

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

Who can apply to the Department to receive a conditional farmer exemption certificate number?

A person who currently does not meet the definition of a qualifying farmer under N.C. Gen. Stat. § 105-164.13E(a) but intends to become a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, or a farmer of an aquatic species, as defined in N.C. Gen. Stat. § 106-758.

What are the requirements for a person to qualify for a conditional farmer exemption certificate number?

The person must certify that they intend to engage in farming operations as described in N.C. Gen. Stat. § 105-164.13E(a), and that they will timely file State and federal income tax returns that reflect income and expenses incurred from farming operations during the income tax years that the conditional farmer exemption certificate applies.

What is meant by the term “farming operations?”

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

Can a sharecropper “engage in farming operations” and qualify to obtain a conditional farmer exemption certificate number?

Possibly. Landowners who have a sharecrop agreement with a tenant may qualify for a conditional farmer exemption number provided the landowner shares in the risks of the farming operations.

How does a person apply to receive a conditional farmer exemption certificate number?

Complete and submit Form E-595CF, Application for Conditional Farmer Exemption Certificate Number for Qualified Purchases, available on the Department's website at <http://dornc.com/downloads/e595cf.pdf>

Where do I mail the Form E-595CF application?

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

In lieu of mailing the Form E-595CF application, is there a fax number to which I can fax the application to the Department?

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

Do I have to submit any documentation along with the Form E-595CF application?

No.

Does a conditional farmer exemption certificate expire?

Yes.

How long is a conditional farmer exemption certificate valid?

A conditional farmer exemption certificate is valid for the income tax year in which the certificate is issued and the following two income tax years, provided the person to whom the certificate is issued timely submits copies of applicable State and federal income tax returns to the Department within 90 days following the end of each taxable year covered by the conditional exemption certificate or provided the person does not cease engaging in farming operations prior to the end of the third income tax year.

Can a conditional farmer exemption certificate be extended beyond the original three income tax years?

No.

Is a person that is issued a conditional farmer exemption certificate exemption number required to retain any documentation?

Yes. The person must maintain documentation of the items purchased and copies of State and federal income tax returns that reflect activities from farming operations.

How long is a person that purchases items exempt from tax pursuant to a conditional farmer exemption certificate number required to retain documentation of the items purchased and copies of the State and federal income tax returns that reflect activities from farming operations?

The person must maintain documentation of the items purchased for the period of time covered by the conditional exemption certificate and for three years following the expiration of the conditional farmer exemption certificate.

If a conditional farmer does not meet the \$10,000 gross income threshold to become eligible to be a qualifying farmer by the expiration of the conditional farmer exemption certificate, will the person issued a conditional farmer exemption certificate number be required to repay the sales and use tax on purchases made during the period of time covered by the conditional farmer exemption certificate?

No, provided any item purchased exempt from tax claiming an exemption for farming operations is used for a qualifying farm operation, the person provides copies of applicable State and federal income tax returns to the Department within 90 days following the end of each taxable year covered by the conditional farmer exemption certificate, and provided the person provides any other information requested by the Department to verify the person met the requirements for a conditional farmer exemption certificate.

If a person who is issued a conditional farmer exemption certificate number meets the \$10,000 gross income threshold for a prior income tax year and meets the eligibility requirements for a qualifying farmer during the period of time covered by the conditional farmer exemption certificate, can the person apply for a qualifying farmer exemption certificate number prior to the expiration of the conditional farmer exemption certificate?

Yes. Such persons should 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/e595qf.pdf> in order to apply for a qualifying farmer exemption certificate. See the frequently asked questions for Form E-595QF, Application for Qualifying Farmer Exemption Certificate Number for Qualified Purchases, on the Department's website at http://www.dornc.com/downloads/FAQs_E595_QF_62672014.pdf for additional information on applying for a qualifying farmer exemption certificate. A person issued a conditional farmer exemption certificate does not have to wait until the conditional farmer exemption certificate expires to apply for a qualifying farmer exemption certificate.

If a person that holds a conditional farmer exemption certificate number applies for and receives a qualifying farmer exemption certificate number prior to the expiration of the conditional farmer exemption certificate, will the conditional farmer exemption certificate continue to be valid.

No. The Department automatically cancels the conditional farmer exemption certificate number at the time the qualifying farmer exemption certificate is issued by the Department.

My conditional farmer exemption certificate has expired. Can I be issued a new conditional farmer exemption certificate?

No. The Department may not issue a conditional farmer exemption certificate to a person who has had a conditional farmer exemption certificate issued during the prior 15 income tax years.

What exemptions from sales and use tax apply to qualifying purchases for farming operations by a person with a conditional farmer exemption certificate number and where can I find more information on purchases eligible for such exemption?

A person issued a conditional farmer exemption certificate number is allowed to purchase qualifying items exempt from sales and use tax to the same extent as a qualifying farmer as provided in N.C. Gen. Stat. § 105-164.13E(a). A person with a valid conditional farmer exemption certificate number is allowed an exemption from paying sales and use tax on certain items purchased for use for farming purposes 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 items that qualify for exemption from sales and use tax when purchased for farming purposes by a person with a valid conditional farmer exemption certificate, see Sales and Use Tax Technical Bulletins 8, 9, and 10, located at the following links. The information at the links has not been updated to include the requirements for a qualifying farmer or a conditional farmer in effect as of July 1, 2014:

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

<http://www.dornc.com/practitioner/sales/bulletins/section9.pdf>

<http://www.dornc.com/practitioner/sales/bulletins/section10.pdf>.

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

No. A commercial logger, commercial fisherman, and veterinarian must use Form E-595EA, Application for Commercial Fisherman, Commercial Logger, and Veterinarian Exemption Certificate Number for Qualified Purchases, to apply for an exemption certificate number.

As a person with a conditional farmer exemption certificate number, what do I present to the vendor as the vendor's authority to not charge sales or use tax on a qualifying purchase for farming operations?

You 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 conditional farmer exemption certificate number 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/E595E_webfill.pdf.

I lost my conditional farmer exemption certificate card issued by the Department. How can I obtain a replacement card?

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

I have ceased farming operations prior to the expiration of the conditional farmer exemption certificate. How do I cancel my conditional farmer exemption certificate number?

Send a letter containing the name, FID/SSN, exemption number, and date that you ceased farming operations to the NC Department of Revenue, Registration Unit, P. O. Box 25000, Raleigh, NC 27640-0001.