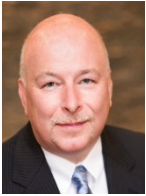


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Resale and Exemption Certificates

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Does your company have a policy for maintaining exempt sale documentation? When is the last time anyone has reviewed your company's resale and exempt sale documentation? Most taxpayers look at their exempt sale documentation the week before the sales tax auditor is scheduled to arrive.

The usual finding is the documentation is woefully inadequate. Common problems include:

- No exempt certificate on file;
- Expired certificate;
- Incomplete or inaccurate certificate; and
- Invalid certificate.

At this point, your only alternative is to have your employees embark on a mad dash to collect the required documentation before the auditor arrives. This could have been avoided by having guidelines in place to maintain exempt sale documentation. A few simple procedures performed periodically can greatly reduce audit exposure.

This includes reviewing exempt documentation periodically to ensure the documentation is accurate and complete. Missing or incomplete certificates should be obtained as soon as possible. Obtaining sales exemption documents becomes more difficult as time passes from the date-of-sale. It also increases the likelihood that unforeseen circumstances such as customer ownership changes or business closings could occur and make it impossible to obtain a valid exemption certificate.

In many states exemption certificates do not expire. However, certificates can become invalid for a number of reasons including specified time period, specified purchase or change of ownership. A policy to validate or update certificates on a periodic basis will reduce the occurrence of invalid certificates.

Review your business' current policy to determine if it is adequate. If you do not have a policy in place, consider implementing one. A well-executed plan will save a great deal of time and reduce audit exposure when the next audit occurs

If you have any questions about this or other tax issues, please email Andy Toth at atoth@tsacpa.com. For additional State and Local Tax insights and resources, or to subscribe to our quarterly newsletter, visit tsacpa.com.