Tax Exemption Certification

OVERVIEW

Machinery and equipment costing in excess of $2,500 which are purchased for University research and development activities may qualify for exemption of state sales and use tax. (RCW 82.08.02565) This state statute is known as the Machinery and Equipment Tax Exemption or the M&E Exemption.

The M&E Exemption applies to:

- Qualified equipment;
- Allowable parts for qualified equipment; and
- Allowable labor and services rendered for qualified equipment.

NOTE: For purposes of this section, machinery and equipment will be referred to as equipment.

See below for qualified equipment criteria.

REQUESTING TAX EXEMPTION

The department is to attach a completed Tax Exemption Certification form for each qualifying equipment item to the Department Requisition submitted to Purchasing Services. See 70.10. Complete and/or print the PDF master on 70.42.4 to obtain copies of the certification form.

NOTE: Tax exemptions cannot be taken on equipment, parts, or services purchased with Department Orders or purchasing cards.

Signatures

The following personnel must sign the form to certify that the equipment and its applied use meet the mandatory and usage criteria, as indicated:

- Principal investigator or departmental researcher,
- Director or chair, and
- Dean or chancellor.
The dean or chancellor may delegate authority to sign Tax Exemption Certifications to other departmental personnel by sending a memorandum to the Director of Business Services/Controller.

The signatures must be applied personally by the indicated individuals. Facsimile or substitute signatures, e.g., signature stamps, are not acceptable. A printed or typed name and title must follow each signature.

Penalties

Penalties for fraud and tax evasion, if assessed, are charged back to the department.

QUALIFYING CRITERIA

In order to qualify for tax exemption, the equipment must meet the mandatory and usage criteria described below.

Mandatory Criteria

The equipment must meet all of the following criteria.

Equipment

The equipment:

- Must cost in excess of $2,500;
- Must have a useful life of more than one year;
- Is not a consumable item, i.e., a good or supply used in departmental operations;
- Is not a hand-powered tool; and
- If a building fixture, must be integral to research and development activity.

Prohibited Use

The equipment must not be directly used for the following purposes:

- Adaptation or duplication of existing products not substantially improved by application of technology;
- Surveys and studies;
- Social science and humanities research;
- Market research or testing;
- Quality control;
- Sale promotion or service;
- Development of computer software for internal department use;
- Research in areas such as improved style, taste, and seasonal design.

Usage Criteria

The equipment must meet one or more of the following description criteria and one or more of the following applied use criteria.
Description Criteria

The goods and/or services to be certified as tax exempt must be described as one or more of the following:

- Equipment to be directly used more than 50 percent of the time in a research and development operation.
- Equipment to be directly used more than 50 percent of the time in testing operations.
- Equipment to be directly used more than 50 percent of the time in an approved manufacturing operation where more than half of the sales are to an outside vendor (e.g., cheese manufacturing).
- Labor and services rendered to install, repair, clean, alter, or improve qualified equipment.
- Parts that increase productivity, improve efficiency, or extend useful life of qualified equipment.

Applied Use Criteria

In order for the applied use of the equipment to qualify as research and development, the item must be used for one or more of the following purposes:

- Activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, processes, techniques, formulas, inventions, or software.
- Exploration of a new use for an existing drug, device, or biological product if the new use requires separate licensing by the Federal Food and Drug Administration under 21CFR, as amended.

See the PDF master form:

70.42.4: Tax Exemption Certification
Complete and/or print as needed