

# Arizona Agriculture Tax and Credit

Arizona has a number of tax and credits exemptions available to Arizona's farmers and ranchers. These tax and credits exemptions fall under the sections of state statute listed below:

[Use Tax Exemptions](#)

[Retail Classification Exemptions](#)

[Property Tax Exemptions](#)

[Credits on the Taxation of Income](#)

[Tax Exemption for the Sale of Food](#)

## Use Tax Exemptions

- Tangible personal property that becomes an ingredient or component. (42-5159 (4))
- Fuel used by person holding a valid single trip use fuel tax (42-5159 (5))
- Purchases of implants used as growth promotants and injectable medicine for livestock and poultry (42-5159(7))
- Livestock, poultry, supplies, feed, salts, vitamins and other additives (42-5159 (8))
- Seeds, seedlings, roots, bulbs, cuttings and other propagative material for use in commercially producing agricultural, horticultural, viticultural or floricultural crops (42-5159 (9))
- Commodities that are consigned for resale in a warehouse in or from which the commodity is deliverable on a contract for future delivery (42-5159 (14))
- Neat animals, horses, asses, sheep, ratites, swine or goats used or to be used as breeding or production stock (42-5159 (47-B-5))
- Groundwater measuring devices (42-5159 (47-B-12))
- New machinery and equipment consisting of tractors, tractor-drawn implements, self-powered implements, machinery and equipment that are necessary for extracting milk, and for cooling milk and livestock, drip irrigation lines used for commercial production of agriculture (42-5159 (47-B-13)) **Does not include motors and pumps used in drip irrigation systems (47-5159 (47-C-7))**
- Machinery and equipment that are used directly in the feeding of poultry, the environmental control of housing for poultry, the movement of eggs within a production and packaging facility or the sorting or cooling of eggs. The exemption does not apply to vehicles used for transporting eggs. (42-5159 (47-B-17))
- Machinery and equipment that are used in the commercial production of livestock, livestock products or crops that are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution. (42-5159 (47-B-19))

## Retail Classification Exemptions

- 42-5061 (A) The retail classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. The tax imposed on the retail classification does not apply to the gross proceeds of sales or gross income from:

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- 15. Food, as provided in and subject to the conditions of article 3 of this chapter and section 42-5074.
  - 31. Sales of commodities, as defined by title 7 United States Code section 2, that are consigned for resale in a warehouse in this state in or from which the commodity is deliverable on a contract for future delivery subject to the rules of a commodity market regulated by the United States commodity futures trading commission.
  - 33. Sales of propagative materials to persons who use those items to commercially produce agricultural, horticultural, viticultural or floricultural crops in this state. For the purposes of this paragraph, "propagative materials":
    - a) Includes seeds, seedlings, roots, bulbs, liners, transplants, cuttings, soil and plant additives, agricultural minerals, auxiliary soil and plant substances, micronutrients, fertilizers, insecticides, herbicides, fungicides, soil fumigants, desiccants, rodenticides, adjuvants, plant nutrients and plant growth regulators.
    - (b) Except for use in commercially producing industrial hemp as defined in section 3-311, does not include any propagative materials used in producing any part, including seeds, of any plant of the genus cannabis.
  - 35. Sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.
  - 42. Sales of:
    - (a) Livestock and poultry to persons engaging in the businesses of farming, ranching or producing livestock or poultry.
    - (b) Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry consumption that are sold to persons for use or consumption by their own livestock or poultry, for use or consumption in the businesses of farming, ranching and producing or feeding livestock, poultry, or livestock or poultry products or for use or consumption in noncommercial boarding of livestock. For the purposes of this paragraph, "poultry" includes ratites.
  - 43. Sales of implants used as growth promotants and injectable medicines, not already exempt under paragraph 8 of this subsection, for livestock or poultry owned by or in possession of persons who are engaged in producing livestock, poultry, or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. For the purposes of this paragraph, "poultry" includes ratites.
- 42.5061 B. In addition to the deductions from the tax base prescribed by subsection A of this section, the gross proceeds of sales or gross income derived from sales of the following categories of tangible personal property shall be deducted from the tax base:
    - 5. Neat animals, horses, asses, sheep, ratites, swine or goats used or to be used as breeding or production stock, including sales of breedings or ownership shares in such animals used for breeding or production.
    - 12. Groundwater measuring devices required under section 45-604.
    - 13. New machinery and equipment consisting of agricultural aircraft, tractors, tractor-drawn implements, self-powered implements, machinery and equipment necessary for extracting milk, and machinery and equipment necessary for cooling milk and livestock,

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and drip irrigation lines not already exempt under paragraph 6 of this subsection and that are used for commercial production of agricultural, horticultural, viticultural and floricultural crops and products in this state. For the purposes of this paragraph:

- (a) "New machinery and equipment" means machinery and equipment that have never been sold at retail except pursuant to leases or rentals that do not total two years or more.
  - (b) "Self-powered implements" includes machinery and equipment that are electric-powered.
- 17. Machinery and equipment used directly in the feeding of poultry, the environmental control of housing for poultry, the movement of eggs within a production and packaging facility or the sorting or cooling of eggs. This exemption does not apply to vehicles used for transporting eggs.
  - 19. Machinery and equipment that are sold to a person engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state, including a person representing or working on behalf of such a person in a manner described in section 42-5075, subsection O, if the machinery and equipment are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.

## Property Tax Exemptions

- Animal and poultry feed, including salts, vitamins and other additives, for animal or poultry consumption is exempt from taxation. (42-11123)
- Livestock and poultry as defined in section 3-1201, aquatic animals as defined in section 3-2901 and colonies of bees are exempt from taxation as provided by article IX, section 13, Constitution of Arizona. For purposes of this section, "poultry" includes ratites. (42-11126)
- Personal property used for agricultural purposes and/or to produce horticultural crops in containers, soil, or other media (42-12002), and real and personal property used for shopping centers; golf courses; manufacturing, assemblers, or fabricators; or electric cooperatives, is exempt from taxation up to a maximum amount of fifty thousand dollars of full cash value for each taxpayer. (42-11127 (A))

## Credits on the Taxation of Income

- Credit for taxes paid to other state or country (43-1381)
- Credit for agricultural pollution control equipment (43-1170.01, 43-1081 & 43-1081.01)
- Credit for agricultural water conservation system (43-1084)
- Agricultural crops contributed to charitable organization; definitions (43-1025)

## Tax Exemption for the Sale of Food

- Agricultural crops contributed to charitable organization; definitions (43-1025)