DEPARTMENT OF REVENUE

Revenue Notice # 08-01: Sales and Use Tax – Agricultural Production – Grain Drying

Background

Minnesota Statutes, section 297A.61, subdivision 36, defines agricultural production to include the raising and harvesting of agricultural crops. *Minnesota Statutes*, section 297A.69, subdivision 2, provides a sales tax exemption for fuels, electricity, gas and steam used or consumed in the agricultural production of tangible personal property intended to be sold ultimately at retail. Minnesota Rule 8130.5500, subpart 1, excludes the handling, movement, storage, and preservation of completed goods from the production process.

Department Position

It is the department's position that the purchase of fuels, electricity, gas and steam used to dry grain is consumed and used in the agricultural production process and is therefore exempt from the sales tax. The agricultural production process, including the harvesting of grains, continues until the grain reaches a saleable state or until it can be acceptably commingled with other grain. Grain drying has a direct effect upon the grain by reducing excessive moisture content and results in the production of tangible personal property to be sold ultimately at retail. Fuels, electricity, gas, and steam purchased for grain drying, by farmers and third parties including grain elevator operators, are exempt from the sales tax regardless of when title to the grain passes. It is the department's position that fuels, electricity, gas and steam used in the storage of grain including the aeration of grain to prevent spoilage, control insects or to reduce dust and sweating is not part of the agricultural production process and the use of fuels, electricity, gas and steam for those purposes are subject to the sales tax.

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