



**1. Good Faith .**

In general, a person who accepts an exemption certificate in “good *faith*” is relieved of liability for payment of tax upon the sale or lease transaction 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.

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 person knows, or has reason to know, is false or misleading.
- (b) The certificate must be an officially promulgated certificate form or a proper reproduction thereof.
- (c) The certificate must be dated and executed in accordance with the published instructions, and must be complete and regular in every respect.

**2. Improper Certificate .**

Lease transactions that are not supported by properly executed certificates may subject the lessee to tax liability on the total of the payments due under the lease. Sales transactions not supported by properly executed certificates shall be deemed to be taxable retail sales.

**3. Retention of Certificates .**

Certificates must be retained by the lessee and lessor for a period of not less than three years from the date of the termination of the lease covered by the certificate. Certificates must be in the physical possession of the lessee and available for inspection on or before the 60th day following the date of the transaction to which the certificate relates.

**4. Reproduction of ST-40 Certificate forms .**

Private reproduction of ST-40 Certificates may be made without the prior permission of the Division of Taxation provided that both sides of the certificate are reproduced.

**5. Issuance of Certificate .**

The lessor must complete and execute this certification and give it to the lessee on all applicable lease transactions. If the lease is assigned to a bank or other financial institution, this certification must be provided to the assignee.

**6. Lessee Certificate Issuance .**

If the lessor claims exemption, he must receive and keep with this certification a copy of the lessee’s exemption certificate: In the case of exempt use, an Exempt Use Certificate (Form ST-4). In the case of an exempt organization, an Exempt Organization Certificate (Form ST-S) or in the case of motor vehicle, vessel or aircraft, Form ST-10, ST-IOV or ST-IOA.

**PRIVACY ACT NOTIFICATION**

The Federal Privacy Act of 1974 requires all agencies requesting information to inform individuals from whom it seeks information why the request is being made and how the information is being used. Your social security number is used primarily to account for and give credit for tax payments. It is also used in the administration and enforcement of all tax laws for which the Division of Taxation has statutory responsibility.

For further information, write to: New Jersey Division of Taxation, Technical Services, Taxpayer Services Branch/OCE, P0 Box 281, Trenton, NJ 08695-0281.