

A medical appliance is defined as an item which is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). (This is a GIL.)

September 8, 2009

Dear Xxxxx:

This letter is in response to your letter dated August 11, 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 am writing to obtain a sales tax ruling on a piece of equipment. Our company is a dental lab. We currently have a digital impression system available to our dentists which was manufactured by COMPANY. We have not sold any COMPANY Scanners yet but were not sure if sales tax should be charged on the sale of the equipment when that does occur. The equipment is used to take scans of patient's teeth. The scan is then transmitted to our model milling machine which makes a model of the patient's teeth in order for crowns to be manufactured. Please let us know if sales tax is due on such a sale and if so, what percentage is due for COUNTY for this type of equipment.

Thank you for you [sic] attention to this matter. Please feel free to call if more discussion is needed.

DEPARTMENT'S RESPONSE:

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. The Use Tax Act imposes a tax upon the privilege of using in this State tangible personal property purchased at retail from a retailer. See 86 Ill. Adm. Code 150.101.

Generally, Illinois Retailers' Occupation Tax or Use Tax is imposed on the sale at retail of tangible personal property unless one of the exemptions contained in the Illinois Retailers' Occupation Tax Act or Use Tax Act apply to a transaction. See 35 ILCS 120/2-5; 35 ILCS 105/3-5; 86 Ill. Adm. Code Parts 130 and 140.

The general merchandise tax rate is 6.25%, plus any applicable local taxes. Medical appliances are taxed at the lower State rate of 1%, plus any applicable local taxes. 35 ILCS 120/2-10. A medical appliance is an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the human body. Medical tools, devices and equipment such as x-ray machines, laboratory equipment, and surgical instruments that may be used in the treatment of patients but that do not directly substitute for a malfunctioning part of the human body do not qualify as exempt medical appliances. 86 Ill. Adm. Code 130.310(c).

For tax rates in the various units of local government in Illinois, please see the Tax Rate Finder on the Department's website.

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,

Richard S. Wolters
Associate Counsel

RSW:msk