Please include copies of such documentation in your response to the letter you received, if applicable. If your farm is a corporation or other business entity that does not file a Schedule F, please provide us with the company’s federal Employer Identification Number (EIN), and documentation showing that you are an owner or shareholder of the company.