

California Sales Tax Rules Summary

AeroJet Rocketdyne, Inc.

2001 Aerojet Road

Rancho Cordova, CA 95742

Asset Type: Missile & Rocket Propulsion Manufacturing Facility Composite Structure Forming, Advanced Large Capacity Heat & Vacuum Treating, CNC Machining, Test & Inspection Equipment. Huge selection of Tooling, Facilities & Support

Tax Rate: **8.25% (General)** **4.3125% (For partially exempt manufacturing machinery & equipment)**

Auctions:

Auctioneers are “retailers” if engaged in the business of making retail sales at auction of personal property owned by them or owned by others. As retailers, auctioneers must hold a seller's permit and report and pay tax on the gross proceeds of retail sales they make at auctions. [Cal. Rev. & Tax. Cd. §6015(a)(1) ; Cal. Code Regs. 18 §1565 .] Sales made by auctioneers do not qualify for the occasional sales exemption.

Out of state sales:

Taxable as the auction is “As is, where is” and the sales will be deemed as California sales. The sales tax applies to the sale of property that is delivered to the purchaser or purchaser's representative or agent in California, whether or not the property is intended for out-of-state use and whether or not it is actually shipped outside the state. [Cal. Code Regs. 18 §1620(a)(3) .]

Place of delivery: Although transactions made in interstate commerce are exempt from the sales tax, sales made for delivery into California are presumed to be made for storage, use or consumption in the state and are subject to use tax unless the contrary is shown. [Cal. Rev. & Tax. Cd. §6241 ; Cal. Code Regs. 18 §1620(a) ; Cal. Code Regs. 18 §1620(b) .]

Real Estate: The transfer of buildings or minerals or the like affixed to land is taxable as a sale of personal property if, pursuant to the contract or agreement of sale, the buildings or minerals or the like are to be severed by the seller thereof. If, pursuant to the contract or agreement of sale, such buildings or minerals or the like are to be severed by the purchaser thereof, such a transfer is not taxable as a sale of personal property.

EXEMPTIONS:

Partial Exemption for Manufacturing Machinery and Equipment:

Operative July 1, 2014 through June 30, 2030, a partial sales and use tax exemption is applicable to the gross receipts from the sale, storage, use, or other consumption in California of any of the following qualified tangible personal property purchased for use by:

- a qualified person to be used primarily (i.e., 50% or more of the time) in any stage of the manufacturing, processing, refining, fabricating, or recycling of tangible personal property, beginning at the point any raw materials are received by the qualified person and introduced into the process and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling has altered tangible personal property to its completed form, including packaging, if required;
- a qualified person to be used primarily in R&D;
- a qualified person to be used primarily to maintain, repair, measure, or test any qualified tangible personal property described above;
- a contractor purchasing that property for use in the performance of a construction contract for the qualified person that will use that property as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, the generation or production, or storage and distribution, of electric power, or as a research or storage facility for use in connection with those processes; and
- a qualified person to be used primarily in the generation or production, or storage and distribution, of electric power.

“Qualified tangible personal property” includes:

- machinery and equipment, including component parts and contrivances such as belts, shafts, moving parts, and operating structures;
- equipment or devices used or required to operate, control, regulate, or maintain the machinery, including but not limited to computers, data-processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the qualified person or another party;
- tangible personal property used in pollution control that meets standards established by the state or any local or regional governmental agency within the state; and

- on and after January 1, 2018, and before July 1, 2030, special purpose buildings and foundations used as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or that constitute a research or storage facility used during those processes, or the generation or production or storage and distribution of electric power (buildings used solely for warehousing purposes after completion of those processes are not included). (Sec. 6377.1, Rev. & Tax. Code; Reg. 1525.4, 18 CCR)

The following are not included within the definition of "qualified tangible personal property" for purposes of the exemption:

- consumables with a useful life of less than one year;
- furniture, inventory, and equipment used in the extraction process, or equipment used to store finished products that have completed the manufacturing, processing, refining, fabricating, or recycling process; and
- tangible personal property used primarily in administration, general management, or marketing.

In order to document the partially exempt sale, seller must get a timely exemption certificate from the customers. The exemption certificate is available at: <http://www.boe.ca.gov/pdf/boe230m.pdf>

Non-exempt manufacturing property.—Tax applies to sales of manufacturing aids, such as dies, patterns, jigs, and tooling, that are used in manufacturing, even if the aid is subsequently delivered to, or held as property of, the purchaser of the manufactured article.(Sec. 6377.1, Rev. & Tax. Code; Reg. 1525.4, 18 CCR)

Sales of vehicles by nondealers: Vehicles requiring registration with the DMV or mobile homes or commercial coaches requiring annual registration under the Health and Safety Code, are exempt from sales tax (but not use tax) when the retailer does not have a license as a dealer or a certificate as manufacturer, remanufacturer, dealer or dismantler or lessor-retailer. [Cal. Rev. & Tax. Cd. §6282 .] The retailer is not required or authorized to collect the use tax from the purchaser, but the purchaser of the vehicle shall pay the use tax to the Department of Housing and Community Development acting for and on behalf of the board pursuant to Section 18123 of the Health and Safety Code or to the Department of Motor Vehicles acting for and on behalf of the board pursuant to Section 4750.5 of the Vehicle Code.

Resale:

Sales for resale are exempt. The burden of proving that a sale of tangible personal property is not a sale at retail is on the seller unless he or she accepts a resale certificate from the purchaser. [Cal. Rev. & Tax. Cd. §6091 ; Cal. Code Regs. 18 §1668.] The certificate relieves the seller from tax liability only if taken in good faith from a person engaged in the business of selling tangible personal property and holding a permit and at the time of the purchase is intending to sell the property in the regular course of business. [Cal. Rev. & Tax. Cd. §6092 ; Cal. Code Regs. 18 §1668.] Certificates are subject to verification. **Only current and valid certificates are accepted. Giving a false certificate is penalized.** [Cal. Rev. & Tax. Cd. §6094.5]

Resale Certificate:

Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as a resale certificate with respect to the sale of the property described in the document if it contains all of the following essential elements:

- (1) the signature of the purchaser, purchaser's employee, or authorized representative of the purchaser;
 - (2) the name and address of the purchaser;
 - (3) the number of the seller's permit held by the purchaser (if the purchaser is not required to hold a permit, the purchaser must include on the certificate a sufficient explanation as to the reason the purchaser is not required to hold a California seller's permit in lieu of a seller's permit number);
 - (4) a statement that the property described in the document is purchased for resale. The document must contain the phrase "for resale." The use of phrases such as "nontaxable," "exempt," or similar terminology is not acceptable.
- The property to be purchased under the certificate must be described either by an itemized list of the particular property to be purchased for resale, or by a general description of the kind of property to be purchased for resale. A document containing the essential elements described above is the minimum form which will be regarded as a resale certificate.

California Resale Certificate form is available at <https://www.cdtfa.ca.gov/formspubs/cdtfa230.pdf>

California Resale Certificates are verified through this website: [https://onlineservices.cdtfa.ca.gov/ /](https://onlineservices.cdtfa.ca.gov/)

Out of state resellers: If the purchaser is not required to hold a seller's permit, the purchaser must provide on line 1 of the resale certificate, where the permit number is requested, a sufficient explanation regarding the reasons the purchaser is not required to hold a California seller's permit. ([Reg. 1668, 18 CCR](#); *Special Notice L-333*, California State Board of Equalization, October 2012)