

## PROPOSAL EQUIPMENT ESTIMATE GUIDANCE

This document offers guidance for Division personnel engaged in estimating equipment costs on work for others (WFO) proposals. When the proposed work includes materiel and equipment that Berkeley Lab must purchase, the following factors should be considered:

- Transportation and Shipping
- Sales and Use Tax
- Import/Export Duties
- Equipment Installation
- Extended Warranty and Maintenance

For guidance on any other proposal purchase-related issues, contact your Procurement representative or [procurementhelp@lbl.gov](mailto:procurementhelp@lbl.gov).

### Transportation and Shipping

As transportation and shipping costs can be significant when purchasing materiel and equipment, an estimate of the shipping cost should be obtained from the supplier when requesting a quotation. The shipping term should preferably be FOB Destination (see below) to ensure “door-to-door” delivery cost to the laboratory or project site. The term FOB is used to determine where the title (i.e. ownership) of the equipment changes hands from shipper (supplier) to consignee (laboratory). The two most common shipping terms used on laboratory equipment purchases are FOB Destination and FOB Origin:

*FOB Destination:* Free on board at destination means the laboratory takes title to the shipment when the equipment is delivered at the laboratory or designated delivered-to location. This is preferred over FOB Origin (see below) because the risk of loss is borne by the shipper (supplier). If the equipment sustains loss or damage during transit, the shipper is responsible for filing the claim. Under FOB Destination, the cost of shipping is included in the equipment price.

*FOB Origin:* Free on board at origin means the laboratory assumes title to the equipment upon shipment and the laboratory is responsible for reimbursing the supplier for shipping charges and, if deemed applicable, transit insurance. In the event of loss or damage during transit, the laboratory is responsible for filing the claim with the carrier.

FOB Origin is only advantageous when lower freight rates are available through government bills of lading or destinations are tentative or unknown at the time of order placement. Facilities Division’s Transportation Services (x5404) should be consulted for assistance when shipping equipment that may require insurance and/or special handling, such as: high value/delicate equipment, expensive precision machine parts, and items whose damage or loss would result in a programmatic hardship. The supplier will normally break out the cost of shipping when the term is FOB Origin.

## Sales and Use Tax

Most tangible items purchased by the laboratory, shipped to California, are for direct resale to the U.S. Government (DOE) and, accordingly, are exempt from sales tax. (Procurement provides the LBNL resale certificate to suppliers to claim the exemption). The following are examples:

- Common materials and services
- Machinery and equipment
- Lease-to-ownership transactions
- Storeroom stock

The Laboratory also purchases certain items that are subject to sales and use tax. These include the following:

- Material and equipment that affix to realty
- Equipment leases other than lease-to-own
- Property purchased on behalf of sponsors that does not become the property of DOE

It is important that the tax be factored into the laboratory's proposals for items subject to Sales and Use Tax. Refer to OCFO's [Sales and Use Tax Guidelines](#) for detailed guidance on what applies. The proposal preparer should contact the Division Resource Analyst to identify the program sponsor and funding source to determine if Sale and Use Tax applies to equipment purchases. Table 1 below shows the general taxability of material purchases based on funding source. The Laboratory's [Controller's Office Tax Accountant](#) can also assist with clarifying tax related issues specific to your proposal.

Table 1 – Taxability/Funding Source

FUNDING SOURCE	
Non-Taxable	Taxable
DOE Operating	WFO Non-Federal and CRADAs
WFO Federal – Award types F1, F3, F4, or F9	WFO Federal – Award types F2, F5, F6, F7, or F8
NIH – Award Type N1 (Interagency Agreements)	NIH – Award Type N2 (Grants), N3 (Training Fellowships) or N4 (Career Development)
Royalties	Contractor Sponsored Research (CSRs)
Construction – Purchases of machinery and equipment including the labor related to fabrication or assembly on equipment where title passes to DOE.	Construction – Purchases of Fixtures and Materials (see <a href="#">OCFO's Sales and Use Tax Guidelines</a> )
NIH, Award Type of N1	Rental Leases – Applies for all rental leases regardless of funding source; but does not include real property or lease-to-own.

## Import Duty

Unless items imported qualify for duty-free entry, the laboratory is required to pay import duty on foreign sourced equipment and supplies, as provided for in the Tariff Schedules of the United States (a Tariff is a system of duties imposed by the Government on imported and exported goods). Because customs duties, if applicable, can significantly impact the proposal cost, the proposal preparer should take this into consideration when estimating proposals. The proposal preparer should ask the supplier to separately itemize the import duty in the quotation/proposal. Some items may qualify for duty-free entry. Examples of equipment used for scientific research/education (if not domestically available or to be put into commercial use within 5 years) that may qualify for duty-free entry include:

- Medical instruments
- Measuring and testing instruments
- Photographic equipment
- Vacuum container
- Optical goods
- Metal working machines
- Glass tubing
- Laboratory ceramic and glassware

Examples of items that would not qualify for duty-free entry include:

- Equipment used for non-scientific/educational purpose
- Construction supplies and equipment
- Maintenance, repair and operation supplies and equipment
- Items available domestically

The process of applying for duty-free entry can be onerous and time consuming and may take several months. The proposal preparer should take this into consideration when planning the project schedule. The policy of the Laboratory is not to pursue duty-free entry when the estimated amount of duty is less than \$2,500. Generally, the supplier of the equipment can advise the Laboratory on what the estimated amount of duty will be. If not, the proposal preparer can work with Facilities and Procurement to obtain an estimate from the University's Customs Broker. You can also find duty information from the [Harmonized Tariff Schedule](#) (HTS) on the U.S. International Trade Commission HTS Web site.

Because navigating the HTS can be complicated, it is advised that proposal preparers ask the supplier to include this information in the quotation. If any questions come up, consult the Procurement Help Desk @ x6400 or [procurementhelp@lbl.gov](mailto:procurementhelp@lbl.gov) for assistance. The Facilities Site Services Manager (x4979) can also be contacted for assistance.

## Equipment Installation

When purchasing equipment that will be installed at the laboratory or a designated offsite facility, make sure the cost of installation, including all labor, is factored into the quotation. The installation cost can be included in the price of the equipment or separately itemized. Consult Facilities or the Procurement Help Desk @ x6400 or [procurementhelp@lbl.gov](mailto:procurementhelp@lbl.gov) if you are unsure whether the cost of installation is included in the quotation.

## Extended Warranty and Maintenance Costs

Most commercial equipment purchased by the laboratory includes a 1-year base warranty. If extended warranty is a requirement of the work over and above the base warranty, the cost of this extended warranty/maintenance agreement should be asked of the supplier and factored into the laboratory proposal. Consult the Procurement Help Desk @ x6400 or [procurementhelp@lbl.gov](mailto:procurementhelp@lbl.gov) if you are unsure about any aspect of obtaining an extended warranty quotation from the supplier.