

A medical appliance is an item that directly substitutes for a malfunctioning part of the human body. Products that qualify as medical appliances are taxed at a lower State tax rate of 1% plus any applicable local taxes. 35 ILCS 120/2-10; 35 ILCS 120/14; 86 Ill. Adm. Code 130.311. (This is a GIL).

March 13, 2025

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated February 14, 2025, 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:

Please accept this memorandum as a request of a Private Letter Ruling regarding the application of Illinois sales and use tax to the below described fact pattern.

Background:

Our firm represents a Company located outside of your state who sells medical devices to Illinois customers. We are requesting a Sales Tax Ruling on the taxability of its pneumatic compression systems that are sold to patients located in Illinois; specifically, whether these devices qualify for the reduced rate for medical devices. Please consider the enclosed information when you determine your ruling on the taxability of these products.

The Company's pneumatic compression devices (PCDs) are used to manage and treat both lymphedema and chronic venous insufficiency by reducing swelling and promoting lymph fluid movement. The devices consist of a sleeve or garment that fits over the affected limb and is connected to a pump. The pump inflates and deflates the chambers within the wearable component in a sequential manner, applying pressure to the limb to help move lymph fluid towards healthy lymph nodes. Studies have demonstrated the clinical benefits of enhancing lymphedema treatment with PCD treatment to reduce limb volume and increase quality of life.

These devices are sold upon prescription by a registered physician to the individual patient. They are medically necessary as a treatment plan for patients suffering from these conditions.

We have reviewed applicable Illinois tax code and previously issued General Information Letters. It is our belief that these devices would qualify as a medical appliance eligible for the reduced rate as described by the Ill. Admin. Code 130.311(e). As defined, a medical appliance is an item that is used to directly substitute for a malfunctioning part of the human body. Lymphedema is a condition resulting from a blockage in the lymphatic system, which is responsible for draining excess fluid and proteins from tissues and returning them to the bloodstream. In those suffering from lymphedema, the lymphatic system is malfunctioning. The use of PCDs substitutes the purpose of the damaged lymph nodes by promoting circulation in the body.

The use of these devices can be correlated to sleep apnea devices. One would not use the device without a diagnosed medical condition and prescription from a licensed doctor. There is a wearable component connected to a base that controls the delivery of the medical treatment. Sleep apnea devices are expressly defined within the code to qualify for the reduced rate of tax. Because of the similarities, we also believe the PCDs would be eligible for the reduced sales tax rate.

There have been previously issued rulings that opine on similar devices: Illinois Dept. of Rev. General Information Letter ST 96-0445-GIL and Illinois Dept. of Rev. General Information Letter ST 96-0060-GIL. The tax treatment expressed in these letters determined that the sequential intermittent compression systems did not qualify for the low rate of tax. Both opinions were issued in 1996 before the addition of 'sleep apnea devices' as an example of medical appliances qualifying for the low rate in Ill. Admin. Code 130.311. Given the passage of time and changes in regulations or interpretations, we are requesting an updated opinion on this matter.

Issue:

Do the Company's sales of PCDs qualify for the state's medical device reduced rate?

We appreciate your attention to this request. If you could respond to us at your earliest convenience as to the taxability of our client's products. If you have any questions regarding this matter, please contact the undersigned at PHONE or at EMAIL.

DEPARTMENT'S RESPONSE:

The Department's regulation "Public Information, Rulemaking and Organization" provides that "[w]hether to issue a private letter ruling in response to a letter ruling request is within the discretion of the Department. The Department will respond to all requests for private letter rulings either by issuance of a ruling or by a letter explaining that the request for ruling will not be honored." 2 Ill. Adm. Code 1200.110(a)(4). The Department has reviewed your request and has decided to issue a general information letter. Please note that the Department cannot give a definitive ruling to your specific questions in the context of a General Information Letter.

Medical appliances are subject to 1% tax under the Retailers' Occupation Tax Act. 35 ILCS 120/2-10. Tangible personal property that does not qualify for the low rate of tax is taxed at the rate of 6.25% of the gross receipts from sales. 35 ILCS 120/2-10. This tax is in addition to any applicable local taxes. 35 ILCS 120/14. Section 130.311 pertaining to Drugs, Medicines, Medical Appliances and Grooming and Hygiene Products provides as follows:

- e) Medical Appliances: A medical appliance is an item that is used to directly substitute for a malfunctioning part of the human body.
 - 1) For purposes of this Section, an item that becomes part of the human body by substituting for any part of the body that is lost or diminished because of congenital defects, trauma, infection, tumors, or disease is considered a medical appliance. Examples of medical appliances that will qualify the product for the low rate of tax include, but are not limited to:
 - A) breast implants that restore breasts after removal

- due to cancer or for preventative, medical reasons;
- B) heart pacemakers;
- C) artificial limbs;
- D) dental prosthetics;
- E) crutches and orthopedic braces;
- F) dialysis machines (including the dialyzer);
- G) wheelchairs;
- H) mastectomy forms and bras;
- I) mobility scooters; and
- J) sleep apnea devices.

86 Ill. Adm. Code 130.311(e)(1).

Please note that “other medical tools, devices, and equipment such as x-ray machines, laboratory equipment, and surgical instruments that may be used in the treatment of patients but that do not directly substitute for a malfunctioning part of the human body do not qualify as medical appliances.” 86 Ill. Adm. Code 130.311(e)(5). The Department has specifically stated in ST-96-0445-GIL that “[s]equential intermittent compression systems such as those used for the prevention of blood clots or to treat lymphedema generally do not qualify for the low rate of tax.”

Likewise, in ST-96-0060-GIL, the Department stated that “generally speaking, components of a sequential intermittent compression system . . . do not qualify for the low rate of tax.” In your letter you state that “[s]leep apnea devices are expressly defined within the code to qualify for the reduced rate of tax. Because of the similarities, we also believe the PCDs would be eligible for the reduced sales tax rate.” However, without reviewing the specific item at issue along with an explanation of similarities between that item and sleep apnea devices, we cannot provide you guidance concerning the whether the item qualifies as a medical appliance.

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 800-732-8866.

Very truly yours,

Katarzyna Kowalska
Associate Counsel

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