ST 99-0072-GIL 02/08/1999 SALE AT RETAIL

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. (This is a GIL.)

February 8, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated December 30, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

Per the attached letter, we are requesting a ruling on the tax status (taxable/nontaxable) of reprint rights in the state of Illinois. We are in the process of selling reprint rights to our customer in Illinois and would like to know the taxability of this transaction.

Your attachment read as follows:

Sales and Use Tax Status of Reprint Rights

Description of Reprint Rights

COMPANY is headquartered in and is in the Management Training business. COMPANY authors and copyrights books and manuals and assessment tools that are used in our Management Training Seminars as well as sold to the general public. Our customers are small and large companies that hire us to conduct Management Training Seminars at their locations in their state or country. For sophisticated clients that have their own internal training staff, we train their trainers and sell to them a Reprint Right for the material involved to enable the client to manage and conduct their own training schedules with their national or global locations without being dependent on COMPANY for personnel or materials. As the client conducts the training, they use the Data Set we supplied with the Reprint Right to create the documents, manuals, etc. that they need. The Reprint Right is formal agreement for a fixed dollar amount that exists for a specified period of time or for a specified quantity of printing.

Sales and Use Tax Status in STATE:

Seller STATE, Buyer Other States or Country

The sale of the right is an intangible item that is NOT subject to Sales tax in STATE.

Sales and Use Tax in Other States:

Seller STATE, Buyer Other States or Country
The sale of the right is an intangible that is NOT subject to Sales Tax in the buyer's state. The portion of the Reprint Right allocable to the value of the Data Set provided is taxable in the other states.

The subsequent production of the documents, manuals, videos, etc by the client in their state will have sales tax 'attached' to them as the raw materials they use to produce the items will have sales tax as a part of the purchase of the raw materials.

AGREEMENT WITH THE ABOVE TAX DETERMINATION:

Name Title Date

DISAGREEMENT WITH THE ABOVE AND DISCUSSION OR PROPER TAX TREATMENT:
Describe below Yes or No (Please Circle)
Discussion on separate correspondence Yes Or No (Please cirlce)

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.

Sales of licenses to reprint articles or publications are generally not subject to Retailers' Occupation Tax because usually no tangible personal property is transferred. If tangible personal property is transferred, then the receipts from such sales would be subject to Retailers' Occupation Tax. Please note that pursuant to Section 2 of the Retailers' Occupation Tax Act, sales of "canned" computer software are generally taxable retail sales in Illinois. See the enclosed copy of 86 Ill. Adm. Code 130.1935. However, if the computer software consists of custom computer programs, then the sales of such software may not be taxable retail sales. See Section 130.1935(c).

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.