

California Manufacturing and Research & Development Exemption

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Beginning July 1, 2014, a new partial sales and use tax exemption allows businesses engaged in manufacturing or certain businesses engaged in research and development activities (commonly referred to as “Qualified Persons”) to pay a lower sales or use tax rate on purchases and leases of qualified property.

Qualified persons pay only 3.3125% sales or use tax plus any applicable district imposed taxes until June 30, 2030 on qualifying purchases compared to the current California state sales and use tax rate of 7.5% plus any applicable district imposed taxes.

If your business is not normally considered manufacturing, but you have a cost center or economic unit engaged in a manufacturing activity, you may qualify for the partial sales and use tax exemption.

This incentive is available to anyone who meets the qualification. There is no requirement to seek pre-approval or file any application.