



Exemption Certificate Documentation

Insurance Against Disallowed Exemptions

EHTC State and Local Tax Services

INCOME & FRANCHISE TAX

- Tax Minimization Studies
- Business Structure Reviews
- Allocation and Apportionment Planning
- Combined, Consolidated, & Unitary Planning
- Nexus Studies
- Amended State Tax Returns from IRS Audits
- Single Business Tax Training

SALES & USE TAX

- Reverse Audits
- Compliance System Review
- Direct Pay & Compliance Agreements
- Exemption Certificate Documentation
- Industrial Processing / Manufacturing Exemption
- Utility Studies
- Nexus Studies
- Sales & Use Tax Training
- Transportation Company
- Procurement Company

PROPERTY (AD VOLEM) TAX

- Real Property Tax Reviews
- Personal Property Tax Reviews

TAX AUDIT & APPEALS

- Sales & Use Tax Audit Defense & Appeals
- Income & Franchise Tax Audit Defense & Appeals
- Property Tax Audit Defense & Appeals
- State and Local Tax Litigation Support
- Merger & Acquisition Due Diligence Reviews
- Voluntary Disclosure

BUSINESS INCENTIVE SERVICES

- Business Relocation & Expansion Services
- Tax Credits, Exemptions, & Abatements
- Grants, Financing, & Infrastructure Assistance

Most of the state sales tax laws hold the seller responsible for the payment of the sales tax. Many of these states use the sellers as agents for the collection and payment of the sales tax. On sales that qualify for an exemption, the seller is responsible to obtain documentation that will substantiate the exemption. The standard method of documenting the exemption is to retain exemption certificates.

EHTC will review the exemption certificate documentation and determine if it is sufficient in accordance with the enabling statute. Most states have specific statutory record keeping requirements. At a minimum, most states require the seller to retain in an adequate format the name and address of the purchaser, the date of the sale, a description of the article sold, the amount of sale, and the type of exemption claimed.

If the article sold qualifies for the resale exemption, then the state law may require the seller to retain resale certificates with the sales tax number of the purchasers. Normally these numbers should be updated no less than annually. On audit, an invalid number may cause the exemption to be disallowed.

For exemptions other than for resale, it is important that the seller exert reasonable care and effort to ascertain that the seller is entitled to the exemption as well as obtaining proof of the exemption. Proof of the exemption usually is obtained from the purchaser and retained by the seller. The seller can retain the proof in paper form or in an electronic media.

The retention of records and proof of exemption can be very costly. Failure to keep such records can be more costly in the event of audit. The seller does have some options available to lessen the administrative burden.

Software is available that can assist the seller in compiling the exemption certificate documentation in electronic form. Or the seller can also turn over all the sales tax functions to a Certified Service Provider who uses a software program approved by the states to accumulate the sales tax data, collect the tax, and remit the tax to the states.