

Mold release agents generally do not qualify for the manufacturing machinery and equipment exemption. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

March 31, 2010

Dear Xxxxx:

This letter is in response to your letter dated October 16, 2009, 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:

We are requesting a letter ruling on the following issue.

COMPANY is a manufacturer of automotive springs. As part of our process, we purchase diecasting lubricant. The lubricant goes into our production molds before the raw materials are baked in the oven. The lubricants serve two purposes: 1. They provide a coating that is necessary to facilitate the separation of the product and mold. If we did not use this, the springs would stick to the mold rendering both useless. 2. The lubricant coats the spring helping to facilitate to [sic] baking process.

Question: Is the lubricant exempt or taxable? The agent we spoke with at the IL DOR, could not give us a conclusive answer and suggested that we write in for a letter ruling. Our understanding is that most chemicals and lubricants for machinery is taxable. However, if they come into contact with the product to help facilitate a change, they are exempt. We are unsure under what category. This [sic] fall under.

Please issue any response to our tax office:

**DEPARTMENT’S RESPONSE:**

Under the Retailers’ Occupation Tax Act and Use Tax Act, machinery and equipment that will be used by the purchaser primarily in the process of manufacturing or assembling tangible personal

property for wholesale or retail sale or lease is exempt from tax. See the Department's regulation at 86 Ill. Adm. Code 130.330, which can be found on the Department's website.

The manufacturing process is the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining that changes some existing material or materials into a material with a different form, use, or name. These changes must result from the process in question and be substantial and significant. See Section 130.330(b)(2). A certificate of exemption must be presented to the seller for each transaction where exempt machinery or equipment is purchased. See Section 130.330(g).

Consumable materials, in general, do not qualify for the manufacturing machinery and equipment exemption. See Section 130.330(c)(3). These items, such as maintenance oils, grease, adhesives, cleaning solutions or compounds, and antifreeze, are considered consumable items and would be subject to Retailers' Occupation Tax and Use Tax. For example, flux used in a welding process is generally considered to be a consumable manufacturing supply and is fully taxable. Note, though, to the extent that an item, such as solder or welding wire, physically becomes a part of the product being manufactured for sale, it can be purchased for resale.

Similarly, tangible personal property that will become a component part of a product that is subsequently sold generally will qualify for the resale exemption. See 86 Ill. Adm. Code 130.210. Persons selling tangible personal property for resale should obtain a Certificate of Resale from purchasers of this tangible personal property. The requirements for Certificates of Resale are explained in Section 130.1405. Tangible personal property that will be used to manufacture products, but will not be incorporated into the product to be resold is taxable. Tangible personal property that will be used in both capacities, may be sold partly taxable and partly tax-free if the customer gives vendors certificates of resale specifying what percentage can be bought tax-free and what percentage is taxable.

Please note that this question has been asked before in the context of the Manufacturing Machinery and Equipment exemption. See 86 Ill. Adm. Code 130.330. The Department generally considers mold parting substances fully taxable as supply items. See General Information Letter, ST 07-0135-GIL. Normally, these substances do not become a part of the item being manufactured. In many instances, the mold release that is transferred to the part is subsequently washed off or otherwise removed and does not become a part of the item being manufactured.

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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