

MEMORANDUM

TO: Kansas County Appraisers

FROM: Roger Hamm, Personal Property Supervisor

DATE: April 16, 2007

SUBJECT: Farm Machinery and Equipment

Recently, there have been questions concerning what types of trailers qualify for exemption as farm machinery and equipment. In an attempt to provide some guidance, we reviewed several Board of Tax Appeals orders and the following is based on that review.

County appraisers have the authority to exempt farm machinery and equipment without a Board of Tax Appeals order. K.S.A. 2006 Supp. 79-213(1)(1). However, if in doubt as to whether specific machinery and equipment qualifies, a county appraiser should place the property on the tax rolls and assist the owner in applying for exemption with the Board of Tax Appeals. Directive 92-025.

Board of Tax Appeals Decisions

The Board of Tax Appeals in recent farm machinery and equipment exemption cases involving semi-trailers concluded that grain, livestock and flatbed semi-trailers were farm trailers designed and used primarily as farm equipment **if** used in a farming or ranching operation. See photos 1-5 for examples of these types of trailers. However, note that the Board found in another case that a **dry freight van semi-trailer was not designed** as farm equipment even though used for hay storage and therefore does not qualify for exemption. See photo 6.

In other recent Board decisions, bumper pull and gooseneck grain trailers, flatbed trailers, stock trailers, and horse trailers with or without dressing room/storage areas were found to be farm machinery and equipment **if** they are used primarily in a farming or ranching operation. See photos 7-11. Note that the Board has found that raising horses or animals for ones own recreational use does not constitute a farming or ranching operation, but a horse breeding operation is farming or ranching. The Board has found

that a **horse trailer with living quarters was not designed** as farm equipment and therefore does not qualify for exemption. See photo 12.

Finally, machinery and equipment that is used in a farming and ranching operation would be classified for property tax purposes as commercial and industrial machinery and equipment. Therefore, the new commercial and industrial machinery and equipment exemption would include any personal property that is purchased after June 30, 2006, and used in a farming or ranching operation. See K.S.A. 2006 Supp. 79-223.

In summary, for a trailer or semi-trailer to qualify for exemption as farm machinery and equipment the trailer must be a farm trailer designed and used primarily as a farm vehicle in a farming or ranching operation. K.S.A. 2006 Supp. 79-201j. If the trailer is purchased or leased after June 30, 2006, and it is of the type that would be classified for property tax purposes as commercial and industrial machinery and equipment, then it will qualify for exemption as commercial and industrial machinery and equipment. K.S.A. 2006 Supp. 79-223.

Background Information

The Kansas Constitution in Article 11 Section 1(b) provides that farm machinery and equipment is exempt from property taxation. Therefore, if the property at issue is clearly farm machinery and equipment, it is exempt regardless of its use or ownership. Examples of property that are clearly farm machinery and equipment are farm tractors, combines, cultivators, disks, plows, etc.

If the property is not something that would typically be considered farm machinery and equipment then the property should be reviewed under K.S.A. 2006 Supp. 79-201j to see if it qualifies for exemption. K.S.A. 2006 Supp. 79-201j provides that farm machinery and equipment is exempt and defines this term to mean “that personal property actually and regularly used in any farming or ranching operation.” It is further provided that the “term ‘farm machinery and equipment’ shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as the terms are defined by K.S.A. 8-126 and amendments thereto.”

K.S.A. 2006 Supp. 8-126 subsection (z) defines “farm trailer” to mean “every trailer as defined in subsection (h) of this section and every semitrailer as defined in subsection (i) of this section, designed and used primarily as a farm vehicle.”

K.S.A. 2006 Supp. 8-126 subsection (h) defines “trailer” to mean “every vehicle without motive power designed to carry property or passengers wholly on its own structure and to be drawn by a motor vehicle.”

K.S.A. 2006 Supp. 8-126 subsection (i) defines “semitrailer” to mean “every vehicle of the trailer type so designed and used in conjunction with a motor vehicle that some part of its own weight and that of its own load rests upon or is carried by another vehicle.”

K.S.A. 2006 Supp. 79-201j specifically provides that the term “farming and ranching operation” includes the operation of a feedlot, performing farm or ranch work for hire and the planting, cultivating and harvesting nursery or greenhouse products, or both, for sale or resale.

K.S.A. 2006 Supp. 79-223 provides an exemption for any commercial and industrial machinery and equipment acquired by qualified purchase or lease after June 30, 2006. “Commercial and industrial machinery and equipment” means property classified for property tax purposes within subclass (5) of class 2 of section 1 of article 11 of the Kansas Constitution. The property that is purchased or leased may be new or used.

Grain semi-trailer (Photo # 1)



Livestock semi-trailer (Photo # 2)



Flatbed semi-trailer (Photo # 3)



Live bottom semi-trailer – Often used for ground hay (Photo # 4)



Sprayer hauler semi-trailer (Photo # 5)



Dry freight van semi-trailer (Photo # 6)



6 x 16 Bumper pull livestock trailer (Photo # 7)



6 x 24 Gooseneck livestock trailer (Photo # 8)



Gooseneck flatbed (Photo # 9)



E-Z Haul Hay Handler round bale gooseneck trailer (Photo # 10)



2 Horse bumper pull trailer with dressing room (Photo # 11)



Gooseneck horse trailer with living quarters (Photo # 12)



Bumper pull car hauler/utility trailer (Photo # 13)

