

# ECONOMIC & POLICY UPDATE

VOLUME 21, ISSUE 7

Editors: Will Snell & Nicole Atherton



## Agriculture Exemption Number Now Required for Tax Exemption on Farm Purchases

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*Published: July 19th, 2021*

*Updated: October 18th, 2021*

A new Kentucky law requires that farmers apply for an Agriculture Exemption Number to make qualified purchases for the farm exempt from sales tax. The deadline for applying for the new Agriculture Exemption Number for current farmers is **January 1, 2022**. The application Form 51A800 is currently available on the Department of Revenue website here: [https://revenue.ky.gov/Forms/51A800%20\(4-21\)\\_fill-in.pdf](https://revenue.ky.gov/Forms/51A800%20(4-21)_fill-in.pdf). The application requires verification of agricultural activity. Any one of the following documents may be submitted with the application:

- IRS Schedule F, Profit or Loss from Farming
- IRS Form 4835, Farm Rental Income and Expenses
- Farm Service Agency number
- Other type of verification

Once approved, the Department of Revenue (DOR) will issue an Agriculture Exemption Number by letter. The number must be renewed every three years.

The Agriculture Exemption Number does not exempt purchases from sales tax. It must be used with Form 51A158 Farm Exemption Certificate for farm purchases and machinery, and with Form 51A159 Certificate of Exemption for Materials, Machinery and Equipment for construction of farm facilities. These certificates must be presented to each vendor or supplier along with the DOR letter.

Farmers may still use Forms 51A158 and 51A159 without an Agriculture Exemption Number through June 30, 2022, by using their driver's license number. Exemption Certificates without an Exemption Number will expire and no longer be valid as of July 1, 2022.

Forms 51A158 and 51A159 both list specific items that qualify for exemption from sales tax on purchases of farm-related items. For more detail on exempt purchases see Kentucky Revised Statutes (KRS) 139.480.

KRS 139.481 was passed in the 2020 legislative session and became effective on January 1, 2021. It is intended to improve the way farmers register tax exemption on sales of qualified purchases with vendors and suppliers. Businesses will also have access to a database for use in confirming the agriculture exemption number.

For more information, farmers may contact the Division of Sales and Use Tax at (502)564-5170, option 1, or at [DOR.Webresponsesalestax@ky.gov](mailto:DOR.Webresponsesalestax@ky.gov).

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#### Recommended Citation Format:

Pierce, J. "[Agriculture Exemption Number Now Required for Tax Exemption on Farm Purchases](#)." *Economic and Policy Update* (21):7, Department of Agricultural Economics, University of Kentucky, July 19th, 2021.

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