

FAQ's for Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases

I've had an agricultural exemption certificate number for many years. Why do I have to reapply?

All agricultural exemption certificate holders are required to reapply based on changes enacted effective July 1, 2014, by the North Carolina General Assembly.

Who is a qualifying farmer?

A "qualifying farmer" is a person who has an annual gross income for the preceding income tax year of ten thousand dollars (\$10,000) or more from farming operations or who has an average annual gross income for the three preceding income tax years of ten thousand dollars (\$10,000) or more from farming operations. A "qualifying farmer" includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758.

What is meant by farming operations?

An item is for "farming operations" if it is used for the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals.

I have had an agricultural exemption certificate for years and meet the new annual gross income requirements and engage in a qualifying farming operation. How do I reapply?

Complete and submit Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases, available on the Department's website at <http://dornc.com/downloads/e595gf.pdf>

Do I have to submit any documentation along with the application?

Yes, Each applicant must provide income documentation (tax returns) along with the application in order for a qualifying farmer exemption certificate number to be issued.

What documentation is required to be submitted with the application to substantiate the gross income requirements for a "qualifying farmer?"

Each applicant must submit the **appropriate schedule** from their Federal tax return verifying gross income from farming operations for the preceding income tax year or the preceding three income tax years.

Does the Department require a copy of the entire Federal Income Tax Return?

No. The entire Federal Income Tax Return is not required, only those pages that can substantiate gross income from farming operations and can substantiate the type of farming operation.

What pages of the Federal Income Tax Return are required to be submitted by a farmer that is a sole proprietor?

A farmer operating as a sole proprietor may submit only Schedule F, Profit or Loss from Farming, of the Form 1040, U.S. Individual Income Tax Return which provides the gross income from farming and the type of farming operation.

What pages of the Federal Income Tax Return are required to be submitted by a farmer operating as an S Corporation?

A farmer operating as a S corporation must submit only Page 1 and Schedule B, of the Form 1120S, U.S. Income Tax Return For S Corporation which provides the gross income from farming and the type of farming operation.

What pages of Federal Income Tax Return are required to be submitted by a farmer operating as a C Corporation?

A farmer operating as a C corporation may submit only Page 1 and Schedule K, of the Form 1120, U.S. Corporation Income Tax Return which provides the gross income from farming and the type of farming operation.

What pages of Federal Income Tax Return are required to be submitted by a farmer operating as a Partnership?

A farmer operating as a partnership may submit only Page 1, of the Form 1065, U.S. Return of Partnership Income and Schedule F of Form 1040, U.S. Individual Income Tax Return which provides the gross income from farming and the type of farming operation.

Where do I mail the application?

The application should be sent to NC Department of Revenue, Registration Unit, P. O. Box 25000, Raleigh, NC 27640-0001.

In lieu of mailing the application, is there a fax number that to which I can fax the application?

The application may also be faxed to the attention of the Registration Unit at (919) 715-2999.

What exemptions do farmers qualify for and where can I find more information on purchases eligible for exemption?

Qualifying farmers are allowed an exemption from paying sales and use tax on purchases of items used in planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals per N.C. Gen. Stat. § 105-164.13E. For more information concerning what items qualify for exemption from paying sales or use tax, see Sales and Use Tax Technical Bulletin 8, Farming, located at but please know that the information at the following location has not been updated to include the requirements for a qualifying farmer or a conditional farmer:

<http://www.dorn.com/practitioner/sales/bulletins/section8.pdf>

I submitted Form E-595QF to the Department to apply for a qualifying farmer exemption number and meet the requirements to obtain a qualifying farmer exemption certificate but have not received my new qualifying farmer exemption certificate. Can I still continue to use my old agricultural exemption number for qualifying purchases?

Yes. Qualifying farmers may continue to use their previously assigned agricultural exemption certificate number for qualifying purchases made prior to October 1, 2014. Upon receipt of a new qualifying farmer exemption certificate issued by the Department, the qualifying farmer must issue a new Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other exemption information required per N.C. Gen Stat. § 105-164.28 to each retailer showing the newly assigned number in order to claim an exemption from sales and use tax on qualifying purchases for use in farming operations on or after October 1, 2014.

I am a new farmer and have not met the \$10,000 gross income requirement for the preceding income tax year or three year average of \$10,000 or more from farming operations. Can I obtain a qualifying farmer exemption certificate number?

No. However, a person who does not meet the definition of a “qualifying farmer” as of July 1, 2014, may apply to the Department for a **conditional farmer exemption certificate number**. To receive a conditional farmer exemption certificate number, a person must certify that the person intends to engage in a farming operation as described in N.C. Gen. Stat. § 105-164.13E(a) and that the person will timely file State and federal income tax returns that reflect income and expenses incurred from a farming operation during the income tax years that the conditional farmer exemption certificate applies. To apply for a conditional farmer exemption certificate, complete and submit Form E-595CF, Application for Conditional Farmer Exemption Certificate Number for Qualified Purchases.

Do I need to submit an application (Form E-595QF) if I am a commercial logger, fisherman, or veterinarian, to qualify for an exemption certificate?

No. Commercial loggers, commercial fishermen, and veterinarians must use Form E-595EA, Application for Commercial Fisherman, Commercial Logger, and Veterinarian Exemption Certificate Number for Qualified Purchases.

As a qualifying farmer purchasing an item for a qualifying farm use, what do I present to the vendor as their authority not to charge sales or use tax on a qualifying purchase?

A qualifying farmer must issue Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, or other exemption information required per N.C. Gen. Stat. § 105-164.28 to each retailer which should include the qualifying farmer exemption certificate number in order to claim an exemption from sales and use tax on a qualifying purchase for use in a farming operation. Form E-595E can be obtained at the following link:

<http://www.dornnc.com/downloads/fillin/E595Ewebfill.pdf>

If I am not a resident of North Carolina but purchase items in North Carolina for use in a farming operation inside or outside of North Carolina, am I required to apply for a qualifying farmer exemption certificate number to purchase qualifying items exempt from North Carolina sales and use tax?

Yes, provided you had an annual gross income for the preceding income tax year of \$10,000 or more from farming operations or an average annual gross income for the three preceding income tax years of \$10,000 or more from farming.

I lost my qualifying farmer exemption certificate card. How can I obtain a replacement card?

Fax your request to (919) 715-2999. Include in the request, your name or company name, address, telephone number, and qualifying farmer exemption certificate number. If you do not know the exemption certificate number, you must include your individual Social Security number or the Federal Identification number if the qualifying farmer exemption certificate number was issued to a corporate entity. You can also contact the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll-free).