



STATE OF ARKANSAS
**Department of Finance
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ISSUE

Whether the purchase of a spray drone for agricultural use is exempt from sales tax?

ANALYSIS

Arkansas sales and use tax applies to all sales of tangible personal property and certain services within the state unless a specific exemption applies. Ark. Code Ann. § 26-52-301. A sale includes the lease or rental of tangible personal property. Ark. Code Ann. § 26-52-103(20)(D)(i). Tangible personal property is “personal property that can be seen, weighed, measured, felt, or touched or that is in any other manner perceptible to the senses.” Ark. Code Ann. § 26-52-103(35)(A). A drone unquestionably qualifies as tangible personal property. The sale or rental of a spray drone is subject to state and local sales tax in the state unless an exemption applies.

Certain purchases of farm machinery and equipment utilized in agriculture are exempt from sales and use tax. *See* Ark. Code Ann. § 26-52-403; 26 CAR § 30-1131. While airplanes are specifically excluded from the exemption, sprayers and spreaders are specifically included, provided the other requirements of § 30-1131(c)(2) and (c)(3) are met. A spray drone utilized in agriculture is more analogous to a sprayer than an airplane. A spray drone purchased by a farmer would qualify for the farm machinery exemption if used exclusively by a farmer in applying fertilizer, planting seed, or applying agricultural chemicals as part of the agricultural production of food, fiber, grass sod, or nursery products as a business. The farm machinery exemption will also be available to a fertilizer dealer or seed company upon the purchase of the spray drone provided the drone is used exclusively and directly by the business in applying fertilizer, planting seed, or applying agricultural chemicals for farmers.

RESPONSE

Whether the purchase of a spray drone for agricultural use is exempt from sales tax under 26 CAR § 30-1131 depends on the facts surrounding the purchaser’s use of the spray drone and must be determined on a case-by-case basis. The burden of proving that the sale of a spray drone is exempt from sales tax is on the purchaser, not the seller. If the purchaser does not provide an exemption certificate or farmer sales tax identification card, the seller must collect and remit Arkansas sales tax.