

If food is sold in automatic vending machines where an occupation tax is paid on such sales, the machines may be purchased tax free. See 86 Ill. Adm. Code 130.332. (This is a GIL).

October 31, 2002

Dear Xxxxx:

This letter is in response to your letter dated September 27, 2002. 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/Laws/regs/part1200/>.

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

Confirming our telephone conversation this afternoon regarding the application of sales tax on vending equipment that is leased, we would like a written opinion letter that this equipment is Tax exempt under ST-587 Illinois Department of Revenue Form. While our lease document acknowledges that it is a Finance lease, Article 2a, of the new Article 9, it is a TRUE lease: there is no purchase option attached or written into the document.

Your immediate attention to writing this letter acknowledging that no sales tax is due on leased vending equipment, used in the state of Illinois, under these circumstances, would be most appreciated. Thanking you in advance for your help in this matter, I am.

We have enclosed a copy of 86 Ill. Adm. Code 130.332, the Department regulation that explains the exemption from sales tax afforded automatic vending machines. Beginning January 1, 2002, the Retailers' Occupation Tax does not apply to sales of machines and parts for machines used in commercial, coin-operated amusement and vending business if a use or occupation tax is paid on the gross receipts derived from the use of the commercial, coin-operated amusement and vending machines.

A business that purchases automatic vending machines for the purpose of leasing may claim the exemption so long as the owner, operator, or user of the machine incurs a use or occupation tax liability. Please refer to 86 Ill. Adm. Code 130.332(c)(1). Please note, however, that sales of bulk vending machines are subject to tax because an occupation or use tax will not be incurred in their operation. See 86 Ill. Adm. Code 130.332(c)(2).

If a purchase qualifies for the exemption, the purchaser must give a certification as described in Section 130.332(e). The ST-587 form may be used to document such exempt purchases.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://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  
Enc.