

California Partial Sales & Use Tax (1525.4) Exemption

Frequently Asked Questions

What is the Partial Exemption?

This is a partial exemption from sales and use taxes at the rate of 4.1875% from July 1, 2014 to December 31, 2016, and at the rate of 3.9375% from January 1, 2017 to June 30, 2030. You are not relieved from your obligations for the remaining state tax and local and district taxes on this transaction. This partial exemption also applies to lease periods occurring on or after July 1, 2014 and before July 1, 2030, for leases of qualified tangible personal property even if the lease agreement was entered into prior to July 1, 2014.

Reference *CA Board of Equalization Special Notice – New Manufacturing Exemption*

How much is the savings?

Local and district tax rates vary within California, and the tax rate reduction will too. As an example however, if you purchase qualified items from a supplier in Pasadena, where the total combined sales tax rate is 10.25%, and the reduction of 3.9375% is applied, the rate the award will pay is 6.3125%.

Which purchases qualify?

- Machinery and equipment that meets Caltech's definition of equipment, including standalone and fabricated items. In the case of fabrications, all costs that are captured in the fabrication account qualify.
- Equipment or devices used to operate or maintain the machinery, including but not limited to computers, data processing equipment, and computer software.

Reference *California Partial Sales & Use Tax (1525.4) Exemption – Eligibility Matrix*

What is excluded?

- P-Card purchases.
- Any form of services.
- Supplies (general office, general laboratory, or shop equipment, anything not specifically purchased for the exemption purpose).
- Consumables with a useful life of less than one year.
- Property used primarily in administration, general management, or marketing.
- Property that will be removed from California within one year of the date of purchase or lease.
- Any property converted or used in a manner that does not qualify for the exemption.

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How does the process work?

Each Division will identify one or more “Custodian(s)” who, upon training by Caltech’s Tax Department and Procurement Services, will be responsible for processing eligible orders. The Custodian will request the appropriate individual (i.e. Faculty, PI, etc.) certify the order by completing the *California Partial Sales & Use Tax (1525.4) Exemption – Certification Form*. The signed form must then be attached to a special TechMart requisition. After receiving the requisition, Procurement Services will arrange the partial sales exemption with the supplier or accrue the use tax at a reduced rate (if an out-of-state supplier is used). The PTA will reflect the reduced tax.

What happens if the use of the equipment changes?

You are required to notify Procurement Services and may have to pay the full amount of sales and use tax on the purchase.

Can I obtain the exemption for P-Card purchases?

No. We are unable to accommodate the process required for the partial exemption via the P-Card system.

May I make my entire PTA “nontaxable” if I’m planning to purchase items under the Partial Exemption?

No.

Where do I go for questions?

Your Purchasing Agent will be your initial point of contact and will work with the Tax Department to address all inquiries.

If I have purchased items that appear to qualify for the Partial Exemption, can I get my tax refunded?

Caltech is unable to accommodate these requests. Reclaiming already-paid taxes is difficult at best and can take years.