

**Illinois Department of Revenue
Regulations**

Title 86 Part 130 Section 130.2040 Retailers of Clothing

**TITLE 86: REVENUE
PART 130
RETAILERS' OCCUPATION TAX**

Section 130.2040 Retailers of Clothing

a) When Liable For Tax

Persons who engage in the business of selling clothing to purchasers for use or consumption and not for resale incur Retailers' Occupation Tax liability when making such sales whether such clothing is sold as a stock or standard item or whether it is produced on special order for the purchaser. Suits, hats and other forms of clothing, when made on special order, serve substantially the same function as stock or standard clothing items that are sold at retail.

b) Production Labor Cost Not Deductible

In computing Retailers' Occupation Tax liability on the retail sale of custom-made clothing, no deduction may be taken for the cost of labor involved in producing the finished item for sale. This is true whether such production labor is included in a lump sum price with the tangible personal property or whether such production labor is priced separately from the tangible personal property. The thing that is being sold is the finished item of clothing, and the cost of labor involved in making such item is no more deductible than is the cost of labor that is involved in producing a stock or standard item for sale.

(Source: Amended at 15 Ill. Reg. 6621, effective April 17, 1991)