



# Publication 104

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## *Common Sales Tax and E911 Surcharge Exemptions*

The information in this publication is current as of the date of the publication. Please visit our website at [tax.illinois.gov](http://tax.illinois.gov) to verify you have the most current revision.

This publication is written in the plain English style so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes and the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions. Visit our website at [tax.illinois.gov](http://tax.illinois.gov) to view the statutes and rules regarding the various topics covered in this publication for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Code.

### ***About this publication***

The focus of this publication is to explain the procedures that you as a retailer must follow in documenting several of the most common sales tax exemptions.

- Identify several of the most common exemptions
- Explain how retailers and servicepersons must document tax-exempt sales
- Provide additional information about each exemption

### ***General Information***

Retailers and servicepersons are required to pay Illinois Sales Tax (Retailers' Occupation Tax and Service Occupation Tax) on certain sales of tangible personal property. In meeting their sales tax obligations, retailers and servicepersons are permitted to reimburse themselves by collecting the tax from their customers. Retailers who sell prepaid wireless services are also required to collect and remit the Prepaid Wireless E911 Surcharge.

Customers who make tax-exempt purchases must provide retailers with proper documentation. In some cases, retailers are required to submit this documentation with their tax returns; see the instructions for each return for further information. Retailers who cannot properly document a tax-exempt sale will be liable for paying sales tax, and if applicable, the E911 Surcharge on the transaction.

### ***Taxpayer Bill of Rights***

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to department notices by asking questions, paying the amount due, or providing proof to refute the department's findings.

You have the right to appeal department decisions, in many instances, within specified time periods, by asking for department review or by taking the issue to court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other department procedures, you may write us at the following address:

Problems Resolution Office  
Illinois Department of Revenue  
PO Box 19014  
Springfield, IL 62794-9014

**Get forms and other information faster and easier at [tax.illinois.gov](http://tax.illinois.gov)**

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## ***Sales for resale***

The sale for resale exemption applies to sales made to businesses that purchase items tax free to resell. The tax, and if applicable, surcharge are collected and paid when the items and prepaid wireless services are sold at retail.

To document the exemption, you must keep in your books and records a certificate of resale containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased for resale,
- a statement from the purchaser that the items are being purchased for resale,
- the purchaser's signature and the date of signing, and
- one of the following:
  - the purchaser's active account ID or resale number issued by the department,
  - a statement that the purchaser is an out-of-state purchaser who will always sell (and deliver) to his or her customers outside Illinois.

Purchasers may either document their tax-exempt purchases by completing Form CRT-61, Certificate of Resale, or by making their own certificate. A copy of the certificate must be provided to the retailer. Certificates of Resale should be updated at least every three years.

## ***Interstate commerce***

The interstate commerce exemption applies to sales made from Illinois businesses that are delivered outside Illinois and are not returned to Illinois for use.

To document the exemption, you must keep in your books and records one of the following:

- a waybill or bill of lading in the name of the seller and showing the delivery address outside Illinois if the item is shipped by common carrier,
- a receipt from the U.S. Postal Service showing the name of the addressee, the delivery address outside Illinois, and the date the item was mailed if the item is sent by mail, or
- a trip sheet containing the name, address, and signature of the out-of-state purchaser and the signature of the person making the delivery if you will use your own transportation equipment.

This exemption does not apply to sales to out-of-state buyers in which the buyer takes physical possession of the item in Illinois.

## ***Manufacturing machinery and equipment***

The manufacturing machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in manufacturing or assembling items for wholesale or retail sale or lease.

To document the exemption, you must keep in your books and records one of the following:

- the purchaser's active account ID or resale number issued by the department

- an exemption certificate containing
  - the seller's name and address,
  - the purchaser's name and address,
  - an identification or description of the items purchased,
  - a statement from the purchaser that the items are being used primarily in manufacturing or assembling items for wholesale or retail sale or lease, and
  - the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587, Machinery and Equipment Exemption Certificate, or by making their own certificate. A copy of the certificate must be provided to the retailer.

## ***Farm machinery and equipment***

The farm machinery and equipment exemption applies to purchases of farm machinery and equipment used or leased for use primarily (more than 50 percent of the time) in production agriculture or for use in state or federal agricultural programs. The exemption also applies to repair and replacement parts for qualifying machinery and equipment. Excluded from this exemption are motor vehicles required to be registered under the Illinois Motor Vehicle Code.

To document the exemption, you must keep in your books and records an exemption certificate containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items are being used primarily in production agriculture or in a state or federal agricultural program, and
- the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587 or by making their own certificate. A copy of the certificate must be provided to the retailer.

## ***Graphic arts machinery and equipment***

The graphic arts machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in graphic arts production.

To document the exemption, you must keep in your books and records an exemption certificate containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items are being used primarily in graphic arts production, and
- the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587 or by making their own certificate. A copy of the certificate must be provided to the retailer.

## Sales to enterprise zones

### Building materials

The enterprise zone exemption applies to the sale of building materials that will be incorporated into real estate located within an enterprise zone.

There is no requirement that the building materials be purchased from a retailer located within the enterprise zone.

To document the exemption, you must keep in your books and records the following:

- a copy of the Certificate of Eligibility issued by the Zone Administrator of the enterprise zone that contains
  - a statement that the building project identified in the certificate meets all of the requirements of the enterprise zone ordinance in which the building project is located,
  - location or street address of the building project, and
  - signature of enterprise zone administrator in which the project is located; and
- certification from the purchaser that contains the following:
  - a statement that the building materials are being incorporated into real estate located in an Illinois enterprise zone,
  - location or address of the real estate,
  - enterprise zone name,
  - description of building materials being purchased, and
  - purchaser's signature and date of purchase.

### Items other than building materials

The enterprise zone exemption also applies to the sale of tangible personal property (TPP) other than building materials, to a business certified by the Department of Commerce and Economic Opportunity (DCEO).

Items that may qualify include

- TPP used or consumed in the operation of pollution control facilities,
- TPP used or consumed within an enterprise zone in the process of manufacturing or assembly of TPP for wholesale or retail sale or lease, including repair and replacement parts,
- TPP used or consumed within an enterprise zone in the process of graphic arts production if used or consumed at a certified facility, including repair and replacement parts,
- machinery and equipment used in the operation of a high impact service facility within the enterprise zone,
- jet fuel used in the operation of high impact service facilities,
- machinery and equipment used in the operation of an aircraft maintenance facility located within an enterprise zone,
- TPP used or consumed within an enterprise zone by any aircraft maintenance facility directly in the process of maintaining, rebuilding, or repairing aircraft, including repair and replacement parts, and
- jet fuel and petroleum products used or consumed by any aircraft support center directly in the process of maintaining and rebuilding, or repairing aircraft.

To document the exemption, you must keep in your books and records the following:

- a copy of the current certificate of eligibility issued by DCEO and

- a written statement signed by the certified business that the items are being purchased for use or consumption at a location within an enterprise zone.

Once you have a current copy of the certificate of eligibility and statement of exemption on file, the certified business may claim the exemption on subsequent purchases from you. The business will need to indicate on the purchase order that the item or items are exempt by referencing the certificate of eligibility and statement of exemption. The exemption can only be claimed as long as the certificate of eligibility is current and made during the effective period of the certificate of eligibility specified by DCEO.

## Sales to high impact businesses

### Building materials

The high impact business exemption applies to the sale of building materials that will be incorporated into a high impact business (HIB) location and the business has received this designation from DCEO.

To document the exemption, you must keep in your books and records a written statement signed by the purchaser containing the following:

- certification that the building materials will be incorporated into a HIB location,
- a description of the building materials purchased, and
- the name of the HIB location where the building materials will be incorporated and, if applicable the street address.

### Items other than building materials

The high impact business exemption also applies to sale of tangible personal property (TPP) other than building materials, to a business certified by DCEO.

Items that may qualify include the process of

- manufacturing or assembly of TPP for wholesale or retail sale or lease, or
- graphic arts production if used or consumed at a certified facility, including repair and replacement parts.

To document the exemption, you must keep in your books and records the same documentation as required for the enterprise zone items other than building materials.

## Sales to river edge redevelopment zones

The river edge redevelopment zone exemption applies to qualifying sales of building materials that will be incorporated into real estate within a river edge redevelopment zone by remodeling, rehabilitating, or new construction.

A "qualifying sale" is a sale of building materials that will be incorporated into real estate as part of an industrial or commercial project and a Certificate of Eligibility for Sales Tax Exemption has been issued by the municipality where the project is located.

To document the exemption, you must obtain from the purchaser the Certificate of Eligibility for Sales Tax Exemption. The certificate must be obtained before the purchases are made and contain the following:

- a signed statement by the municipality's chief executive officer or his or her delegate that the project identified meets all their requirements and
- the location or address of the project.

Prior to the sale, you must also obtain a certificate from the purchaser containing the following:

- a statement that the materials will be incorporated into real estate located in a river edge redevelopment zone in accordance with the act,
- the location or address of the project,
- the name of the river edge redevelopment zone,
- a description of materials being purchased, and
- the purchaser's signature and date of purchase.

## ***Sales to exempt organizations***

In Illinois, only organizations that have applied for and received an exemption identification number ("E" number) from the Illinois Department of Revenue qualify as tax-exempt purchasers of tangible personal property and prepaid wireless services. Examples of organizations that may qualify for tax-exempt status include units of government, churches, charities, schools, county fair organizations, and certain senior citizen organizations. Once such organizations have been granted their "E" numbers, they may purchase items tax free to further their organizational purposes.

To document the exemption, you must request from the purchaser either

- a copy of the purchaser's exemption letter issued by the department or
- the purchaser's "E" number. (In this case, before completing the transaction, retailers should verify this number by calling the department at **217 782-8881**).

## ***Rolling stock***

Items (including repair and replacement parts) purchased by interstate carriers for hire to haul persons or commodities in interstate commerce qualify for the rolling stock exemption. Lessors may qualify for the exemption if items (including repair and replacement parts) purchased will be leased for one year or more.

To qualify for the exemption a **motor vehicle** (other than a limousine) must have a GVWR of more than 16,000 pounds. The GVWR is the weight identified by the manufacturer as the maximum loaded weight that the motor vehicle can carry safely.

A **motor vehicle, limousine, or trailer** must carry persons or property for hire in interstate commerce each consecutive 12-month period for more than 50 percent of the motor vehicle's total trips or miles.

**Aircraft, watercraft, and rail carrier items (and repair and replacement parts)** must be used by an interstate carrier for hire to carry persons or commodities in interstate commerce on a regular and frequent basis.

Trips or mileage of a motor vehicle or trailer for which persons or property are carried for hire just between points in Illinois may be used to qualify for the exemption if the journey of the passenger or shipment of the property either originates or terminates outside Illinois.

Any item that carries persons or property for hire but seldom or never leaves Illinois may qualify for the rolling stock exemption only when its trips or miles are a continuation of interstate commerce. For these trips or miles to count as a continuation of interstate commerce the person's journey or property's shipment must begin or end outside of Illinois.

It is not the type of item that determines whether or not it qualifies for use as rolling stock, but how the item is used by an interstate carrier for hire. Only those items specifically used as rolling stock will qualify for this exemption. For example, items do not qualify for use as rolling stock when they are used only

- to transport company officers, employees, customers or others not for hire (even if the persons cross state lines); or
- to transport property that a business owns or is selling and delivering to customers (even if the items cross state lines); or
- as support vehicles (other than those specifically used for "escort" service) when the vehicles do not haul persons or commodities for hire in interstate commerce.

Purchasers must provide documentation to the retailers that they are interstate carriers for hire.

- When required by law, the carrier must possess a valid certificate of authority number issued by the federal Interstate Commerce Commission (ICC).
- When not required by law to possess the certificate named above, the carrier must either
  - possess a valid certificate of authority number issued by the Illinois Commerce Commission for a qualifying vehicle or
  - possess a valid number issued by another federal regulatory agency, such as the Federal Aviation Administration.

To document the exemption, you must keep in your books and records

- the seller's name and address,
- the purchaser's name and address,
- the purchaser's certification number as previously described,
- an identification or description of the items purchased,
- a statement that the purchaser is purchasing the items for use as rolling stock in interstate commerce for hire, and
- the purchaser's signature and the date of signing.

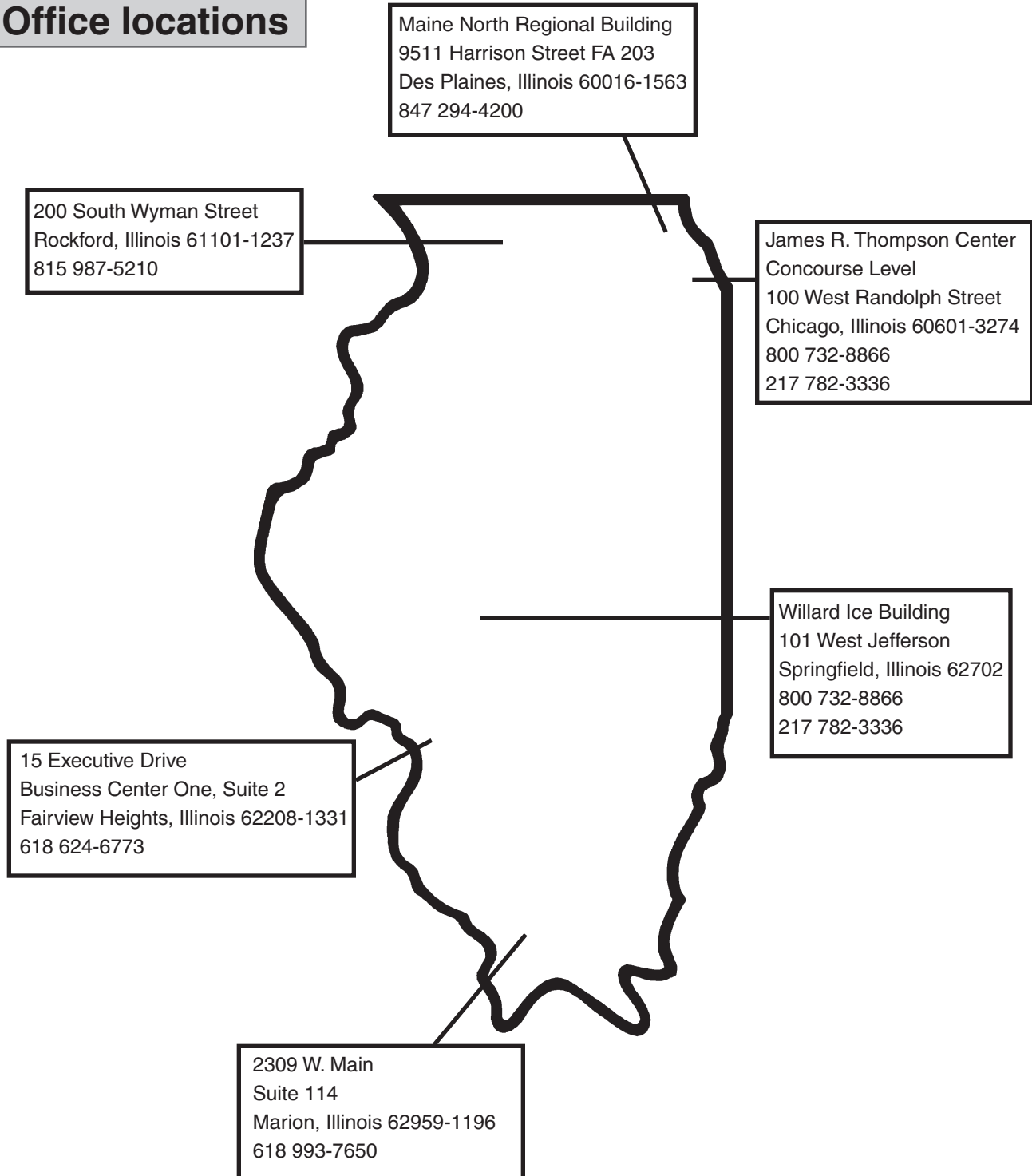
Purchasers of vehicles should document their tax-exempt purchases by completing Form RUT-7, Rolling Stock Affidavit, and providing a copy to their retailers. Purchasers also must identify which method will be used to document the exemption — trips or mileage. This choice must be documented on the required tax return. Once made, this election cannot be changed. If no choice is indicated, the purchaser will be deemed to have chosen the mileage method.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.340.

## ***Other exemptions***

The exemptions discussed above do not represent a comprehensive list of Illinois Sales Tax exemptions. If you have questions about any exemption, visit our website at [tax.illinois.gov](http://tax.illinois.gov).

## Office locations



### For information or forms

Visit our website at [tax.illinois.gov](http://tax.illinois.gov).

Call us at **1 800 732-8866** or **217 782-3336**.

Call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Call our 24-hour Forms Order Line at **1 800 356-6302**.