

Illinois—Sales and Use Tax: Tractor Purchase Not Exempt

Taxpayer's purchase of a tractor did not qualify for the Illinois sales and use tax exemption for farm machinery and equipment because only 20% of the tractor's use was included in exempt production agriculture (e.g., applying farm chemicals and planting, cultivating, and irrigating crops) and 80% of the tractor's use was excluded from the exemption.

Under the Department of Revenue's definition of "production agriculture", the time spent on clearing of land and mowing of fence rows by the tractor was excluded from the exemption. Further, the taxpayer's contention that the mowing of waterways and erosion control was included in production agriculture was rejected. The taxpayer also did not prove that its farmland was designated as highly erodible and there was no evidence that the tractor was used in State or Federal agricultural programs. Because the tractor was not primarily used in agricultural production, the purchase was not exempt.

Administrative Hearing Decision No. UT 16-04, Illinois Department of Revenue, December 14, 2015, released April 2016