

SALES AND USE TAX

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1. Is item typically used in agriculture-items are not typically used for agriculture when they are more commonly used for non farming activities.
 2. Fertilizer and pesticides are only exempt if they are used to produce tangible personal property for sale on farms.
 3. Protective gear is taxable.
 4. Items used for producing crops, dairy products, maple syrup, or raising livestock are exempt.

ITEMS THAT NEED ADDRESSING

1. Grass seed used to produce forage that is used in production should not be taxable.
2. Maple sugar eqmt. should be exempt.
3. Gates used inside barn should be exempt-gate used outside should be treated the same.
4. Free stalls should be exempt.
5. Fencing supplies are an essential part of production-they should be exempt.
6. Cattle feeders and round bale feeders should be exempt.
7. Handkerchiefs are taxable-why?
8. Manure spreaders are taxable if used to stack manure-why?
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9. Tax exempt forms are confusing; there are also several different forms- these forms should be consolidated and checked box entries provided so that one form would cover more than one exemption.
- 10 Business owners [sellers] are responsible for knowing how product is to be used by purchaser; if purchaser signs exemption form than the responsibility of how that product is used remains with purchaser.
11. There needs to be clarity as to the frequency exemption forms need to be completed; what is the life of a blanket form? Identify the reason a new form needs to be filled out on any individual purchase.
12. Clearly identify what merchant is required to have on file for items that can be considered both taxable and non-taxable depending on use. Examples include wood pellets, propane, fertilizer used by homeowner-vegetables versus flowers etc. If a

merchant sells a single bag of 10-5-10 for growing vegetables is the merchant responsible for maintaining that exemption file?

TAX DEPARTMENT PROCEDURE

1. At least some auditors should have a background in what is Vermont agriculture and how it operates. A basic acknowledgement by the department that grass seed is used in the production of dairy products should be a minimum requirement.
2. Auditors should keep their appointments or notify those being audited of any change. There seems to be a common theme of auditors not being on time or not showing up at all once a scheduled appointment is made.
3. Testimony before our House Ag Comm. acknowledged that it may take over three years to complete an audit; that appears to be an excessive amount of time under normal circumstances.
4. Once an audit has started there should not be long lapses of time when there is no correspondence between those being audited and the tax department; our committee received testimony that in more than one case; there was no correspondence from the tax department for more than nine months.
5. The Tax Department should establish procedures for workshops to inform merchants on how to implement the Vt. Sales and Use tax.
6. The tax department maintains a web site; it needs to be updated as needed and should serve as a great tool for the merchant; the information on the web site should mirror the audit format.
7. We all need to recognize that the merchant is providing a service for the state and is not reimbursed for his time and expense; he should be thanked for that. That does not mean merchants should not follow the intent of the law and cooperate with auditors; it does mean we all should treat each other with respect.

SUMMARY

The House Agriculture and Forest Products committee makes the above statements in an effort to improve and clarify issues we have identified in our review of the VT. Sales and Use tax; particularly as it pertains to Vermont agriculture. We appreciate the merchants who have worked with us in an attempt to improve the process and bring to our attention those items of concern. We also thank the tax department for attending meetings and hearings; their willingness to participate indicated a commitment that there are areas we can improve on; now let the work begin.