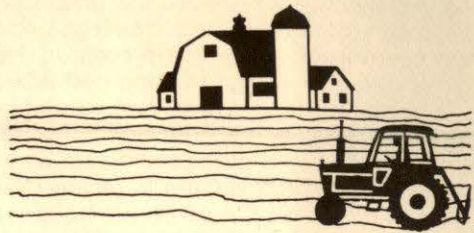


Plowing Through New Jersey Taxes?



Taxpayer Services Can Help.

If you have questions about anything in this brochure - or questions about any New Jersey taxes - we can help. We offer a wide range of services including small business seminars, walk-in tax assistance and a taxpayer information telephone center for your convenience.

Call our telephone information center through your nearest Division of Taxation office listed below:

Cherry Hill Office
(Serving Burlington &
Camden Counties)
(609)795-5970

Somerville Office
(Serving Warren,
Hunterdon, Mercer,
Morris, Somerset &
Sussex Counties)
(201)526-7665

Newark Office
(Serving Essex, Hudson
& Union Counties)
(201)648-3690

Vineland Office
(Serving Atlantic,
Cape May, Cumberland,
Gloucester & Salem
Counties)
(609)691-9020

Sea Girt Office
(Serving Middlesex,
Monmouth & Ocean
Counties)
(609)449-0200

Fair Lawn Office
(Serving Bergen &
Passaic Counties)
(201)265-8610

**Trenton
Main Office**
(609) 292-6400

or write to us:

**Taxpayer Services
New Jersey Division of Taxation
West State and Willow Streets
Trenton, New Jersey 08646**

Need Forms? The forms mentioned in this brochure are available from Taxpayer Services.

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NJ EXEMPTION CERTIFICATES

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Farmer's Exemption Certificate

FORM ST-7

New Jersey State Library

Tax Tips
New Jersey Division of Taxation
Sidney Glaser, Director

Farmers, Ranchers, Nursery Operators...

In New Jersey, all sales are taxable unless they are specifically exempted by law. However, farmers may purchase certain farm supplies and equipment without paying sales tax...

When you buy items which you intend to use directly and exclusively in the production of agricultural or horticultural products for sale, you are not required to pay sales tax - provided you issue a **New Jersey Farmer's Exemption Certificate (Form ST-7)** to your supplier.

"What Is A New Jersey Farmer's Exemption Certificate?"

The farmer's certificate is one of several New Jersey Exemption Certificates. If you are a farmer, this certificate authorizes you to purchase certain farm equipment and farm supplies without paying New Jersey sales tax. You must present the farmer's exemption certificate to your supplier at the time of purchase.

"Who May Issue The Farmer's Exemption Certificate?"

Only "farmers" may issue the New Jersey Farmer's Exemption Certificate. For tax purposes,

Exemption Certificates

A valid New Jersey Exemption Certificate allows qualified persons and registered businesses to purchase certain merchandise and services without paying sales tax. The New Jersey Division of Taxation has designed several exemption certificates, each having a specific use. For example, farmers may issue farmer's exemption certificates instead of paying sales tax when purchasing fertilizer for their crops.

For information about other exemption certificates, contact Taxpayer Services, New Jersey Division of Taxation.

the State of New Jersey defines a "farmer" as any person or organization in the business of producing agricultural or horticultural products for sale. This includes, but is not limited to, farms, nurseries, ranches, truck farms and greenhouses.

"When May I Issue The Farmer's Exemption Certificate?"

You may issue the farmer's exemption certificate when you purchase the following:

- Lime, fertilizer, seed, bulbs, plant stock and other materials to be used directly and exclusively in your farm or nursery's production of goods for sale. These materials are essential parts of, or will become incorporated into, farm or nursery products for sale.

EXAMPLE: Max, a farmer, buys lime for his fields. He may present a farmer's exemption certificate to his supplier instead of paying sales tax. The procedure is different if Max hires someone to lime his fields. In this instance, Max may issue a farmer's exemption certificate to exempt the purchase of the lime only. He must pay tax on the charges for labor. If the charges are not listed separately on the invoice, he must pay sales tax on the entire bill.

- Grain, or any feed to be used exclusively to raise "productive" animals. A "productive" animal is an animal raised for its meat, for the edible products it produces, for its fur, wool or skin, for breeding purposes or for farm work.

NOTE: Race horses, saddlehorses, pets and other non-productive animals are excluded from this exemption.

EXAMPLE: Mary owns and operates a dairy farm. She may issue a farmer's exemption certifi-

icate to her supplier instead of paying New Jersey sales tax when she purchases hay to feed her cows. However, she may not use a farmer's exemption certificate to purchase hay for her daughter's pet Shetland pony because the pony is considered personal property. It is not a "productive" animal.

- Harvesters, payloaders, tractors, hay mowers, or other production machinery and equipment to be used exclusively in the growing, stimulation of growth and the processing of agricultural or horticultural products for sale.

EXAMPLE: John purchases a hay mower to use exclusively for farming. He may issue a farmer's exemption certificate to his supplier instead of paying sales tax on the mower. However, he may not use a farmer's exemption certificate to purchase a rotary blade mower to cut the grass in his backyard.

- Trucks, trailers and truck-trailer combinations which will be registered for farm use with the New Jersey Division of Motor Vehicles. You may present a farmer's exemption certificate to your supplier instead of paying sales tax when you purchase these vehicles - provided you also present a certificate from your county agricultural agent proving your status as a farmer.

EXAMPLE: Calvin is a farmer. He buys a truck which he intends to register *for farm use exclusively* with the New Jersey Division of Motor Vehicles. He may issue a farmer's exemption certificate to his supplier instead of paying sales tax on the vehicle. However, if Calvin purchases an automobile which will be registered with the New Jersey Division of Motor Vehicles *for highway use*, he must pay sales tax on the automobile.

NOTE: When purchasing a truck which is registered in New Jersey for 18,000 pounds or more or a commercial motor vehicle registered in New Jersey and operating under an Interstate Commerce Commission permit, use the New Jersey Exempt Use Certificate (Form ST-4), not the farmer's exemption certificate.

Blanket Certificates

When you make additional purchases of a similar nature from the same supplier, you need not issue a farmer's exemption certificate for each purchase. Additional purchases may be covered by the original certificate.

"What Information Must I Enter On The Farmer's Exemption Certificate?"

- Your Social Security number or your Federal Identification number
- The name of your supplier
- The merchandise you are purchasing

NOTE: The Farmer's Exemption Certificate must be filled in completely, without omission, to be valid.

"What If I Decide To Use Items I've Purchased With A Farmer's Exemption Certificate For Personal Use?"

You must pay a 5% New Jersey Use Tax on the purchase price of items you convert to personal use.

EXAMPLE: Maureen purchases bulbs for her nursery business. She issues a farmer's exemption certificate and pays no sales tax. Later, Maureen decides to plant the bulbs in her home garden. She must pay use tax on the bulbs.

You must report and remit use tax on the **Use Tax Return (Form ST-18)** available from the New Jersey Division of Taxation. If you are a registered business, report use tax on your **Quarterly Sales and Use Tax Return (Form ST-50)**.

Accepting Farmer's Exemption Certificates

"Who May Accept New Jersey Farmer's Exemption Certificates?"

Only businesses registered with the New Jersey Division of Taxation may *accept* New Jersey Farmer's Exemption Certificates.

"How Does A Business Register?"

An **Application for Registration (Form CIS-1)** must be filed with this Division. Once you have registered, you will receive a **New Jersey Sales Tax Certificate of Authority**. 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 Farmer's Exemption Certificates?"

When you sell taxable merchandise, you are required by law to collect 5% sales tax and remit it to the State. However, when you are presented with a New Jersey Farmer's Exemption Certificate, 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 an official form or proper reproduction;
- The certificate must be dated and include the purchaser's social security number or identification number;
- The certificate must be completed fully, truthfully and accurately; and

- The purchase must be one that is ordinarily used in the purchaser's business (Example: Sal, an orchard farmer, purchases a gasoline chain saw to use in his apple orchard. He may issue a farmer's exemption certificate to his supplier instead of paying sales tax. However, Chris, a dairy farmer, may not issue a farmer's exemption certificate when purchasing a chain saw. Chris must pay New Jersey sales tax on the purchase because a chain saw is not an item ordinarily used in the dairy business.

NOTE: If all of these conditions are not met, you may not accept the farmer's exemption certificate but must collect sales tax.

"Which Farmer's Exemption Certificates May I Accept?"

You may accept New Jersey Farmer's Exemption Certificates only. Farmer's exemption certificates from other states are not valid in New Jersey.

"May A Farmer Make Additional Purchases Using The Same Farmer's Exemption Certificate?"

Yes.

Additional purchases by the same purchaser may be covered by one farmer's exemption certificate provided the merchandise purchased is of the same general type or will be used for the same purpose.

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

"How Long Should I Keep Farmer's Exemption Certificates After Accepting Them?"

You should keep all certificates in your files for 3 years from the date of the last transaction covered by the certificate.