

## Sales and Use Tax Exclusion (STE) Program

### Approved Applicant Procedures<sup>1</sup>

(Updated November 7, 2018)

Below is a summary of the steps required for an approved applicant to utilize CAEATFA's sales and use tax exclusion (STE). This document provides a brief summary; please refer to [CAEATFA's regulations](#) for additional information.

### Board Approval

- If an Application is approved, the Applicant will be notified in writing following the Authority's Board meeting. An Applicant will receive a Notification Letter and a certified copy of the Board resolution for their files.
- ***Up to 100% of the Qualified Property purchases must be made within three years*** of Board approval by the Authority unless the Board has agreed to a different term in the approval resolution (per section 10035(c)(1) of CAEATFA regulations).
- For Applicants approved on or after October 18, 2016, ***at least 15% of the Qualified Property amount approved must be purchased within one year*** of Board approval by the Authority,

### Execution of the Master Regulatory Agreement

*CAEATFA Staff will follow up with the Applicant after Board approval, via email, to provide specific instructions to the Applicant on the following process, including due dates and specific information/documents required from the Applicant.*

1. As a condition of the Authority's finding and awarding an STE, all recipients are required to execute the Master Regulatory Agreement (collectively the "Master Agreement") **within 30 days** of Board approval, as shown on their Notification Letter. The Master Agreement shall include a Master Agreement Exhibit B which consists of a list of the Qualified Property to be purchased.
2. The provisions of the Master Agreement are not negotiable. A copy of the [Master Agreement](#) and [Master Agreement Exhibit B](#) can be found here.

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<sup>1</sup> Capitalized terms are defined in the Program's statute and regulations.

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3. CAEATFA Staff will provide to the Applicant with a Master Agreement specific to the approved Application.
4. Prior to execution of the Master Agreement, staff will request that the Applicant fill out and submit a [Signature Certificate](#) to identify representatives of the Applicant's company that are authorized to enter into contracts on behalf of the company.
5. The following items are required in order to execute the Master Agreement:
  - Two copies of the Master Agreement signature page with original signatures (signed by an authorized representative of the Applicant's company); and
  - **Fees:** A check, made out to CAEATFA, for the \$15,000 minimum Administrative Fee (per Section 10036(b)(4) of CAEATFA regulations).
6. CAEATFA will draft, distribute, review and sign both copies of the Master Agreement. The documents will be countersigned and each party will retain an original copy of the Master Agreement with original signatures for its records.
7. According to the California Department of Tax and Fee Administration (CDTFA), Applicants may purchase Qualified Property prior to approval; however, certain conditions established by the CDTFA must be met. Please refer to the [CDTFA's website on the STE Program](#) and your tax counsel for further information.
8. The regulatory provisions of the Master Agreement will continue in force for a period equal to the longer of (a) three years or (b) one-half of the Estimated Useful Lifespan of the longest lived item of Qualified Property identified in the Application.

## **Purchases of Qualified Property and Semi-Annual Reports**

1. Applicants will purchase equipment from vendors using an [Exemption Certificate](#) per CDTFA Regulations Section 1667(c)(1). CAEATFA does not provide Exemption Certificates.
2. In order to maintain compliance with the STE Program regulations and an Applicant's Master Regulatory Agreement, Applicants must submit Semi-Annual Reports. Each report should include information about the Qualified Property purchased using the sales and use tax exclusion.

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- a. The semi-annual report covering the first two calendar quarters of the year must be submitted to CAEATFA on or before July 31;
  - b. The semi-annual report covering the last two calendar quarters of the year must be submitted on or before January 31 of the immediately following calendar year.
3. The provisions of the Semi-Annual Report Certification are not negotiable. The [Semi-Annual Report Certification](#) (or [Final Semi-Annual Report Certification](#)) and the [Exhibit A](#) forms can be found by clicking the links.
4. The Semi-Annual Report consists of three parts. When due, the following documents should be submitted to CAEATFA at [CAEATFA@treasurer.ca.gov](mailto:CAEATFA@treasurer.ca.gov):
  - a. Semi-Annual Report Certification in PDF format
    - i. The Semi-Annual Report Certification has been updated to use a digital signature. If possible, please use a digital signature to sign the Certification.
    - ii. If it is not possible to use a digital signature, Applicants may print out the completed form, manually sign, and scan the form. When using a manual signature, please submit two versions of the document: a scanned-in manually signed version of the document, AND an unsigned version of the document with all fields filled in.
  - b. Exhibit A in Excel format
5. The analyst will review submitted documents to ensure they are complete and free from error and may request that the Applicant make corrections. Once the documents are correct, the analyst will request that the Applicant mail a check for the administrative fee, if applicable. Original signed documents no longer need to be mailed in to CAEATFA.

## **Annual Certification Letter and Compliance Report**

1. In addition to the Semi-Annual Report, Applicants are required to submit an Annual Certification Letter and Compliance Report, per Program regulations Section 10035(b)(3). The certification letter and compliance report must be submitted to the Authority by January 31 of the following calendar year.
2. The Annual Certification Letter helps measure the environmental and economic impacts of the STE program by surveying the following information:

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- Total payroll
  - Number of full time equivalent permanent jobs
  - Number of full time equivalent construction or installation jobs
  - Total annual product sales (in dollars) including the fraction in California
  - Total number of units sold including the fraction in California
  - Anticipated corporate or personal income tax related to the Facility
  - Amount spent of supplier purchases
  - Total amount of Qualified Property purchased to date
  - Narrative description of project status, timeline, anticipated purchase dates of any additional items of Qualified Property and an explanation of any material changes
  - Statement indicating the fraction of the time the Qualified Property has been used to make eligible products under the SB 71 program
  - Any other information requested by the Executive Director that is reasonably related to the purposes of the Program
3. The [Annual Certification Letter and Compliance Report](#) can be found by clicking the link.
    - a. The Annual Report Certification Letter and Compliance Report has been updated to use a digital signature. If possible, please use a digital signature to sign the Certification.
    - b. If it is not possible to use a digital signature, Applicants may print out the completed form, manually sign, and scan the form. When using a manual signature, please submit two versions of the document: a scanned-in manually signed version of the document, AND an unsigned version of the document with all fields filled in.
  4. The analyst will review submitted documents to ensure they are complete and free from error and may request that the Applicant make corrections. Original signed documents no longer need to be mailed in to CAEATFA.

## **Final Semi-Annual Report**

1. The Applicant will submit a Final Semi-Annual Report when the final total amount of Qualified property purchases equals the total amount of the exclusion granted, or when the Applicant no longer wishes to exercise the sales and use tax exclusion granted, and signifies that the Applicant's purchases are no longer subject to the sales and use tax exclusion.

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2. The provisions of the Final Semi-Annual Report Certification are not negotiable. The [Final Semi-Annual Report Certification](#) can be found by clicking the link.
3. The following completed documents should be submitted to the assigned CAEATFA analyst via email with a cc to the [CAEATFA inbox](#):
  - [Final Semi-Annual Report Certification](#) in PDF format
    - The Final Semi-Annual Report Certification has been updated to use a digital signature. If possible, please use a digital signature to sign the Certification.
    - If it is not possible to use a digital signature, Applicants may print out the completed form, manually sign, and scan the form. When using a manual signature, please submit two versions of the document: a scanned-in manually signed version of the document, AND an unsigned version of the document with all fields filled in.
  - [Semi-Annual Report Exhibit A](#) for the final reporting period in Excel Format
4. The analyst will review submitted documents to ensure they are complete and free from error and may request that the Applicant make corrections. Original signed documents no longer need to be mailed in to CAEATFA.
5. **Fees.** The submission of a Final Semi-Annual Report triggers a final determination of the total Qualified Property purchased by the Applicant, and the corresponding amount of the total Administrative Fee due:
  - If any remaining Administrative Fee is due, the Fee should be submitted along with the Final Semi-Annual Report.
  - In the event that an Applicant has overpaid Administrative Fees, the overpayment will be refunded to the Applicant by CAEATFA within 30 days of execution of the Final Semi-Annual Report
6. **Final Exhibit A and Exhibit B.** Within 30 days of execution of Final Semi-Annual Report, the Applicant must submit a [Final Exhibit A and B in Excel format](#) that includes a list of all Qualified Property purchased throughout the term of the Master Agreement.