



925.719.2704



anna@buildmomentum.io



Notice of Funding Opportunity

Title: Sales and Use Tax Exclusion (STE) Program
Website: <https://www.treasurer.ca.gov/caeatfa/ste/index.asp>
Funding: Total: \$100,000,000. Maximum awards: \$20M.
Dates: Accepting applications on a rolling basis for 2021: November 6th – November 20th

Summary: The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) Sales and Use Tax Exclusion (STE) Program (the “Program”) excludes from sales and use taxes purchases of Qualified Property: if its use is either to process Recycled feedstock or using Recycled feedstock in the production of another product or soil amendment; or that is used in an Advanced Manufacturing process; or that is used to manufacture Alternative Source products or Advanced Transportation Technologies.

Project Topic Areas:

The STE is available to the following four categories of manufacturers in California: Alternative Source product manufacturers, manufacturers of Advanced Transportation Technologies, Advanced Manufacturers, and manufacturers that process Recycled feedstock or utilize Recycled feedstock in the production of another product or soil amendment.

Manufacturers of components of Alternative Sources and Advanced Transportation Technologies are also eligible if the component constitutes a “Green Component”, defined as the component or system within Advanced Transportation Technologies or Alternative Source products that is responsible for or required to enable the increase in energy efficiency, Alternative Source generation, or pollution reduction.

Alternative Sources are defined in Public Resources Code Section 26003(a)(3) as: devices or technologies used for a renewable electrical generation facility; a combined heat and power system; distributed generation and energy storage technologies eligible under the self-generation incentive program pursuant to Section 379.6 of the Public Utilities Code, as determined by the Public Utilities Commission; a facility designed for the production of renewable fuels, the efficient use of which reduce the use of fossil or nuclear fuels; or energy efficiency devices or technologies that reduce the need for new electric generation and reduce emissions of toxic and criteria pollutants and greenhouse gases. Examples of past Alternative Source manufacturing projects approved include: solar photovoltaic, biogas, biomass, landfill gas, and renewable fuels. Equipment used to manufacture these products is eligible under the STE award.

Advanced Transportation Technologies are defined in Public Resources Code Section 26003(a)(2) as emerging commercially competitive transportation-related technologies capable of creating long-term, high value-added jobs for Californians while enhancing the state’s commitment to energy conservation, pollution and greenhouse gas emissions reduction, and transportation efficiency.

Recycled feedstock is defined as stated in Public Resources Code Section 26011.8(b)(2) as materials that would otherwise be destined for disposal, having completed their intended end use and product lifecycle.

Funding:

Statute limits the Program to awarding \$100 million in sales and use tax exclusions in each calendar year. Individual projects are limited to \$20 million of STE in a given calendar year. Projects may receive more than the \$20 million individual cap at the discretion of the Authority and subject to STE allocation availability at the end of the calendar year.

The exclusion applies to Qualified Property purchases: tangible personal property if at least 50% of its use is either to process Recycled feedstock that is intended to be reused in the production of another product or using Recycled feedstock in the production of another product or soil amendment; tangible personal property that is used in the state in an Advanced Manufacturing process; or for the design,



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manufacture, production, or assembly of Advanced Transportation Technologies, or Alternative Source products, components, or systems.

Generally, Qualified Property includes manufacturing machinery and equipment with an estimated useful lifespan of over one year, as well as information technology used to operate or control the machinery and equipment. Qualified purchases may also include tangible personal property required for infrastructure improvements to the manufacturing facility, such as foundation, reinforcement, piping, and fire safety.

Qualified Property does not include consumables or the raw materials of which the product being manufactured is composed; typically this will include items with an estimated useful lifespan of less than one year.

The property must be used to process Recycled feedstock or create another product or soil amendment utilizing Recycled feedstock, or in an Advanced Manufacturing process or for the manufacturing of the Alternative Source product or Advanced Transportation Technology for more than 50% of the time.

Project Requirements:

To qualify as an Advanced Manufacturer, the manufacturing process must meet all of the following requirements:

1. Improve existing, or create entirely new materials, products, and processes through: the use of science, engineering, or information technologies; high-precision tools and methods; a high-performance workforce; and innovative business or organizational models.
2. Use any of the following technology areas: Micro- and nanoelectronics, including semiconductors; Advanced materials; Integrated computational materials engineering; Nanotechnology; Additive manufacturing; Industrial biotechnology.
3. Result in a substantive advancement, whether incremental or breakthrough, beyond the current industry standard, in the production of materials and products.
4. Be a sustainable manufacturing system that minimizes the use of resources while maintaining or improving cost and performance (not including systems or technologies required to be undertaken pursuant to state or federal law or regulations).

To qualify as Recycled feedstock, the tangible personal property purchased for the project must be used at least 50% of the time to process Recycled feedstock that is intended to be reused in the production of another product or using recycled feedstock in the production of another product or soil amendment. Soil amendments may include "compost," as defined in Section 14525 of the Food and Agricultural Code, "fertilizing material," as defined in Section 14533 of the Food and Agricultural Code, "gypsum" or "phosphatic sulfate gypsum," as those terms are defined in Section 14537 of the Food and Agricultural Code, or a substance distributed for the purpose of promoting plant growth or improving the quality of crops by conditioning soils through physical means.

The application consists of two parts:

Part A includes a project narrative, legal questionnaire, and applicant certification. The project narrative includes information about the applicant and the proposed project, including timeline and status of required permits. Part B consists of a self-scoring Excel spreadsheet designed to measure and quantify the net fiscal and environmental benefits of the proposed project. Based on the inputs provided by the applicant, the spreadsheet calculates the number of points received by the project. The formulas for determining the points awarded may be found in CAEATFA Regulation Section 10033(c).

Eligible Applicants:

Eligible manufacturers planning to construct a new manufacturing facility or expand or upgrade a currently existing manufacturing facility may apply to CAEATFA for an STE award, and if approved, the purchases of Qualified Property for the project are not subject to state and local sales and use tax.