



Member Associations of

PRINTING INDUSTRIES OF CALIFORNIA

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### Headline Summary

- Sales Tax Exemption
- California's Economic Recovery
- California's Manufacturing Recovery
- Exemption Certificate

## California's Economic Recovery

California's unemployment rate dipped to 7.4 percent in June, the lowest in six years. The problem is it still remains above the national average of 6.1 percent.

The U.S. has grown its manufacturing base by more than six percent since 2010, while California has grown less than a half percent.

# WatchDog

Guarding the Business of Print

August 2014

## Sales Tax Exemption

Regulation 1525.4 allows businesses in manufacturing to purchase or lease manufacturing equipment at a reduced sales and use tax rate for purchases occurring on or after July 1, 2014. The partial exemption is 4.185% for the period July 1, 2014 to December 31, 2016 and then will adjust to 3.9375% on January 1, 2017 through the end of the program.

The exemption will be taken at the time of purchase of the equipment, with the exclusion recorded on your sales and use tax return. When making a qualified purchase, you provide the seller with a timely exemption certificate to obtain the reduced tax rate. To receive the partial exemption, you must complete a certificate and give it to the seller of the machinery. **See page 2 for certificate**, or visit [www.pic-gov.org](http://www.pic-gov.org) to fill out the certificate online.

Tangible personal property that qualifies for exemption includes:

- Machinery and equipment, including component parts, such as belts, shafts, moving parts and operating structures.
- Pollution control equipment that meets standards established by this state or any local or regional government within the state.
- Equipment used to operate, regulate, or maintain the equipment, including but not limited to, computers, data processing equipment, and computer software.
- Specific purpose building and foundations used as an integral part of the manufacturing process.

## California's Manufacturing Recovery

California continues to lag behind the country in manufacturing employment growth. The U.S. has grown its manufacturing base by more than six percent since 2010, while California has grown less than a half of one percent.

**PARTIAL EXEMPTION CERTIFICATE FOR  
MANUFACTURING, RESEARCH AND DEVELOPMENT EQUIPMENT****Section 6377.1<sup>1</sup>**

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, 2022. 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, 2022, for leases of qualified tangible personal property even if the lease agreement was entered into prior to July 1, 2014.

**I hereby certify** that the tangible personal property described below and purchased or leased from:

SELLER'S/LESSOR'S NAME

SELLER'S/LESSOR'S ADDRESS (*street, city, state, zip code*)

is qualified tangible personal property and will be used by me primarily (*please check one*):

1.  for manufacturing, processing, refining, fabricating, or recycling;
2.  for research and development;
3.  to maintain, repair, measure, or test any property being used for (1) or (2) above; **or**
4.  as a special purpose building and/or foundation.

Description of qualified tangible personal property purchased or leased<sup>2</sup>

If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased. If you want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file.

I, as the undersigned purchaser, hereby certify I am primarily engaged in manufacturing, processing, refining, fabricating, or recycling as described in codes 3111 to 3399 in the North American Industry Classification System (NAICS)<sup>3</sup> or I am primarily engaged in biotechnology, or physical, engineering, and life sciences research and development as described in codes 541711 and 541712 of the NAICS.

I understand that by law, I am required to report and pay the state tax (calculated on the sales price/rentals payable of the property) at the time the property is purchased, removed, converted, or used if:

- the purchase exceeds the \$200 million limitation;
- the property is removed from California within one year of the date of purchase or lease;
- the property is converted for use in a manner not qualifying for the exemption; **or**
- the property is used in a manner not qualifying for the partial exemption.

NAME OF PURCHASER	SIGNATURE OF PURCHASER, PURCHASER'S EMPLOYEE, OR AUTHORIZED REPRESENTATIVE
PRINTED NAME OF PERSON SIGNING	TITLE
ADDRESS OF PURCHASER	
PERMIT NUMBER ( <i>if you are not required to hold a permit, explain why</i> )	TELEPHONE NUMBER (      )
EMAIL ADDRESS OF PERSON SIGNING	DATE

<sup>1</sup> The Sales and Use Tax Department is making this sample form available for industry's use. However, please note that the Board of Equalization (BOE) is prescribing the form of the certificate as part of Regulation 1525.4, which is pending adoption by the BOE and approval by the Office of Administrative Law. Until the regulation is adopted and approved, the form is subject to change.

<sup>2</sup> See Regulation 1525.4 (b)(9) for a description of what is included and excluded from "qualified tangible personal property."

<sup>3</sup> *Official 2012 US NAICS Manual*, U.S. Office of Management and Budget, 2012 edition.