

ST 07-0097-GIL 07/23/2007 EXEMPT ORGANIZATIONS

While the sale of tangible personal property at retail by exclusively religious, educational or charitable organizations is generally subject to Retailer's Occupation Tax, there are three limited exceptions. See 86 Ill. Adm. Code Sections 130.2005(a)(2) through 130.2005(a)(4). (This is a GIL.)

July 23, 2007

Dear Xxxxx:

This letter is in response to your letter dated December 15, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

It has come to my attention from our sales and use tax consulting firm that a specific transaction of commerce within your state municipality may not be taxable for sales and/or use tax. In order to properly identify the sales and/or use taxing collection requirements for a specific sales transaction with your state, I appeal for a written response to the following question.

Are not for profit 501 c (3) educational organizations that sale [sic] books in support of their educational not for profit purpose required to collect sales or use tax on the sale of these books within your state?

Would the fact that this not for profit organization publishes the books for sale change the taxability of this transaction?

I appreciate your promote [sic] attention in response to my request.

DEPARTMENT'S RESPONSE

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers. Please note that organizations that qualify for 501(c)(3) status do not necessarily qualify for an exemption identification number (an "E" number). These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes.

While organizations and institutions that are both operated and organized exclusively for charitable, religious, or educational purposes are as a general matter subject to Retailers' Occupation Tax upon their own sales of tangible personal property, there are three limited exceptions where such organizations are authorized to engage in a restricted amount of retail selling activity without incurring Retailers' Occupation Tax liability. See 86 Ill. Adm. Code Sections 130.2005(a)(2) through 130.2005(a)(4). Organizations that hold exemption numbers may engage in (1) sales to members, (2) noncompetitive sales, and (3) certain occasional dinners and similar activities, without incurring Retailers' Occupation Tax liability. Organizations that engage in ongoing selling activities to the public must register with the Department as retailers, collect and remit tax on sales and provide suppliers with Certificates of Resale for items they sell.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk