

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	<ul style="list-style-type: none"> • There are 5 qualifying categories: <ol style="list-style-type: none"> 1. Advanced Computing 2. Advanced Materials 3. Biotechnology 4. Electron Device Technology 5. Environmental Technology Visit this page for details.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • There are 3 requirements: <ol style="list-style-type: none"> 1. The item must have a useful life of 1 year or more; 2. It must be used more than 50% annually on qualifying research; 3. Have an acquisition cost of \$200 	<ul style="list-style-type: none"> • Ancillary expenses may qualify, as do repairs, and 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	<ul style="list-style-type: none"> • ARIBA requisition, and Blanket Purchase Order, are the only allowable methods for M&E purchases. 	<ul style="list-style-type: none"> • All M&E purchases require pre-approval from EIO. Procard & Non-PO Invoices do not have a pre-approval process.
4. Use the proper M&E object code for the purchase	<ul style="list-style-type: none"> • This page has a list of M&E object codes, and descriptions for each code. 	<ul style="list-style-type: none"> • Since the tax exemption requires pre-approval from EIO, expenses cannot be given M&E object codes retroactively.
5. Each order must have an M&E Research Statement	<ul style="list-style-type: none"> • This is to demonstrate that: <ol style="list-style-type: none"> a. The research is in a qualifying field, and b. It is R&D as opposed to general research. This page has some sample statements.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The certificate is for the seller's use to present to any state use/sales tax agency. • Certificates are single-use. 	<ul style="list-style-type: none"> • Blanket certificates are not allowable, as not every order with a vendor will qualify for the exemption.