

ST 25-0017-GIL 03/18/2025 GRAPHIC ARTS

Special order printed material that would not be considered stock or standard items and would not be sold to someone other than the purchaser for substantially the same price would not be subject to the Retailers' Occupation Tax when sold, but would be subject to the Service Occupation Tax. See 86 Ill. Adm. Code 130.2000. (This is a GIL).

March 18, 2025

NAME
COMPANY
ADDRESS

Dear NAME:

This letter is in response to your letter dated February 12, 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:

Hello -We are new submitters of tax in Illinois. This is a request for a Private Letter Ruling (PLR) or just clarification on one of our product lines. We have contracted with COMPANY1 to calculate and submit tax on our behalf. In setting everything up with COMPANY1, they said that "Printed" items are not subject to tax in Illinois.

It looks like part of our product lines fall under 130.2000 as we print items such as signage (typically on cardstock paper and such), used in a retail establishment, that advertise sales e.g. "these items 50% off":

c) Persons Engaged in the Graphic Arts - When Not Liable For Tax

- 1) A photostater who is employed to reproduce material for a customer by the photostating process, or a printer who is employed to print material for a customer in accordance with copy supplied to the printer by the customer or otherwise in accordance with the customer's specifications and special order, or a person who otherwise engages primarily in the transaction in furnishing graphic arts' services is not engaged in such transaction in the business of selling tangible personal property within the meaning of the Act, if the item so produced does not serve substantially the same function as stock or standard items of tangible personal property that are sold at retail, but is engaged in such transaction primarily in a service occupation. For example, a printer that is hired by a customer to print personalized wedding invitations or greeting cards is engaged in the transaction as a serviceman.

When we reached out via email we were told "Actually it depends on the print items. If you want you can request a personal letter ruling from the Department. That would actually let you know if what you are printing and shipping would be taxable."

So, could you please let us know if these items are taxable or not?

DEPARTMENT'S RESPONSE:

Retailers' Occupation Tax and Use Tax

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 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. In Illinois, 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 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois.

Service Occupation Tax

Retailers' Occupation Tax and Use Tax do not apply to sales of service. Under the Service Occupation Tax Act, businesses providing services (*i.e.*, servicemen) are taxed on tangible personal property transferred as an incident to sales of service. 86 Ill. Adm. Code 140.101. The transfer of tangible personal property to service customers may result in either

Service Occupation Tax liability or Use Tax liability for servicemen, depending upon which tax base they choose to calculate their liability.

Servicemen may calculate their tax base in one of four ways: (1) separately stated selling price; (2) 50% of the entire bill; (3) Service Occupation Tax on cost price if they are registered de minimis servicemen; or (4) Use Tax on cost price if the servicemen are de minimis and are not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act.

Using the first method, servicemen may separately state the selling price of each item transferred as a result of sales of service. The tax is based on the separately stated selling price of the tangible personal property transferred. If servicemen do not wish to separately state the selling price of the tangible personal property transferred, those servicemen must use the second method where they will use 50% of the entire bill to their service customers as the tax base. Both of the above methods provide that in no event may the tax base be less than the cost price of the tangible personal property transferred. Under these methods, servicemen are required to provide their suppliers with Certificates of Resale when purchasing the tangible personal property to be transferred as a part of sales of service. They are required to collect the corresponding Service Use Tax from their customers.

The third way servicemen may account for their tax liability only applies to de minimis servicemen who have either chosen to be registered or are required to be registered because they incur Retailers' Occupation Tax liability with respect to a portion of their business. Servicemen may qualify as de minimis if they determine that their annual aggregate cost price of tangible personal property transferred incident to sales of service is less than 35% of their annual gross receipts from service transactions (75% in the case of pharmacists and persons engaged in graphic arts production). See 86 Ill. Adm. Code 140.101(f). This class of registered de minimis servicemen is authorized to pay Service Occupation Tax (which includes local taxes) based upon the cost price of tangible personal property transferred incident to sales of service. Servicemen that incur Service Occupation Tax collect the Service Use Tax from their customers. They remit tax to the Department by filing returns and do not pay tax to their suppliers. They provide suppliers with Certificates of Resale for the tangible personal property transferred to service customers.

The final method of determining tax liability may be used by de minimis servicemen that are not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act. Servicemen may qualify as de minimis if they determine that the annual aggregate cost price of tangible personal property transferred as an incident of sales of service is less than 35% of the servicemen's annual gross receipts from service transactions (75% in the case of pharmacists and persons engaged in graphic arts production). Such de minimis servicemen handle their tax liability by paying Use Tax to their suppliers. If their

suppliers are not registered to collect and remit tax, the servicemen must register, self-assess, and remit Use Tax to the Department. The servicemen are considered to be the end-users of the tangible personal property transferred incident to service. Consequently, they are not authorized to collect a “tax” from the service customers. See 86 Ill. Adm. Code 140.108.

Graphic Arts

As a general rule, when products are items of general utility and serve substantially the same function as stock or standard items, the products will be subject to the Retailers’ Occupation Tax when sold. Items which “serve substantially the same function” are those which, when produced on special order, could be sold substantially as produced to someone other than the original purchaser at substantially the same price. A printed item that is personalized is always considered to be printed on special order. 86 Ill. Adm. Code 130.2000(b)(2).

Items that would not be considered stock or standard items and would not be sold to someone other than the purchaser for substantially the same price would not be subject to the Retailers’ Occupation Tax when sold. Special order or custom print items are generally not considered stock or standard items and are generally not sold to someone other than the purchaser for substantially the same price. Therefore, special order or custom print items are generally subject to the Service Occupation Tax. 86 Ill. Adm. Code 130.1995(b).

Sellers of personalized tangible personal property incur retailers’ occupation tax liability on items such as, “[t]hermometers, pencils, pens, mirrors, silverware, notebooks, diaries, . . . notwithstanding the fact that such items are personalized for the purchaser by the seller by printing, engraving or some other process by means of which the purchaser’s name, monogram, trade-mark or special advertising matter is placed upon the article for the purchaser by the seller.” 86 Ill. Adm. Code 1995(a)(1). However, “[s]ellers of personalized business calling cards, greeting cards, letterheads, envelopes, labels, name plates, badges, medallions and the like do not incur Retailers’ Occupation Tax liability on their receipts from such sales because they are primarily engaged in a service occupation in producing or procuring such items, which have no commercial value for their customers.” 86 Ill. Adm. Code 130.1995(b). Such sellers would then be subject to service occupation tax liability as described above.

As such, it would depend on the items being printed whether a business would be subject to retailers’ occupation tax liability or service occupation tax liability.

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.

COMPANY/NAME

Page 5

March 18, 2025

Very truly yours,

Kimberly Rossini
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KAR:slc