

This letter concerns sales to exempt organizations holding an E-number. See 86 Ill. Adm. Code 130.2005. (This is a GIL.)

May 28, 2009

Dear Xxxxx:

This letter is in response to your letter dated April 2, 2009, 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 called the hotline and was advised to send an inquiry in to your office. We have a question about tax exempt status.

We are a commercial repair facility that specializes in school buses. We understand that when payment comes directly from the school to us that as long as we have their tax exempt status on file that we do not charge sales tax.

Our question is, if an insurance company is paying us directly for the repairs on behalf of the school, do they get the tax exempt status as well?

Can you send us anything that will resolve this question? I would like to keep something on file to be able to send to the insurance companies and schools that we work with.

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 ("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 130.2080. 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. We are unable to determine, without looking at the agreements, who the sale of service is with, whether it was the exempt organization or a third party (e.g., the insurance company). Generally, however, with no written contract, charges for the transfer of tangible personal property that are billed to a private insurance carrier are generally subject to Service Occupation Tax liability or Use Tax liability. See 86 Ill. Adm. Code 140.125.

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