

The Department's rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. (This is a GIL.)

July 24, 2007

Dear Xxxxx:

This letter is in response to your letter dated October 31, 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:

We have been receiving a ST-1 instruction and forms to be filled out for paying the state of Illinois taxes.

We are all involved in the Printing Industry / Graphic Arts Industry and are not required to collect tax because all of our customers are tax exempt.

Please accept this letter as an explanation from ABC. If we are needed to provide you with any other information please let me know.

DEPARTMENT'S RESPONSE

You did not include enough information in your letter for us to know what you are doing. However, we hope the following information is useful.

The Department's rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. Under the graphic arts machinery and equipment exemption, Retailers' Occupation Tax does not apply to sales of machinery and equipment, including repair and replacement parts, both new and used and including that manufactured on special order to be used primarily in graphic arts production. The exemption extends to purchases by lessors who will lease the property for use primarily in graphic arts production. Taxpayers must certify the use of the equipment they are purchasing to their suppliers. The Department's regulation at Section

130.325(b)(1)(D) provides that “[t]he exemption includes printing by methods of engraving, letterpress, lithography, gravure, flexography, screen, quick, and digital printing.”

Another type of exemption is sales to organizations that qualify as exclusively religious, charitable, or educational. These organizations can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). 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. See 86 Ill. Adm. Code 130.2007.

Sales to exempt organizations are subject to tax unless the organization has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2007. Companies selling tangible personal property to these organizations must be provided with an "E" number for the sales to be tax exempt, unless another exemption can be documented. It is important to note that only sales of tangible personal property invoiced to the organization itself are exempt. Sales made to an individual member or client of an exempt entity are generally subject to tax.

As a general proposition, individual members or clients of exempt organizations who purchase items of tangible personal property, such as cars, with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization, and the "E" number can only be used in making purchases in furtherance of organizational purposes.

Questions regarding proper registration should be addressed by (1) mail: Central Registration Division, Illinois Department of Revenue, P.O. Box 19476, Springfield, IL 62794-9476, (2) phone: (217) 785-3707 or (3) Email: centreg@revenue.state.il.us.

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
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