

Revenue Information Bulletin No. 19-015

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Sales Tax

Qualification of Joint Ventures as Commercial Farmers

Act 378 of the 2017 Regular Session enacted a definition of commercial farmer in LA R.S. 47:301(30) and limited certain farm related sales and use tax exemptions to persons or entities meeting such definition. Act 366 of the 2019 Regular Session expanded the definition of commercial farmer to include certain joint venture operations meeting specified requirements. The purpose of this bulletin is to explain the documentation requirements for those joint venture operations seeking commercial farmer certification.

Statutory Requirements

LA R.S. 47:301(30)(b) provides that the term “commercial farmer” may include a landowner who (1) is a party to a joint venture; and (2) leases land to a commercial farmer as defined in 47:301(30)(a).

LA R.S. 47:301(30)(b) also provides that in order to qualify as a commercial farmer, the landowner must submit the following:

1. Documentation of the joint venture; or
2. A report of farm income and expenses from the joint venture on a federal Schedule F form or similar federal tax form.

The landowner is required to be both a party to a joint venture and the lessor of land to a commercial farmer. The landowner is also required to either document the joint venture or to provide a report of farm income and expense from the joint venture. The latter may be satisfied by providing a federal Schedule F (or similar federal tax form if the joint venture files as a partnership, corporation, or S corporation.)

Acceptable Documentation

Acceptable documentation that the landowner leases land to a commercial farmer consists of providing a copy of the lease between the landowner and the commercial farmer, as well as a copy of the commercial farmer certification for the lessee commercial farmer. If the lease agreement has not been reduced to writing, the landowner may provide a Notice of Lease meeting the requirements of LA R.S. 9:2742. The Notice of Lease must contain the following: (1) a declaration that the property is leased and the names and addresses of the lessor and lessee; (2) a description of the leased property; (3) the date of the lease, its term, and the provisions of any extensions and renewals of the lease term; (4) a reference to the existence of any option, right of first refusal, or

other agreement of the lessor to transfer all or any part of the leased premises. This Notice of Lease must be signed by all parties to the lease.

Acceptable documentation that a landowner is part of a joint venture includes submission of a copy of the joint venture agreement or the Schedule F of the joint venture reporting farm income and expenses (or similar form if the joint venture files as a partnership, corporation, or S Corporation). If the joint venture agreement has not been reduced to writing, the landowner may provide a written document signed by all of the parties to the joint venture reflecting: (1) the existence of the joint venture agreement; (2) the names and addresses of the parties to the joint venture agreement; (3) the date and term of the joint venture agreement; (4) the general obligations and responsibilities of the parties to the joint venture agreement with respect to actual farming operations.

If evidence of the joint venture is by submission of a copy of the Schedule F (or similar form), the landowner must additionally submit written documentation of the membership of the joint venture filing that Schedule F (or similar form). This is necessary to verify that the applicant landowner seeking commercial farmer status is part of that joint venture.

Conclusion

In summary, a landowner seeking commercial farmer certification under LA R.S. 47:301(30)(b) must submit the following documentation to the Department of Revenue:

1. A copy of the lease, or if the lease is not reduced to writing, a Notice of Lease summarizing the relevant terms of the lease as set forth above; and either:
 - a. A copy of the Schedule F (or similar form) of the joint venture reporting farm income and expenses, along with proof that the applicant landowner is a member of the entity reflected on the Schedule F; or
 - b. A copy of the joint venture agreement, or if the joint venture agreement is not reduced to writing, a written summary of the joint venture agreement containing the information specified above and signed by all of the parties to the joint venture agreement.

Landowners will not be able to rely on verbal leases or verbal joint venture agreements in order to obtain commercial farmer certification because LA R.S. 47:301(30)(b) requires specific documentation be provided in order to obtain such certification. The Department of Revenue will accept written documentation signed by all of the parties to the lease and/or joint venture agreements in lieu of the actual lease and/or joint venture agreements only where the leases and/or joint venture agreements are not reduced to writing. Such documentation must contain the minimum information specified above in order to confirm that the requirements set forth by the Louisiana Legislature in LA R.S. 47:301(30)(b) have been satisfied.

Questions concerning this publication may be submitted by email to sales.inquiries@la.gov.

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