

Qualifying Orders FAQs

1. (Q) What qualifies as research and development equipment?

(A) Research and development equipment that is used for:

1. Biotechnology and other life science research (NAICS code 541711)
2. Research and development categorized by industry (i.e., agriculture, biology, botany, chemical, guided missile and space vehicles, industrial) (NAICS code 541712)

2. (Q) Is the Shopper authorized to self-identify qualifying orders?

(A) Yes. As a UCB employee the Shopper has the authority to self-identify qualifying orders.

3. (Q) Does the qualifying equipment have to be used for research 100%?

(A) The qualifying equipment/item must be used **50%** of the time in **California** for research and development and have a useful life of 1 yr. +

4. (Q) What items qualify?

(A) Machinery and equipment that will be used at least 50% of the time, and for over one year, in research and development anywhere in California.

- Leased equipment, special purpose buildings, and non-inventorial equipment such as computers that are subject to the same requirements stated above.
- Equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, but not limited to, computers, data-processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the qualified person or another party.
- Computers used to acquire data and or control research instrumentation are eligible.

5. (Q) Can copier leases for qualified property be claimed?

(A) Yes it can as long as the copier lease is exclusively for the use of or resides within a Research department or research project.

6. (Q) Do maintenance payments on leased equipment qualify?

(A) Sales tax (if applicable) may be applied differently. If there is solely service and absolutely no equipment involved, sales tax will not be applied altogether. If there are both services that require the equipment replacement and/or installation, sales tax may be applied. Normally, sales tax is separately stated and identifiable so Accounts Payable should be able to determine that tax is subject to the exemption.

7. (Q) Is there a statute of limitations for claiming the exemption?

(A) In general, 3 years.

8. (Q) Qualifying equipment was purchased before 2014. Do the maintenance expenses for the qualifying equipment qualify as well?

(A) In order for maintenance expenses to qualify, the department must have taken title of the equipment on or after July 1, 2014. If there is solely service and absolutely no equipment involved, sales tax will not be applied altogether. If there are both services that require the equipment replacement and/or installation, sales tax may be applied. Normally, sales tax is separately stated and identifiable so Accounts Payable should be able to determine that tax is subject to the exemption.

9. (Q) Can we claim partial exemption if we are purchasing used equipment?

(A) Yes

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- 10. (Q) Can we claim partial exemption if we are purchasing equipment from a Foreign Supplier?**
(A) Purchases from foreign Suppliers typically are not subject to sales tax as they do not have nexus in the State of California. Any applicable use tax, if equipment qualifies, will be partially exempt as long as the transaction is properly flagged in BearBuy.
- 11. (Q) If an item was incorrectly claimed, who takes responsibility for any financial implications?**
(A) If it is later determined that the purchase does not qualify for the sales tax exemption, **the department** will be responsible for additional tax assessment, fines and interest.
- 12. (Q) Is there a single purchase dollar limit/minimum to claim an item as partially sales tax exempt?**
(A) No. Shoppers can self-identify any item regardless of dollar amount as long as the item qualifies.
- 13. (Q) Is there a limit/maximum on how much we can take an exemption on?**
(A) Yes. The SBOE has limited the partial rate exemption to \$200 million in purchases in a calendar year UC system-wide, which will be monitored by Accounts Payable.

Exemption Certificate FAQs

- 14. (Q) When are Shoppers required to complete an exemption certificate?**
(A) A certificate of exemption must be completed for every qualifying order.
- 15. (Q) Who is responsible for completing the certificate?**
(A) UC employees can complete and sign the exemption certificate as UC Berkeley qualifies as an organization. We recommend the Shopper or the individual with the most knowledge on the nature of the equipment complete the certificate.
- 16. (Q) Can a Graduate Student Researchers (GSRs) or other student employees sign the certification?**
(A) Yes, as UC employees, GSRs and student workers can complete the certificate as UC Berkeley qualifies as an organization. We recommend the Shopper or the individual with the most knowledge on the nature of the equipment complete the certificate. Departments can delegate this task to the GSR/Student as it is not in violation with any SBOE tax law.
- 17. (Q) Can Shoppers reuse the exemption certificate to purchase the same item multiple times?**
(A) Yes as long as it's acceptable by the Supplier and the exemption certificate **explicitly** details the item being purchased. We recommend contacting the Supplier before proceeding.
- 18. (Q) Does the description of the item have to fit on the 4 lines provided?**
(A) A detailed description should be included on the space provided on the exemption certificate. If additional space is needed, please attach a separate sheet.
- 19. (Q) If a purchase is for an item that has multiple parts/components (listed with pieces for each item), does the Shopper only complete one form? Or multiple forms?**
(A) When you purchase qualifying equipment with multiple parts/components, you only need to file 1 exemption certificate. It is **crucial** that the individual completing the certificate **explicitly** specify each part/component.
- 20. (Q) If a department obtains a quote from a Supplier with 10 qualifying items (not as parts of a single equipment), how many exemption certificates must be completed?**
(A) It is required to complete an exemption certificate for every qualifying order. If an order includes multiple qualifying items needed for a multi-stage project/event, you should include as many items as you can on one exemption certificate. If all 10 qualifying items are truly not related to one another, 10 certificates would need to be completed.

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21. (Q) Is a wet signature required on the exemption?

(A) Yes, a wet signature is required on the exemption certificate. Digital signatures will not be accepted.

22. (Q) Where can I access the Partial Sales tax exemption certificate?

(A) The certificate is available at <http://www.cdtfa.ca.gov/formspubs/cdtfa230m.pdf>

BearBuy Process FAQs

23. (Q) Which form do we use to purchase new qualifying equipment/items?

(A) The non-catalog form should be used for new qualifying purchases (with the exception of Sole Source orders). The non-catalog form easily facilitates notification to the Supplier of these partially sales tax exempt orders.

24. (Q) How should qualifying punchout catalogs orders be processed? Why?

(A) Qualifying punchout catalog orders should be placed on the non-catalog form. Using the non-catalog form will allow us to notify the Supplier of the exemption in a timely manner as not all hosted punchout Suppliers support external notes.

25. (Q) If I have a qualifying Sole Source order, which form should I use?

(A) Qualifying sole source orders should be processed using the Sole Source Over \$100,000 form. The same partial sales tax exemption process and documentation requirements apply.

26. (Q) How should qualifying After the Fact orders be processed?

(A) After the Fact orders should be rare in occurrence as they are unauthorized purchases of goods or services. If a qualifying After the Fact order occurs the department will have to wait to claim the refund until the retroactive refund process is established by the Controller's office in 2016.

27. (Q) Which form should I use to purchase qualifying maintenance services?

(A) If there is solely service and absolutely no equipment involved, sales tax will not be applied altogether. If there are both services that require the equipment replacement and/or installation, use the non-catalog form.

28. (Q) If an order is divided between qualifying and non-qualifying items, is this considered 'splitting orders'? If so, what should we do?

(A) Yes. In situations where an order is split between qualifying and non-qualifying items, the Shopper should submit 2 carts (one with qualifying products and the other without). Shoppers should then select the buyer intervention checkbox and reference both cart numbers on each cart. Selecting the Buyer Intervention checkbox guarantees the order will be reviewed by a campus buyer and policy requirements are met.

29. (Q) If the Shopper uses the incorrect form, how should the Requisition Creator process this order?

(A) The Requisition Creator can either return the cart back to the Shopper requesting the correct form be used. OR, the Requisition Creator can recreate the order on the appropriate form (rejecting the original cart). A comment referencing the old/new cart number should be included on both carts.

30. (Q) What should the Requisition Creator do if they notice an item does not qualify but the Shopper is claiming partial sales tax exemption?

(A) The Requisition Creator should unselect the CA Partial Sales Tax checkbox and notify the Shopper. It is recommended to notify the Shopper through a BearBuy comment.

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31. (Q) Can the Requisition Creator select the check box if the shopper neglected to?

(A) If the Shopper attached the completed exemption certificate, the Requisition creator can select the checkbox if not performed by the Shopper.

32. (Q) What should the Requisition Creator do if the Shopper attaches an incomplete exemption certificate?

(A) Documentation requirements are not met if an incomplete exemption certificate is attached. The Requisition Creator should reach out to the Shopper and request the missing fields be completed. The Requisition Creator should only approve the transaction once a completed exemption certificate is attached.

33. (Q) Are Requisition Creators required to review all orders to determine qualification if not previously identified by the Shopper?

(A) Requisition Creators are only required to review partial sales tax exemption qualifications on Shopper self-identified orders. If a Requisition Creator notices a transaction qualifies but was not flagged, the Requisition Creator may alert the Shopper of the possible qualification. The Shopper is then responsible for completing the exemption certificate and attaching it to requisition.

34. (Q) What is the Supplier partial sales tax note?

(A) "This note serves as the University's notification that this order qualifies for the California State Board of Equalization's Manufacturing and Research Development Partial Sales and Use Tax Exemption under Regulation 1525.4. This exemption results in a partial state sales tax rate reduction of 4.1875%. The current statewide sales tax rate is 7.5%, so a partial sales tax rate reduction of 4.1875% will result in a 3.3125% sales tax rate (7.5% current statewide rate -4.1875% partial exemption), plus any applicable local and district sales taxes. If you are registered to collect sales tax in the State of California, this is the reduced rate that you, as the Supplier, are required to collect. The University will short pay any invoices that exceed the discounted sales tax rate. For more information, please visit: <https://www.cdtfa.ca.gov/industry/manufacturing-exemptions.htm>

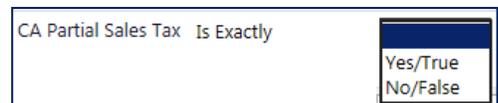
35. (Q) How does the Requisition Creator notify the Supplier of the partial sales tax exemption?

(A) The Requisition Creator notifies the Supplier of the exemption by adding the partial sales tax exemption note in the **External Notes and Attachment section** of the Requisition. The note is then including on the Purchase Order sent to the Supplier.



36. (Q) Is there a Document Search filter to identify qualifying orders?

(A) Yes. There is a new **CA Partial Sales Tax** custom filter available in Document Search. The new filter is available when searching Requisitions, Purchase Orders and/or Vouchers.



37. (Q) Who do we contact at Accounts Payable for assistance?

(A) Tax related questions (including what qualifies, etc) should be sent to disburse@berkeley.edu. Accounts Payable will work with a Tax Coordinator to address your questions.

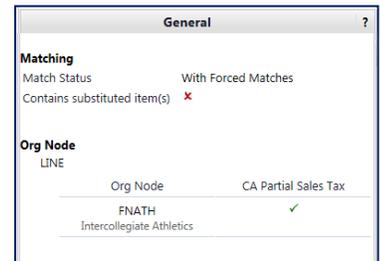
38. (Q) How should qualifying bluCard orders be processed?

(A) This process only addresses transactions placed in BearBuy. For bluCard process questions, please contact creditcard@berkeley.edu.

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Payments FAQs

39. (Q) How does AP know that the Supplier has charged us a lesser sales tax rate?
(A) A new Equipment Review workflow step was created for all identified orders. Accounts Payable will review the sales/use tax associated with each transaction in order to properly apply sales/use tax.
40. (Q) How will AP apply the correct sales tax rate if the Supplier issues and charges the full sales tax amount?
(A) Accounts Payable will short pay the tax and will include a partial sales tax exemption remittance note on the payment. Accounts payable will associate the reduced tax rate to qualifying transaction prior to Org Node Approver and payment.
41. (Q) Will these vouchers fall into Match Exception?
(A) No. Taxes, as well as shipping charges, are not included in the matching process.
42. (Q) What is the process for wire transfer payments?
(A) Wire transfer payments follow the same partial sales tax exemption process.
43. (Q) As a Voucher Approver, will we be able to quickly identify these qualifying payments?
(A) Yes. Vouchers associated to partial sales tax exempt orders will inherit the CA Partial Sales Tax flag. The flag is visible in General section of the Voucher next to the Org Node.
44. (Q) Will the invoice be paid via paper check or the existing payment method?
(A) Suppliers will receive a separate standalone payment for qualifying purchases. Payment to Suppliers will be sent through their existing payment method.



The screenshot shows a 'General' section with a 'Matching' area and an 'Org Node' table. The 'Matching' area includes 'Match Status' (With Forced Matches) and 'Contains substituted item(s)' (marked with a red X). The 'Org Node' table has columns for 'LINE', 'Org Node', and 'CA Partial Sales Tax'.

LINE	Org Node	CA Partial Sales Tax
	FNATH	✓
	Intercollegiate Athletics	

Other FAQs

45. (Q) Are Shoppers aware of the CA Partial Sales Tax Exemption process?
(A) Notification of the CA Partial Tax Exemption process at UC Berkeley was sent to campus on June 22, 2015 through the BearBuy newsletter. Campus Buyers, Campus Shared Services Requisition Creators and the BearBuy Help Desk have been informed and trained on the new process.
46. (Q) Will Shoppers be trained?
(A) A job aid was developed to assist Shoppers with placing their orders in BearBuy. A full process description is also available online for all users. <http://supplychain.berkeley.edu/buying/ca-partial-sales-tax-rate-exemption>.

Retroactive Refunds

Our current efforts are focused on capturing the maximum available partial sales tax reductions on existing BearBuy orders. The Controller's Office will address the retroactive refund process in 2016 (statute of limitations for claiming the exemption, in general, is 3 years).

For additional retroactive refund questions, payment clarifications, etc, please contact: disburse@berkeley.edu