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# Compliance Alert - Farm Machinery and Equipment Exemption Not Allowed for Trailers Used to Transport Livestock or Crops

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## Compliance Problem

The Illinois Department of Revenue is aware that some taxpayers are incorrectly reporting sales of trailers as exempt under the farm machinery and equipment exemption and failing to remit Retailers' Occupation Tax (ROT).

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## Background

The farm machinery and equipment exemption applies only to items of farm machinery and equipment, either new or used, certified by the purchaser to be used primarily for production agriculture. The exemption excludes most motor vehicles required to be registered pursuant to the Illinois Vehicle Code. Registered vehicles other than motor vehicles may qualify for the exemption if they are used primarily in production agriculture rather than used in transportation (*e.g.*, transporting livestock to slaughter or crops) or other nonexempt activities.

Production agriculture is the raising of or the propagation of livestock, crops for sale for human consumption, crops for livestock consumption, and production seed stock grown for the propagation of feed grains and the husbandry of animals or for the purpose of providing a food product. The transport of crops, animal food products, and the transport of animals (*e.g.*, for slaughter and processing) are not considered to be production agriculture. Trailers used in these activities do *not* qualify for the farm machinery and equipment exemption.

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## Solution

Retailers should no longer allow purchasers to claim a farm machinery and equipment exemption on these trailer sales. Purchasers should be advised that this exemption is allowed only as described in the background section above. For allowed exempt sales, retailers must obtain and retain exemption certificates as part of their books and records.

The Department actively pursues unpaid tax liabilities and will require persons improperly claiming an exemption to pay the original amount of tax due, plus penalties and interest. Purchasers may voluntarily file Form RUT-25, Vehicle Use Tax Transaction Return. Trailers, as described above, do not qualify for the farm machinery and equipment exemption so when completing Form RUT-25, do not check Box 4b. Form RUT-25 is available from the Illinois Secretary of State and most currency exchanges. Go to [tax.illinois.gov](http://tax.illinois.gov) for instructions on completing Form RUT-25 or for information on how to obtain Form RUT-25 directly from the Illinois Department of Revenue. Send Form RUT-25, with payment for tax due, to the following address:

**ROT DISCOVERY SECTION  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19020  
SPRINGFIELD IL 62794-9020**

Purchasers should make the payment only for the original amount of tax due. The Department will calculate additional penalties and interest. If a purchaser does not voluntarily file Form RUT-25 and pay the tax due, but instead waits to be contacted by the Department regarding the unpaid tax liability, the penalty rate increases by an additional five or ten percent, depending on the circumstances.

For more information, see 86 Ill. Adm. Code 130.305, along with other Department regulations, at [tax.illinois.gov](http://tax.illinois.gov).