

Purchases of packaging materials may be purchased tax free for resale as long as they are transferred along with the products contained in them to customers. See 86 Ill. Adm. Code 130.2070(b). (This is a GIL.)

July 7, 2009

Dear Xxxxx:

This letter is in response to your undated letter, 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](http://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:

Would you kindly give an opinion on the taxability of the following items?

We have a factory in Illinois that manufactures medical supply items. These items are individually labeled with barcodes for lot tracking and end user needs.

1/ Do the printers, and associated repair parts, that are dedicated to printing the labels that are part of the final product qualify for the manufacturing machinery sales tax exemption?

2/ Do the printer ribbons that are consumed as they provide the transfer ink for the labels qualify for the manufacturing supply sales tax exemption?

If you need any further information please feel free to e-mail me your questions.

**DEPARTMENT'S RESPONSE:**

We regret that we cannot provide you with specific answers in the context of a General Information Letter. We hope, though, you find the following information helpful.

The manufacturing machinery and equipment exemption does not include printing. See the Department's regulation at 86 Ill. Adm. Code 130.330(b)(5) which can be found on the Department's website. For your information, however, we refer you to 86 Ill. Adm. Code 130.325, which is the Department's regulation for the Graphic Arts Machinery and Equipment exemption. The Graphic Arts Machinery and Equipment exemption extends to machinery and equipment, including repair and replacement parts, both new and used and including that manufactured on special order to be used primarily (over 50% of the time) in graphic arts production. The exemption extends to purchases by lessors who will lease the property for use primarily in graphic arts production. This exemption, is scheduled to sunset on July 29, 2009. However, Senate Bill 1691, as amended, has passed both house of the Illinois legislature and will be sent to the Governor and, if signed into law, will extend this exemption through August 30, 2014. Therefore, you may want to monitor this bill.

Section 130.325(b)(1)(C) provides that "[t]he exemption applies to machinery and equipment used in graphic arts production processes, as those processes are described in the NAICS. While the NAICS sub sectors referenced in subsection (b)(1)(A) describe types of graphic arts establishments that typically engage in graphic arts production, the exemption is not limited to qualifying machinery and equipment used by the establishments described in the NAICS, but rather, to qualifying machinery and equipment used in the printing processes described in the NAICS (for example, lithography, gravure, flexography, screen printing, quick printing, digital printing and trade services such as prepress and binding and finishing services)."

Moreover, purchases of packaging materials may be purchased tax free for resale as long as they are transferred along with the products contained in them to customers. See 86 Ill. Adm. Code 130.2070(b). Such purchasers must provide their suppliers with Certificates of Resale to document the exemption. The requirements for a valid Certificate of Resale are set forth at 86 Ill. Adm. Code 130.1405(b). Please note, however, that containers will not qualify for the exemption if, after delivery, the seller of the tangible personal property contained in them retained and reused them or discarded them.

In regards to the printer ribbons, to the extent that the printer ribbons print onto items that become packaging that is transferred to the customer, such printer ribbons may generally be purchased for resale. See 86 Ill. Adm. Code 130.2070(b).

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

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