

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