



Special Notice

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New Legislation to Affect Manufacturers of Green Technology

Senate Bill 71 (SB 71) (Stats. 2010, Ch. 10) amended the Public Resources Code (PRC) to allow certain manufacturers of green technology to purchase manufacturing equipment without payment of California sales or use tax. Manufacturers who wish to obtain the sales and use tax exclusion must apply to the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).

California Revenue and Taxation Code (RTC) section 6010.8 already provides an exclusion from sales or use tax for purchases of equipment constituting “projects” as defined in PRC section 26003(g)(2) when the equipment is transferred from the project sponsor to CAEATFA or from CAEATFA to the project sponsor. SB 71 expanded the definition of “project” to include manufacturing equipment used to produce alternative energy. The provisions of SB 71 became operative March 24, 2010, and will remain in effect until January 1, 2021.

How do I qualify for the exclusion from sales and use tax?

In a typical transaction, persons who are seeking the exclusion from sales and use tax pay an application fee and are required to obtain a resolution from the CAEATFA Board approving the proposed transaction. If approved, the applicant is regarded as a participating party as defined in PRC section 26003(f), and the equipment included in the resolution is regarded as a “project” for the purposes of PRC section 26003(g)(2) and the sales and use tax exclusion.

The participating party may then purchase the manufacturing equipment without payment of tax, and convey title to the equipment to CAEATFA. This transfer is excluded from sales and use taxes as a transfer from a participating party to CAEATFA under RTC section 6010.8. CAEATFA will then reconvey title to the participating party. This transfer is also excluded from sales and use taxes under RTC section 6010.8.

What documentation should I provide to my equipment vendor?

If you qualify as a participating party and the equipment is considered a “project,” you should issue an exemption certificate as described in Sales and Use Tax [Regulation 1667, Exemption Certificates](#). The vendor should accept the exemption certificate in good faith. The form should include your seller’s permit number, or if you are not required to hold one, a notation to that effect and the reason you do not need one. The form should also include a statement that the property will be purchased for resale to CAEATFA in a manner excluded from tax per RTC section 6010.8.

What property is subject to the Sales and Use Tax exclusion?

Generally, any tangible personal property that is considered a “project” as defined in PRC section 26003(g)(2) qualifies for the exclusion. Specific questions regarding whether particular items of equipment, machinery, fixtures, or materials qualify as a “project” should be directed to CAEATFA. CAEATFA has the authority to approve projects that would be excluded from sales and use tax and to specify the criteria under which CAEATFA would approve those projects.

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If you have any further questions regarding this program, about CAEATFA, SB 71, or the application process to obtain the sales and use tax exclusion, please visit CAEATFA's website at www.treasurer.ca.gov/caeatfa.

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the Taxpayers' Rights Advocate Office for help at 916-324-2798 (or toll-free, 888-324-2798). Their fax number is 916-323-3319. If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0070.