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## Direct Payment Permit

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### A Program to Simplify Sales/Use Tax Accrual and Collection

#### **From the Commissioner**

Dear Taxpayer,

The Department of Revenue (DOR) will assist you in meeting your responsibility to collect and remit the Commonwealth's "Sales/Use Taxes." Part of the DOR's mission is to verify taxes remitted by taxpayers to insure that the correct tax is accrued and paid. This booklet explains how the DOR provides a method to reduce administrative and personnel burden on taxpayers accruing sales/use tax, while maintaining a high degree of accuracy in connection with the Direct Payment Permit Program. This booklet includes an explanation of the requirements, forms and instructions for this Program.

Direct Payment Permits are issued only after a detailed review of applications and supporting information. **I urge you to read this booklet before completing this application.**

Please visit our website and send us your comments and suggestions for improvement. We look forward to your cooperation in making this program a success, reducing your administrative burden as well as ours.

Sincerely,

Commissioner of Revenue

## *The Direct Payment Permit Program*

### **Overview**

Businesses holding Direct Payment Permits pay sales tax directly to the Department of Revenue, instead of paying a sales tax to the vendor at the time of purchase.

The Direct Payment Permit Program is geared toward larger businesses which have computerized record keeping and could expect to remit sales taxes under a Direct Payment Permit in the range of \$50,000 or greater on an annual basis. Direct payment permits allow businesses to self-accrue more of their tax liability and reduce paperwork and bookkeeping. Each month taxpayers review purchases, determine which purchases are subject to Massachusetts sales tax, and remit tax directly to the DOR. Since no tax is paid at the time of purchase, the taxes on purchases can be allocated to the proper state, classified as taxable or not taxable, and remitted on taxable purchases only. Software is available from a variety of providers which can analyze purchases, determine the proper taxing jurisdiction and rate, apply the tax rate to taxable purchases, and create remittance journals.

Direct Payment Permits are not issued automatically. Permits are issued only to businesses for business purchases. Taxpayers requesting a Permit must submit an application along with substantiating data. Applications are reviewed in detail prior to Permit issuance. All taxpayers applying for a Direct Payment Permit must be registered as a Vendor for Sales/Use Tax in order to receive the Direct Payment Permit.

Taxpayers applying for a Managed Compliance Agreement must hold a valid Direct Payment Permit throughout the entire period of the Agreement. See Form ASU-15 and Instructions for information regarding the Managed Compliance Agreement Program.

### **How a Direct Payment Permit Works**

Taxpayers approved for a Direct Payment Permit are issued a single combined Permit and a Certificate Form (Form ST-14/ST-15). This form is to be delivered by the Permit holder to vendors. The Permit relieves the vendor of the requirement to charge sales tax at the time of purchase if taken in good faith. The permit holder is responsible for accruing sales tax on all taxable transactions.

Permit Holders are **required to issue a Direct Payment Permit to *all* vendors, except for those transactions which are excluded. The exclusions are:**

- Meals and/or alcoholic beverages
- Motor Vehicles, including trailers
- Boats, other registered watercraft
- Airplanes and other registered aircraft
- Marine and recreational vehicles requiring registration.
- Items purchased for personal use

**Tax is paid in the same manner as any other taxpayer in the above cases.**

Permit Holders **may not** elect to use Permits on some transactions and not others.

Each month, a Permit Holder determines taxable transactions and calculates tax. All Direct Payment Permit holders file and pay sales/use tax monthly, on a Form ST-9 "Monthly Sales and Use Tax Return." Taxpayers who hold a Direct Payment Permit are all required to report their Direct Payment sales taxes together with their sales as a vendor on line one of their monthly Form ST-9. Any use tax liability will continue to be reported on line five of the Form ST-9.

## **How to obtain a Direct Payment Permit – DPP1 Application**

Complete Form DPP1, and return it to the Audit Support Unit. Include supporting documents as necessary. Be sure to answer all questions.

When completing Form DPP1, please note that:

- A Direct Payment Permit is issued to an ***entity filing under a single Federal Identification or Registration number, on a single ST-9 Monthly Sales/Use Tax Return***. Businesses who file under more than one number must obtain a separate Permit for each Identification number. Each separate number requires a separate Application for a Permit. Each applicant should reasonably expect to have an annual sales tax liability from Direct Payment purchases in the range of \$50,000 or greater.

Permits are valid only for the specific purchaser as indicated on the Permit.

- Permits must correspond *exactly* to the tax registration information on file with the DOR. Taxpayers may wish to make corrections or changes to their accounts prior to applying for a Direct Payment Permit.

The DOR may request clarification of a taxpayer's account prior to issuing a permit.

- A **renewal permit** requires a complete DPP1 Application which should indicate the current (or previous) permit number.
- Changes in organization (such as mergers or acquisitions between businesses) require a new permit for the reorganized entity.
- If you hold a Direct Payment Permit, or any permit similar in nature, type or purpose to a Massachusetts Direct Payment Permit in another state or province, or have held one in the past, you must include this information on your application.

The DOR reserves the right to request information regarding accrual systems prior to issuing a Permit. All information submitted is confidential and is subject to the Massachusetts General Laws related to the confidentiality of tax records.

Applicants who are not approved, or whose applications are delayed awaiting further information will be notified by mail.

## **Direct Payment Permit and Certificate**

A Permit is issued after an application is approved. The Permit is mailed directly to the approved applicant.

All Permits are effective as of the **first day of the month**. Permits will be valid for a term of not greater than five years and will expire on December 31<sup>st</sup> of the final calendar year of the term. Renewal permits are effective as of the first day of the month following the expiration of the previous Permit, and are valid for the same period. Taxpayers obtaining a renewal permit should forward a copy of the new permit to their Vendors as soon as it is received.

Taxpayers holding a Direct Payment Permit should apply for a **Renewal** of their Permit before October 15<sup>th</sup> of the year of expiration. The same form used for an original application is used for a renewal. Simply reference the Permit Number, indicate "renewal" on the application, and update any necessary information.

The Form ST-14/ST-15 combines the Direct Payment Permit and Certificate to Vendors. This form may be reproduced or sent by electronic means to vendors. Note that Vendors must retain a copy of this certificate for inspection by employees of the DOR.

## **Surrender, Forfeiture or Expiration of A Permit- Misuse of Permits**

Taxpayers who forfeit or surrender a Permit, have a Permit revoked, or allow a Permit to expire without a renewal are REQUIRED to notify EACH vendor immediately. A fine of \$1,000.00 **per vendor** will be levied for the failure of a Permit holder to notify the vendor that its Permit is no longer valid.

## **Tax Paid to a Vendor in Error**

A Permit holder may find that although a permit was issued properly to a vendor, that vendor charged sales tax on its invoice. In that case, the Permit holder should contact the Vendor, and request reimbursement. The vendor may take the amount of the reimbursement as a credit on its next sales tax return. Both the purchaser and the vendor should maintain records for a transaction of this type.

## **Change in Organization**

DOR will assist taxpayers who wish to retain Direct Payment status, but who change their organization. As noted, each Identification Number requires a separate Permit. Taxpayers who contact DOR in advance will likely be able to effect a transition to a new Permit with a minimum of inconvenience to themselves and DOR. Taxpayers should contact the Audit Support Unit for Assistance.

## **Disclosure of Permit Holders by DOR**

Form DPP1 includes a section which must be signed by the taxpayer to allow disclosure by DOR of the Permit holder's Direct Payment Permit status and effective dates to interested parties. You must complete this section of the Application to be considered for a Direct Payment Permit.

## **Taxpayer Assistance**

Please contact DOR at (617) 887-6367 with any questions regarding Direct Payment Permits. This telephone number pertains to Sales and Use Tax matters **only**. You may also access the DOR website.

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
APPLICATION FOR  
DIRECT PAYMENT PERMIT**



**NEW**  
 **RENEWAL**

Business Name:	
D/B/A:	
Federal Identification No:	
Business Address:	
Name of Owner, Partners, Corporate Officers, LLC Members:	
Contact Person:	Telephone Number: ( )
Describe your business in detail:	

**Answer all the following questions:**

- Does your business now hold a Massachusetts Direct Payment Permit?  Yes  No Number\_\_\_\_\_
- Has your business ever held a Massachusetts Direct Payment Permit?  Yes  No Number\_\_\_\_\_
- Are you registered for Sales/Use Tax? If registered enter Federal ID or Registration # Number: \_\_\_\_\_  Yes  No  Pending  
 TA-1 Application Attached
- Are you presently under Audit for Sales/Use Tax?  Yes  No
- Does your accounting system have sufficient internal controls to accrue sales/use tax accurately?  Yes  No
- Can your accounting system isolate purchases for your Massachusetts registered locations?  Yes  No
- Does your accounting system maintain separate general ledger accounts for sales tax collected from customers and for sales/use tax accrued?  Yes  No
- Does your accounting system maintain separate general ledger accounts for sales/use tax paid to vendors?  Yes  No
- Has the DOR or the IRS filed liens or levied any tax during the past 3 years? If yes, attach explanation  Yes  No
- For Massachusetts locations, the sales tax paid directly to vendors for the last/next 12 month period was/is \$ \_\_\_\_\_
- Does this business hold a Direct Payment Type Permit in any other state?  Yes  No

State: \_\_\_\_\_ Permit No. \_\_\_\_\_ Effective Date: \_\_\_\_\_

State: \_\_\_\_\_ Permit No. \_\_\_\_\_ Effective Date: \_\_\_\_\_

State: \_\_\_\_\_ Permit No. \_\_\_\_\_ Effective Date: \_\_\_\_\_

For additional states attach sheet and check here .

- Has a previous application for a Direct Payment Permit or similar authority been denied in Massachusetts or any other state or has such a permit been revoked by any state? If yes to either question, attach details.  Yes  No

State: \_\_\_\_\_ Permit No. \_\_\_\_\_ Date revoked/denied \_\_\_\_\_

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I hereby certify that the statements made herein have been examined by me and are, to the best of my knowledge and belief, true and correct.  
Signed under the pains and penalties of perjury.

Your Signature:	Title:	Date:
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**NOTE: ADDITIONAL INFORMATION MAY BE REQUESTED PRIOR TO PROCESSING APPLICATION.**

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#### DISCLOSURE of PERMIT INFORMATION

**NOTE:** You must sign the following statement to be considered for a Direct Payment Permit.

I hereby grant the Massachusetts Department of Revenue the authority to disclose to interested parties the status of this entity as a holder of a Direct Payment Permit and the effective and expiration dates of that Permit.

Signature: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

**Mail the completed application to:**

**Massachusetts Department of Revenue  
Audit Division – Trustee Tax Bureau  
200 Arlington St., Room 4300  
Chelsea, MA 02150**

**Attn: Direct Payment Permit**



## **Form DPP-1-Instructions – Direct Payment Permit Application**

### **General Information**

#### **What is a Direct Payment Permit?**

A Direct Payment Permit Holder may issue a certificate to a vendor of an item subject to the Sales tax. This certificate relieves sale from taxation at the time of purchase. Permit holders remit sales tax on taxable purchases *directly* to the Commonwealth of Massachusetts on Form ST-9 *Monthly Sales/Use Tax Return*.

#### **Who is eligible to obtain a Direct Payment Permit?**

Any purchaser who operates a business and who acquires tangible personal property subject to taxation may apply. The Commissioner of Revenue has the discretion to issue a permit and has established criteria which must be met before a permit will be issued. Applicants:

- Are limited to businesses
- Must be a registered vendor under Massachusetts General Laws, Chapters 64H and 64I for the Permit to be issued
- File (or agree to file) monthly sales/use tax returns
- Purchase in the range of \$1,000,000 or more of tangible personal property and/or taxable services subject to Massachusetts sales tax per year
- Exhibit an acceptable record of timely filing and payment of Massachusetts taxes
- Use computerized accounting methods which track all transactions in an accurate, understandable manner, and provide an audit trail

#### **How does a business obtain a Direct Payment Permit?**

Complete form DPP-1 and return it to the Audit Support Unit at the address on the form. Include all supporting documents. Provide an explanation if required. Be sure to answer *all* questions, or indicate why a question does not apply. You may submit samples to substantiate the response to any question.

**IMPORTANT: Each business with a separate identification number must make application separately.** Each business must meet all of the criteria *individually*. Applicants may not aggregate related business entities to meet the criteria for issuance of a Direct Payment Permit.

#### **Do all applicants have to be a registered vendor?**

YES. If a business is NOT a REGISTERED VENDOR, it may register as a vendor at the same time as the Application for a Direct Payment Permit is submitted. Form TA-1 (or Form TA-2, in the case of a business which is registered for taxes other than sales/use) *Application for Registration* must be completed in detail. Be sure to indicate clearly that you are applying for a Registration as a sales/use tax vendor and a Direct Payment Permit at the same time.

NOTE: All taxpayers holding a Direct Payment Permit must file all sales/use tax returns monthly.

Call the DOR at 1-617-887-MDOR [6367] for questions about sales/use tax registration.

**There is NO FEE to register as a Sales/use tax vendor, or to apply for a Direct Payment**

### **What can we expect after a form DPP-1 has been submitted?**

DOR will review your application, and verify all information. A tax history will be examined and any questions discussed with you in detail and resolved.

If your application is APPROVED, you will receive a Direct Payment Permit and a Certificate form. The Form "ST-14/ST-15-Direct Payment Permit and Direct Payment Certificate" should be furnished to vendors at the time of purchase. The permit will indicate a permit number; an effective date and an expiration date. Note that the certificate cannot be used for certain purchases. (See Form)

If your application is NOT APPROVED you will be notified by mail.

*The DOR may request additional information before issuing a permit.*

### **Specific Instructions**

**RENEWAL APPLICATIONS:** Complete the form in detail. Check "Renewal", provide current permit number.

**BUSINESS INFORMATION:** Clearly indicate the type of business in which you are engaged. You must provide enough detail to establish the need for a Direct Payment Permit. Brief statements such as "General Trade"; "Personal Services"; or "All Lawful Activities" are not acceptable and will delay processing of your application.

**PERMIT NUMBERS; PERMITS IN OTHER STATES OR PROVINCES.**

Indicate present Massachusetts Direct Payment Permit Numbers. List Direct Payment Permits issued by other states or provinces. Include any permit which is *similar* to that issued under the Massachusetts Direct Payment Permit program.

### **RECORDKEEPING**

It is essential that your business maintain a computerized recordkeeping program which is accurate and provides a verifiable audit trail for each transaction.

### **ESTIMATE OF TAX TO BE ACCRUED AND PAID**

Estimate the amount of tax to be accrued and paid to Massachusetts each year *assuming that you hold a Direct Payment Permit and issue it to all applicable vendors*. Remember, it is likely that you are now paying directly to a vendor which would be paid directly to DOR under a Direct Payment Permit.

**Sign the Application. Answer ALL questions.**

**For more information, call the  
Trustee Tax Bureau  
Direct Payment Permit  
(617) 887-6367**





MASSACHUSETTS DEPARTMENT OF REVENUE  
PO BOX 7044  
BOSTON, MA 02204  
CONTACT CENTER  
(617) 887-6367

Letter ID:  
Notice Date: November 28, 2015  
Account ID:

## FORM ST-14 & ST-15 DIRECT PAYMENT PERMIT & CERTIFICATE

This notice serves as your Direct Payment Permit and Certificate (Forms ST-14 and ST-15). If your permit is revoked, expired or otherwise becomes invalid, you must immediately notify all vendors from whom purchases of taxable items or services are made, advising them that the permit is no longer valid. If you fail to give notification, you can be fined \$1,000 per vendor.

SAMPLE

Letter ID:  
Notice Date: November 28, 2015  
Account ID:



MASSACHUSETTS DEPARTMENT OF REVENUE  
Direct Payment Permit

Form ST-14

Permit Number:  
Sales/Use Tax Registration Number:

This permit is issued under Chapter 64H, section 3(b) of the Massachusetts General Laws. This permit is non-transferable and cannot be used for purchases of motor vehicles, watercraft, aircraft, recreational vehicles, meals, alcoholic beverages, and purchases of a personal nature. This permit may be suspended or revoked for failure to comply with state laws and regulations.

Effective Date: November 1, 2015

Expiration Date: December 31, 2018



MASSACHUSETTS DEPARTMENT OF REVENUE  
Direct Payment Certificate

Form ST-15

Permit Number:  
Sales/Use Tax Registration Number:

This certifies that the organization named above has been granted direct payment authority under Chapter 64H, section 3(b) of the Massachusetts General Laws. The vendor is relieved of the requirement to collect sales or use tax on these specifically named purchases as identified above as long as the certificate is accepted in good faith by the vendor and the purchaser uses the property or services only for business purposes or in operation of a residential condominium.

Effective Date: November 1, 2015

Expiration Date: December 31, 2018

Signed under the penalties of perjury: \_\_\_\_\_  
Signature Title Date

**Warning:** Willful misuse of this certificate may result in criminal tax evasion sanctions of up to one year in prison and \$10,000 (\$50,000 for corporations) in Fines.

To be completed by the purchaser: \_\_\_\_\_  
Vendor's Name

**Notice to Vendors:** The organization named above has obtained a Direct Payment Permit certifying that it has been given payment authority. The vendor must retain a completed Form ST-14/15 in the same manner as other sales/use tax records. For further information regarding the requirements for retaining records, see Massachusetts Regulation 830 CMR 62C.25.1. Vendors should verify the validity of the certificate presented to them by checking the permit. Vendors must not honor a certificate that has expired. **Questions about this Permit/Certificate?** Call us at (617) 887-6367; or toll-free in Massachusetts at (800) 392-6089. **THIS CERTIFICATE IS NOT VALID FOR LEASE OR PURCHASE OF MOTOR VEHICLES, WATERCRAFT, AIRCRAFT, RECREATIONAL VEHICLES, MEALS OR PURCHASES OF A PERSONAL NATURE.** This form is approved by the Commissioner of Revenue and may be reproduced.