

# California Alternative Energy and Advanced Transportation Financing Authority

## SB 71 SALES AND USE TAX EXCLUSION PROGRAM

As of 11/12/2010

### Application Tips

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) received many Applications during the first round that were either incomplete or did not provide sufficient information to allow staff to conduct a thorough initial review of the information submitted.

This document provides additional information and tips for Applicants to ensure they are submitting an accurate and complete Application. Please review the [SB 71 Program Regulations](#) for more information on eligibility and evaluation criteria.

#### **1. Complete Application**

For an Application to be deemed complete it must include justifications and assumptions (including calculations) used for “Input Values” in narrative form in the “Applicant Notes” section of the excel worksheet (Part B) or attached separately.

For example, supporting documentation could include, but is not limited to:

- Studies or analyses showing the environmental benefits associated with a product,
- Price quotes showing Qualified Property the Applicant plans to purchase from California vendors/suppliers,
- Customer purchase orders to show average sales price or percentage that will be sold in California,
- Analyses of projected job creation, and
- Financials showing projected revenues, profits, tax liabilities, etc.

#### **2. Disclosure of Information on Application**

As noted in the SB 71 Program Regulations, Applications submitted to CAEATFA are subject to the Public Records Act. However, it appears there is some misunderstanding regarding the ability of CAEATFA to maintain the confidentiality of information submitted and for which the Applicant has asserted a trade secret claim. CAEATFA cannot refuse to disclose any information presented in the staff summary and recommendation, or included in the resolution approving the sales and use tax exclusion.

For more information on how CAEATFA will handle record requests, please see the [SB 71 Program Regulations](#) Section 10032 (D) and [Frequently Asked Questions](#) #14.

Some of the information that must be disclosed to the CAEATFA Board includes, but it is not limited to the following:

- Description of the Applicant, including its name, , owners and the product that is manufactured
- The name(s) of the owners of the Applicant’s business entity.
- If the Applicant is a corporation, include the names of the officers of the corporation, major shareholders (10.0% or greater), and date and place of incorporation.
- If the Applicant is a sole proprietorship, include the name of the proprietor and the date and place of establishment.
- If the Applicant is another type of legal entity, identify the name(s) of the owners and each owner’s share of ownership (the totals of the reported shares of ownership should equal 100%).
- Description of the Project, including what will be manufactured, location and size of the Facility for which Qualified Property is being purchased
- List of Qualified Property, including cost of the equipment
- Estimated sales and use tax exclusion amount
- Number of new and construction jobs created
- Status of permits (i.e. site), environmental requirements and zoning restrictions
- Net fiscal and environmental points, including the dollar value produced
- Responses to Legal Questionnaire
- Staff’s recommendation to the Board

### **Common Omissions on Submitted Applications**

#### **1. Narrative Facility Description (Part A)**

The supplemental narrative Facility description must be detailed and include the following information:

- A description of the Facility, including the design, manufacturing, or assembly process to be employed, the product to be produced, and the intended or likely customers;
- Identification and description of the advanced transportation technology or alternative source product, component or system to be produced;
- Current Facility status and a schedule (timeline) indicating the estimated Facility construction start date through the placed-in-service date of the Qualified Property identified in the Application; and
- The expected date of any needed permits or additional financing necessary for Facility completion.

#### **2. Company Ownership Information (Part B, Section A15)**

- The name(s) of the owners of the Applicant’s business entity.
- If the Applicant is a corporation, the names of the officers of the corporation, major shareholders (10% or greater), and date and place of incorporation must be included.
- If the Applicant is the sole proprietorship, the name of the proprietor and the date and place of establishment must be included.

- If the Applicant is another type of legal entity, identify the name(s) of the owners and each owner's share of ownership (the totals of the reported shares of ownership should equal 100%).

### **3. Total Value of Capital Stock (Part B, Section D1)**

- This amount should include the value of any existing capital stock used to produce the advanced transportation or alternative source product *plus* the value of the Qualified Property to be purchased. If the Facility produces other products not eligible for the sales and use tax exclusion, then the value of this equipment should not be included in this section. This amount should take into account the depreciation of the capital stock as well. If the value in D1 is greater than the total Qualified Property to be purchased, than a thorough explanation of the difference should be included in the "Applicants Notes" section.

### **4. Corporation or Income Tax Liability (Part B, Section D4)**

- Only the estimated annual California corporation or income tax liability should be calculated here. Property tax and other forms of tax liabilities should not be included. The basis for the estimated tax payments should be explained in the "Applicant Notes" section of the Application or attached separately.

### **5. Number of Units Sold or Shipped Annually (Part B, Section E3)**

- Clearly define under the "Applicant Notes" section the "unit" that is being produced or manufactured (e.g. 250 watt panels, BTU's, cubic feet of gas, etc.) and provide additional information as needed.

### **6. Qualified Property (Part B, Tab 4)**

- List of Qualified Property requires some detail and itemization. For example, simply describing the Qualified Property as "machine tools" or "fabrication facility equipment" does not provide sufficient detail. If needed, use subheadings to group equipment that will be used during certain parts of the process.
- Individual items of Qualified Property valued at less than \$10,000 can be grouped together provided that (a) the total value of the group of items does not exceed \$100,000 and (b) the individual items are reasonably related.

###