



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

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P.O. Box 125, Columbia, South Carolina 29214-0575

SC REVENUE RULING 23-4

SUBJECT: Tax Exemptions for Farmers – Frequently Asked Questions and List of Eligible Items
(Sales and Use Tax)

EFFECTIVE DATE: July 1, 2022¹

REFERENCES: S.C. Code Ann. Section 12-36-2120 (2014; Supp. 2022)
S.C. Regulation 117-301 (2012)
S.C. Regulation 117-200 (2012)

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is the Department’s position until superseded or modified by a change in statute, regulation, court decision, or another Department advisory opinion.

OVERVIEW AND PURPOSE

Farmers in the agriculture industry enjoy numerous exemptions from South Carolina’s sales and use tax. Farmers issued a South Carolina Agriculture Tax Exemption (“SCATE”) card by the South Carolina Department of Agriculture may purchase certain items free of state sales and use tax and free of any local sales and use taxes collected by the Department on behalf of local jurisdictions.² For a sale to be

¹ The South Carolina Department of Agriculture began issuing SCATE cards in January 2022 and replaced the Department of Revenue issued Form ST-8F on July 1, 2022.

² In this document, sales tax will reference both sales and use tax. If a product or transaction is exempt from sales tax it is also exempt from use tax.

exempt requires the farmer's use of the product in the agricultural industry for business purposes.³ For example, a farmer's purchase of a tractor implement used to cultivate a field used to grow vegetables for sale for human consumption is exempt.⁴ The same implement used to cultivate a food plot for wild game is not exempt even if the purchaser holds a SCATE card.

The purpose of this advisory opinion is to provide guidance relating to the use of the SCATE card as well as the common exemptions available to farmers. In general, sales of items in the following categories are exempt from sales tax when used for agriculture business purposes: 1) Machines, Parts, and Attachments; 2) Livestock; 3) Feed; 4) Insecticides, Chemicals, Fertilizers, Soil Conditioners, Seeds, and Seedlings; 5) Containers and Labels; 6) Fuel; 7) Electricity and Gas; and 8) Building Materials, Supplies, Fixtures, and Equipment for Commercial Housing of Poultry and Livestock. This Revenue Ruling includes frequently asked questions regarding the exemptions available to farmers issued a SCATE card. Additionally, the charts included in this document provide a summary of each exemption as well as a non-exhaustive list of common exempt and non-exempt items.

³ A hobby farmer who does not participate in the agriculture industry for business purposes is not eligible for the agriculture sales tax exemptions, nor would a hobby farmer qualify for a SCATE card.

⁴ Additionally, the purchased farm machinery must be used substantially (not merely incidentally) in the planting, cultivating, or harvesting of farm crops for sale in their original state of production or preparation for sale.

SOUTH CAROLINA TAX EXEMPTIONS FOR FARMERS

Frequently Asked Questions

GENERAL QUESTIONS: FARMERS

1. Q. Are farmers required to pay sales and use tax on their retail purchases?
A. In general, farmers must pay sales and use tax on their purchases. Sales of tangible personal property and taxable services at retail to farmers are subject to sales or use tax. Some sales, which are described in the attached charts, are specifically exempted under the sales and use tax law. Broadly, exempt products are those used in the agricultural industry for agricultural business purposes.
2. Q. Who may claim agriculture sales tax exemptions?
A. Farmers who participate in the agriculture industry for business purposes are eligible to purchase certain items used in their business tax free.⁵ However, a South Carolina Agriculture Tax Exemption (“SCATE”) card must be presented at the time of purchase for eligible agriculture products to be exempt from sales tax.⁶

Hobby farmers who do not participate in the agriculture industry for business purposes are not eligible for the agriculture sales tax exemptions.

3. Q. Who qualifies for a SCATE card?
A. Farmers who participate in the agriculture industry for business purposes are eligible to receive a SCATE card.
4. Q. Do all animal breeders qualify for a SCATE card?
A. No. The livestock exemption only applies to the sale of domesticated animals customarily raised in South Carolina farms for use primarily as beasts of burden or food as well as the sale of mammals raised for their pelts or furs. The sales of such animals as dogs, cats, reptiles, and worms do not meet the statutory requirements to qualify for the exemption; and therefore, do not qualify for the SCATE card.

⁵ All sales of livestock and feed are exempt from sales and use tax, even if purchased for personal use. Therefore, any purchaser can purchase livestock and livestock feed tax free without presenting a SCATE card at the time of purchase. S.C. Code Ann. §§ 12-36-2120 (4) and (5) and S.C. Code Regs. § 117-301.1 and 117-301.2.

Additionally, seeds and plants intended to grow food (not birdseed or seeds to grow flowers) are exempt from the state sales and use tax as unprepared food items, even if purchased for personal use. However, this exemption only applies to the state sales and use tax. Unless a county exemption applies, unprepared food items remain subject to local sales and use taxes. S.C. Code Ann. § 12-36-2120 (75) and S.C. Code Regs. § 117-337.1(A)(2). See South Carolina Revenue Ruling #16-8.

⁶ For many years, farmers were required to present an exemption certificate (“Form ST-8F”) to purchase eligible items exempt from the sales and use tax. Form ST-8F is no longer valid. Effective July 1, 2022, the SCATE card replaced Form ST-8F.

5. Q. How does a farmer apply for a SCATE card?
- A. SCATE cards are issued by the South Carolina Department of Agriculture and applications are submitted through an online portal at scatecard.com. The South Carolina Department of Agriculture provides additional information at the following link:
<https://agriculture.sc.gov/faq/scate/>.
6. Q. How are eligible agriculture items purchased sales tax free pursuant to an agriculture exemption?
- A. A farmer must present a valid SCATE card to the retailer at the time of the farmer's initial purchase with each retailer where exempt items are purchased. The farmer may make subsequent purchases on the previously submitted SCATE card as long as the previously submitted SCATE card remains valid.
7. Q. What if a retailer charges sales tax on an item that the farmer believes is exempt?
- A. If a farmer believes that a retailer erroneously charged sales tax, a farmer should discuss the issue with the retailer and request a refund. If the retailer refuses, the farmer may file for a refund with the Department. However, pursuant to S.C. Code § 12-60-470, the farmer must secure from the retailer a written assignment of the right to claim and obtain the refund, which is Form ST-16. Once the farmer secures the assignment, the farmer can then file a request for a refund and the Department will evaluate whether the imposition of sales tax was proper or improper.⁷

GENERAL QUESTIONS: RETAILERS

8. Q. Is a farmer required to present a SCATE card at the time of purchase for the sale to be tax free?
- A. Yes, a farmer must present a valid SCATE card at the time of the farmer's initial purchase of an eligible item with each retailer as proof of an exemption. However, a farmer may make subsequent purchases from that retailer on the previously submitted SCATE card as long as that SCATE card remains valid.
- A retailer must maintain evidence of each exempt sale, including the SCATE card number.
9. Q. Is the entire sale tax free when the sale includes both eligible agriculture items and non-eligible items?
- A. No, only eligible agriculture items may be purchased tax free.
10. Q. What information must the retailer collect when making an exempt sale?
- A. A retailer must maintain all records that are necessary to confirm that a sale was exempt from sales or use tax. When making an exempt sale, a retailer must verify the identity of the SCATE cardholder and maintain evidence of the exempt sale, including the SCATE card number, list of products sold, and retail price in each exempt transaction.

⁷ See South Carolina Revenue Ruling #21-1 for more information regarding refunds.

11. Q. How long must a retailer maintain records of exempt sales?
- A. A retailer must keep records for at least 4 years after the sales and use tax return was filed or due to be filed, whichever is later.
12. Q. Is a retailer required to accept SCATE cards?
- A. Yes, if a farmer provides a SCATE card, the retailer should sell the eligible items to the farmer tax free, provided the transaction is of a type exempted by the SCATE card. The presentation of the SCATE card by a farmer will relieve the retailer of liability for sales tax and switch the liability to the purchaser, provided: 1) a SCATE card is presented, 2) the retailer did not fraudulently fail to collect and remit the tax; 3) the retailer did not solicit a farmer to participate in an unlawful claim that a sale was tax exempt; and 4) the retailer maintains proper records.
13. Q. Can a retailer check a farmer's SCATE card status?
- A. A retailer is not required to do so. However, a retailer may check the status of a SCATE card by logging onto the South Carolina Department of Agriculture's SCATE card website, www.scatecard.com, clicking on the "Check SCATE status" tab, and inputting the SCATE card number to check whether the farmer is an active SCATE participant.
14. Q. Since a retailer may be subject to a sales tax audit, what is a retailer's record keeping responsibility?
- A. The Department may initiate a sales tax audit for any retailer. Since every business keeps records in its own manner, the Department does not issue a list of the types of records that must be maintained. However, all taxpayers are required to maintain "proper records" for a minimum of 4 years after the return was filed or due to be filed, whichever is later. South Carolina Regulation 117-200 provides additional information concerning recordkeeping.

SOUTH CAROLINA TAX EXEMPTIONS FOR FARMERS

Examples of Exempt and Taxable Items

I. Machines, Parts, and Attachments		
<p>The sale of farm machinery that is used in planting, cultivating, or harvesting farm crops (including forest products) for sale is exempt from South Carolina sale and use tax. The exemption also applies to replacement parts and attachments.⁸ S.C. Code § 12-36-2120(16) and South Carolina Regulation 117-301.5.</p> <p>Planting includes all necessary steps in the preparation of the soil prior to, and including, the planting and sowing of the seed.</p> <p>Cultivation includes the loosening of the soil around growing plants, control of moisture content in the soil, and weed and pest control.</p> <p>Harvesting begins with the gathering of the crop and ends when the crop is placed in a temporary or permanent storage area. Harvesting also includes the additional preparation for storage or sale of certain crops such as curing of tobacco, grains, and peanuts and grading and packaging of peaches, cucumbers, tomatoes, etc.</p> <p>The sale or purchase of farm machinery is not exempt if the machinery will be used for a purpose other than the planting, cultivating, or harvesting of farm crops for sale in their original state of production or preparation for sale. Additionally, the purchased farm machinery must be used substantially (not merely incidentally) in the planting, cultivating, or harvesting of farm crops for sale in their original state of production or preparation for sale.</p>		
Examples of Exempt Items⁹		
<ul style="list-style-type: none"> ◆ machinery used in constructing terraces, drainage and irrigation ditches; dikes used to control the water level in cultivated fields; and land prior to cultivation of the soil ◆ machinery specifically designed for irrigation purposes, including pumps, pipes, spigots, etc. ◆ farm dairy tanks used in the production and preservation of milk on dairy farms ◆ farm wagons ◆ oil, grease, and lubricants¹⁰ 	<ul style="list-style-type: none"> ◆ animal and motor drawn or operated implements such as plows, harrows, hay rakes, mowers, cultivators, and planters ◆ machinery used in planting, cultivating, and harvesting timber products ◆ tobacco curers (not including flues and furnaces) ◆ a flatbed trailer or a stock trailer used for hauling farm crops (i.e., hay, corn, peaches) ◆ animal and motor drawn or operated tobacco transplanters 	<ul style="list-style-type: none"> ◆ skidders used in logging operations, when used either by sawmills or contractor loggers ◆ machinery purchased by operators of commercial fisheries and used directly in fishing operations, such as motor operated watercraft and nets attached to booms or cranes for lowering into the sea bed ◆ machinery purchased by commercial crabbers and used directly in crabbing operations, such as motors, mechanical capstans, and crab traps when such traps are hoisted by capstans

⁸ Automobiles and trucks are not eligible for this exemption.

⁹ The listed items are exempt if used for agricultural business purposes.

¹⁰ Chemicals and oils, including, but not limited to, greases, lubricants, and coolants used in an exempt farm machine that are essential to the functioning of the exempt machine are exempt fuels used in farm machinery and farm tractors and are exempt from sales tax according to Proviso 109.18 in Act No. 84 of 2023. If that Proviso is not renewed, these products will no longer be considered exempt fuels used in farm machinery and farm tractors and will not be exempt from sales tax.

<ul style="list-style-type: none"> ◆ pasteurizing machines, cooling machines, mechanical separators; homogenizing machines and bottling machines used by dairies in the production of milk for sale 	<ul style="list-style-type: none"> ◆ tires (except for those used for automobiles and trucks) ◆ portable power saws for use in planting, cultivating, or harvesting farm crops. The term “farm crops” includes forest products or products of the forest. 	<ul style="list-style-type: none"> ◆ airplanes¹¹ ◆ vehicle batteries (except for those used for automobiles and trucks) ◆ various machines used in the production of poultry products are exempt from the tax¹²
Examples of Taxable Items		
<ul style="list-style-type: none"> ◆ automobiles and trucks ◆ farm hand tools (i.e., hoes, pitchforks, and shovels) ◆ tobacco thermometers ◆ flatbed trailers or stock trailers (not used for planting, cultivating, or harvesting crops) ◆ milking machines 	<ul style="list-style-type: none"> ◆ range waterers and feeders (unless completely mechanized) ◆ egg baskets and stackers ◆ hand trucks and non-mechanized egg carts ◆ dollies ◆ brooding paper and guards ◆ nesting materials 	<ul style="list-style-type: none"> ◆ ATVs/UTVs/Side-by-Sides¹³ ◆ hand-operated sprayers and powder dusters ◆ mouse traps ◆ greenhouses ◆ tobacco transplanters (not animal and motor drawn or operated)

¹¹ See South Carolina Revenue Ruling #08-8.

¹² See South Carolina Reg. 117-301.5.

¹³ ATVs/UTVs/Side-by-Sides are subject to the maximum sales and use tax pursuant to S.C. Code § 12-36-2110. See South Carolina Revenue Ruling #23-3.

II. LIVESTOCK

The sale of domesticated animals customarily raised in South Carolina farms for use primarily as beasts of burden or food is exempt from South Carolina sales and use tax. The sale of mammals raised for their pelts or furs is also exempt. S.C. Code § 12-36-2120(4) and South Carolina Regulation 117-301.1.¹⁴

Examples of Exempt Items¹⁵

◆ horses	◆ sheep	◆ ostriches
◆ mules	◆ goats	◆ honey bees ¹⁶
◆ cattle	◆ rabbits	◆ chinchillas
◆ swine	◆ poultry	

Examples of Taxable Items

◆ dogs	◆ fowls (except baby chicks and poults)	◆ fish (except those cultivated for human consumption)
◆ cats	◆ minnows	◆ animals of a wild nature not considered livestock
◆ reptiles		
◆ worms		

¹⁴ All sales of livestock are exempt from sales and use tax, even if purchased for personal use. Therefore, any purchaser can purchase livestock tax free without presenting a SCATE card at the time of purchase. S.C. Code Ann. § 12-36-2120 (4) and S.C. Code Reg. § 117-301.1.

¹⁵ The listed items are exempt if used for agricultural business purposes.

¹⁶ See South Carolina Revenue Rulings #21-6 and #21-9.

III. FEED

The sale of feed used in the production and maintenance of livestock is exempt from the South Carolina sales and use tax. S.C. Code § 12-36-2120(5) and South Carolina Regulation 117-301.2.¹⁷

Examples of Exempt Items¹⁸

◆ cattle feed	◆ rabbit feed (used in the production and maintenance of rabbits for human consumption)	◆ fish feed (used in the production and maintenance of fry, fingerlings, and fish)
◆ horse feed ¹⁹		
◆ chinchilla feed		

Examples of Taxable Items

◆ pet feed	◆ bait feed	◆ wild animal feed
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¹⁷ All sales of feed are exempt from sales and use tax, even if purchased for personal use. Therefore, any purchaser can purchase livestock feed tax free without presenting a SCATE card at the time of purchase. S.C. Code Ann. § 12-36-2120 (5) and S.C. Code Reg. § 117-301.2.

¹⁸ The listed items are exempt if used for agricultural business purposes.

¹⁹ See South Carolina Revenue Ruling #99-1.

IV. INSECTICIDES, CHEMICALS, FERTILIZERS, SOIL CONDITIONERS, SEEDS, AND SEEDLINGS

Insecticides, chemicals, fertilizers, soil conditioners, seeds, seedlings, or nursery stock used solely in the production for sale of farm, grove, vineyard, or garden products or in the cultivation of poultry or livestock for sale are exempt from South Carolina sales and use tax. S.C. Code §§ 12-36-2120(6) and (28)(a), and South Carolina Regulation 117-301.3.²⁰

Examples of Exempt Items²¹

<ul style="list-style-type: none"> ◆ vegetable seeds²² ◆ fruit seeds²³ ◆ vegetable plants²⁴ ◆ fruit plants (e.g. strawberry plants, peach trees, and apple trees)²⁵ 	<ul style="list-style-type: none"> ◆ explosives (chemicals) ◆ medicines (chemicals) ◆ bull semen ◆ insecticides (chemicals), including washing powder soap, etc., used by dairy operators at the dairy barn in the production for sale of dairy products
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Examples of Taxable Items

<ul style="list-style-type: none"> ◆ liquid petroleum gas used for burning grass and weeds around farm crops 	
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²⁰ Sales of seeds and plants intended to grow food (not birdseed or seeds to grow flowers) are exempt as unprepared foods, pursuant to S.C. Code §§12-36-2120(75).

²¹ The listed items are exempt if used for agricultural business purposes.

²² See South Carolina Revenue Ruling #16-8.

²³ Id.

²⁴ Id.

²⁵ Id. Fruit plants do not include ornamental trees or other plants.

V. CONTAINERS AND LABELS

Containers and labels used in preparing agriculture, dairy, grove, or garden products for sale or in preparing turpentine gum, gum spirits of turpentine, and gum resins for sale are exempt from the South Carolina sales and use tax. S.C. Code § 12-36-2120(7) and South Carolina Regulation 117-301.4.

For the purposes of this exemption, “containers” means boxes, crates, bags, bagging, ties, barrels, and other containers.

Additionally, wrapping paper, wrapping twine, paper bags, and containers used incident to the sale and delivery of tangible personal property are exempt. S. C. Code § 12-36-2120(14).

Examples of Exempt Items²⁶

<ul style="list-style-type: none"> ◆ bags sold to wholesale grain and feed dealers for use as furnished containers of corn and oats ◆ bags sold to cotton dealers or ginners for use as furnished containers of cotton seed ◆ bags sold to produce dealers for use as furnished containers of potatoes, cabbage, etc. 	<ul style="list-style-type: none"> ◆ bags sold to peanut hullers for use as furnished containers of peanut kernels, hulls, and vines ◆ bags sold to nurserymen for use as furnished containers of nursery stock
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Examples of Taxable Items

<ul style="list-style-type: none"> ◆ tobacco twine used by farmers incident to the curing of tobacco 	
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²⁶ The listed items are exempt if used for agricultural business purposes.

VI. FUEL

Fuel used in farm machinery and farm tractors used in planting, cultivating, or harvesting farm crops and fuel used to exclusively cure agricultural products are exempt from the South Carolina sales and use tax. S.C. Code § 12-36-2120, subsections (15) and (18) and South Carolina Regulation 117-301.6. This exemption also applies to fuel used in curing grain and in grain elevators for storage or sale.

Examples of Exempt Items²⁷

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|--------------------------------|--|
| ◆ fuels used in farm machinery | ◆ fuels used in commercial fishing vessels |
| ◆ fuels used in farm tractors | ◆ fuels used exclusively to cure agricultural products |

Examples of Taxable Items

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| ◆ fuels used in non-exempt equipment | ◆ fuels used in automobiles and trucks |
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²⁷ The listed items are exempt if used for agricultural business purposes.

VII. ELECTRICITY AND GAS

Sales of electricity and natural and liquefied petroleum gas to farmers for use in the production of poultry, livestock, swine, and milk are exempt from the South Carolina sales and use tax. S.C. Code § 12-36-2120(32) and South Carolina Regulation 117-301.7.

Additionally, sales of electricity for irrigating farm crops are exempt from the tax. South Carolina Code § 12-36-2120(44) and South Carolina Regulation 117-301.7.

Examples of Exempt Items²⁸

◆ sales of electricity and natural and liquefied petroleum gas to farmers for use in the production of livestock and milk	◆ sales of electricity for irrigating farm crops
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Examples of Taxable Items

◆ sales of electricity and gas to farmers for other uses	
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²⁸ The listed items are exempt if used for agricultural business purposes.

VIII. BUILDING MATERIALS, SUPPLIES, FIXTURES, AND EQUIPMENT FOR COMMERCIAL HOUSING OF POULTRY AND LIVESTOCK

Sales of building materials, supplies, fixtures, and equipment used in the construction, repair, or improvement for the commercial housing of poultry or livestock, or that become part of a self-contained enclosure or structure specifically designed, constructed, and used for the commercial housing of poultry or livestock are exempt from the South Carolina sales and use tax. S.C. Code § 12-36-2120(45) and South Carolina Regulation 117-301.8.

Examples of Exempt Items²⁹

<ul style="list-style-type: none"> ◆ wood chips for use on the floors of self-contained enclosures or structures specifically designed, constructed, and used for the commercial housing of poultry³⁰ ◆ fencing and fencing supplies when used to surround an area on all sides in order to protect livestock or poultry raised or maintained for commercial purposes (This exemption is applicable when the fencing and fencing supplies are used within a building such as a barn or a chicken house or used to surround a field that is specifically set aside and used for livestock or poultry that is raised or maintained for commercial purposes.)³¹ 	<ul style="list-style-type: none"> ◆ watering tubs, feed troughs, and hay feeders placed within a fenced-in area specifically set aside and used for livestock or poultry, provided the livestock and poultry within the enclosure are being raised or maintained for commercial purposes³² ◆ pre-engineered buildings for the commercial housing of poultry or livestock ◆ poultry/farm alarms
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Examples of Taxable Items

<ul style="list-style-type: none"> ◆ fencing and fencing supplies used to surround a field where crops are grown 	
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SOUTH CAROLINA DEPARTMENT OF REVENUE

s/W. Hartley Powell

 W. Hartley Powell, Director

October 18 _____, 2023
 Columbia, South Carolina

²⁹ The listed items are exempt if used for agricultural business purposes.

³⁰ See South Carolina Information Letter #95-1.

³¹ See South Carolina Revenue Ruling #95-11.

³² See South Carolina Revenue Ruling #95-11.