

### **423.51 Administration of exemptions.**

1. The following provisions shall apply when a purchaser claims an exemption:

*a.* The seller shall obtain identifying information of the purchaser and the reason for claiming a tax exemption at the time of the purchase as determined by the member states acting jointly.

*b.* A purchaser is not required to provide a signature to claim an exemption from tax unless a paper certificate is used.

*c.* The seller shall use the standard form for claiming an exemption electronically as adopted jointly by the member states.

*d.* The seller shall obtain the same information for proof of a claimed exemption regardless of the medium in which the transaction occurred.

*e.* The department may authorize a system wherein the purchaser exempt from the payment of the tax is issued an identification number which shall be presented to the seller at the time of the sale.

*f.* The seller shall maintain proper records of exempt transactions and provide them to the department when requested.

*g.* The department shall administer entity-based and use-based exemptions when practicable through a direct pay tax permit, an exemption certificate, or another means that does not burden sellers. For the purposes of this paragraph:

(1) An "*entity-based exemption*" is an exemption based on who purchases the product or who sells the product.

(2) A "*use-based exemption*" is an exemption based on the purchaser's use of the product.

2. Sellers that follow the requirements of this section are relieved from any tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and that the purchaser is liable for the nonpayment of tax. This relief from liability does not apply to a seller who fraudulently fails to collect the tax or solicits purchasers to participate in the unlawful claim of an exemption.

2003 Acts, 1st Ex, ch 2, § 144, 205