



# MAINE REVENUE SERVICES PROPERTY TAX DIVISION PROPERTY TAX BULLETIN NO. 17

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## EXEMPTION OF FARM MACHINERY

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REFERENCE: 36 M.R.S. § 655

June 22, 2015; replaces October 24, 1977 revision

1. The Law. 36 M.R.S. § 655 exempts from taxation:

"All farm machinery used exclusively in production of hay and field crops to the aggregate actual market value not exceeding \$10,000, excluding motor vehicles. "Motor vehicle" means any self-propelled vehicle."

2. In General. The exemption applies to farm machinery that is neither self-propelled nor subject to the excise tax under § 1482 as part of a self-propelled vehicle. The exemption applies only to the first \$10,000 of market value of farm machinery used exclusively in production of hay and field crops. Qualified farm machinery includes, but is not limited to, horse drawn or tractor accessories such as plows, hay rakes, mowers, harrows, spreaders, balers, planters, cultivators and sprayers provided they are not self-propelled.

3. The Exemption Provisions for Farm Machinery. The exemption is based on the market value of qualified property. The assessor must estimate the current market value for all farm machinery entitled to the exemption under this section for each owner. The total market value of qualified property for each owner is then reduced by \$10,000 to arrive at the remaining value of taxable property. The assessor then calculates the assessed value by multiplying the declared ratio by the remaining value of taxable property. The declared ratio is the level of municipal value relative to full market value as certified by the assessor pursuant to 36 M.R.S. § 383 and reported on the previous year's municipal valuation return.

A. Example - A farm has \$30,000 in market value attributable to qualified farm machinery. Deducting the \$10,000 exemption from this value leaves \$20,000 of remaining value subject to taxation. If the declared ratio used for assessing property is 75% of market value, the resulting taxable value applicable to such machinery is \$15,000 ( $\$20,000 \times 0.75$ ) for assessment purposes.

A taxpayer may receive an additional exemption for qualified farm machinery placed in service after April 1, 2007. To qualify, a taxpayer must annually report to the municipal assessor an inventory of qualified farm machinery that is also subject to the Business Equipment Tax Exemption for value in excess of \$10,000 (see section 5 below).

4. What is "Aggregate Actual Market Value"? Aggregate actual market value, or market value, means the price, on the open market, that the owner would have to pay to obtain a similar item of substantially

the same age and condition. It does not necessarily represent the price at which an owner could or would sell that particular item. In appraising qualified farm machinery the assessor must take into consideration the utility of the machine, its condition and comparison with newer, more modern equipment when estimating value for assessment purposes.

5. Qualified Farm Machinery and Other Reimbursement/Exemption Programs.

A. Business Equipment Tax Reimbursement. Qualified farm machinery, if placed in service after April 1, 1995, may be eligible for reimbursement of property taxes paid under the Business Equipment Tax Reimbursement ("BETR") program. The reimbursement is up to 100% of the property taxes paid on the value of qualified farm machinery in excess of \$10,000 for the first 12 years of eligibility in the BETR program. After the 12<sup>th</sup> year, the reimbursement percentage gradually reduces to 50% of taxes paid in the 18<sup>th</sup> year and beyond. A municipality may not omit qualified property from the \$10,000 exemption under § 655 in favor of the BETR program. 36 M.R.S. Chapter 915.

B. Business Equipment Tax Exemption. Qualified farm machinery first placed in service after April 1, 2007 is exempt from property tax under the Business Equipment Tax Exemption ("BETE") program, to the extent that the machinery exceeds \$10,000 of market value. The state will reimburse a municipality for 50% of the lost revenue for property value included in the BETE program. The first \$10,000 of market value for qualified farm machinery is not eligible for reimbursement under the BETE program. 36 M.R.S. Chapter 105, Subchapter 4-C. A taxpayer must apply for the BETE exemption annually, by April 1 (May 1 with the automatic extension allowed under 36 M.R.S. § 693).

NOTE: This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. If further information is needed, contact the Property Tax Division of Maine Revenue Services.

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