

SECTION 52 - EXEMPTION ADMINISTRATION

52-1 STREAMLINED SALES AND USE TAX AGREEMENT CERTIFICATE OF EXEMPTION, FORM E-595E

North Carolina Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, is to be used for purchases for resale or other exempt purchases. The Streamlined Sales Tax Certificate of Exemption (SST Form F0003) may also be used or information required on the form may be provided by a purchaser to a seller. With certain limited exceptions, the Streamlined Sales and Use Tax Agreement Certificate of Exemption and Form E-595E require either a sales and use tax registration number or an exemption number.

The following forms are discontinued and should no longer be accepted by a seller:

1. Form E-526, Logging or Pulpwood Certificate;
2. Form E-558, Commercial Fisherman's Certificate;
3. Form E-567, Veterinarian's Certificate;
4. Form E-575, Manufacturers' Certificate;
5. Form E-580, Contractor's and Subcontractor's Certificate;
6. Form E-590, Certificate of Resale;
7. Form E-599, Agricultural Certificate;
8. Form E-599U, Electricity and Piped Natural Gas Certificate; and
9. Form E-599Y, Ice Certificate.

History Note: Authority G.S. 105-164.28; 105-164.28A; 105-264;
Issued: July 1, 2005;
Revised: November 15, 2009; July 1, 2007.

52-2 APPLICATION FOR EXEMPTION NUMBER

For all types of exemption numbers except a sales and use tax registration number, an **Application for Exemption Number for Qualified Purchases, Form E-595EA**, is to be completed and submitted to the Department. The Department will mail the applicant a notice bearing the assigned exemption number. **Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax**, must be completed and submitted to the Department when applying for a sales and use tax registration number.

History Note: Authority G.S. 105-164.28; 105-164.28A; 105-264;
Issued: July 1, 2005;
Revised: July 1, 2007.

52-3 SALES FOR RESALE

A purchaser of property for resale is required to issue **Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption**, the Streamlined Sales Tax Certificate of Exemption (SST Form F0003), or provide information required on the form to a seller in order to exclude the sale from sales or use tax. A seller who accepted a **Certificate of Resale, Form E-590**, from a purchaser prior to January 1, 2005 is not required to obtain a Form E-595E. If a purchaser is required to submit revisions, Form E-595E must be issued. A purchaser's sales and use tax registration number and other information required under G.S. 105-164.28 must be entered on the certificate as applicable.

History Note: Authority G.S. 105-164.13; 105-164.28; 105-164.28A; 105-264;
Issued: July 1, 2005;
Revised: November 15, 2009; July 1, 2007.

52-4 OTHER EXEMPT SALES**A. Manufacturers**

A manufacturer is required to issue **Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption**, the Streamlined Sales Tax Certificate of Exemption (SST Form F0003), or provide information required on the form to a seller when making a purchase of property that is exempt from tax. A manufacturer must provide its sales and use tax registration number. A manufacturer that is not registered with the Department for sales and use tax or privilege tax purposes will be required to register with the Department to obtain a sales and use tax registration number by submitting **Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax**. Some items exempt from sales or use tax may be subject to the privilege tax. For more information regarding the privilege tax, refer to Section 56 of the Sales and Use Tax Technical Bulletins.

B. Farmers, Commercial Fishermen, Loggers, and Veterinarians

A farmer, commercial fisherman, logger, or veterinarian making a purchase of tangible personal property that is exempt from sales or use tax is required to issue Form E-595E, the Streamlined Sales Tax Certificate of Exemption (SST Form F0003), or provide information required on the form to a seller as authority for not collecting the tax. A taxpayer that is registered to remit sales or use tax to the Department must provide the assigned sales and use tax registration number on the certificate or to the seller. A taxpayer that is not required to register for sales and use tax purposes must obtain an exemption number from the Department and the exemption number assigned by the Department must be entered on Form E-595E when the completed form is furnished to a seller.

History Note: Authority G.S. 105-164.4; 105-164.4A; 105-164.6; 105-164.13;
105-164.28; 105-164.28A; 105-264;
Issued: July 1, 2005;
Revised: November 15, 2009; July 1, 2007.

52-5 LIABILITY**A. Seller Responsibility**

When a customer makes a qualifying purchase as indicated on the Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, and furnishes a properly completed Certificate of Exemption or the information required on the form to a seller at the time of the sale, the seller is relieved of the liability for any additional tax that is subsequently determined to be due, and the purchaser has assumed liability for the tax. If the seller obtains a fully completed exemption certificate or captures the relevant data elements within 90 days subsequent to the date of sale, the Department shall relieve a seller of the tax otherwise applicable. In the absence of proper documentation to support an exemption from tax, the seller will be held liable for any additional tax determined to be due.

For a sale for resale, a seller is relieved of liability for any additional tax that is subsequently determined to be due when the seller secures a sales and use tax registration number from a purchaser at the time of the sale. For a sale exempt from tax other than as a sale for resale, the liability is relieved when the seller secures the information as to a purchaser's name, address, type of business, reason for exemption, and exemption number in lieu of obtaining an exemption certificate. **If a paper certificate is provided, it must be signed by the purchaser.** The Department shall relieve a seller of the tax otherwise applicable if it obtains a blanket exemption certificate for a purchaser with which the seller has a recurring business relationship. A recurring

business relationship exists when a period of no more than twelve months elapses between sales transactions.

This relief from liability does not apply:

1. To a seller who fraudulently fails to collect tax;
2. To a seller who solicits purchasers to participate in the unlawful claim of an exemption and;
3. To a seller who accepts an exemption certificate when the purchaser claims an entity-based exemption when:
 - a. The subject of the transaction sought to be covered by the exemption certificate is actually received by the purchaser at a location operated by the seller in the State and;
 - b. The Department's Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, clearly and affirmatively indicates (graying out exemption reason types on the form and posted on the state's web site) that the claimed exemption is not available in this State.

B. Exemption Substantiation

If the seller has not obtained an exemption certificate or all relevant data elements at the time of the sale or within 90 days subsequent to the date of sale, the seller may, within 120 days subsequent to a request for substantiation by the Department, either:

1. Obtain a fully completed exemption certificate from the purchaser, taken in good faith which means that the seller obtains a certificate that claims an exemption that (i) was statutorily available on the date of the transaction in the jurisdiction where the transaction is sourced, (ii) could be applicable to the item being purchased, and (iii) is reasonable for the purchaser's type of business; or
2. Obtain other information establishing that the transaction was not subject to the tax.

Upon substantiation the Department shall relieve the seller of any liability for the tax on the transaction unless it is discovered through the audit process that the seller had knowledge or had reason to know at the time such information was provided that the information relating to the exemption claimed was materially false or the seller otherwise knowingly participated in activity intended to purposefully evade the tax that is properly due on the transaction. The state must establish that the seller had knowledge or had reason to know at the time the information was provided that the information was materially false.

History Note: Authority G.S. 105-164.4; 105-164.4A; 105-164.6; 105-164.13;
105-164.28; 105-164.28A; 105-264;
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52-6 EXCLUDED TRANSACTIONS

Certain purchasers, such as the United States Government or the State of North Carolina, are not required to furnish a **Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption**. Purchase requisitions, affidavits from purchasing officers, and applicable credit cards issued by the United States Government are acceptable documentation for exempting purchases by federal agencies and instrumentalities. Purchases by the State of North Carolina

are exempt from sales or use tax. Purchase orders or other documentation bearing the assigned State agency exemption number are acceptable.

Note: For additional information on State agencies, refer to Sales and Use Tax Technical Bulletin 18-1.

History Note: Authority G.S. 105-164.13; 105-164.28; 105-164.28A; 105-264;
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