

Revenue Ruling No. 19-003
June 21, 2019

**Qualification as Commercial Farmers for
Farm Equipment and Farming-Related Entities**

Purpose

The purpose of this ruling is to provide clarity regarding whether farm equipment and other farming-related entities qualify as commercial farmers under LA R.S. 47:301(30).

Law

LA R.S. 47:301(30) defines commercial farmer as a person, partnership, or corporation who meet each of the following three requirements:

1. Occupationally engaged in producing food or agricultural commodities for sale or for further use in producing food or such commodities for consumption or sale;
2. Regularly engaged in the commercial production for sale of vegetables, fruits, crops, livestock and other food or agricultural products; and
3. Reports farm income or expenses on Federal Schedule F or similar tax form, including but not limited to, Forms 1065, 1120, and 1120S under a North American Industry Classification System (NAICS) Code beginning with 11.

Facts and Analysis

Farm Equipment and Other Farming-Related Entities

For liability protections, eligibility in federal agricultural programs, and succession planning purposes, some farmers structure their farming operations such that there is a separate entity that owns the equipment, land, or other capital used in the actual farming operations. These companies are hereinafter referred to as “farm equipment and other farming-related entities”. At issue is whether farm equipment and other farming-related entities may qualify as commercial farmers.

In defining a commercial farmer, LA R.S. 47:301(30) is silent as to whether a single farming operation composed of multiple entities or persons may qualify as more than one commercial farmer. In order to conform to current farming industries practices, the Department of Revenue may approve commercial farmer applications of multiple businesses within a single farming operation if substantial common ownership exists within the farming operation in accordance with this ruling.

A Revenue Ruling is issued under the authority of LAC 61III.101 (C). A Revenue Ruling is written to provide guidance to the public and to Department of Revenue employees. It is a written statement issued to apply principles of law to a specific set of facts. A Revenue Ruling does not have the force and effect of law and is not binding on the public. It is a statement of the department's position and is binding on the department until superseded or modified by a subsequent change in statute, regulation, declaratory ruling, or court decision.

If there is substantial common ownership between the farm equipment or other farming-related entity and the farm operating entity, entities, or person(s) engaged in the actual production of food or agricultural commodities for sale (or for further use in producing such food or commodities for sale or consumption), then the farm equipment and other farming-related entity will also be considered engaged in the same production as the farm operating entity or person.

Substantial common ownership exists when one of the following is satisfied:

1. A farm operating entity or individual owns more than 90 percent of the farm equipment or other farming-related entity.
2. If ownership of the farm equipment or other farming-related entities and the farm operating company(ies) is shared primarily by and among the following individuals or entities owned primarily by such individuals: siblings, spouses, lineal ancestors (e.g., great-grandparent, grandparent, parent), lineal descendants (e.g., son, daughter, grandchild or great grandchild), nieces, nephews, and cousins.
3. Any other common ownership arrangement among farm equipment or other farming-related entity and farm operating entities or individuals not specifically addressed above that the Department of Revenue determines has sufficient commonality of ownership to qualify the farm equipment or other farming-related entity qualify as commercial farmers under LA R.S. 47:301(30).

In addition to this substantial common ownership with the farm operating entity, the farm equipment or other farming-related entity must still meet the requirements of reporting farm income or expenses on a Federal Schedule F or similar tax form and must have a NAICS code beginning with 11. The farm equipment or other farming-related entity is required to submit documentation evidencing substantial common ownership, as well as the Schedule F and NAICS code, with its application for commercial farmer status.

Ruling

Farm equipment and other farming-related entities may qualify as commercial farmers provided substantial common ownership exists with an operating farming entity: (1) that engages in producing food or agricultural commodities for sale; and (2) is regularly engaged in the commercial production for sale of vegetables, fruits, crops, livestock and other food or agricultural products. Additionally the farm equipment or other farming-related entity must report its income on a Schedule F (or similarly accepted form) and have an NAICS Code beginning with 11.

Questions concerning this publication may be submitted by email to Policy.Publications@la.gov.

Kimberly Lewis Robinson
Secretary

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