

2018 SEATA Conference Exemption Administration

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Exemption Certificates

Dual purpose...

- Satisfies a seller's responsibility when selling a product without collecting tax from a purchaser
- Allows purchasers to claim a tax exemption and to accept responsibility for any subsequent tax liability



Exemption Administration – Tennessee

2008 adopted laws and policies consistent with SSUTA, except for third-party drop shipments

- Electronic capture of specific data elements instead of paper or electronic copy of a certificate
- No signature required for electronic certificate
- Issue exemption certificates with a state-issued exemption number for most entity exemptions
- Multi-purpose paper or electronic exemption certificate - Streamlined Certificate of Exemption
- Allow blanket certificates for all exemption types

Auditing Exemptions – Tennessee

- Seller held harmless if obtain fully completed certificate within 90 days after the sale, absent fraud or illegal solicitation of an exemption
 - Purchaser's name
 - Purchaser's address
 - Type of business
 - Reason for exemption
 - Tennessee exemption number
- Seller that fails to follow requirements is liable for tax
- Seller under audit allowed time to obtain missing or incomplete certificates

Auditing Exemptions - Tennessee

- “Good faith” standard applied to missing or incomplete certificates:
 - was statutorily available on the date of sale,
 - could be applicable to the item being purchased, and
 - is reasonable for the purchaser’s type of business
- Purchaser is liable for tax for improperly claimed exemptions when seller follows requirements
- Audit uses info for audit lead or inquiry for assessment

Customer Services - Tennessee

- Applications for 13 entity exemptions
 - Modernized using branding and formatting standards
 - Revised to request only relevant information
 - Improved instructions with detailed exemption information
 - Centrally published on website (future plans to add electronic applications to TNTAP)

Customer Services - Tennessee

- 15 exemption certificates with exemption number
 - Allow previously qualified taxpayers option to request and receive an updated new certificate
 - Previous exemption certificates obtained by sellers are still good
 - Modernized using branding and formatting standards
 - Added explanation of exempt products or services
 - Added limitations for use of the certificate

Customer Services - Tennessee

- Sellers may look up exemption numbers for resale certificates, direct pay permits, and exemption certificates
- Not required to verify the exemption number



Verify a Certificate

Certificate Type:
 Required

Exemption Number:

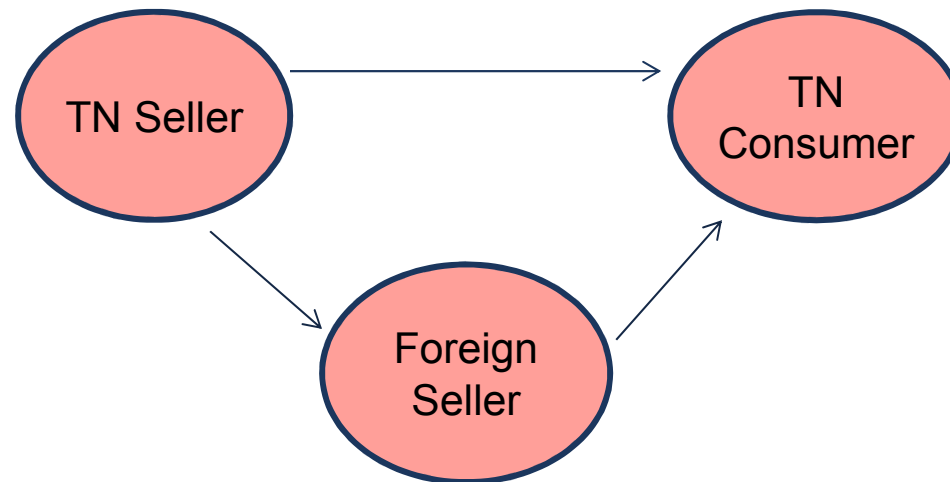
Submit

Challenges

- Product vs. entity exemption – need a certificate?
 - List exemptions that require a certificate
 - List product exemptions
- Proof of payment
 - Is the purchaser same as the exempt entity?
 - Are others allowed to use the exemption certificate?
 - Must the sale be directly to non-profit organization or federal or state government?
 - Are reimbursable purchases by employees allowed?

Challenges

- Third party drop shipments handled different
 - Whose certificates do I need: delivery or foreign state
 - Sale to consumer - obtain TN resale certificate from foreign retailer or collect tax
 - Sale to TN reseller - obtain TN resale certificate and foreign retailer's home resale certificate



Challenges

- Storage and retrieval of certificates
 - Stored at retail locations or central location
 - Obtain paper and convert to electronic copy
 - Seller pre-qualifies purchaser
- Exemption certificate manual process
 - Exemption software integrated with POS
 - Blanket certificates
 - Update of certificates

Challenges

- Batch vs. individual state verification process
 - Large volume of certificates to verify
 - Certificates periodically (e.g., annually) reissued
- Exemption software
 - Automation
 - Categorizing exemptions – resale vs. use
 - Reports

Exemption Administration

