

INSTRUCTIONS FOR USE OF RESALE CERTIFICATES - ST-3

- 1. Good Faith** - To act in good faith means to act in accordance with standards of honesty. In general, registered sellers who accept exemption certificates in good faith are relieved of liability for the collection and payment of sales tax on the transactions covered by the exemption certificate.

In order for good faith to be established, the following conditions must be met:

- (a) Certificate must contain no statement or entry which the seller knows is false or misleading;
- (b) Certificate must be an official form or a proper and substantive reproduction, including electronic;
- (c) Certificate must be filled out completely;
- (d) Certificate must be dated and include the purchaser's New Jersey tax identification number or, for a purchaser that is not registered in New Jersey, the Federal employer identification number or out-of-State registration number. Individual purchasers must include their driver's license number; and
- (e) Certificate or required data must be provided within 90 days of the sale.

The seller may, therefore, accept this certificate in good faith as a basis for exempting sales to the signatory purchaser and is relieved of liability even if it is determined that the purchaser improperly claimed the exemption.

- 2. Improper Certificate** - Sales transactions which are not supported by properly executed exemption certificates are deemed to be taxable retail sales. In this situation, the burden of proof that the tax was not required to be collected is upon the seller.
- 3. Correction of Certificate** - In general, sellers have 90 days after date of sale to obtain a corrected certificate where the original certificate lacked material information required to be set forth in said certificate or where such information is incorrectly stated.
- 4. Additional Purchases by Same Purchaser** - This certificate will serve to cover additional purchases by the same purchaser of the same general type of property. However, each subsequent sales slip or purchase invoice based on this Certificate must show the purchaser's name, address and New Jersey, Federal, or out of state registration number for purpose of verification.
- 5. Retention of Certificates** - Certificates must be retained by the seller for a period of not less than four years from the date of the last sale covered by the certificate. Certificates must be in the physical possession of the seller and available for inspection on or before the 90th day following the date of the transaction to which the certificate relates.

EXAMPLES OF PROPER USE OF RESALE CERTIFICATE

- a. A retail household appliance store owner issues a Resale Certificate when purchasing household appliances from a supplier for resale.
- b. A furniture manufacturer issues a Resale Certificate to cover the purchase of lumber to be used in manufacturing furniture for sale.
- c. An automobile service station operator issues a Resale Certificate to cover the purchase of auto parts to be used in repairing customer cars.

EXAMPLES OF IMPROPER USE OF RESALE CERTIFICATE

In the examples below, the seller should not accept Resale Certificates, but should insist upon payment of the sales tax.

- a. A lumber dealer can not accept a Resale Certificate from a tire dealer who is purchasing lumber for use in altering his premises.
- b. A distributor may not issue a Resale Certificate on purchases of cleaning supplies and other materials for his own office maintenance, even though he is in the business of distributing such supplies.
- c. A retailer may not issue a Resale Certificate on purchases of office equipment for his own use, even though he is in the business of selling office equipment.
- d. A supplier can not accept a Resale Certificate from a service station owner who purchases tools and testing equipment for use in his business.

REPRODUCTION OF RESALE CERTIFICATE FORMS: Private reproduction of both sides of Resale Certificates may be made without the prior permission of the Division of Taxation.

FOR MORE INFORMATION:

Call the Customer Service Center (609) 292-6400. Send an e-mail to nj.taxation@treas.state.nj.us. Write to: New Jersey Division of Taxation, Information and Publications Branch, PO Box 281, Trenton, NJ 08695-0281.