

## **Disclosed Practice Number 9 – Administration of Exemptions (Adopted XX)**

These tax administration practices address how a member state administers exemptions that appear on the Streamlined Sales Tax Certificate of Exemption (SST exemption certificate). Not all states allow all the exemptions listed on the SST exemption certificate. In addition, some exemptions may have limitations or be limited in some manner in a state. The phrase “exemption certificate” includes both paper exemption certificates and the electronic capture of the required data elements.

**Sellers are not required to validate a purchaser’s ID number or to know whether a purchaser is required to be registered in a state.**

**Purchasers may be held liable for the tax, interest, and penalties on a transaction if the purchaser improperly issues an exemption certificate to the seller.**

### **Disclosed Practice 9.1. – General – Seller Requirements**

**Explanation** – Section 317 of the Streamlined Sales and Use Tax Agreement (SSUTA) provides specific practices that apply to the administration of exemptions and exemption certificates in the SST member states. To be in compliance with the SSUTA, member states are required to follow Disclosed Practices 9.1.A, 9.1.B and 9.1.C.

**Disclosed Practice 9.1.A.** – Member states are asked to affirm that they comply with the following requirements. If a state does not comply with a particular requirement, they are asked to indicate in the Comment column which requirement is not followed.

**9.1.A.i.** The seller is not required to verify the purchaser’s ID number or determine the purchaser's registration requirements. (SSUTA Rule 317.A.6.g)

**9.1.A. ii.** The seller is required to maintain proper records of exempt transactions and provide those records to the state when requested in the form in which they are maintained. Those records may be provided in paper or electronic format. (SSUTA Sec. 317.A.6.)

**9.1.A.iii.** A seller may not accept an exemption certificate for an entity-based exemption on a sale if the subject of the transaction is actually received by the purchaser at a location operated by the seller within the designated state if the state does not allow such an entity-based exemption. (SSUTA Sec. 317.B)

**9.1.A. iv.** A drop shipper may accept an ID number to claim the resale exemption as provided below in the Purchaser’s Requirements. The ID number may include an ID number issued by another state. This may result in the same ID number being listed for more than one state. (SSUTA Sec. 317.A.8.)

**Disclosed Practice 9.1.B. – Your state requires a seller to renew blanket exemption certificates if more than 12 months elapses between transactions.**

**Explanation:** Section 317.F of the SSUTA prohibits a member state from asking a seller to renew a blanket certificate or update exemption certificate information or data elements when there is a recurring business relationship between the purchaser and the seller. A “recurring business relationship” exists when a period of no more than twelve months elapses between transactions. If more than twelve months elapses

between the transactions, a state may request the seller to obtain new or updated exemption certificate information or data elements.

Example: A purchaser provides a seller with a blanket exemption certificate for the purchase of items to be resold on February 13, 2022. States may require the seller to obtain a new blanket exemption certificate from the purchaser if the next sale to that purchaser occurs after February 13, 2023.

**Disclosed Practice 9.1.C. – A seller is required to obtain the exemption certificate at the time of sale or within 90 days of the sale to receive liability relief provided in Section 317.C of the SSUTA. A state may allow a period of longer than within 90 days of the sale.**

A state is directed to indicate in the Comment column if it allows a period of longer than within 90 days of the sale and what the acceptable period of time is to obtain the exemption certificate.

### **Disclosed Practice 9.2 – Purchaser Requirements**

**Disclosed Practice 9.2.A. Sales for Resale ID number Requirements, including drop shipments**  
(Sellers – see Seller Requirements in Disclosed Practice 9.1.)

**Explanation:** If a purchaser is required to be registered to collect and remit sales tax in the state in which the purchaser is claiming exemption, the purchaser is required to include the ID number for that state on the exemption certificate. A purchaser that is registered through the Streamlined Sales Tax Registration System receives a Streamlined Sales Tax ID number (SSTID) and some states may use the SSTID as the State sales tax registration ID number. If the purchaser is not required to be registered in the state, the state may allow a purchaser to use the business registration number issued by the state in which the purchaser is claiming the exemption, a sales tax ID number from any other state (which may be your SSTID), a Federal Employee Identification Number (FEIN), or a state issued driver’s license number.

Member states are asked to respond to the following questions indicating if their state will accept the particular ID number. This list is a hierarchy of sort. If the purchaser does not have the ID number indicated in the first statement, the purchaser proceeds to the next ID type, etc.

**9.2.A.1.i.** The state requires a purchaser that is required to be registered to collect sales and use tax in the state to include that state’s state issued sales tax or resale number on an exemption certificate it provides to its seller to claim an exemption from sales or use tax when purchasing for resale.

**9.2. A.1. ii.** A state is to indicate if the state accepts different types of ID numbers for purchasers that are not required to be registered to collect sales and use tax in their state on an exemption certificate it provides to its seller to claim an exemption from sales or use tax when purchasing for resale.

**9.2.A.1.ii.a.** A business registration number issued by your state, other than a sales tax or resale number.

Example: State or local business license number or state issued Secretary of State Number.

**9.2.A.1.ii.b.** If the purchaser does not have any business registration number issued by your state, then a state-issued sales tax or resale number from any state.

**9.2.A.1.ii.c.** If the purchaser does not have a business registration number issued by any state, then a U.S. Federal Employer ID number (FEIN). If the purchaser does not have a state issued sales tax or resale number from any state, then a business registration number issued by any state, other than a sales tax or resale number.

Example: State or local business license number or state issued Secretary of State Number.

**9.2. A.1. ii. d.** If the purchaser does not have a state issued sales tax or resale number from any state, then a business registration number issued by any state, other than a sales tax or resale number.

Example: State or local business license number or state issued Secretary of State Number.

**9.2.A.1.ii.e.** If the purchaser is not required to be registered and does not have one of the ID numbers in 9.2. A.1. ii. a through 9.2.A.1.ii.d above, then a state issued driver's license number.

**9.2.A.1.ii.f.** If the state accepts any other ID number, the type of number it accepts and when it can be used should be indicated in the Comment column.

**9.2.A.1.ii.g.** If a foreign purchaser does not have any of the ID numbers in 9.2. A.1. ii. a through 9.2.A.1.ii.f, does your state accept the tax ID number issued by the foreign country (e.g., VAT) on purchases for resale?

**9.2.A.1.ii.h.** Does the state require an ID number when claiming an exemption for resale if the purchaser does not have any ID number listed in 9.2. A.1. ii. a. through 9.2.A.1.ii.f and g.?

**Disclosed Practice 9.2.B. Direct Sales to the Federal Government (See 9.2.1.L and M for information on sales to construction contractors and other third parties who have contracts with the Federal Government)**

**9.2.B.1.** Does your state have a statutory exemption, which may be limited, for direct sales to the Federal Government (including transactions with payment by government credit cards that are paid direct by the government)?

**9.2.B.2.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as the Federal Government? If yes, the state should indicate the documentation required in the Comment column.

**9.2.B.3.** Is the name of the federal agency making the purchase required?

**Disclosed Practice 9.2.C. – Direct Sales to Your State Government (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with your State Government)**

**9.2.C.1.** Does your State have a statutory exemption, which may be limited, for sales to your State or State agencies located in your state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.C. but instead should go to 9.2.D.

**9.2.C.2.** Is the State or State agency required to apply for an exemption number from your state?

- Yes (State or State agency contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, the state is to indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.C.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as your State? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.D. - Direct Sales to a Local Government located in your state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Local Government located in your state)**

**9.2.D.1.** Does your state have a statutory exemption, which may be limited, for sales to a Local Government located in your state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.D. but instead should go to 9.2.E.

**9.2.D.2.** Is the Local Government required to apply for an exemption number from your state?

- Yes (Local Government contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.D.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Local Government located in your state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.E. - Direct Sales to State Government located in another state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with State Government from other states)**

**9.2.E.1.** Does your state have a statutory exemption, which may be limited, for sales to a State Government from another state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.E. but instead should go to 9.2.F.

Example: State A Department of Revenue maintains an audit office in your state. Are purchases by State A Department of Revenue exempt from your sales tax when purchased for their office in your state?

**9.2.E.2.** Is the State Government from the other state required to apply for an exemption number from your state?

- Yes (Other State contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.E.3.** Is an exemption certificate or other documentation required when purchaser is claiming exemption as a State from another state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.F. - Direct Sales to a Local Government located in another state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with the Local Government from another state)**

**9.2.F.1.** Does your state have a statutory exemption, which may be limited, for sales to a Local Government located in another state? If the answer to this is no, the state does not need to answer the remaining questions in 9.2.F. but instead should go to 9.2.G.

**9.2.F.2.** Is the Local Government located in another state required to apply for an exemption number from your state?

- Yes (Local Government contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.F.3.** Is an exemption certificate or other documentation required when purchaser is claiming exemption as a Local Government located in another state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.G. - Direct Sales to Tribal Governments (See 9.2.L and M information on sales to construction contractors and other third parties who have contracts with the Tribal Governments)**

**9.2.G.1.** Does your state's sales tax agency have published guidance for the treatment of sales to Tribal Governments, Tribal Entities or Tribal members? If yes, provide links to any published guidance in the Comment column.

**Disclosed Practice 9.2.H. - Sales to Foreign Diplomats**

**9.2.H.1.** Does your state's sales tax agency have published guidance for any exemptions, which may be limited, for sales to a Foreign Diplomat?

**9.2.H.2.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Foreign Diplomat? If yes, the state should indicate the documentation required and the acceptable ID numbers in the Comment column.

**Disclosed Practice 9.2.I. – Direct Sales to Charitable Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Charitable Organization)**

**9.2.I.1.** Does your state have a statutory exemption, which may be limited, for sales to Charitable Organizations? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.I. but instead should go to 9.2. J.

**9.2.I.2.** Is the Charitable Organization required to apply for an exemption number from your state?

- Yes (Charitable Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.I.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Charitable Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.I.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Charitable Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.I.5.** Does your state's exemption for sales to Charitable Organizations apply to Charitable Organizations located in another state?

Example: A nonprofit organization, which holds a State A exempt organization certificate, drives to your state to purchase items it will use in its charitable purpose. Can the State A nonprofit organization qualify for exemption on its purchases in your state?

If yes, answer 9.2.I.6, if no go to 9.2.J.

**9.2.I.6.** Does your state have different requirements for Charitable Organizations located in your state than Charitable Organizations located in another state?

If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.J. – Direct Sales to Religious Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Religious Organization)**

**9.2.J.1.** Does your state have a statutory exemption, which may be limited, for sales to a Religious Organization? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.J. but instead should go to 9.2.K.

**9.2.J.2.** Is the Religious Organization required to apply for an exemption number from your state?

- Yes (Religious Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.J.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Religious Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.J.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Religious Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.J.5.** Does your state's exemption for sales to Religious Organizations apply to Religious Organizations located in another state?

Example: A church, which holds a State A Religious Organization exemption certificate, drives to your state to purchase items it will use in its religious purpose. Can the State A church qualify for exemption on its purchases in your state?

If yes, answer 9.2.J.6, if no go to 9.2.K.

**9.2.J.6.** Does your state have different requirements for Religious Organizations located in your state than Religious Organizations located in another state. If yes, indicate the differences in the Comment column,

**Disclosed Practice 9.2.K. – Direct Sales to Educational Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with an Educational Organization)**

**9.2.K.1.** Does your state have a statutory exemption, which may be limited, for sales to an Educational Organization? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.K. but instead should go to 9.2.L.

**9.2.K. 2.** Is the Educational Organization required to apply for an exemption number from your state?

- Yes (Educational Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.K.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as an Educational Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.K.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Educational Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.K.5.** Does your state's exemption for sales to Educational Organizations apply to Educational Organizations located in another state?

Example: A State A University, which holds a State A exempt Educational organization certificate, drives to your state to purchase items it will use in its educational purpose. Can the State A University qualify for exemption on its purchases in your state?

If yes, answer K.6, if no go to 9.2.L.

**9.2.K.6.** Does your state have different requirements for [claiming an exemption as an Educational Organization](#)s located in your state than [as an Educational Organization](#)s located in another state? If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.L. - Sales to Construction Contractors of materials incorporated into real property for the specified organizations. This does not include sales for resale. (See below)**

**Explanation:**

**9.2.L.1.** Does your state have a statutory exemption or published guidance, which may be limited, for sales to construction contractors for construction materials incorporated into real property by that contractor for the following entities? If yes, the state should indicate the documentation required or provide a link to the published guidance in the Comment column. If no, go to 9.2.M.

**9.2. L1.i.** Federal Government

**9.2. L.1. ii.** State Government located in your State

**9.2.L.1.iii.** State Government located in other States

**9.2. L.1. iv.** Local Government located in your State

**9.2.L.1.v.** Local Government located in other States



**9.2. L.1.vi.** Tribal Governments, Tribal Entities, or Tribal members

**9.2.L.1.vii.** Charitable Organizations located in your State

**9.2.L.1.viii.** Charitable Organizations located in other States

**9.2. L.1. ix.** Religious Organizations located in your State

**9.2. L.1. x.** Religious Organizations located in other States

**9.2. L.1. xi.** Educational Organizations located in your State

**9.2. L.1. xii.** Educational Organizations located in other States

**Disclosed Practice 9.2.M. – Sales to third parties who are providing services or performing contracts not related to real property.**

**9.2.M.1.** Does your state have a statutory exemption or published guidance, which may be limited, for sales to third parties who are providing services or performing contracts not related to real property, for the following entities?

If yes, the state should indicate the documentation required or provide a link to the published guidance in the Comment column. If no, go to 9.2.N.

Example: A for profit business is contracted by the listed organization to provide IT services to the organization. The business purchases equipment it uses in managing this contract which can either be used by the provider's employees or by the organization's employees. The provider purchases the equipment. The provider's contract with the organization provides authority for the provider to make these purchases on the organization's behalf in support of the contract.

Example: The sale of food by third parties, such as private caterers, restaurants, licensees, or other lessees operating on the campuses of the college or university to students does not qualify for exemption because such sales are not made by a qualified nonprofit educational organization. *However, if the third parties are acting in agency capacity on behalf of the college or university, the exemption is applicable.* The contracts with the third parties (private caterers, restaurants, licensees, or other lessees operating on the campuses of the college or university) must specifically designate the third party as an agent on behalf of the college or university. Furthermore, the third-party food provider must be subject to the control of the university in connection with the selling of food to students.

**9.2.M.1.i.** Federal Government

**9.2. M.1. ii.** State Government located in your State

**9.2.M.1.iii.** State Government located in other States

**9.2. M.1. iv.** Local Government located in your State

**9.2.M.1.v.** Local Government located in other States

**9.2. M.1.vi.** Tribal Governments, Tribal Entities or Tribal members

**9.2.M.1.vii.** Charitable Organizations located in your State

**9.2.M.1.viii.** Charitable Organizations located in other States

**9.2. M.1. ix.** Religious Organizations located in your State

**9.2. M.1. x.** Religious Organizations located in other States

**9.2. M.1. xi.** Educational Organizations located in your State

**9.2. M.1. xii.** Educational Organizations located in other States

### **Disclosed Practice 9.2.N. – Sales of Products used in Agricultural Production**

**9.2.N.1.** Does your state have a statutory exemption, which may be limited, for products used in Agricultural Production? If yes, the state should provide a link to any published guidance issued by the state’s sales tax agency for the treatment of sales of products used in Agricultural Production in the Comment column. If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.N. but instead should go to 9.2.O.

**9.2.N.2.** Is the purchaser required to apply for an exemption number from your state in order to claim the Agricultural Production exemption?

- Yes (purchaser contacts state to apply for an exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.N.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption for Agricultural Production? If yes, the state should indicate the documentation required in the Comment column.

**9.2.N.4.** Does your state’s Agricultural Production Exemption apply to Agricultural Production Entities located in another state?

**9.2.N.5.** Is your state’s own state-issued exemption ID number required when claiming exemption for Agricultural Production? If no, the state should indicate in the Comment column which ID numbers are acceptable.

Example: A farmer from State A who holds a State A agricultural exemption drives to your state to purchase a piece of equipment to be used in qualifying agriculture activities in State A. Will your state accept the State A agricultural exemption for the purchase in your state?

**9.2.N.6. Does your state have different requirements for claiming an Agricultural Production exemption by a purchaser located in your state than by a purchaser located in another state?**

If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.O. – Sales of products used in Industrial Production/Manufacturing**

**9.2.O.1.** Does your state have a statutory exemption, which may be limited, for sales of products used in Industrial Production/Manufacturing? If the answer to this is no, the state does not need to answer the remaining questions in 9.2.O but instead should go to 9.2.P.

**9.2. O.2.** Is the purchaser required to apply for an exemption number from your state?

- Yes (purchaser contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.O.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption for Industrial Production/Manufacturing? If yes, the state should indicate the documentation required in the Comment column.

**9.2.O.4.** Does your state’s Industrial Production/Manufacturing Exemption apply to Industrial Production/Manufacturing Entities located in another state?

**9.2.O.5.** Is your state’s own state-issued exemption ID number required when claiming exemption for Industrial Production/Manufacturing? If no, the state should indicate in the Comment column which ID numbers are acceptable.

Example: An Industrial Production/Manufacturer from State A who holds a State A Industrial Production/Manufacturing exemption drives to your state to purchase a piece of equipment to be used in qualifying Industrial Production/Manufacturing activities in State A. Will your state accept the State A Industrial Production/Manufacturing exemption for the purchase in your state?

**9.2.O.6.** Does your state have different requirements for claiming an Industrial Production/Manufacturing exemption by a purchaser located in your state than by a purchaser located in another state?

If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.P. – Sales of Direct Mail**

**9.2. P.1.** Does your state allow the purchaser to claim direct mail and assume responsibility for directly reporting tax to the appropriate taxing jurisdictions? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.P. but instead should go to 9.2.Q.

**9.2. P.2.** Is an exemption certificate or other documentation required when the purchaser claims direct pay responsibility for Direct Mail? If yes, the state should indicate the documentation required in the Comment column.

## **Disclosed Practice 9.2.Q. – Direct Pay Permit**

**9.2.Q.1.** Does your state authorize direct pay permits? (SSUTA Sec. 326)

**9.2.Q.2** Is an exemption certificate, direct pay permit or other documentation required when the **Direct Pay Permit holder** is claiming Direct Pay authority? If yes, the state should indicate the documentation required in the Comment column.

**9.2. Q.3.** Does the state require an ID number when the Direct Pay Permit holder is claiming Direct Pay authority?

**9.2.Q.4.** Is the state's own state-issued ID number required when the Direct Pay Permit holder is claiming Direct Pay authority? If no, the state should indicate in the Comment column which ID numbers are acceptable.

Example: A manufacturing company in State A has been issued a Direct Pay Permit. It drives to your state to purchase supplies which qualify to be purchased tax free in State A under the State A's Direct Pay Permit. Will your state accept State A's Direct Pay Permit?