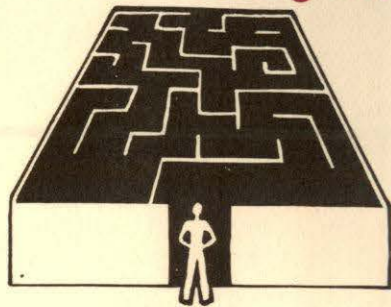


Lost In New Jersey Taxes?



**Taxpayer Services
Can Show You The Way**

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 tax information hotline for your convenience.

Visit one of our offices or call our hotline at your nearest Division of Taxation office listed below:

Cherry Hill
(609) 795-5970

Somerville
(201) 526-7665

Newark
(201) 648-3690

Vineland
(609) 691-9020

Sea Girt
(201) 449-0200

Fair Lawn
(201) 265-8610

Trenton
(609) 292-6400

or write to us:

**Taxpayer Services
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.

M-5010
9-81



**NJ EXEMPTION
CERTIFICATES**

Resale Certificate

FORM ST-3

New Jersey State Library

Tax Tips
New Jersey Division of Taxation
Sidney Glaser, Director

Manufacturers, Distributors, Retailers Wholesalers, Craftspersons...

In New Jersey, all sales are taxable unless they are specifically exempted by law. However, your business may purchase certain taxable merchandise, materials and services for resale without paying sales tax . . .

When you buy items and services which you intend to resell, rent or lease as part of your business, you are not required to pay sales tax—provided you issue a **New Jersey Resale Certificate (Form ST-3)** to your supplier. The resale certificate may also be used to purchase materials which will be incorporated (by manufacturing, assembling or refining) into the product you sell.

“What Is a New Jersey Resale Certificate?”

The resale certificate is one of several New Jersey Exemption Certificates issued by the New Jersey Division of Taxation. The resale certificate, which is available only to businesses registered with the Division, authorizes you to purchase merchandise and services for resale without paying New Jersey sales tax. You must give the resale certificate to your supplier at the time of purchase.

“Who May Use Resale Certificates?”

Only businesses registered with the New Jer-

sey Division of Taxation, whether they are located in New Jersey or out-of-State, are authorized to issue and accept New Jersey Resale 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.

After registering, you will also be assigned an identification number which usually corresponds to your Federal Identification number or your Social Security number. This identification number will appear on your Certificate of Authority and any other pre-printed forms you receive from this Division. You must include your identification number on all resale certificates you issue.

Exemption Certificates

A valid New Jersey Exemption Certificate allows qualified persons and businesses to purchase certain merchandise and services without paying sales tax. The New Jersey Division of Taxation issues several exemption certificates, each having a specific use. For example, a registered business may issue a resale certificate when purchasing inventory instead of paying sales tax. For information about other exemption certificates, contact Taxpayer Services, New Jersey Division of Taxation.

Issuing Resale Certificates

"When May I Use Resale Certificates?"

You may issue New Jersey Resale Certificates (Form ST-3) when you purchase the following:

- **Inventory** which you intend to resell, rent or lease

Example: Ron, of Ron's Toy Store, purchases an inventory of dolls to sell on a retail basis. Ron issues the doll manufacturer a resale certificate instead of paying sales tax. *Ron also needs display cases for the dolls. He may not use a resale certificate when purchasing the display cases because they are not intended for resale. He must pay sales tax on the display cases.*

- **Raw materials** which will become component parts of the finished product

Example: Midge, a silversmith, purchases silver to make jewelry. She may issue her supplier a resale certificate and pay no sales tax. *When Midge purchases tools for her business she may not use a resale certificate since the tools do not become a component part of her finished product. She must pay sales tax on the tools.*

- **Services** for resale

Example: Bill's Gas Station is unable to complete certain repairs to a customer's

car. Bill sends the car to a transmission specialist who performs the repairs and returns the car to Bill's station. Bill may issue the transmission specialist a resale certificate and pay no sales tax on the charges for service and parts. Bill must charge the customer sales tax on the total bill. *If Bill has the garage's hydraulic lifts repaired, he may not issue the repairman a resale certificate. This repair is not a service which will be resold. Bill must pay sales tax on the price of the repairs.*

"What Information Must I Enter On The Resale Certificate?"

- Your identification number
- The name of your supplier
- The merchandise or service you are purchasing
- The name of your company

NOTE:

The certificate must be filled in completely, without omission, to be valid.

"What If I Decide Not To Resell Items I've Purchased With a Resale Certificate?"

You must pay a 5% New Jersey Use Tax on the purchase price of items you decide not to resell or items which you use for your own purposes.

You must report and remit use tax on your **Quarterly Sales and Use Tax Return (Form ST-50)**.

Accepting Resale Certificates

"When May I Accept New Jersey Resale Certificates?"

Once your business is registered, you are authorized to collect New Jersey sales tax and to accept and issue New Jersey Exemption Certificates, including the resale certificate.

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 Resale Certificate, you should not charge your customer sales tax—if you accept 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 identification number, indicating that the purchaser is registered with the New Jersey Division of Taxation;
- The certificate must be completed fully, truthfully and accurately; and
- The purchase must be one that is ordinarily used in the purchaser's business as indicated on the certificate. (Example: Joe, of J and J's Handcrafted Furniture, may use a resale certificate to buy hardwood for his product. *However, he may not use a*

resale certificate to purchase tires for his delivery truck.)

NOTE:

If all of these conditions are not met, you may not accept the resale certificate but must collect sales tax.

"Which Resale Certificates May I Accept?"

You may accept New Jersey Resale Certificates only. Resale certificates from other states are not valid in New Jersey.

"Do I Need a New Resale Certificate For Each Transaction?"

No. Additional purchases by the same purchaser may be covered by one resale 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 sales slip.

Likewise, when you purchase merchandise for your business with a resale certificate, you may make similar purchases from the same supplier without issuing another resale certificate.

"How Long Should I Keep Resale Certificates After Accepting Them?"

You should keep all certificates in your files for three years in case of an audit by the New Jersey Division of Taxation.