

## Purchasers

There is no need to apply to the BOE for the exemption. When you make qualifying purchases or leases, you must provide the seller with a timely partial exemption certificate to obtain the reduced tax rate.

### Partial Exemption Certificate

In May, there will be two sample certificates available on our website for the exemption, one for general purchases and one for construction contractors.

You may provide the certificate for each purchase, or you may issue blanket certificates.

If you use a blanket certificate, you must identify transactions that qualify for the partial exemption by making a clear reference to the blanket certificate on each document such as a written purchase order, sales agreement, lease, or other contract. These documents that reference the blanket exemption certificate must include a description of the property being purchased.

Any document may be regarded as a partial exemption certificate as long as it contains the following:

- The signature of the purchaser, the purchaser's agent, or the purchaser's employee;
- The name, address, and telephone number of the purchaser;
- The purchaser's seller's permit number, or if the purchaser is not required to hold a seller's permit, a notation to that effect and the reason;
- A statement that the property purchased is:
  - to be used primarily for a qualifying activity , or
  - for use by a contractor performing a construction contract for a qualified person.
- A statement that the purchaser is:
  - a qualified person primarily engaged in manufacturing or research and development in biotechnology or physical, engineering, and life sciences, or
  - a contractor performing a construction contract for a qualified person.
- A statement that the property purchased is qualified tangible personal property
- A description of the property purchased
- The date of the execution of the document.

### Exemption Limitations

The law provides that a single taxpayer or combined reporting unit cannot exceed \$200 million in purchases subject to the partial exemption in a calendar year.

For purposes of the exemption, "calendar year" includes the period July 1, 2014 to December 31, 2014 as well as the period January 1, 2022 to June 30, 2022. There is no proration of the \$200 million limit during these periods.

There is also no proration when you are a qualified person for only a portion of the year. For example, you begin business operations on October 1, 2015. You may still claim up to the \$200 million annual cap for the year 2015.

You may not carry over any unused amount to a following year. Each year you are limited to the total maximum of \$200 million in purchases.

You are responsible for tracking the amount of purchases you make per calendar year. If your purchases exceed the \$200 million annual cap, you will be held liable for the full sales tax amount on the purchases exceeding the limit.

If, at the time of purchase, you do not know whether you will meet the qualifications, but anticipate you will meet the qualifications in the one year period following the date of purchase, you may issue a partial exemption

certificate. If, however, you do not fulfill the requirements within that one year period, you will be liable for the difference to equal the full payment of sales or use tax, with applicable interest as if you were a retailer making the sale at the date of purchase.

If you pay the full amount of sales tax at the time of purchase, and later discover that you have met all of the qualifications, you may issue a partial exemption certificate along with supporting documentation to your retailer. The retailer may then file a claim for refund for the overpaid portion of sales and use tax on your behalf. If the transaction was subject to use tax, the purchaser may file a claim directly with the BOE.

## Manufacturing Exemption vs. California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)

The table below highlights the differences between the manufacturing exemption and CAEATFA

	Manufacturer's Partial Exemption	SB1128/SB71 CAEATFA Sales and Use Tax Exclusion
Eligible Participants	All manufacturers described in NAICS codes 3111 to 3399, 541711, or 541712	Companies that design, manufacture, produce or assemble advanced transportation technologies or alternative source products, components or systems
Exempt Tax Rate	State portion only, currently at 4.1875 percent	Full rate including local and district taxes
Application requirements	None	Participants must apply with <a href="#">CAEATFA</a> and be approved for a "project" for the exclusion to apply. The property purchased must be included approved "project."
Fee requirements	None	Applicants are subject to an <a href="#">application and administration fee</a>

If you are accepted into the CAEATFA program, you may also take advantage of the manufacturer's exemption where appropriate. Generally the CAEATFA sales and use tax exclusion will take precedence over the manufacturer's exemption for property that is considered a "project" under the CAEATFA program. This is to your benefit since you will obtain the exclusion for the full sales and use tax rate.

You may not provide an exemption certificate for both the CAEATFA exclusion and the manufacturer's exemption for the same property. If you purchase property that is not considered part of a "project" under the CAEATFA program, but still qualifies for the manufacturer's exemption, you may provide an exemption certificate for the partial exemption.

Please click [here](#) for more information on the CAEATFA program.

### Where can I find more information?

- [Assembly Bill 93](#)
- [Senate Bill 90](#)
- [Discussion Paper](#)
- [Revenue and Taxation Code 6377.1](#)

BOE staff is developing a proposed regulation for consideration by elected Board members to help businesses understand what manufacturing equipment qualifies for the sales tax exemption. To receive copies of future discussion papers, including drafts of the proposed regulation, ask to be added to the list of interested parties at: [btcinformationrequests@boe.ca.gov](mailto:btcinformationrequests@boe.ca.gov)