

INSTRUCTIONS FOR MANUFACTURING, PUBLISHING, RESEARCH & DEVELOPMENT,
or PACKAGING CERTIFICATE OF EXEMPTION (Form S-3M)

1. Tangible personal property is property which can be seen, touched, and measured.
2. The term “distributor” does not include retailers selling directly to the ultimate consumer. Retail stores of all kinds and restaurants are not included in the terms manufacturer or distributor.
3. Where the manufacturing process begins and ends is described in Regulation 1.9741(14), which is available on our website at www.state.vt.us/tax or can be obtained directly from the Vermont Department of Taxes, PO Box 547, Montpelier, VT 05601-0547. Pre-manufacturing and post-manufacturing do not qualify for this exemption. Examples of pre-manufacturing and post-manufacturing activities include procuring raw materials, storing raw materials and finished goods, any wrapping or packaging after initial packaging, disposing of waste, protecting the environment, and managing the business. In summary: storage before and after manufacturing, administration, sales and waste disposal.
4. Form S-3F should be used for purchases of fuel or electricity used directly or indirectly in manufacturing.
5. **GOOD FAITH** In general, a seller who accepts an exemption certificate in “good faith” is relieved of liability for collection or payment of tax upon transactions covered by the certificate. The question of “good faith” is one of fact and depends upon a consideration of all the conditions surrounding the transaction. A seller is presumed to be familiar with the law and the regulations pertinent to the business in which he deals.

In order for “good faith” to be established, the following conditions must be met:

- a. The certificate must contain no statement or entry which the seller knows, or has reason to know, is false or misleading.
 - b. The certificate must be substantially like the form on the other side.
 - c. The certificate must be dated and executed in accordance with the published instructions, and must be complete and regular in every respect.
 - d. The property to be purchased is of a type ordinarily used in the buyer’s business for the purpose described in the certificate.
 - e. The certificate has been received prior to or at the time of the sale.
6. **IMPROPER CERTIFICATE/LACK OF CERTIFICATE** Sales transactions which are not supported by properly executed exemption certificates shall be deemed to be taxable retail sales. The burden of proof that the tax was not required to be collected is upon the SELLER.
 7. **RETENTION OF CERTIFICATES** Certificates must be retained by the seller for a period of not less than three (3) years from the date of the last sale covered by the certificate.
 8. **ADDITIONAL PURCHASES BY SAME BUYER** If the buyer has this as a Multiple Purchase certificate, the certificate covers additional purchases of the same type of property. For each subsequent purchase, the seller must show sufficient identifying information on the sales slip to trace the purchase to the exemption certificate on file.