

ST 24-0008-GIL 02/29/2024 EXEMPT ORGANIZATIONS

This letter discusses sales to exempt organizations. See 86 Ill. Adm. Code 130.2007; 86 Ill. Adm. Code 130.2081. (This is a GIL.)

February 29, 2024

NAME
ADDRESS

Dear Xxxxx:

This letter is in response to your letter dated December 5, 2023, in which you requested 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 <https://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:

To Whom it may concern,
I was referred to you from an IDOR employee, over the phone.
What I am asking is:
Can a pastor use his church’s tax exempt number to purchase furniture for his home?
He lives in the church’s parsonage.
Please send me your reply Legally Binding Letter format.

DEPARTMENT’S RESPONSE:

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. In Illinois, a Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as “sales tax” in Illinois.

Sales to exempt organizations that qualify as exclusively religious, charitable, or educational are subject to tax unless the exempt organization has obtained an active exemption identification number (E-number) from the Department. See 86 Ill. Adm. Code 130.120(h); 86 Ill. Adm. Code

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130.2007. Persons or businesses selling tangible personal property to these organizations or governmental entities must be provided with an E-number for the sales to be tax exempt.

Only sales to exempt organizations holding the E-number are exempt, not sales to individual members of the organization. The type of item purchased by the exempt organization is not determinative of its tax-exempt status. Whether the item is used in furtherance of the organizational purpose of the exempt entity determines whether the item can be purchased tax-free. See 86 Ill. Adm. Code 130.2081. For a purchase by an exempt entity to be tax exempt, an exempt entity must pay for its purchase. One method of payment authorized in 86 Ill. Adm. Code 130.2081, is by use of a credit card that is directly billed to an exempt entity and is either in an exempt entity's name only or in an exempt entity's name and the name of a person authorized to use it. Note 86 Ill. Adm. Code 130.2081(b)(5)(A) provides the following example:

EXAMPLE 1: A minister of a church with an E-number purchases some furniture for the parsonage. The minister gives the furniture retailer a copy of the letter from the Department that contains the church's E-number and pays for the furniture by a credit card issued in the church's name. The retailer notes the method of payment on the bill of sale. This purchase is tax exempt because the minister gave the retailer a copy of the Department's letter, which the retailer retained in its books and records. The purchase was in furtherance of the church's organizational purpose and was paid for by a credit card in the church's name.

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

Very truly yours,

Thomas Grudichak
Associate Counsel

TG:rkn