



Manufacturing
and **Research**
&
Development
Exemption



TAX GUIDE



**California State
Board of Equalization**

For More Information:

Visit our Manufacturing and Research & Development Industry Guide on our website for more information:

www.boe.ca.gov/MRDexemption

Do you need help filing your return or have a general tax question?

Call our Customer Service Center

1-800-400-7115 (TTY:711)

Monday through Friday

8:00 a.m. to 5:00 p.m.

GET IT IN WRITING

The Sales and Use Tax Law can be complex, and you are encouraged to put your tax questions in writing. If you have specific questions about this partial exemption, we recommend that you get answers in writing from us.

Requests for written advice can be emailed to the Board of Equalization (BOE) at www.boe.ca.gov/info/email.html.

Provide the specific facts and circumstances of your planned purchase, and ask if your purchase will qualify.

Visit www.boe.ca.gov





California is home to many innovative businesses and organizations that create jobs and positively contribute to the state's economy.

Starting July 1, 2014, a new partial sales tax exemption allows certain manufacturers, researchers and developers to pay a **lower sales tax rate** on qualifying equipment purchases and leases.

Please note: *This is a general discussion. A close review of the law should be done to ensure that you qualify for the partial exemption.*

REDUCED TAX RATE

Qualified persons will pay only 3.3125 percent sales or use tax plus any applicable district imposed taxes until June 30, 2022, on qualifying purchases and leases.

Qualifying purchases are limited to \$200 million in a calendar year.

NO PREAPPROVAL NEEDED

The partial exemption is available to anyone who meets the qualifications. You do not need to apply.



Visit our Manufacturing and Research & Development Industry Guide webpage for more information:

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ELIGIBILITY FOR EXEMPTION

In general, to be eligible for this partial exemption, **you must meet all three of these conditions:**

1. You must be engaged in certain types of business, also known as a “qualified person,”
2. You must purchase “qualified property,” and
3. You must use the property in a qualified manner.

QUALIFIED PERSONS

Qualified persons are generally persons or establishments that are primarily engaged in:

- Manufacturing
- Research and Development

QUALIFIED PROPERTY

Qualified property generally includes:

- Equipment used in manufacturing or research and development, and treated as having a useful life of one or more years for state income or franchise tax purposes.
- Materials, fixtures, machinery and equipment used in the construction of buildings specially designed and constructed for use in manufacturing or research and development.

QUALIFIED USES

Qualified property that is used more than 50 percent of the time in:

- Manufacturing,
- Processing,
- Refining,
- Fabricating,
- Recycling, or
- Research and development in biotechnology, physical, engineering, and life sciences.

IF YOU ARE A QUALIFIED PERSON

When you make a qualifying purchase or lease, you must provide the seller with a partial exemption certificate to obtain the reduced tax rate. Qualifying manufacturers or research and developers may use our form, [BOE-230-M, Partial Exemption Certificate for Manufacturing Equipment, Research and Development Equipment](#).

Construction contractors performing a contract to construct or improve a special purpose building for a qualifying person may also purchase materials, fixtures, machinery, and equipment under the partial exemption. Construction contractors may use our form, [BOE-230-MC, Construction Contracts—Partial Exemption Certificate For Manufacturing, Research and Development Equipment](#).

To print a partial exemption certificate, visit our website at www.boe.ca.gov/MRDresources.

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