PARTIAL TAX EXEMPTION FOR CERTAIN RESEARCH AND DEVELOPMENT EQUIPMENT

A Guide to Departmental Processing
Qualifying Orders Placed After Go-Live December 2014

UCR Procurement Services will only process partial tax exemption requests for qualifying orders which exceed the Low Value Purchasing Authorization of $2,500.
Requesting the Partial Exemption

Dapo’s are not eligible
Order Type “Requisition” adds exemption request link
Clicking on request tab creates a pop-up
Click proceed to see more info…

Research Equipment Sales Tax Exemption Request
You are attempting to request a research equipment sales tax exemption. In order to proceed, all three of the following conditions must be satisfied:
• Must be a purchase of “qualified property”
• Must be engaged in certain types of business, also known as a “qualified person”
• Must use the qualified property in a “qualified activity”
Note that you cannot mix exempt and non-exempt items on the same purchase requisition

Upon proceeding, new tab will be presented with more information regarding this tax exemption.

Proceed  Cancel
Tax Exemption Tab Appears

Research Equipment Sales Tax Exemption

Eligibility

Effective July 1, 2014 and continuing through June 30, 2022, the California Board of Equalization is providing a Partial Sales and Use Tax Exemption of 4.1875% under Regulation 15254. Manufacturing and Research & Development Equipment. Riverside County tax is currently 8.5%. This reduction will result in an effective tax rate of 3.8125% for qualified purchases.

In order to be eligible, all three of the following conditions must be satisfied:

- Must be a purchase of "qualified property."
- Must be engaged in certain types of business, also known as a "qualified person."
- Must use the qualified property in a "qualified activity."

Attestations (I hereby certify that the following is true to the best of my knowledge)

- The goods acquired via this purchase order meet the above eligibility requirements and qualify for the partial sales tax exemption.
- The goods acquired via this purchase order are subject to the sales tax exemption and fall within the following NACS Code.
- The goods acquired via this purchase order will be used in California for a minimum of one year.
- The goods acquired via this purchase order will be used at least 50% of the time in support of research.
- This order is the sales tax exemption has been reviewed and approved by the appropriate departmental or unit Financial / Business Manager. Please supply the UCR NetID of the Financial / Business Manager who provided this approval (who will receive an e-mail notification).

Comments

Date | Net ID | Type | Comment
Eligibility Requirements (with definition links)

<table>
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<th>Comments</th>
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<th>PO Vendor</th>
<th>Attachments</th>
<th>Approvals</th>
<th>Routing</th>
<th>Tax Exemption</th>
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## Eligibility

Effective July 01, 2014 and continuing through June 30, 2022, the California Board of Equalization is providing a Partial Sales and Use Tax Exemption of 4.1875% under Regulation 1525.4, Manufacturing and Research & Development Equipment. *Riverside County tax is currently 8.0%. This reduction will result in an effective tax rate of 3.8125% for qualified purchases.*

In order to be eligible, all three of the following conditions must be satisfied:

- Must be a purchase of *“qualified property.”*
- Must be engaged in certain types of business, also known as a *“qualified person.”*
- Must use the qualified property in a *“qualified activity.”*
Qualified Property:

“Qualified property” must have a useful life greater than one year and must be primarily used in research and development anywhere in California, including:

- Machinery and equipment, including component parts and contrivances such as bells, shafts, moving parts, and operating structures.
- Equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, but not limited to, computers, data processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the qualified person or another party.
- Computers used to acquire data and or control research instrumentation are eligible.

“Qualified property” does not include:

- Consumables with a useful life of less than one year.
- Furniture, inventory, and equipment used in the extraction process, or equipment used to store finished products that have completed the manufacturing, processing, refining, fabricating, or recycling process.
- Tangible personal property used primarily in administration, general management, or marketing.
- Computers/PCS used for administrative tasks.
- Property that will be used in less than 50% on research and development.
- Property that will not be used in California at least 50% of the time.

Leases of qualified property are eligible for the partial sales tax exemption when payments are due and paid in the exemption period of July 1, 2014 through June 30, 2022, regardless of the lease inception date.
Qualified Person:

A "qualified person" is a principal investigator/researcher primarily engaged (50 percent or more of the time) or a department with 50% or more of its expenditures related to research and development in biotechnology, physical, engineering, or life science as described in the North American Industry Classification System (NAICS) Codes 541711, or 541712 published by the United States Office of Management and Budget (OMB), 2012 edition.

**541711 Research and Development in Biotechnology**: This U.S. industry comprises establishments primarily engaged in conducting biotechnology research and experimental development. Biotechnology research and experimental development involves the study of the use of microorganisms and cellular and biomolecular processes to develop or alter living or non-living materials. This research and development in biotechnology may result in development of new biotechnology processes or in prototypes of new or genetically-altered products that may be reproduced, utilized, or implemented by various industries. Includes Biotechnology research and development laboratories or service in botany, agriculture, bacteriology, biology, chemical sciences, entomology, environmental science, food science, genetics, health sciences, industrial research, medical sciences, physical science, veterinary sciences, Cloning, DNA technologies (e.g., microarrays), Nanobiotechnologies, Nucleic acid chemistry, Protein engineering research, Recombinant DNA.

**541712 Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)**: This U.S. industry comprises establishments primarily engaged in conducting research and experimental development (except biotechnology research and experimental development) in Agriculture, Bacteriology, Biology, Botany, Chemistry, Computers, Dental, Electronics, Engineering, Entomology, Environmental, Experimental farms, Fisheries, Food Science, Forestry, Genetics, Geology, Guided missile and space vehicle engines, Guided missile and space vehicle parts, Health Science, Industrial, Life sciences, Mathematics, Medical Science, Observatories, Oceanography, Photonics, Physical Science, Physics, Veterinary Science.
Qualified Activities

Qualified Activities:

The qualifying activity must be primarily (more than 50% of the time) engaged research and development. For UCR purposes, the qualifying activity will be defined as:

1) A qualifying extramurally sponsored research fund source; or

2) A department with 50% or more of total expenditures for the preceding fiscal year that are recorded under research function code 44 (supported via a UCRFSTotals query) for all funding sources.

3) Initial complement funding where the appointment letter clearly designates the monies are to be used primarily research activities. Department should be able to document for audit purposes the related expenditures were primarily (50% or more) used for qualified research activities.
Attestation

Attestations (I hereby certify that the following is true to the best of my knowledge)

☐ The goods acquired via this purchase order meet the above eligibility requirements and qualify for the partial sales tax exemption and

☐ The goods acquired via this purchase order are subject to the sales tax exemption and fall within the following NAICS Code:

NAICS Code: 

☐ The goods acquired via this purchase order will be used in California for a minimum of one year.

☐ The goods acquired via this purchase order will be used at least 50% of the time in support of research.

☐ This order and the sales tax exemption has been reviewed and approved by the appropriate departmental or unit Financial / Business Manager. Please supply the UCR NetID of the Financial / Business Manager who provided this approval who will receive an e-mail notification:

NetID: 

[Buttons: Save, Save & Email]
Financial Officer Notification

The Transactor enters the Net ID of the departmental financial Officer in the box and clicks “Save & Email” to send

Attestations (I hereby certify that the following is true to the best of my knowledge)

☐ The goods acquired via this purchase order meet the above eligibility requirements and qualify for the partial sales tax exemption and

☐ The goods acquired via this purchase order are subject to the sales tax exemption and fall within the following NAICS Code:
   NAICS Code: 541712 - Physical, Engineering, and Life Sciences

☐ The goods acquired via this purchase order will be used in California for a minimum of one year.

☐ The goods acquired via this purchase order will be used at least 50% of the time in support of research.

☐ This order and the sales tax exemption has been reviewed and approved by the appropriate departmental or unit Financial / Business Manager. Please supply the UCR NetID of the Financial / Business Manager who provided this approval who will receive an e-mail notification:
   Net ID [DAVIDGEE]
Are you sure?
Email Sent to Financial Officer
-----Original Message-----
From: no-reply@ebuy.ucr.edu [mailto:no-reply@ebuy.ucr.edu]
Sent: Monday, December 08, 2014 10:47 AM
To: David Gee
Subject: eBuy Request Research Equipment Sales Tax Exemption Notice: CHARLENC20141208102805

Dear David Gee,

You are receiving this email because your department Transactor, on your behalf, has submitted requisition CHARLENC20141208102805 (http://ebuydev.ucr.edu/ebuydev/PO_View.DisplayPO_General?nOrderId=7809) to Procurement Services requesting a Partial Sales and Use Tax Exemption for Certain Research & Development Equipment.

Effective July 01, 2014 and continuing through June 30, 2022, the California Board of Equalization is providing a Partial Sales and Use Tax Exemption of 4.1875% under Regulation 1525.4, Manufacturing and Research & Development Equipment. Riverside County tax is currently 8.0%. This reduction will result in an effective tax rate of 3.8125% for qualified purchases.

To be eligible under this sales tax exemption, a “qualified person” must be primarily engaged in a “qualified activity” using “qualified property” as defined by UCR using guidance from the regulation and UC: Please go to the following webpage at UCR Procurement Services for more information on eligibility requirements and definitions. http://matmgmt.ucr.edu/purchasing/partialtax.html

If you did not provide prior approval of this request, or if upon review you do not now approve, you must promptly notify Procurement Services at purchasing@ucr.edu. Failure to notify Procurement Services will be interpreted as implied consent and the order will be processed. Your implied consent also serves as your certification that, to the best of your knowledge, this purchase qualifies for this exemption. If it is later determined by the CA BOE that this purchase does not qualify, your department may be held liable for back taxes and penalties (if any).
Sample Order for FAO Review

<table>
<thead>
<tr>
<th>PO #</th>
<th>Requestor</th>
<th>Date Needed</th>
<th>Transactor</th>
<th>Order Type</th>
<th>Vendor</th>
<th>Buyer</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK00006308</td>
<td>CHARLENC</td>
<td>12/29/2014</td>
<td>CHARLENC</td>
<td>Purchase Order</td>
<td>No Vendor Selected</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line</th>
<th>Qty</th>
<th>UOM</th>
<th>Catalog Number</th>
<th>Unit Price</th>
<th>Tax</th>
<th>Tot Amt</th>
<th>Expected Delivery</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Each</td>
<td>Electron Microscope</td>
<td>50.00</td>
<td>Y</td>
<td>50.00</td>
<td></td>
<td>FAU</td>
</tr>
</tbody>
</table>

Sub Total: 50.00
+ Tax: 1.91
+ Freight: 0
Grand Total: 51.91

Default FAU

<table>
<thead>
<tr>
<th>Account</th>
<th>Activity</th>
<th>Fund</th>
<th>Function</th>
<th>Cost Center</th>
<th>Prog Code</th>
<th>PC corp</th>
<th>Amt (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>770170</td>
<td>19900</td>
<td>72</td>
<td></td>
<td></td>
<td></td>
<td>100.00</td>
</tr>
</tbody>
</table>
Tips for Documenting FAQ Approval

- Verbal Approvals may be documented by adding comments.
- Written Approvals may be documented by uploading email, form, etc.
- eBuy Approvals may be obtained by using the eBuy “check-out” feature located under the Approvals tab.
Verbal Approval Documentation

In order to be eligible, all three of the following conditions must be satisfied:
- Must be a purchase of "qualified property."
- Must be engaged in certain types of business, also known as a "qualified person."
- Must use the qualified property in a "qualified activity."

Attestations (I hereby certify that the following is true to the best of my knowledge)

- [ ] The goods acquired via this purchase order meet the above eligibility requirements and qualify for the partial sales tax exemption and
- [ ] The goods acquired via this purchase order are subject to the sales tax exemption and fall within the following NAICS Code:
  NAICS Code:  
- [ ] The goods acquired via this purchase order will be used in California for a minimum of one year.
- [ ] The goods acquired via this purchase order will be used at least 50% of the time in support of research.

This order and the sales tax exemption has been reviewed and approved by the appropriate departmental or unit Financial/Business Manager. Please supply the UCR Name/ID of the Financial/Business Manager who provided this approval who will receive an e-mail notification:

Net ID: 

Comments

<table>
<thead>
<tr>
<th>Date</th>
<th>Net ID</th>
<th>Type</th>
<th>Comment</th>
</tr>
</thead>
</table>

Attachments

Add Comment

Attach Document
Written Approval Documentation

To be eligible, all three of the following conditions must be satisfied:

- Must be a purchase of "qualified property."
- Must be engaged in certain types of business, also known as a "qualified person."
- Must use the qualified property in a "qualified activity."

**Attestations**
I hereby certify that the following is true to the best of my knowledge:

- The goods acquired via this purchase order meet the above eligibility requirements and qualify for the partial sales tax exemption and

  - [ ] The goods acquired via this purchase order are subject to the sales tax exemption and fall within the following NACCS Code:
    - NACCS Code: 

- [ ] The goods acquired via this purchase order will be used in California for a minimum of one year.

- [ ] The goods acquired via this purchase order will be used at least 50% of the time in support of research.

- [ ] This order and the sales tax exemption has been reviewed and approved by the appropriate departmental or unit Financial/Business Manager. Please supply the UCR NetID of the Financial/Business Manager who provided this approval who will receive an email notification:
  - Net ID: 

**Comments**

<table>
<thead>
<tr>
<th>Date</th>
<th>Net ID</th>
<th>Type</th>
<th>Comment</th>
</tr>
</thead>
</table>

**Attachments**

[Attach Document]
Approval using eBuy “Check Out”

Order Description:  
Date Needed (MM/DD/YYYY): 12/29/2014
Expected Delivery

Order Type: Requisition, Request Research Equipment Sales Tax Exemption
Vendor: OXFORD INSTRUMENTS AMERICA

User (Net ID): purcil
Comment: please approve this partial exemption request

Approval Type: Read Only, Approval Required

Check Out
Date Out | Reviewer | Checked Out By | Checkout Type | Action

Check Out History
Date Out | Date In | Reviewer | Checked Out By | Checked In By | Check Out Type | Status | Action

Save | Save & Exit | Send PR | Exit (No Save)
eMail Notification for Checked Out Orders

Dear David Gee,

The following requisition has been checked out to you by David Casale for approval for the reason(s) stated in the comments section below. NOTE: Please make sure to include all requested information prior to checking in this order for processing.

You may access this order through eBuy by going to the following link: http://ebuy.ucr.edu/ebuy/PO_View.DisplayPO_General?nOrderId=814661 and logging in using your UCR NetId and Password.

PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL IN LIEU OF PERFORMING THE REQUESTED ACTION IN EBUY!

Control Number: MZHAN00620141113161657
PO Number: 10597555
Vendor : TESCAN USA INC
Order Description: Lab use
PO Total: $124,200.00
User Contact: Miluo Zhang
Accountability Structure: WC Global Energy Center
Date Needed: 12/04/2014
Date Sent: 12/04/2014

COMMENTS: Please approve this request for a partial tax exemption

Clicking on the link and entering your Net ID allows you to review the order without being logged into eBuy
Where do Checked Out Orders Go?

Clicking on the link while already logged into eBuy allows you to review checked out orders.
FAO can Approve or Deny
Advantage of using eBuy for Approval

Approval or Denial is maintained by audit trail retained inside eBuy.
Upon FAO Approval Transactor Sends Requisition to Purchasing
Buyer in Purchasing receives request
Buyer reviews and either Approves or Denies Request
Email to Transactor for Approved Request

Dear XXXXXX,

You are receiving this email because your request for Partial Sales and Use Tax Exemption for requisition < CONTROL NUMBER WITH HYPERLINK > has been APPROVED and will be processed at the reduced tax rate.

Comments, if any are contained below.

COMMENTS:<COMMENTS>
Approved Requests are Processed at the Reduced Tax Rate

<table>
<thead>
<tr>
<th>Line</th>
<th>Qty</th>
<th>UOM</th>
<th>Catalog Number</th>
<th>Unit Price</th>
<th>Tax</th>
<th>Tot Amt</th>
<th>Expected Delivery</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Each</td>
<td>500,000.00</td>
<td>Y</td>
<td>500,000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description: Electron Microscope

Sub Total: 500,000.00
+ Tax (@3.8125%): 18,962.50
+ Freight: 0

Grand Total: 518,962.50

Default FAU

<table>
<thead>
<tr>
<th>Account</th>
<th>Activity</th>
<th>Fund</th>
<th>Function</th>
<th>Cost Center</th>
<th>Prog Code</th>
<th>PC corp</th>
<th>Percentage (%)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>770170</td>
<td>A01375</td>
<td>19900</td>
<td>72</td>
<td></td>
<td></td>
<td>100.00</td>
</tr>
</tbody>
</table>

Return to Transactor | Save | Save & Exit | Encumber PO | Exit (No Save)
Email to Transactor for Denied Request

Dear XXXXXX,

You are receiving this email because your request for Partial Sales and Use Tax Exemption for requisition < CONTROL NUMBER WITH HYPERLINK > has been DENIED. This order will be processed at the regular tax rate.

Comments, if any are contained below.

COMMENTS:<COMMENTS>
Denied Requests are Processed at the Regular Tax Rate

Order Details:
- **Requestor:** CHARLEN
- **Order Description:** Electron Microscopy
- **Date Needed (MM/DD/YYYY):** 12/29/2014
- **Unit Price:** $500,000.00
- **Tax:** $40,000.00
- **Freight:** $0
- **Sub Total:** $500,000.00
- **Grand Total:** $540,000.00

Default FAU:
- **Account:** 770170
- **Activity:** AO1375
- **Fund:** 19900
- **Function:** 72
- **Cost Center:**
- **Proj Code:**
- **PC Corp:**
- **Percentage (%):** 100.00

Additional Options:
- **Return to Transactor**
- **Save**
- **Save & Exit**
- **Encumber PO**
- **Exit (No Save)**
Qualifying Orders Placed After July 1, 2014, but Prior to UCR eBuy Implementation

- UCR Procurement Services will make reasonable efforts to identify qualified orders placed on or after July 1, 2014 (prior to eBuy go-live) where the tax reduction represents a significant opportunity for savings and outweighs the administrative costs of retroactive processing.

- For such high value qualified orders which have not yet been invoiced by the supplier, UCR Procurement services will request department financial officer certification.

- Upon review and approval, Procurement Services will send a change order to the supplier certifying the order is “qualified” and request that the invoice reflect the tax reduction.

- For qualified orders already invoiced and paid, Procurement Services will work as a liaison between Accounting and suppliers to request sales tax refunds or in the case of use tax paid by the University, Accounting will request a tax refund directly from the BOE provided they are supplied appropriate documentation and attestations from the requesting department.

- [https://ucrprocurement.wufoo.com/forms/partial-tax-exemption-for-research-equipment/](https://ucrprocurement.wufoo.com/forms/partial-tax-exemption-for-research-equipment/)
Resources and Information

http://matmgmt.ucr.edu/purchasing/partialtax.htm