

Supplies used in production agriculture do not qualify for the Farm Machinery & Equipment exemption. See 86 Ill. Adm. Code 130.305. (This is a GIL.)

January 5, 2009

Dear Xxxxx:

This letter is in response to your letter dated August 28, 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 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:

I am contacting you for a binding answer at the direction of INDIVIDUAL, in response to an E-mail question I had sent to the sales tax department.

We operate limestone quarries and sell various products to a variety of customers, including farmers. One product we sell is lime fill which a number of livestock farmers use as bedding in barns. Eventually, the lime fill is hauled from the barns and spread on the fields as manure. Several have claimed they have been informed that this would qualify for the 130.305 Farm Equipment and machinery exemption. I have read this section and cannot find a definitive answer. Your staff was not able to provide me with an opinion either and suggested that I contact your department.

I would appreciate an opinion from your Department that I may use either to allow the exemption, or as support to disallow it.

Thank you for your consideration.

DEPARTMENT'S RESPONSE:

For your information, we direct your attention to 86 Ill. Adm. Code 130.305 which is the Department's regulation for Farm Machinery and Equipment and can be found on our website. As you

will note, the exemption from tax applies to sales of machinery and equipment, both new and used and including that manufactured on special order, used or leased for use primarily in production agriculture or for use in State or Federal agricultural programs, including any individual replacement part for such machinery and equipment.

Supplies used in production agriculture do not qualify for the Farm Machinery & Equipment exemption. See 86 Ill. Adm. Code 130.305(k). Items that are sold for use as animal bedding, such as wood shavings, tree bark chips, and sawdust used for animal bedding are consumable supplies and do not qualify as farm machinery or equipment under the Farm Machinery & Equipment exemption.

You have indicated that after the lime fill is used as bedding, it is hauled from the barns and spread on the fields as manure. It appears, however, that the primary purpose for the lime fill is for bedding in barns and not fertilizer. Therefore, its use as a fertilizer is only an incidental benefit and does not qualify for the exemption provided to sellers of fertilizer under Section 130.2110. See 86 Ill. Adm. Code 130.2110.

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

Very truly yours,

Debra M. Boggess
Associate Counsel

DMB:msk