

## HB605 INTRODUCED



1 HB605  
2 J5IEFFY-1  
3 By Representative Robertson  
4 RFD: Ways and Means Education  
5 First Read: 22-Apr-25



## 4 SYNOPSIS:

5 Under existing law, the gross proceeds from the  
6 sale or use of certain agricultural machinery and  
7 equipment are taxed at a rate of one and one-half  
8 percent. The gross proceeds from the sale of other  
9 tangible property sold at retail are taxed at a rate of  
10 four percent.

11 This bill would exempt the gross proceeds from  
12 the sale of certain agricultural production inputs,  
13 energy used in agriculture, certain diesel exhaust fluid,  
14 and agricultural machinery and equipment from state sales  
15 and use tax and would provide for the administration of  
16 tax exemption certificates to qualified agricultural  
17 producers.

20 A BILL

21 TO BE ENTITLED

22 AN ACT

23  
24 Relating to taxation; to exempt the gross proceeds from  
25 the sale of certain agricultural production inputs, energy used  
26 in agriculture, certain diesel exhaust fluid, and agricultural  
27 machinery and equipment from state sales and use tax; and to  
28 provide for the administration of tax exemption certificates to



## HB605 INTRODUCED

qualified agricultural producers.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) For purposes of this act, the following terms have the following meanings:

(1) AGRICULTURAL EQUIPMENT AND MACHINERY.

a. Machinery and equipment used in the production of agricultural products, including, but not limited to, machinery and equipment used:

1. In the production of poultry and eggs for sale, including, but not limited to, equipment used in the cleaning or maintenance of poultry houses;

2. In hatching and breeding of poultry and the breeding of livestock and equine;

3. In production, processing, and storage of fluid milk for sale;

4. In drying, ripening, cooking, further processing, or storage of agricultural products, including, but not limited to, orchard crops;

5. In production of livestock and equine for sale;

6. By a producer of poultry, eggs, fluid milk, equine, or livestock for sale;

7. For the purpose of harvesting agricultural products to be used on the farm by that producer as feed for poultry, equine, or livestock;

8. In tilling the soil or in animal husbandry;

9. Machinery and equipment used exclusively for irrigation of agricultural products, including, but not limited to, fruit, vegetable, and nut crops regardless of whether the



## HB605 INTRODUCED

irrigation machinery or equipment becomes incorporated into real property; and

10. To cool agricultural products in storage facilities.

b. Farm tractors and attachments to the tractors;

c. Off-road vehicles used primarily in the production of nursery and horticultural crops;

d. Self-propelled fertilizer or chemical application equipment sold to persons engaged primarily in producing agricultural products for sale and which are used exclusively in tilling, planting, cultivating, and harvesting agricultural products, including growing, harvesting, or processing onions, peaches, blackberries, blueberries, or other orchard crops, nursery, and other horticultural crops;

e. Devices and containers used in the transport and shipment of agricultural products;

f. Aircraft exclusively used for spraying agricultural crops;

g. Pecan sprayers, pecan shakers, and other equipment used in harvesting pecans sold to persons engaged in the growing, harvesting, and production of pecans;

h. Off-road equipment and related attachments which are sold to or used by persons engaged primarily in the growing or harvesting of timber and which are used exclusively in site preparation, planting, cultivating, or harvesting timber.

i. Grain bins and attachments to grain bins regardless of whether such grain bins or attachments are incorporated into real property;

j. Trailers used to transport agricultural products;



## HB605 INTRODUCED

k. All-terrain vehicles and multipassenger rough-terrain vehicles;

l. Any other off-road vehicles used in the production of agricultural or horticultural products;

m. Any repair, replacement, or component parts installed on agricultural machinery and equipment; and

n. Equipment used in harvesting, which includes all off-road equipment and related attachments used in every forestry procedure starting with the severing of a tree from the ground until and including the point at which the tree or its parts in any form have been loaded in the field in or on a truck or other vehicle for transport to the place of use. For purposes of this section, off-road equipment shall include, but not be limited to, skidders, feller bunchers, debarkers, delimbers, chip harvesters, tub-grinders, woods cutters, chippers of all types, loaders of all types, dozers, mid-motor graders, and the related attachments.

### (2) AGRICULTURAL OPERATIONS.

a. Includes the following activities:

1. Raising, growing, harvesting, or storing of crops, including, but not limited to, soil preparation and crop production services such as plowing, fertilizing, seed bed preparation, planting, cultivating, and crop protecting services.

2. Feeding, breeding, or managing livestock, equine, or poultry.

3. Producing or storing feed for use in the production of livestock, including, but not limited to, cattle, calves,



## HB605 INTRODUCED

swine, hogs, goats, sheep, equine, and rabbits, or for use in the production of poultry, including, but not limited to, chickens, hens, ratites, and turkeys.

4. Producing plants, trees, fowl, equine, or other animals.

5. Producing aquacultural, horticultural, viticultural, silvicultural, grass sod, dairy, livestock, poultry, egg, and apiarian products.

6. Processing poultry.

7. Post-harvest services on crops with the intent of preparing them for market or further processing, including, but not limited to, crop cleaning, drying, shelling, fumigating, curing, sorting, grading, packing, ginning, canning, pickling, and cooling.

8. Slaughtering poultry and other animals.

9. Manufacturing dairy products.

b. "Agricultural operations" excludes constructing, installing, altering, repairing, dismantling, or demolishing real property structures or fixtures, including, but not limited to, grain bins, irrigation equipment, and fencing.

(3) AGRICULTURAL PRODUCTION INPUTS. Seed; seedlings; plants grown from seed, cuttings, or liners; fertilizers; insecticides; livestock and poultry feeds, drugs, and instruments used for the administration of such drugs; fencing products and materials used to produce agricultural products regardless of whether the fencing products or materials become incorporated into real property; fungicides; rodenticides; herbicides; defoliants; soil fumigants; plant growth regulating



## HB605 INTRODUCED

chemicals; desiccants, including, but not limited to, shavings and sawdust from wood, peanut hulls, fuller's earth, straw, and hay; feed for animals, including, but not limited to, livestock, fish, equine, hogs, or poultry; sugar used as food for honeybees kept for the commercial production of honey, beeswax, and honeybees; cattle, hogs, sheep, equine, poultry, or bees when sold for breeding purposes; ice or other refrigerants, including, but not limited to, nitrogen, carbon dioxide, ammonia, and propylene glycol used in the processing for market or the chilling of agricultural products in storage facilities, rooms, compartments, or delivery trucks; materials, containers, crates, boxes, labels, sacks, bags, or bottles used for packaging agricultural products when the product is either sold in the containers, sacks, bags, or bottles directly to the consumer or when such use is incidental to the sale of the product for resale; and containers, plastic, canvas, and other fabrics used in the care and raising of agricultural products or canvas used in covering feed bins, silos, greenhouses, and other similar storage structures.

(4) AGRICULTURAL PRODUCTS. Items produced by agricultural operations. Agricultural products are considered grown in this state if such products are grown, produced, or processed in this state, whether or not such products are composed of constituent products grown or produced outside this state.

(5) ANIMAL. Livestock and living organisms that are commonly regarded as farm animals, organisms that produce tangible personal property for sale, or organisms that are



## HB605 INTRODUCED

processed, manufactured, or converted into articles of tangible personal property for sale. The term does not include living organisms that are commonly regarded as domestic pets or companion animals.

(6) COMMISSIONER. The Commissioner of Agriculture and Industries.

(7) DEPARTMENT. The Alabama Department of Revenue.

(8) ENERGY USED IN AGRICULTURE. Fuels used for agricultural purposes. The term includes, but is not limited to, off-road diesel, propane, butane, electricity, natural gas, wood, wood products, or wood by-products; liquefied petroleum gas or other fuel used in structures in which broilers, pullets, or other poultry are raised, in which swine are raised, in which dairy animals are raised or milked or where dairy products are stored on a farm, in which agricultural products are stored, and in which plants, seedlings, nursery stock, or floral products are raised primarily for the purposes of making sales of such plants, seedlings, nursery stock, or floral products for resale; electricity or other fuel for the operation of an irrigation system which is used on a farm exclusively for the irrigation of agricultural products; and electricity or other fuel used in the drying, cooking, or further processing of raw agricultural products, including, but not limited to, food processing of raw agricultural products.

(9) QUALIFIED AGRICULTURAL PRODUCER or PRODUCER. Includes producers of agricultural products who meet one of the following criteria:

a. The person or entity is the owner or lessee





## HB605 INTRODUCED

of agricultural land or other real property from which five thousand dollars (\$5,000) or more of agricultural products in aggregate were produced and sold during the year, including payments from government sources.

b. The person or entity is in the business of performing agricultural operations and has provided five thousand dollars (\$5,000) of such services during the year.

c. The person or entity is in the business of producing long-term agricultural products from which there might not be annual income, including, but not limited to, timber, pulpwood, orchard crops, pecans, livestock, and horticultural or other multiyear agricultural or farm products. Applicants must demonstrate that sufficient volumes of such long-term agricultural products will be produced which have the capacity to generate in aggregate at least five thousand dollars (\$5,000) in annualized sales in the future.

d. The person or entity must establish, to the satisfaction of the commissioner, that the person or entity is actively engaged in the production of agricultural products and has or will have created sufficient volumes to generate in aggregate at least five thousand dollars (\$5,000) in annualized sales.

(b) The sales and use taxes imposed by Sections 40-23-2, 40-23-37, 40-23-61, and 40-23-63, Code of Alabama 1975, shall not apply to the sale or use of agricultural production inputs, energy used in agriculture, diesel exhaust fluid for agricultural uses only, and agricultural machinery and equipment when sold or used by a qualified agricultural



## HB605 INTRODUCED

producer issued a certificate of exemption pursuant to this section.

(c)(1) The commissioner shall require applicants to acknowledge and produce, upon request, at least one of the following forms to determine eligibility under this section:

a. Business activity on IRS schedule F (Profit or Loss from Farming).

b. Farm rental activity on IRS form 4835 (Farm Rental Income and Expenses) or schedule E (Supplemental Income and Loss).

c. IRS Form 4797.

d. IRS Form 1065.

e. IRS Form 1120 or 1120(s).

(2) If an applicant does not file any of the forms provided for in this subsection but claims eligibility for the exemption certificate pursuant to the criteria specified in subsection (a), the applicant shall provide to the commissioner any documentation, tax returns, forms, or sales receipts required by the commissioner. The commissioner, in his or her discretion, shall determine if the applicant has met the eligibility requirements in determining whether to issue or deny the issuance of the certificate.

(d)(1) Qualified agricultural producers that meet the criteria provided for in subsection (a) must apply to the commissioner to request an agricultural sales and use tax exemption certificate that contains an exemption number. Upon request, the qualified agricultural producer shall provide the form or forms requested by the commissioner under subsection



## HB605 INTRODUCED

(c) to the commissioner. The application shall be in a form prescribed by the commissioner and shall contain all of the following, among other information:

a. a warning to the agricultural producer of the consequences for providing false information on the application or for unauthorized use or misuse of the exemption applied for;

b. an acknowledgment by the agricultural producer that the commissioner is authorized, by the submission of the application, to share the information contained therein with the department;

c. an acknowledgment by the agricultural producer that records of purchases of qualified agricultural products exempt from sales and use tax shall be maintained and, upon request, shall be furnished to the commissioner and the department; and

d. any other information, as determined by the commissioner or department.

(2) The commissioner shall not issue or renew an agricultural sales and use tax exemption until the agricultural producer requesting the certificate has provided the commissioner with a valid state taxpayer identification number obtained through the department.

(3) Any agricultural sales and use tax exemption certificate issued or renewed pursuant to this section shall be valid for three years.

(4) The commissioner shall issue a wallet-sized card containing the producer's name, address, exemption number, and expiration date.

(e) (1) The commissioner and the department shall



## HB605 INTRODUCED

cooperate in the adoption of rules and procedures governing the issuance of agricultural exemption certificates and the administration and enforcement of this section.

(2) A seller, upon the first use of a tax exemption certificate during any calendar year, shall verify that the certificate is valid by reviewing the producer's certificate. A seller may continue to honor the tax exemption certificate unless the seller receives notice of a suspension or revocation. A seller may not allow the sales tax exemption if the producer cannot provide a valid tax exemption certificate.

(3) If a producer knowingly uses a tax exemption certificate unlawfully, the commissioner, after verifying the unlawful use of the tax exemption certificate, and subject to notice and a hearing in accordance with Chapter 22 of Title 41, Code of Alabama 1975, shall suspend the certificate for up to one year. If a subsequent unlawful use is knowingly made within five years following the end of the suspension, the commissioner, after notice and hearing, may revoke the certificate. Any producer whose certificate is revoked pursuant to this paragraph shall not be eligible for the issuance of a new tax exemption certificate until three years from the date of such revocation.

(f)(1) The department, in conjunction with the Alabama Department of Agriculture and Industries, may conduct audits to monitor compliance with the provisions of this section.

(2) The Department of Agriculture and Industries and the department shall share information that is necessary to administer and enforce the provisions of this section. Any



## HB605 INTRODUCED

information shared for these purposes, if confidential, shall retain its character as confidential and privileged information. The furnishing of information as permitted by this section shall not be deemed to change the confidential character of the information furnished. Any person who divulges any confidential information obtained under this section shall be subject to the same civil and criminal penalties as provided for divulgence of confidential information by employees of the department.

(3) Upon issuance of a new or renewed tax exemption certificate, the Department of Agriculture and Industries shall provide the applicant with informational material regarding the lawful use of the tax exemption certificate. Any seller of tax exempt products under this section shall also be provided with this informational material. Any person who knowingly uses a certificate unlawfully shall be subject to any civil or criminal penalties authorized by law in addition to the suspension or revocation of such certificate.

(g) Contractors shall not incur any use tax on:

(1) Tangible personal property that a qualified agricultural producer purchases tax-exempt under this section and furnishes to a contractor for use in the performance of an agricultural operation, if the property retains the character of tangible personal property and is returned to the qualified agricultural producer upon the completion of the contract; or

(2) Grain bins, irrigation equipment, and fencing or the repair, replacement, or component parts to grain bins,



## HB605 INTRODUCED

irrigation equipment, or fencing that a qualified agricultural producer purchases tax-exempt under this section for use in an agricultural operation and furnishes to a contractor for installation into real property.

(h) The Department of Agriculture and Industries and the department shall jointly publish an annual report on the websites of the respective departments detailing the activity in administering and enforcing the provisions of this section. The report shall include, but not be limited to, the:

- a. Number of new tax exemption certificates issued;
- b. Number of renewed tax exemption certificates issued;
- and
- c. Number of tax exemption certificates revoked or suspended due to knowingly unlawful activity.

Section 2. This act shall become effective on September 1, 2025.