

"Production related tangible personal property" means all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place. See 86 Ill. Adm. Code 130.331(b)(3)(A). (This is a GIL.)

December 29, 2008

Dear Xxxxx:

This letter is in response to your letters dated March 26, 2008 and April 2, 2008, 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.tax.illinois.gov](http://www.tax.illinois.gov) 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 of March 26, 2008, you have stated and made inquiry as follows:

I am a manufacturer of fuel ethanol that is blended in gasoline at a 10% ratio. I have two questions about Manufacturer's Purchase Credit that I would like to have a letter ruling on. The first question is: Is rock and/or gravel used to stabilize the soil under buildings constructed on the manufacturing facility eligible for MPC? The second question is: We are laying a pipeline that would provide water used in the production of ethanol, on land from which we received easements-not land that we own outright. Will the pipe that is located on easement land qualify as production-related tangible personal property for MPC purposes? I appreciate any insight you can give here.

In your letter of April 2, 2008, you have stated and made inquiry as follows:

I am a manufacturer of fuel ethanol that is blended in gasoline at a 10% ratio. I would like to know what items qualify for Manufacturer's Purchase Credit. We are building corn & co-product silos, and associated buildings. The regulations state 'Tangible personal property purchased by a manufacturer for incorporation into real estate within a manufacturing facility for use in a production related process;'. From this I would think that the materials purchased and incorporated into the silos and buildings would qualify for the credit. It appears that the intention of MPC is to give tax relief for items not used directly in or for the manufacturing process. I appreciate any insight you can give here.

## **DEPARTMENT'S RESPONSE:**

The State of Illinois provides a manufacturer's purchase credit in addition to the exemption for manufacturing machinery and equipment. See 86 Ill. Adm. Code 130.331. Purchasers of manufacturing machinery and equipment that qualifies for the manufacturing machinery and equipment exemption earn a credit in an amount equal to 50% of the tax that would have been incurred under the Use Tax or Service Use Tax on the purchase of the manufacturing machinery and equipment if it were not exempt. 35 ILCS 105/3-85; 35 ILCS 110/3-70. The credit may be used to satisfy Use Tax or Service Use Tax liability that is incurred on the purchase of production related tangible personal property.

"Production related tangible personal property" includes all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place, and all tangible personal property used or consumed by a manufacturer or graphic arts producer in research and development regardless of use within or without a manufacturing or graphic arts production facility. (See 86 Ill. Adm. Code 130.331(b)(3)(A) and (C)). Items such as rock and gravel used to stabilize soil under a building and pipeline installed in the ground to provide water would not be considered production related tangible personal property under this definition.

With respect to corn and co-product silos and associated buildings, generally, common building materials are not considered to be used in a production related process in a manufacturing facility and would not qualify as production related tangible personal property. Production related tangible personal property installed in these structures that meets the requirements of the definition, however, would qualify for the credit.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Sincerely,

Samuel J. Moore  
Associate Counsel