

# UNIVERSITY AND VITERBI SCHOOL OF ENGINEERING GUIDELINES FOR USE OF THE CALIFORNIA'S PARTIAL SALES AND USE TAX EXEMPTION FOR MANUFACTURING AND RESEARCH & DEVELOPMENT

September 29, 2016

## Background

Effective July 1, 2014 through June 30, 2022 the California State Board of Equalization enacted Senate Bill 90, a partial sales and use tax exemption for property purchased or leased for use in manufacturing and Research and Development (R&D). The exemption reduces the current sales tax rate to 4.8175% for qualified property.

## Qualified Property

- Equipment and machinery with a useful life greater than one year primarily used (more than 50% of time) in manufacturing, processing, fabricating, refining or recycling of tangible personal property, as well as research and development anywhere in California.
- Qualified property used (more than 50% of time) to maintain, repair, measure or test another qualified property is also exempt.

## Qualified Property DOES NOT include

- Consumables with a useful life of less than one year
- Tangible personal property used for instruction, administration or general management
- Furniture, inventory and equipment used in the extraction process
- Equipment used to store finished products that have completed the manufacturing, processing, refining, fabricating or recycling process

## Qualification Criteria

- Qualification may be submitted by:
  - Principal Investigator (PI)
    - PI spends at least 50% effort during calendar year on research activities
      - Effort can be an average over the year to include summer, research load funding during the academic year and additional academic year salary supported on sponsored research funding.
  - Lab and Recharge Centers
    - Activity must be primarily research
    - Include account number (s) associated with the lab
  - Research Center
    - Include account number (s) associated with the research center

### Pre-Qualification Process

- Complete the university's Partial Sales and Use Tax Exemption Claim Qualifications Questionnaire
  - Submit to Leticia Cornelio in Viterbi Business Affairs for review and submission to the Comptroller's Office for approval
- Once the exemption is granted and communicated, for all purchases submit your eMarket request along with a "Partial Exemption Certificate for Manufacturing, Research and Development Equipment"
  - Form must itemize the equipment being purchased
  - Form must be signed by the appropriate principal investigator
  - Form must be accompany each individual eMarket requisition
- Central Purchasing Services will confirm PI, lab, research center has been prequalified
- If prequalified and the purchase is less than \$100k, the requisition will not require additional review or approval and procurement buyer will begin normal purchasing review and approval steps.
- If prequalified and purchase is greater than \$100k, the partial exemption request will be validated by tax management. If approved, buyer will begin normal purchasing review and approval steps.

### Process for Purchases not Prequalified (used for one-time only purchases)

\*\*If a PI expects to make multiple qualifying purchases, pre-qualification should be completed\*\*

- Requestor must attach the following to the eMarket requisition:
  - Completed Qualified Partial Sales and Use Tax Exemption Claim Qualifications Questionnaire
    - Submit to Leticia Cornelio in Viterbi Business Affairs for review and submission to the Comptroller's Office for approval
  - Partial Exemption Certificate
    - Certificate must be signed by PI

Central Purchasing Services buyer will forward the request to the Tax Management for review and approval. If approved, buyer will begin normal purchasing review and approval steps.

