

Machinery & Equipment Tax Exemption

Purchasing Requirements

<u>Major Step</u>	<u>Key Point</u>	<u>Reason Why</u>
1. The research must qualify for the M&E Tax Exemption	- There are 5 qualifying categories: - Advanced Computing - Advanced Materials - Biotechnology - Electron Device Technology - Environmental Technology Visit this page for details.	The exemption is for Research & Development (R&D); only certain types of academic work qualify.
2. The purchase must meet the definition of equipment, & also meet use requirements	- There are 3 requirements: - The item must have a useful life of 1 year or more; - It must be used more than 50% annually on qualifying research; - Have an acquisition cost of \$200	- Ancillary expenses may qualify, as do repairs, maintenance & replacement parts. Warranties do not qualify. Consumable supplies do not qualify. This page has more information on what costs qualify for the exemption.
3. Use the proper purchasing method	Workday requisition, and Blanket Purchase Order, are the only allowable methods for M&E purchases.	All M&E purchases require pre-approval from EIO. Procard & Supplier Invoice Requests do not have a pre-approval process.
4. Use the proper M&E worktag for the purchase	Worktag FT003 is required for any M&E purchase. Also, the taxability should be 'Non-taxable.'	Since the tax exemption requires pre-approval from EIO, purchase cannot be given M&E worktags retroactively.
5. Each order must have an M&E Research Statement	- This is to demonstrate that: - The research is in a qualifying field, and - It is R&D as opposed to general research. This page has sample statements.	This is for audit purposes to demonstrate that orders meet the requirements for the exemption.
6. Each order must have an M&E Tax Exemption Certificate attached, marked external.	- The certificate is for the seller's use to present to any state use/sales tax agency. - Certificates are single-use.	Blanket certificates are not allowable, as not every order with a vendor will qualify for the exemption.