

INSTRUCTIONS FOR USE OF RESALE CERTIFICATES - ST-3

- 1. Good Faith** - In general, a seller or lessor who accepts an exemption certificate in "good faith" is relieved of liability for collection or payment of tax upon transaction covered by the certificate. The question of "good faith" is one of fact and depends upon a consideration of all the conditions surrounding the transaction. A vendor is presumed to be familiar with the law and the regulations pertinent to the business in which he deals.

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

- (a) The certificate must contain no statement or entry which the seller or lessor knows, or has reason to know, is false or misleading.
- (b) The certificate must be an officially promulgated certificate form or a substantial and proper reproduction thereof.
- (c) The certificate must be dated and executed in accordance with the published instructions, and must be complete and regular in every respect.

The vendor may, therefore, accept this "good faith" Resale Certificate as a basis for exempting sales to the signatory purchaser provided that:

- (d) The purchaser's Certificate of Authority number, indicating that the purchaser is registered with the New Jersey Division of Taxation, is entered on the face of the Certificate.
 - (e) The purchaser has entered all other information required on the form.
 - (f) The vendor has no reason to believe that the property to be purchased is of a type not ordinarily used in the purchaser's business for the purpose described in this Certificate.
- 2. Improper Certificate** - Sales transactions which are not supported by properly executed exemption certificates are deemed to be taxable retail sales. 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 60 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 Certificate of Authority number for purpose of verification.
 - 5. Retention of Certificates** - Certificates must be retained by the seller for a period of not less than three years from the date of the last sale covered by the certificate. Certificates must be in the physical possession of the vendor and available for inspection on or before the 60th 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 vendor 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.

Have a question? Write:

Division of Taxation, Technical Services, Taxpayer Services Branch/OCE, PO Box 281, Trenton, NJ 08695-0281