



Certain items of tangible personal property used for agricultural purposes are exempt from sales and use taxes administered by the Department of Revenue. This publication provides information about exemptions for the following items:

- *Farm equipment* . . . . . page 1
- *Livestock and related exemptions* . . . . . page 4
- *Fertilizers and spray adjuvants* . . . . . page 5
- *Pesticides* . . . . . page 6
- *Seeds and orchard trees* . . . . . page 6
- *Electricity and fuel* . . . . . page 6
- *Farm close-out sales* . . . . . page 7

Any retailer making tax-exempt sales is subject to the due diligence and recordkeeping requirements described on *page 8 of this publication*.

This publication is designed to provide general guidance regarding sales tax exemptions related to agriculture and to supplement the guidance provided in the *Colorado Sales Tax Guide*. Nothing in this publication modifies or is intended to modify Colorado’s statutes or regulations authorizing such exempt sales. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The exemptions discussed in this publication apply to sales and use taxes imposed by the State of Colorado, the Regional Transportation District (RTD), and the Scientific and Cultural Facilities District (CD). Applicability of certain exemptions varies for other state-administered local taxes. See Department form DR 1002, *Colorado Sales/Use Tax Rates*, and the *Supplemental Instructions for Form DR 0100* for information about exemptions allowed for other state-administered local taxes.

The information in this publication does not apply to any sales and use taxes administered by any home-rule cities. Please contact the home-rule cities directly for information about the taxes they administer.

## Farm equipment

Qualifying farm equipment is exempt from state and state-administered special district sales and use taxes. The exemption for qualifying farm equipment applies to state-administered city and county sales taxes only if the exemption has been adopted by express inclusion in the local government’s sales tax ordinance or resolution. See Department form DR 1002, *Colorado Sales/Use Tax Rates*, to determine whether a specific city or county has adopted this exemption.

Qualifying farm equipment includes:

- farm tractors and implements of husbandry;
- aircraft designed or adapted for agricultural use;
- irrigation equipment;
- baling materials;
- shipping materials purchased by a farm operation; and
- dairy equipment.

Leased or rented farm equipment must have a fair market value of at least \$1,000 to qualify for this exemption.

## General requirements for farm equipment

In general, the exemption for farm equipment applies only to qualifying equipment used primarily and directly in a farm operation that produces any of the following products for profit, including a business that hires out to produce or harvest such products:

- livestock;
- milk;
- honey;
- poultry and eggs; and
- agricultural, viticultural, fruit, and vegetable products.

### Non-qualifying equipment and supplies

The exemption does not apply to any equipment or supplies used for any activity other than farming or in a manner that is incidental to a farm operation. The exemption is not allowed for equipment and supplies used for:

- building maintenance or janitorial purposes;
- office operations;
- research; or
- the sale, distribution, or transportation of farm products, except for shipping materials discussed on [page 3 of this publication](#).

For example, the exemption does not apply to equipment primarily used:

- for weed mowing,
- in home gardens with incidental sales, or
- with livestock used as pack animals, in trail riding, or in recreation.

### Required documentation

The lessor or seller of exempt farm equipment must obtain and retain a complete signed form DR 0511, *Affidavit for Colorado Sales Tax Exemption for Farm Equipment*, in which the lessee, renter, or purchaser affirms that the equipment will be stored, used, or consumed primarily and directly in a farm operation.

The lessor or seller may be held liable for the tax, interest, and any applicable penalties if the form is illegible or incomplete. If the equipment is used in a manner that does not qualify for the exemption, the lessee, renter, or purchaser remains directly liable for the tax, interest, and any applicable penalties.

### Farm tractors and implements of husbandry

Exempt farm equipment includes farm tractors and implements of husbandry. Any equipment or machinery added to an exempt farm tractor or implement of husbandry that aids or enhances the performance of such tractor or implement is also exempt. In addition, the exemption applies to parts used in the repair or maintenance of any exempt farm tractor or implement of husbandry.

A farm tractor that is eligible for exemption is any vehicle designed and used primarily for drawing plows, mowing machines, and other implements of husbandry. An implement of husbandry is any vehicle designed, adapted, or used for agricultural purposes, including:

- equipment used solely for the application of liquid, gaseous, and dry fertilizers;
- hay balers and hay stacking equipment;
- combines, and tillage and harvesting equipment;
- agricultural commodity handling equipment;
- other heavy movable farm equipment primarily used on farms or in a livestock production facility;
- trailers specially designed to move such equipment on highways; and
- personal property valued by the county assessor as silvicultural.

In general, any vehicle that is registered for use on highways does not qualify for this exemption, regardless of the purpose for which such vehicle is used, except that a trailer specially designed to move an implement of husbandry on highways may qualify for exemption.



## Other types of farm equipment

Farm equipment that is eligible for exemption from state sales and use taxes, provided all applicable requirements are met, also includes:

- Aircraft designed or adapted to undertake agricultural applications, and parts used in the repair or maintenance of such aircraft;
- Irrigation equipment having a per unit purchase price of at least \$1,000, and parts used in the repair or maintenance of such equipment;
- Baling wire, binders twine, and surface wrap used primarily and directly in a farm operation;
- Shipping pallets, crates, or aids paid for by a farm operation and used in the transfer or shipping of agricultural products; and
- Dairy equipment, as described below.

### Dairy Equipment

Dairy equipment includes any item used at a farm dairy exclusively in connection with the production of raw milk. It does not include any item used at a commercial dairy, or at a farm dairy in connection with the production of pasteurized, separated milk products for retail sale. To the extent the farm dairy is also involved in the production of pasteurized, separated milk products for retail sale, only the equipment used exclusively in the production of raw milk qualifies for exemption.

Exempt items may include:

- |                              |                          |  |                                |
|------------------------------|--------------------------|--|--------------------------------|
| ➤ milking claws              | ➤ automatic takeoffs     | ➤ wash vats                            | ➤ vacuum pumps                 |
| ➤ milking shells             | ➤ piping                 | ➤ wash lines                           | ➤ vacuum distribution tanks    |
| ➤ inflators                  | ➤ receiver jars          | ➤ clean in place assemblies            | ➤ backflush and related valves |
| ➤ pulsators                  | ➤ pumps                  | ➤ wash control units                   | ➤ rubber and similar hoses     |
| ➤ meters                     | ➤ filter assemblies      | ➤ pulsator controls                    | ➤ rubber and similar gaskets   |
| ➤ cow identification systems | ➤ milk containment tanks | ➤ milking system controls              |                                |
| ➤ transponders               | ➤ cooling compressors    | ➤ programmable logical control systems |                                |
- any other similar or related item used in any farm dairy facility or farm dairy operation, or in the production of raw milk, regardless of whether or not the item has become a fixture
  - parts used in the repair or maintenance of qualifying dairy equipment

## Livestock and related exemptions

Livestock are exempt from state and state-administered local sales and use taxes, as are certain items related to such animals.

### Livestock

For Colorado sales and use tax purposes, livestock includes the following animals, regardless of use:

- cattle
- sheep
- ostrich
- horses
- lambs
- llama
- mules
- poultry
- alpaca
- burros
- swine
- goats

Tax-exempt livestock also includes:

- domesticated elk or fallow deer raised on a farm or ranch licensed as an alternative livestock farm by the Board of Stock Inspection Commissioners (Brand Board); and
- any other animal which is raised primarily for food, fiber, or hide production.

Any other animal that is sold, transferred, or retained for the purpose of being kept as a household pet is not considered livestock for Colorado sales and use tax purposes.

### Other exemptions related to livestock

The following items are also exempt from state and state-administered local sales and use taxes:

- feed for livestock;
- straw and other bedding for use in the care of livestock;
- semen for agricultural or ranching purposes; and
- live fish for stocking purposes.

### Agricultural compounds

Agricultural compounds consumed by, administered to, or otherwise used in caring for livestock are exempt from state and state-administered local sales and use taxes.

The exemption applies specifically to:

- insecticides;
- fungicides;
- growth-regulating chemicals;
- enhancing compounds;
- vaccines;
- hormones;
- prescription or nonprescription drugs used to prevent or treat disease or injury in livestock; and
- animal pharmaceuticals that have been approved by the Food and Drug Administration.

### Ear tags and electronic identification readers

Colorado law authorizes a state sales and use tax exemption for visual, electronic identification, or matched pair ear tags, and electronic identification readers used to scan ear tags, that are used to identify or track animals used for food or in the production of food. To qualify for exemption, the ear tags or readers must be used primarily and directly in a farm operation that produces livestock, milk, honey, poultry, or eggs for profit, including a business that hires out to produce or harvest such products. Additionally, a purchaser must provide a complete, signed form DR 0511, *Affidavit for Colorado Sales Tax Exemption for Farm Equipment*, to claim the exemption.

The state sales and use tax exemption is allowed for ear tags and electronic identification readers purchased on or after September 1, 2019. The exemption is not allowed for state-administered local sales tax, unless the local government has amended its sales tax ordinance or resolution after August 1, 2019, to expressly allow the exemption.

## Fertilizer and spray adjuvants

Fertilizer and spray adjuvants are exempt from state and state-administered local sales and use taxes if they are used in the production of agricultural commodities. Eligible agricultural production activities do not include storing, preserving, processing, packaging, or moving plants or animals after they are ready for market; or any activities relating to plant or animal products after they are harvested.

The exemptions are allowed with respect to the production of any agricultural, horticultural, floricultural, viticultural, and vegetable products, livestock and livestock products, either in their natural state or as processed, including, but not limited to:

- wheat,
- hay,
- corn,
- millet,
- oats,
- hops,
- rice,
- milo,
- bees and honey,
- poultry and poultry products,
- milk and milk products,
- timber and timber products,
- sugar beets,
- barley,
- malting barley, and
- any other feed grain.

The exemptions are not allowed for fertilizer and spray adjuvants used in the production of marijuana or marijuana products.

## Fertilizer

Fertilizers that are eligible for exemption are any substances or products that contain the chemical or organic form of one or more of the following essential available plant nutrients that are absorbed by crops:

- nitrogen (N),
- phosphorus (P<sub>2</sub>O<sub>5</sub>),
- potassium (K<sub>2</sub>O),
- calcium (Ca),
- magnesium (Mg),
- sulfur (S),
- boron (B),
- copper (Cu),
- iron (Fe),
- manganese (Mn),
- molybdenum (Mo),
- zinc (Zn), or
- other secondary and micronutrients.

The sales tax exemption for fertilizer does not apply to:

- any specialty fertilizer distributed primarily for non-farm use, such as home gardens, lawns, shrubbery, flowers, golf courses, parks, and cemeteries; or
- soil conditioners, plant amendments, or any other product that is not labeled as a fertilizer pursuant to requirements established by the Colorado Commissioner of Agriculture.

For more information about fertilizer product classifications, visit the Colorado Department of Agriculture website at [Ag.Colorado.gov/ics/fertilizer](https://Ag.Colorado.gov/ics/fertilizer).

## Spray adjuvants

Spray adjuvants that are eligible for exemption are products used to increase the effectiveness of a pesticide and that are used in caring for livestock (described on [page 4 of this publication](#)) or in the production of any agricultural commodities.



## Pesticides

---

Pesticides that meet certain requirements are exempt from state and state-administered local sales and use taxes. To qualify for exemption, a pesticide must be:

- registered with the Colorado Department of Agriculture;
- sold by a dealer licensed by the Colorado Department of Agriculture to distribute restricted use pesticides; and
- used in the production of agricultural and livestock products.

For more information about these qualifications, see the following Colorado Department of Agriculture websites:

- [Ag.Colorado.gov/pesticide-product-registrations](https://Ag.Colorado.gov/pesticide-product-registrations)
- [Ag.Colorado.gov/restricted-use-pesticide-dealers](https://Ag.Colorado.gov/restricted-use-pesticide-dealers)

Insecticides and fungicides that do not meet these qualifications may be exempt as agricultural compounds if they are used in caring for livestock. See the section titled *Agricultural compounds* on *page 4 of this publication* for additional information.

## Seeds and orchard trees

---

Seeds and orchard trees are exempt from state and state-administered local sales and use taxes if they are used in a farm operation that produces agricultural, viticultural, fruit, or vegetable products for profit, including, but not limited to, a business that hires out to produce or harvest such products.

Seeds and orchard trees are not exempt if they are used to grow food for personal consumption by the purchaser's household, unless they are purchased with funds provided by the Supplemental Nutrition Assistance Program (SNAP).

## Electricity and fuel

---

Electricity, natural and manufactured gas, and fuel oil are exempt from state and state-administered local sales and use taxes if they are used for the production of any agricultural, horticultural, floricultural, viticultural, and vegetable products, livestock and livestock products, either in their natural state or as processed, including, but not limited to:

- wheat,
- hay,
- corn,
- millet,
- oats,
- hops,
- rice,
- milo,
- bees and honey,
- poultry and poultry products,
- milk and milk products,
- timber and timber products,
- sugar beets,
- barley,
- malting barley, and
- any other feed grain.

Diesel engine fuel, kerosene, liquefied petroleum gas, and natural gas are exempt from state sales and use taxes if they are used for the operation of farm vehicles on farms or ranches.

Dyed diesel, which under federal law may not be used in highway vehicles, is exempt from state and state-administered local sales and use taxes.

### Farm close-out sales

Items sold as part of a farm close-out sale are exempt from state and state-administered local sales and use taxes. A farm close-out sale is a sale by auction or private treaty that meets all three of the following conditions:

- 1) The sale consists of all tangible personal property previously used by a farmer or rancher in carrying on their farming or ranching operations.
- 2) The farmer or rancher is making or attempting to make full and final disposition of all property used in such operations.
- 3) The farmer or rancher is abandoning all operations on the farm or ranch.

The exemption for a farm close-out sale applies even if the farmer or rancher retains ownership of improved and unimproved real property and personal property that was not used in their farming or ranching operations, as long as they abandon their farming or ranching operations in conjunction with the sale.

### Motor vehicles

For information about motor vehicles purchased at farm close-out sales, see Department publication *Sales & Use Tax Topics: Motor Vehicles*.

### Property that does not qualify for exemption

Property that was not used in a farming or ranching operation does not qualify for the exemption, regardless of whether the property was located on the farm or ranch or was sold at the same time as the farm close-out sale.

### Documenting farm close-out sales

If the farm or ranch owner holds a Colorado sales tax license or enlists an auctioneer to conduct the farm-close out sale, the owner or their agent must prepare a written and signed declaration regarding the farm close-out sale. The declaration must:

- describe each qualifying item of property offered for sale (regardless of whether such property is actually sold), in such detail as to allow the specific property to be identified by a third-party;
- attest that the farm close-out sale meets each of the three conditions listed above; and
- if the statement is signed by the owner's agent, also attest that the owner's agent has personal knowledge of the facts supporting the statements, or has confirmed with a person (whose name and address are set forth in the declaration) who has such personal knowledge that the foregoing statements are true.

The auctioneer or licensed owner must provide a copy of this declaration to the purchaser of exempt property.

### Auctioneer's due diligence

An auctioneer who conducts a farm close-out sale must exercise due diligence in determining whether the items sold at auction qualify for the farm close-out sale exemption. An auctioneer has the burden of establishing an exemption with objective, verifiable documentation. If the Department later determines that the exemption does not apply, an auctioneer who exercised due diligence is not liable for sales tax, but the purchaser is liable for sales tax.

If the auctioneer has reasonable grounds to believe that any property sold does not qualify for exemption, they must collect sales tax on such property. Please see the section titled *Retailer responsibilities on page 8 of this publication* for additional information regarding due diligence requirements for retailers.



### Retailer responsibilities

A retailer, including any auctioneer who is a retailer, must exercise due diligence with respect to any sale for which the purchaser claims exemption from sales tax. If evidence readily discernible to the retailer at the time of the sale provides reason to doubt the purchaser's eligibility for the exemption claimed, the retailer must either obtain and retain sufficient information and documentation from the purchaser to resolve the doubt or must collect the applicable tax.

Reason to doubt a purchaser's eligibility for an exemption, and requiring the retailer to collect the applicable tax on the sale, include, but are not limited to:

- sales of agricultural compounds, feed, or bedding designed for an animal that does not qualify as livestock regardless of use (described on [page 4 of this publication](#));
- sales of ear tags and electronic identification readers designed for an animal that is not typically used for food or in the production of food for human consumption;
- sales of seeds, orchard trees, fertilizer, pesticides, or spray adjuvants to a purchaser who is an owner, occupant, or manager of a residential or commercial property, acting in that capacity; or
- sales of seeds, orchard trees, fertilizer, pesticides, or spray adjuvants to a purchaser who is a person engaged in the use of these products primarily on residential or commercial properties.

If a retailer cannot resolve doubts regarding the applicability of a sales tax exemption, the retailer must collect the tax, and the purchaser is obligated to pay it. In such case, the retailer must issue to the purchaser a receipt or certificate showing the names of the retailer and purchaser, the item(s) purchased, the date, price, amount of tax paid, and a brief statement of the claim of exemption. The purchaser may request a refund of the tax paid by filing form DR 0137B, *Claim for Refund of Tax Paid to Vendor*, with the Department.

### Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales and use taxes on items used in agriculture. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

#### Statutes and regulations

- § 29-2-105. Contents of sales ordinances and proposals.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-716, C.R.S. Agriculture and livestock - special fuels - definitions.
- Rule 39-26-105—3. Documenting exempt sales.
- Rule 39-26-716. Farm Close-out Sales.
- Special Rule 2. Agricultural Products and Equipment.

#### Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/sales-use-tax](https://tax.colorado.gov/sales-use-tax)
- *Colorado Sales Tax Guide*
- *Colorado Sales/Use Tax Rates* (DR 1002)
- *Affidavit for Colorado Sales Tax Exemption for Farm Equipment* (DR 0511)
- *Claim for Refund of Tax Paid to Vendors* (DR 0137B)