

**MAINE REVENUE SERVICES
SALES, FUEL AND SPECIAL TAX DIVISION
RULE NO. 302**

SALES TO GOVERNMENT AGENCIES AND EXEMPT ORGANIZATIONS

SUMMARY: Explains exemptions pertaining to sales to government agencies and exempt organizations pursuant to the Sales and Use Tax Law.

SECTION 1. Sales to Government Agencies

Sales made directly to the Federal Government, this State or any political subdivision of this State, or to any unincorporated agency of the above, are exempt from sales tax. In addition to the Federal Government, the State of Maine, and any county, city, town, or plantation in the State of Maine, this exemption covers sales to:

- School Districts in Maine;
- Water, Power, Parking and other Districts in Maine established by legislative act as quasi-municipal corporations;
- Village Corporations; and
- The Maine Turnpike Authority.

The State Tax Assessor requires no evidence of exemption other than the invoice of the seller indicating a sale to the exempt government entity.

SECTION 2. Sales to Exempt Organizations

1. General. 36 MRSA §1760 provides for exemption from the sales or use tax for sales to various organizations. However, the burden of proving a sale is to an organization that has been provided an exemption is upon the person making the sale. The seller will be relieved of this burden of proof only if it requires from the purchaser an exemption certificate in accordance with the provisions of this rule.

2. Application for exemption. Organizations that are eligible to qualify for sales and use tax exemption under Sec. 1760 of the Sales and Use Tax Law, may apply for a certificate of exemption from Maine Revenue Services. Exemption certificate applications must be made on the application form prescribed by the State Tax Assessor and must be accompanied by the information and supporting documentation specified on the form.

3. Exemption certificates. If the State Tax Assessor determines that an applicant qualifies for a Maine sales tax exemption, a numbered exemption certificate will be issued with the name and address of the organization. The certificate also identifies the exempt activity. When an otherwise qualifying entity is engaged in both exempt and nonexempt activities, the exemption certificate will be issued only if it has been established to the satisfaction of the assessor that the applicant has adequate accounting controls in place to limit the use of the certificate to exempt purchases. If the assessor determines that the organization does not qualify, a denial letter will be issued. Sales to

entities that do not hold and provide to the seller an exemption certificate are considered taxable.

4. Use of exemption certificate. The exemption certificate may be used only for purchases of tangible personal property which will be used exclusively by the organization in the activity identified in the relevant statutory exemption. Exemption certificates may not be used in activities that are mainly commercial enterprises.

5. Requirements of seller. Sellers are not required to obtain a copy of the exemption certificate for each individual sale. However, they must maintain a copy of the certificate for their files to support sales to each exempt organization. Invoices of tax-exempt sales must be appropriately marked. The words "Maine Sales Tax Exempt," together with a notation of the applicable exemption number, will satisfy this requirement. The certificate must be taken by the seller in good faith. The good faith of the seller will be questioned if the seller has knowledge of facts that give rise to a reasonable inference that the purchaser is not the holder of the exemption certificate or that the merchandise is not to be used exclusively by the exempt organization in the activity identified in the relevant statutory exemption.

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