



2020-10 INTERPRETATION

ENTITY-BASED & PRODUCT-BASED EXEMPTION CERTIFICATES

Issue:

What documentation should be obtained by remote sellers when granting entity-based exemptions (senior citizen, non-profit, government) and product-based exemptions?

Discussion:

The Uniform Code Section 090(I) requires that sellers obtain proper documentation for tax-exempt sales.

“Documentation for exempted sales should include the number of the exemption authorization card presented by the buyer at the time of the purchase; the date of the purchase; the name of the person making the purchase; the organization making the purchase; the total amount of the purchase; and the amount of sales tax exempted. This documentation shall be made available to the Commission upon request. Failure to provide such documentation may invalidate that portion of the claim of exemption for which no documentation is provided.”

It is important to note that not all sales tax exemptions require a buyer to present an exemption certificate. Typically, exemption certificates are required for certain entity-based exemptions such as nonprofit, government or senior citizens. Sales for resale are considered product-based exemptions and are typically based on a resale certificate issued to the buyer.

Sales tax exemption certificates for both entity-based and product-based exemptions are typically issued by the member jurisdiction where the exempt entity is located. However, not all member jurisdictions have the capacity to issue exemption certificates for their entity-based or product-based exemptions.

A list of our current member jurisdictions with the exemption certificates that they issue is available on our website www.arsstc.org. If there is an exemption category for which a member jurisdiction does not issue an exemption certificate, the remote seller is relieved of the responsibility of obtaining a certificate to exempt a transaction. The remote seller may still require the customer to upload some evidence of exemption such as proof of age for a senior citizen exemption.

The remote seller should simply verify the reason the customer is claiming exemption, verify the exemption category is allowed in the member jurisdiction and report the exemption accordingly.

Recommendation:

Member jurisdictions are responsible for issuing exemption certificates for the applicable exemption categories in their sales tax code.