

Vermont Sales and Use Tax Exemption for Forestry Equipment and Parts

Beginning July 1, 2017, specific types of equipment and repair parts are exempt from Vermont Sales and Use Tax. This is a new exemption targeting the types of machinery and equipment used in timber cutting, timber removal, and the processing of timber or other solid wood forest products intended to be sold at retail.

What is eligible for the exemption?

Under this exemption, only the following machinery is exempt from Vermont Sales and Use Tax:

- Skidders with grapple and cable
- Feller bunchers
- Cut-to-length processors
- Forwarders
- Delimbers
- Loader slashers
- Log loaders
- Whole-tree chippers
- Stationary screening systems
- Firewood processors, elevators, and screens

These types of machinery and equipment are exempt from sales and use tax, no matter who is purchasing the item. Repair parts to be used in these types of machinery and equipment are also exempt from sales and use tax.

Any other types of machinery or equipment not explicitly listed in the exemption under 32 V.S.A. § 9741(51) are not exempt from sales and use tax and continue to be taxable. This means that other pieces of equipment or machinery used in logging or forestry, such as bulldozers, excavators, ATVs, tractors, etc., remain subject to the sales and use tax. Hand tools, such as chainsaws, also do not qualify for the exemption.

Note: Tracked vehicles, including bulldozers and excavators, have a cap on the amount of sales tax that can be charged on their purchase. The cap amount is currently \$1,320 for the 6% sales tax and \$220 for towns with a local option sales tax. This cap is equivalent to the sales tax on the first \$22,000 of the tracked vehicle price. Additional value, above the first \$22,000 of purchase price, is not taxed. For more information, see Technical Bulletin 52.

How do I claim this exemption?

All purchases of this type of equipment are exempt from sales tax, regardless of who is purchasing them. Some sellers may ask purchasers to complete the new Form S-3W, Tax Exemption Certificate for Forestry and Wood Products Machinery, Equipment, and Repair Parts. However, the Department does not require this form for purchases of eligible equipment.

Since the parts used for these types of equipment can also be used for non-exempt equipment, the Department *will require* an exemption certificate for purchases of the parts eligible for this exemption. A purchaser must fill out exemption form S-3W for all eligible parts and present it to the seller.

If a seller is not willing to grant the exemption on either the parts or the equipment, the Department

recommends that purchasers pay the sales tax at the time of purchase and then request a refund from the Department directly. Purchasers can file for a refund using Form REF-620, Application for Refund of VT Sales and Use Tax or Meals and Rooms Tax, available on our website.

Is fuel used in this machinery exempt from tax, too?

Yes. Dyed diesel (commonly referred to as “off-road dyed diesel”) used in these exempt types of machinery and equipment is exempt from sales tax. If you are using dyed diesel in other types of machinery, it is exempt if it is used for propulsion (to make the machinery or equipment move). To make sure the dyed diesel will be used for the forestry equipment, your fuel dealer must ask purchasers to complete Form S-3F, Vermont Sales Tax Exemption Certificate for Fuel or Electricity.

If you have any more questions, please visit our

website at www.tax.vermont.gov to see more information about this exemption, as well as all applicable forms and exemption certificates.

Know Your Tax Law and Regulations

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. For more information, please see the following:

- 32 V.S.A. Chapter 233
- Reg. § 1.9701 Sales and Use Tax Regulations
- Technical Bulletins
- Fact Sheets

To learn more about Vermont business taxes, visit our website at www.tax.vermont.gov or contact the Department’s Business Tax Sections at tax.business@vermont.gov or 802-828-2551.

