

DATE: November 17, 2016

TO: Principal Investigators and Account Holders

FROM: Cherie Herbert, Director of Accounting

SUBJECT: **Sales and Use Tax Exemption**

In July 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. 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.

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.

A “qualified person” is a purchaser that is primarily engaged in manufacturing, processing, refining, fabricating, or recycling as described in codes 3111 to 3399 in the North American Industry Classification System (NAICS) or is primarily engaged in biotechnology, or physical, engineering, and life sciences research and development as described in codes 541711 and 541712 of the NAICS.

The NAICS classifies business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. economy. The NAICS industry codes define establishments based on the activities in which they are primarily engaged. The NAICS has assigned the SJSU Research Foundation with codes 611310 (Colleges) and 813211 (Grant making). Therefore, the SJSU Research Foundation (purchaser) is not considered a “qualified person” under these guidelines and is not eligible for this exemption.

Detailed information on this exemption can be found on the California State Board of Equalization website at: http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm#Qualifications. A list of NAICS industry codes can be found on the United States Census Bureau website at: <http://www.census.gov/eos/www/naics/>. NAICS industry codes assigned to specific organizations can be found on the Dun and Bradstreet website at: <http://www.dnb.com/>.

The Research Foundation must abide by all State of California sales and use tax laws. Thank you for your cooperation and understanding.