

This letter addresses sales for resale. See 86 Ill. Adm. Code 130.1405. (This is a GIL.)

August 12, 2011

Dear Xxxxx:

This letter is in response to your letter dated June 30, 2011, 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:

We are in the process of auditing customer resale/exemption certificates.

Could you please advice [sic] as to what documentation you require for drop shipments of sales for resale.

I’m looking for clarification on the following three issues.

1. What Documentation is accepted – Home State Certificates, Streamlined Multi-Jurisdiction Certificate, or your state issued certificate.
2. From whom do you need this documentation – Our customer or the third-party drop-ship customer within your state?
3. How long are your state certificates good for?

Thank you for your time and help with this request.

DEPARTMENT’S RESPONSE:

A drop-shipment situation is generally one in which out-of-State purchasers (purchasers) that are not registered with the State of Illinois and that do not have sufficient nexus with Illinois to require them to collect Illinois Use Tax make purchases for resale from companies (companies) that are

registered with Illinois and have those companies drop-ship the property to purchasers' customers (customers) located in Illinois. For general information regarding drop shipments, you may wish to review the Department's drop shipment rules at 86 Ill. Adm. Code 130.225, which can be viewed on the Department's website. As sellers required to collect Illinois tax, companies must either charge tax or document exemptions when they make deliveries in Illinois. In order to document the fact that their sales to purchasers are sales for resale, companies are obligated by Illinois to obtain valid Certificates of Resale from purchasers.

The resale exemption is applicable when making sales to a purchaser who will in turn sell the tangible personal property. We refer you to the Department's regulation at 86 Ill. Adm. Code 130.1405, which describes the requirements for Certificates of Resale and can be found on the Department's website. In order for a sale for resale to qualify for an exemption from Retailers' Occupation Tax, the seller must keep on file a valid Certificate of Resale as set forth in the regulation. Acceptance of a valid Certificate of Resale relieves the seller of liability with respect to the purchaser's use of the property purchased.

A blanket Certificate of Resale can be used to document a sale for resale as long as the requirements for a valid Certificate of Resale are met. A seller may accept a blanket Certificate of Resale from a purchaser if all of a particular customer's purchases are made for resale. The information on a blanket Certificate of Resale should be updated no less than every three years. See 86 Ill. Adm. Code 130.1405(c)(1).

If a purchaser knows that a certain percentage of all purchases from a given seller will be made for purposes of resale, a seller may accept a percentage Certificate of Resale specifying that a certain portion of the sales made by such seller to such purchaser will be made for purposes of resale.

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

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