ST 01-0010-GIL 01/25/2001 EXEMPT ORGANIZATIONS

Organizations that are exclusively religious, educational, or charitable can make application to the Department for exemption identification numbers required to make tax-free purchases of tangible personal property for use or consumption. See 86 Ill. Adm. Code 130.2007. (This is a GIL.)

January 25, 2001

Dear Xxxxx:

This letter is in response to your letter dated November 15, 2000 that we received on December 7, 2000. 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 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at the Department's Website at http://www.revenue.state.il.us/legalinformation/regs/part1200.

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

> I am requesting a written ruling on whether we should be charging Illinois sales tax for seeds we sell to the Illinois Department of Natural Resources (IDNR) through tenants who hold leases on state lands.
>
> Managers and biologists employed by the IDNR order native wildflower and grass seed from us to establish prairie habitat on state property. In some cases where the state is leasing land to farmers on the same property where the seed is to be planted, the state arranges for the tenants to purchase this seed (as well as other needed supplies) in lieu of lease payments. (The IDNR has approximately 20,000 acres of this type of ag lease property.) In these arrangements, we bill the tenant for the seed purchase and ship the seed to the DNR. This represents the question of whether we should be charging sales tax on these purchases. For direct, state purchases, we would not charge a sales tax. But, should we charge the tenants the Illinois sales tax for seed that is being purchased for the state?
>
> Thank you for the opportunity to present this question for your consideration.

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers (an "E" number). 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 governmental bodies are subject to tax unless the governmental body has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2080, enclosed.

Companies selling tangible personal property to organizations that qualify as exclusively religious, charitable, or educational or to governmental bodies must be provided with an "E" number for sales to such organizations or governmental bodies 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 or governmental body itself are exempt. As a general proposition, individual members, clients or other associates of exempt organizations or governmental bodies who purchase items of tangible personal property, such as plants or seeds, with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization or governmental body in order for the exemption to apply.

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 Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
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