

17 NCAC 07B .0106 CERTIFICATES OF EXEMPTION: SALES FOR RESALE

(a) For a person to purchase an item, as the term item is defined in G.S. 105-164.3, for resale exempt from sales and use tax pursuant to G.S. 105-164.13(5), the person shall provide each seller the information required by G.S. 105-164.28(a) on a paper certificate or electronically. The information required includes:

- (1) the purchaser's name;
- (2) the purchaser's address;
- (3) the purchaser's certificate of registration number which shall be a North Carolina certificate of registration number, another state's sales and use tax registration number, or a Streamlined Sales Tax ID;
- (4) the reason for the exemption;
- (5) the type of business; and
- (6) if submitted by paper, including fax, the purchaser's signature and date signed.

A purchaser shall retain in their records the certificates or electronic information submitted to sellers and an invoice or other statement of the purchase price of any items purchased.

(b) A seller's failure to keep records that establish a sale is exempt from sales and use tax subjects the seller to liability for the tax at the rates applicable to the retail sale of the item. To establish a sale is exempt from tax, sellers shall retain in their records the certificates or electronic information submitted by the purchaser, and records that identify the item purchased, the sales price of the item, and the purchaser of the item.

(c) A person that misuses a certificate of exemption, including information provided electronically for purposes of obtaining an exemption, is subject to penalties set out in G.S. 105-236. The penalty for misuse of an exemption certificate applies to each seller identified by the Department from which the person made a taxable purchase. The misuse of an exemption certificate is grounds for the Secretary to revoke a person's certificate of registration for sales and use taxes. Misuse occurs when a person makes a taxable purchase and furnishes the information described in Paragraph (a) of this Rule to a seller and the seller does not charge sales tax on the basis that the sale is a "wholesale sale" as defined in G.S. 105-164.3.

History Note: Authority G.S. 105-164.3; 105-164.4; 105-164.6; 105-164.22; 105-164.28; 105-164.29; 105-236; 105-262; 105-264; 105-467; 105-468; 105-469; 105-483; 105-498; 105-507.2; 105-509.1; 105-510.1; 105-511.3; 105-537; 105-538;
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