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Sales and Use Taxes for Agritourism

Agritourism entrepreneurs often ask if sales tax applies to their operations. The answer is, "Well, it depends." Perhaps the following explanation will help you begin to answer the question for your situation and what you will need to do if you do need to collect and remit sales and use tax.

Sales and use taxes are imposed by state government and often by county and city governments. Sales and use taxes are imposed on the retail sale, lease or rental of tangible personal property, the gross charge for specified taxable services and the gross sales for amusements. Although the tax is imposed on the purchaser, the seller is liable for collecting and remitting the taxes.

Your agritourism enterprise may be responsible for sales and use taxes depending upon the types of activities and services sold. You may, however, benefit from sales tax exemptions for the sale of farm products grown or produced on the operation. Some generic agritourism circumstances and corresponding sales and use tax liability are described below.

Admission Fees

• Admission fees or other charges for any activity that can be described as recreational, entertaining or for amusement are subject to

sales tax under Tennessee Code Annotated 67-6-212. Most agritourism activities, such as corn mazes, hayrides, trail riding and festivals would, most likely, be considered recreation, entertainment or amusement.

- If your operation offers strictly educational tours of your farming operation without any activities that could be described as recreation, entertainment or amusement, the fees or charges may be sales tax exempt.

Farm or Nursery Product Sales

- If more than 50 percent of the farm or nursery products you sell in a calendar year are grown or produced by your operation, then sales of all farm or nursery products sold by your operation are exempt from sales and use tax.
- If more than 50 percent of the farm or nursery products you sell in a calendar year are not grown by your operation and instead purchased from others, then tax must be collected on the sale of the products that were purchased from other producers.

In most cases, sales and use taxes are a combination of state taxes (7 percent) and a local option tax from city (up to 2.75 percent). Local option

tax rates are listed on the Tennessee Department of Revenue Web site at <http://www.state.tn.us/revenue/pubs/taxlist.pdf>.

You are required to register your business with the Tennessee Department of Revenue if your enterprise will conduct activities necessitating sales tax collection and remittance. Registration can be done in person at Department of Revenue offices, or applications can be submitted by mail. Registration forms are available on Web at http://www.state.tn.us/revenue/forms/general/f13005_1.pdf

Once you have registered, you should notify the Department of Revenue if your business is moved, sold or closed, ownership or partners are changed, or if the structure of the business is changed.

Sales tax and use regulations are very complex. It is important to learn how the laws specifically affect your enterprise. Although some circumstances are described here, you should contact the Tennessee Department of Revenue at (800) 342-1003 or refer to their Web site at <http://www.state.tn.us/revenue> to address your specific situation.

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Spotlight on Agritourism Success

In a study conducted in December and January, *Tennessee Agritourism Today* newsletter readers suggested ways to improve the newsletter. Several readers suggested that profiles of agritourism operations be included. This article is the first of many that will attempt to do just that.

Special thanks to Carol Gordon, owner of Limoland, for her willingness to share information about her operation, which includes activities in the spring and fall. I visited with Carol over the phone in early April. Here is what I learned.

**Carol Gordon
Limoland**
Pulaski, TN (Giles County)

What products or attractions do you offer?

Limoland has both spring and fall products/attractions.

Spring Products:

- Retail greenhouse—Perennials, hanging baskets, herbs, vegetable plants
- PYO & pre-picked strawberries—1.5 acres on plasticulture

Fall Activities/Products:

- Retail 50 varieties of pumpkins, winter squash & gourds
- Educational programs for school groups
- Open to the public for hayrides, animal exhibits, antique farm machinery, tractors, picnic facilities, small constructed maze, barn with big screen TV
- Small snack & gift shop

How long have you been in business?

The greenhouse was the first activity and was started in 1996.

Why did you get into agritourism?

Carol developed a love of flowers from her grandmother growing up. She wanted to grow flowers since she was a child. Later in life on the family beef cattle farm, she wanted something of her own to do so she started on her dream by opening the greenhouse. Five years ago she added the strawberries. The fall season activities “fell into place,” according to Carol. She decided to plant some pumpkins, and people driving by on the highway next to the field kept asking about them. The Pumpkin Patch at Limoland was born.

What is unique about the operation?

Limoland is a real working farm. The Gordon’s grow almost everything they sell. Four generations live on the farm.

Has the operation been successful? How do you define success?

Carol agrees her enterprises have been successful as she has generated income. She also feels her work is rewarding through interaction with customers.

What are your goals for the future?

Carol says she doesn’t want to expand her business as she has enough to do already. She wants to work to improve the management of her business to become more profitable.

How do you market your operation?

Carol markets Limoland through newspaper and radio advertisements. She also participates in the Pick Tennessee Products program

and is listed on their Web site. Limoland does not have its own Web site, but Carol says that is something she would like to do. Carol said the best marketing for her enterprise is word-of-mouth referrals.

What have been your biggest challenges?

Carol says she faces big challenges to production of her crops from weather and wildlife. Her greenhouse has also experienced increased competition from large chain stores. Carol also mentioned that it is difficult to find labor.

What advice do you have for other agritourism operators or farmers interested in agritourism?

Carol says you should think long and hard before you start an operation. Know that you will face obstacles. You will have to put up with things beyond your control. The business is very confining during the season. You will be working long hours so you have to like what you are doing. Be ready for people to knock on your door at all hours. Regulations and markets change so you need to keep up with what’s going on.

One key to her success, according to Carol, was starting small and growing slowly into her business. She tried to make her business pay for itself as it grew.

Look for Limoland on the Pick Tennessee Products site at www.picktnproducts.org



Limoland Key to Success

Started small and grew slowly making the business pay for itself as it grew.

Update Following the Freeze

The weather became a big challenge to Limoland and other fruit crop producers in early April with several nights of below freezing temperatures.

With prospects of only a limited crop this spring due to issues with the plants in the fall, Carol says the temperature dropped to 19 degrees at Limoland. She used row covers and overhead irrigation to try to fend off the frost. Using these methods, she was able to save strawberries already formed on the vine but estimates loss of 20 to 25 percent of the blooms.

Market Minute

New Rules to Allow Safe Home Food Prep

Adapted from a Tennessee Department of Agriculture Media Release

With a growing interest in the sale of home-prepared jam, jellies and baked-goods, the Tennessee Department of Agriculture (TDA) has implemented new rules to allow the commercial sale of certain foods safely prepared in domestic kitchens.

"The purpose of the domestic kitchen rules is to allow individuals to commercially prepare, manufacture and sell 'non-potentially hazardous' foods that are prepared in the home while ensuring that the public's health is protected," said John Sanford, TDA administrator for food manufacturing.

The new rules, which went into effect January 27, provide for the preparation of "non-potentially hazardous" foods only. Non-potentially hazardous foods include products such as jam, jellies, candy and

baked goods. Foods are considered non-potentially hazardous if they do not consist mainly of meat, poultry, liquid eggs, partially cooked egg products, fish, milk and milk products, shellfish, partially cooked bakery products or other ingredients susceptible to the rapid growth of micro-organisms when stored out of recommended temperature ranges for cold or hot foods. Other prohibited foods include low-acid canned vegetables and acidified foods such as salsa or pickled vegetables.

According to Sanford, individuals who prepare non-potentially hazardous foods solely for one-day events such as charity or non-profit fundraisers are exempt from the new rules. However, sales for consecutive-day events or sales held more than six times per year are not exempt.

The new rules require the licensing of domestic kitchens by the department's Regulatory Services Division, Food and Dairy Section, and compliance with any other

local or state business license, permit or zoning requirements. A \$50 fee is charged for the license, known as a Regulatory Services Permit. Domestic kitchens licensed by the department are subject to inspection any time commercial foods are being processed, prepared, packaged, handled or stored for distribution.

Sanford says the education and certification requirement of the new rules is an important part in ensuring the safe handling and preparation of home-based foods. "Domestic kitchen operators are required to successfully complete the Tennessee Food Safety Certification Course offered by the University of Tennessee Department of Food Science and Technology, or other approved courses."

For a complete copy of the new domestic kitchen rules and regulations, visit TDA online at www.tennessee.gov/agriculture.



For more information about foods, licensing or inspections under the new domestic kitchen rules, contact TDA's Regulatory Services Division, Food and Dairy Section at P.O. Box 40627, Nashville, TN 37204, call (615) 837-5193 or email Buddy.Woodson@state.tn.us or John.Sanford@state.tn.us.

Conference and Workshop Materials On-line

The first quarter of 2007 held several educational opportunities for Tennessee agritourism entrepreneurs including a conference and regional workshops.

The *2007 Agritourism: Cultivating Farm Revenue Conference* was held January 22-23 in Pigeon Forge, Tennessee. A total of

205 people from 14 states attended the conference.

In case you missed it or want to refresh your memory, conference presentations and handouts have been posted to the Center for Profitable Agriculture Web site at <http://cpa.utk.edu>.

In February and March, *Agritourism Marketing Tools and Techniques* workshops were held in three locations across the state. A total of 129 people participated in these day-long events. Workshop materials are posted on the Center's Web site.

Upcoming Events

Farm Animal Exhibitor Workshops

April 23, Cookeville
April 24, Columbia
April 25, Martin

8:30am to 3pm
No fee but pre-registration required.

Contact Lynne Williams
(615)837-5081
Lynne.williams@state.tn.us

More information at:
<http://state.tn.us/agriculture/news/03072007.html>

Tennessee Agritourism Association Meeting

Monday, June 11
11a.m.
Amazin' Acres (Sparta, TN)
Contact Vera Ann Myers for more information at verann@xtn.net

Programs in agriculture and natural resources, 4-H youth development, family and consumer sciences and resource development. University of Tennessee Institute of Agriculture, U.S. Department of Agriculture and county governments cooperating. UT Extension provides equal opportunities in programs and employment.