



# Special Notice

CALIFORNIA STATE BOARD  
OF EQUALIZATION  
450 N STREET  
SACRAMENTO, CA 95814

## Construction Contractors May be Able to Take Advantage of the Manufacturing and Research & Development Sales and Use Tax Partial Exemption

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Construction contractors may be able to purchase and/or sell materials and fixtures at a partial sales and use tax rate (3.3125 percent, plus applicable district taxes) for certain jobs when contracted by qualified companies engaged in manufacturing or research & development (R&D). On July 1, 2014, a law became effective allowing certain companies engaged in manufacturing or R&D to make annual purchases up to \$200 million of qualifying property at a reduced sales and use tax rate. This partial exemption also applies to qualifying property purchased for use in constructing or reconstructing a special purpose building. This law is unusual because qualified companies can authorize the construction contractor to make purchases of materials and fixtures for the special purpose building at a reduced tax rate and pass the tax savings back to the qualified manufacturing or R&D company.

### EXECUTIVE DIRECTOR CYNTHIA BRIDGES

BOE WEBSITE AND  
BOARD MEMBER CONTACT  
INFORMATION  
[www.boe.ca.gov](http://www.boe.ca.gov)

CUSTOMER SERVICE CENTER  
**1-800-400-7115**

TTY  
**711**

### Special Purpose Buildings and Foundations

The special purpose building must be used exclusively for manufacturing, processing, refining, fabricating, or recycling, or as a research or storage facility for these activities. Buildings such as warehouses used solely to store a product after it has completed the manufacturing process are not eligible for the partial exemption. For more information about special purpose buildings, please see our industry guide at [www.boe.ca.gov/MRDexemption](http://www.boe.ca.gov/MRDexemption).

### Contractors Must Obtain a Partial Exemption Certificate From a Qualified Person

As a construction contractor, you will need to retain records supporting your purchase of materials and fixtures at the reduced sales and use tax rate. There are two separate exemption certificates that you may need:

- **BOE-230-M**, *Partial Exemption Certificate for Manufacturing, Research & Development Equipment*
- **BOE-230-MC**, *Construction Contracts – Partial Exemption Certificate for Manufacturing, Research & Development Equipment*

To make qualifying purchases using the partial exemption; you, the contractor, must first obtain a signed exemption certificate BOE-230-M from the manufacturing or R&D company certifying they are a qualified person, and the special purpose building qualifies for the partial exemption. General contractors who hire subcontractors to furnish materials, fixtures, machinery or equipment for a qualifying job, must provide the subcontractors with a copy of the BOE-230-M partial exemption certificate received from the qualified person, and issue the subcontractor a BOE-230-MC.

Once you have obtained the BOE-230-M from the qualified person, or if you are a subcontractor and have obtained a BOE-230-M and BOE-230-MC from the general contractor, you may then issue a separate BOE-230-MC partial exemption certificate to your supplier(s) to make qualifying purchases at the reduced sales and use tax rate. You can find the partial exemption certificate forms on our website at [www.boe.ca.gov](http://www.boe.ca.gov), under the *Forms & Pubs* tab, under *Sales & Use Tax*.

*Construction  
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**For More Information**

For more in-depth information on how tax applies to construction contractors, please refer to our Tax Guide for Construction Contractors at [www.boe.ca.gov/industry/construction.html](http://www.boe.ca.gov/industry/construction.html).

For more information on the manufacturing and R&D partial exemption, please see our industry guide at [www.boe.ca.gov/MRDexemption](http://www.boe.ca.gov/MRDexemption) or call our Customer Service Center at 1-800-400-7115 (TTY:711), Monday through Friday, 8:00 a.m. to 5:00 p.m., (Pacific time), except state holidays.