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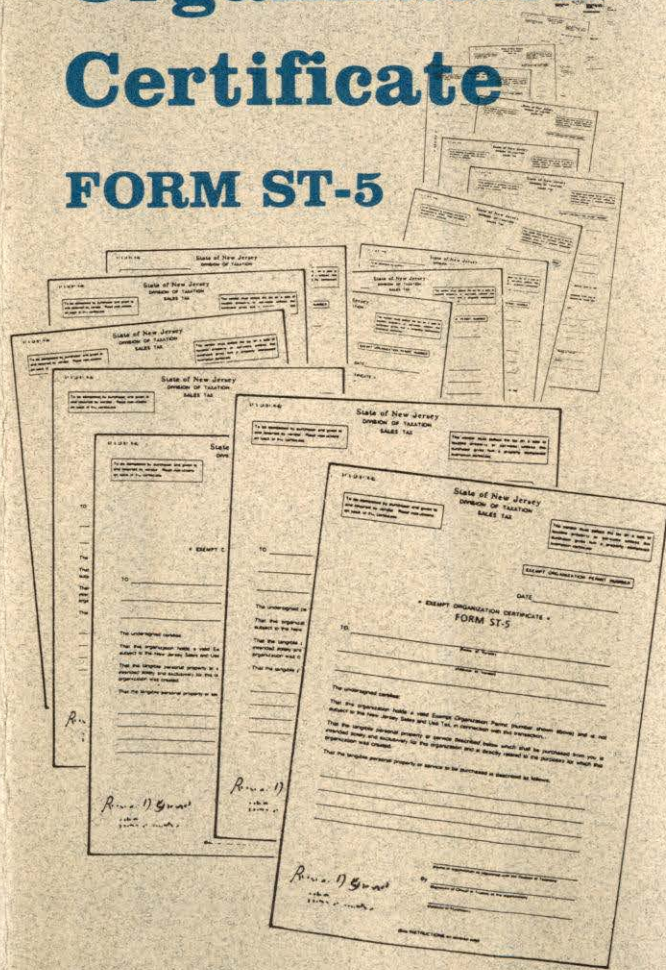
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# NJ EXEMPTION CERTIFICATES

# Exempt Organization Certificate

## FORM ST-5



New Jersey Division of Taxation  
February 1999

# Non-Profit Organizations . . .

In New Jersey, all sales are taxable unless they are specifically exempted by law. However, certain non-profit organizations, such as churches, charitable and scientific organizations, rescue squads, and volunteer fire and ambulance companies, may purchase certain supplies and services without paying sales tax.

When you, as the representative of an approved exempt organization, purchase merchandise and services to be used exclusively by the organization, you are not required to pay sales tax provided you issue a **New Jersey Exempt Organization Certificate (Form ST-5)** to your supplier.

### "What Is a New Jersey Exempt Organization Certificate?"

The Exempt Organization Certificate is one of several exemption certificates designed by the New Jersey Division of Taxation. Each exemption certificate has a specific use. The Exempt Organization Certificate, which is available only to approved non-profit organizations, authorizes an organization to purchase merchandise and services for its exclusive use without paying sales tax.

### "Who May Use the Exempt Organization Certificate?"

Only organizations which have been granted exempt status by the New Jersey Division of Taxation may issue the New Jersey Exempt Organization Certificate.

Some examples of organizations which may have exempt status are churches, hospitals, fire departments and other non-profit organizations. Political organizations and fraternal organizations, such as the Knights of Columbus, the Elks, the Rotary and Kiwanis Clubs, are not eligible for exempt status and they may not issue New Jersey Exempt Organization Certificates.

**IMPORTANT NOTE:** The Federal government, the United Nations, the State of New Jersey and any of their agencies are exempt organizations. However, they do not issue Exempt Organization Certificates. For these governmental agencies, the acceptable proof of exemption from sales tax is:

- A copy of a government purchase order, official contract or order on official government letterhead and payment by government check or payment by a "United States of America" Visa Card or MasterCard with the number 0, 6, 7, 8 or 9 as the sixth digit (credit card charged to and paid directly by the Federal government, not a card charged to an employee who gets reimbursed by the Federal Government); or
- For government cash purchases of \$150 or less, an ST-4 form signed by a qualified government official (not acceptable for room occupancies).

### "How May My Organization Apply for Exempt Status?"

To apply for exempt status, your organization must file an **Application For Exempt Organization Permit (Form REG-1E)** with New Jersey. This should be accompanied by your:

- Articles of Organization (Articles of Incorporation, charter, trust agreement or constitution) and by-laws; and
- Internal Revenue Service Determination Letter, stating that your organization is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The application should be sent to: Exempt Organizations, c/o Tax Services Branch, New Jersey Division of Taxation, PO Box 269, Trenton, New Jersey 08646-0269.

Once approved, your organization will receive only one Exempt Organization Certificate. Your organization's name, address and exempt organization permit number, as well as the signature of the Director of the New Jersey Division of Taxation, will appear on this certificate.

## Issuing Exempt Organization Certificates

You should reproduce your original certificate (photocopying is customary) and issue these copies when purchasing merchandise and services for the exclusive use of your organization. You must retain your original certificate permanently in your records.

### **"When May My Organization Issue an Exempt Organization Certificate?"**

A registered exempt organization may issue the certificate when purchasing the following:

- **Merchandise**—provided it is directly related to the purposes of the exempt organization. Examples include pews, flowers, cleaning equipment, furniture and automobiles.

**Example:** Reverend Brown, the minister of a registered exempt New Jersey church, purchases a new desk for the exclusive use of the church's Sunday School. Reverend Brown may issue an Exempt Organization Certificate instead of paying sales tax on the desk. However, if Reverend Brown purchases a desk for personal use, an Exempt Organization Certificate may not be issued. Reverend Brown must pay sales tax on the purchase price of the desk.

- **Services**—provided they are performed on the organization's real property (buildings, land) or the organization's personal property (photocopiers, public address system, appliances).

**Example:** A registered exempt New Jersey hospital has two floors of rooms painted by a professional painter. The hospital may issue an Exempt Organization Certificate and pay no sales tax on the price of the paint or on the painter's charges for labor.

- **Meals in Restaurants**—provided the organization pays for the meals directly from organization funds. If a representative of the organi-

zation pays for a meal personally, with the intention of being reimbursed by the organization, that representative may not issue an Exempt Organization Certificate instead of paying sales tax.

**Example:** A registered exempt historical society sponsors a trip to a colonial restoration in the State. At lunch, the organization may issue an Exempt Organization Certificate and pay no sales tax on the price of the meals. However, if a member purchases a meal and pays for it personally, that member may not issue an Exempt Organization Certificate and must pay sales tax on the price of the meal.

- **Rooms in Hotels and Motels**—provided the organization pays the bill for the room on its own voucher. If a member of the organization pays for a room personally, with the intention of being reimbursed by the organization, that member may not issue an Exempt Organization Certificate and must pay sales tax.

**Example:** The executive committee of a registered exempt New Jersey fire company holds its annual dinner meeting in a local hotel. The group may issue an Exempt Organization Certificate and pay no sales tax on the cost of the dinner and rooms paid for by the exempt organization.

**NOTE:** When your organization makes additional purchases from the same supplier, you need not issue a new copy of your certificate for each purchase which is of a similar type. Additional purchases may be covered by the first copy you issue to your supplier.

### **"What Information Must I Enter on My Exempt Organization Certificate?"**

- Date of purchase
- The name of the vendor
- The address of the vendor
- The merchandise or service you are purchasing

## Accepting Exempt Organization Certificates

Your organization's name and the exempt organization permit number assigned will appear on the original certificate you receive.

**REMINDER:** *Do not issue your original certificate!*

### **"Who May Accept New Jersey Exempt Organization Certificates?"**

Only businesses that are registered with New Jersey may accept New Jersey Exempt Organization Certificates.

### **"How Does a Business Register?"**

A **Business Registration Form (Form NJ-REG)** must be filed with New Jersey. Once you have registered, you will receive a New Jersey Certificate of Authority for sales tax. This certificate authorizes you to collect sales tax and permits you to issue and accept New Jersey exemption certificates.

### **"When May I Accept New Jersey Exempt Organization Certificates?"**

When you sell taxable merchandise or services, you are required to collect 6% sales tax and remit it to the State. However, when you are presented with a **New Jersey Exempt Organization Certificate (Form ST-5)**, you should not charge your customer sales tax if you have accepted the certificate in "good faith."

### **"What Is 'Good Faith'?"**

"Good faith" is the reasonable belief that the purchaser has the right to make a tax exempt purchase. In order for "good faith" to be established, the following conditions must be met:

- The certificate must be a proper reproduction of the official form;
- The certificate must be dated and have the organization's name, address and exempt or-

ganization permit number pretyped by the Division, with no apparent alterations;

- The certificate must be signed by the Director of the New Jersey Division of Taxation;
- The certificate must be completed fully, truthfully and accurately; and
- The purchase must be intended for the exclusive use of the organization.

**NOTE:** If all these conditions are not met, you may not accept the Exempt Organization Certificate and must collect sales tax.

### **"Which Exempt Organization Certificates May I Accept?"**

You may accept New Jersey Exempt Organization Certificates only. Certificates from other states are not valid in New Jersey.

### **"Do I Need a New Exempt Organization Certificate for Each Transaction?"**

No. Additional purchases of a similar type by the same organization may be covered by one certificate provided the merchandise will be used exclusively for the purpose of the exempt organization.

You should keep your original copy of the certificate in your files and record each subsequent sale by stating the organization's name, address and exempt organization permit number on the invoice or sales slip.

### **"How Long Should I Keep Exempt Organization Certificates After Accepting Them?"**

You should keep all certificates in your files for four years from the date of the last transaction covered by the certificate.

For more information, call our Tax Hotline at 609-292-6400.