The General Rule: Sales of materials and supplies for construction and repair are taxable when made to contractors and repair persons.

The Exception: A sale may be exempt if: 1) the contractor meets certain limited requirements AND 2) provides an exemption certificate.

Accepting a Certificate: Retailers, when the contractor hands you a Vermont Form S-3, Vermont Sales Tax Exemption Certificate for Purchases for Resale and by Exempt Organizations, ask the contractor the following:

**Vermont Form S-3**

Does the contractor making this purchase ever sell at retail?

**YES**

Is the item going to be used by the contractor but not incorporated into real property or resold to a customer? For example, is the contractor purchasing tools, tarps, protective gear?

**YES**

THE GENERAL RULE APPLIES: COLLECT the sales tax and Do Not accept the S-3 certificate. The purchase of the item is taxable and not eligible for a resale exemption.

**NO**

The contractor only performs contracting work. For example, the contractor builds or repairs real property.

**NO**

Is the item going to be incorporated—meaning permanently fixed—into real property? For example, is the contractor purchasing a furnace, built-in dishwasher, or wiring?

**YES**

At the time of purchase from this retail store, does the contractor know for certain; that the item will be resold directly to a customer and; the item is not being incorporated into real property by the contractor?

**NO**

NOTE: A resale exemption is not available if the contractor is not reasonably certain that the item will be resold at retail.

**YES**

THE EXCEPTION APPLIES: ACCEPT the fully and accurately completed S-3 certificate and do NOT collect sales tax. If the item will be resold to the contractor’s customer without being incorporated into real property, the contractor making the purchase should use an S-3 exemption certificate and collect sales tax from the end customer.

NOTE: WHEN YOU (THE RETAILER) ACT AS A CONTRACTOR you are responsible for tax when you use materials and supplies for construction or repair. Treat yourself like a contractor for those transactions. If you would prefer to collect tax from the end customer instead, Vermont offers that option, which comes with special rules and requirements. Do NOT collect tax from the customer until you have applied to do so from the Department of Taxes; instead, remit use tax at your standard customer price.
Qualified Exempt Projects: For Retailers
HOW TO DETERMINE WHETHER A SALE IS TAXABLE OR EXEMPT

Accepting a Certificate: Retailers, when the contractor hands you a Vermont Form S-3C, Vermont Sales Tax Exemption Certificate for Contractors Completing a Qualified Exempt Project, ask the contractor the following:

Vermont Form S-3C

1. Is the contractor working on a job on a property OWNED by one of the following:
   - 501(c)(3) nonprofit organization?
   - Government entity?
   - Qualified development entity?

   - YES
   - NO

2. Is the contractor purchasing these items for the contractor’s own use? For example, will the contractor be using them as shop supplies, equipment, tarps, tools, protective gear, temporary fencing, or other items used on a job but which will not be transferred to the end customer?

   - YES
   - NO

   **Quick Tip**
   Include the same job name or number on the invoice that is provided on any exemption certificates used.

   **THE GENERAL RULE APPLIES**
   COLLECT the sales tax and Do Not accept the S-3C certificate. If the contractor believes the items should be tax-exempt, the contractor may contact the Vermont Department of Taxes at (802) 828-2551.

   **THE EXCEPTION APPLIES:** ACCEPT the fully and accurately completed S-3C certificate and do NOT collect the sales tax on the items.

NOTE: Only a manufacturer may claim an exemption for machinery and equipment used directly and exclusively in the manufacture, printing, and publishing of tangible personal property for sale. A retailer should not accept an S-3C exemption certificate for manufacturing machinery. Instead, the manufacturer should make the purchase and provide a completed S-3M exemption certificate directly to the retailer.