GEORGIA AGRIBUSINESS COUNCIL

HB 386 – Expansion of Agricultural & Manufacturing Sales Tax Exemptions

"The sales and use taxes levied or imposed by this article shall not apply to sales to, or use by, a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment."

New exemptions include:

- **Energy used in agriculture and forestry**
  - Expands current exemptions to include all fuels used in production agriculture (off-road diesel, propane, butane, electricity, natural gas, wood, wood products, or wood by-products; liquefied petroleum gas or other fuel)
  - Includes swine and dairy production, which were previously not allowed this exemption
  - Electricity used in processing raw agricultural products, such as cotton gins, peanut processors, etc.

- **Agricultural Machinery & Equipment**
  - Repair and replacement parts
  - Aerial application equipment

What is the difference between energy used in manufacturing and energy used in agriculture?

- Energy used in agriculture includes all energy used in the further processing of a **raw agricultural product**. Energy used in agriculture will be completely exempt from sales taxes beginning on January 1, 2013.

- Manufacturing is defined as the production of tangible personal property, which is derived from industrial materials to create a product different than the original product. The manufacturing energy sales tax exemption will be phased in, 25% on January 1, 2013, 50% on January 1, 2014, 75% on January 1, 2015 and fully exempt on January 1, 2016. The manufacturing energy sales tax exemption does not include the 1% statewide tax for education infrastructure.

Qualified Agricultural Producer

- Commissioner of Agriculture will issue an annual tax exemption certificate ($15-$25) with an exemption number for those determined to be a "Qualified Agricultural Producer".
- The term "Qualified Agricultural Producer" includes those that meet one of the following criteria:
  1. Produced and sold $2,500 or more in agricultural products in the past year
  2. Provides agricultural services equal to at least $2,500 per year
  3. Owns land qualifying for CUVA or FLPA
  4. Produces long-term agricultural products (pecans, orchards, timber, etc.) that have the capacity to produce $2,500 annually in the future
  5. The person or entity must establish that they are actively engaged in the production of agricultural products and has or will have created sufficient volumes to generate at least $2,500.00 in sales annually.