

Manufacturing and Assembling Machinery and Equipment Exemption Chapter Index

Purpose

This chapter is meant to introduce the auditor to the manufacturing and assembling machinery and equipment exemption.

Disclaimer

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Citations to statutes, regulations, or case law are included to assist the auditors in locating the relevant legal authority as a basis for conducting audits. The manual may be amended at any time without notice by the Department. Nothing in this manual shall contradict the official text of statutes, administrative rules, or case law. In case of any unintended inconsistency, the official text of statutes, administrative rules, and case law controls and must be followed. The Department’s Director, General Counsel, and Legal Services Bureau do not sanction any deviation by the Department staff from the official text of statutes, administrative rules, or case law in the performance of job functions.

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This exemption from tax applies to machinery and equipment used primarily in the process of manufacturing or assembling tangible personal property for wholesale, retail sale, or lease, whether the sale or lease is made directly by the manufacturer or by some other person. Beginning July 1, 2017, the manufacturing and assembly machinery and equipment exemption was expanded to include machinery and equipment used primarily in graphic arts production. Beginning July 1, 2019, the manufacturing and assembly machinery and equipment exemption was again expanded to include purchases of production related tangible personal property.¹

¹ 35 ILCS 2-5(14); 35 ILCS 105/3-5(18); 35 ILCS 115/2(e); 35 ILCS 110/2(5).

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All items considered machinery and equipment under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Occupation Tax Act, and the Service Use Tax Act must be used primarily (over 50%) in manufacturing or assembling.¹ Therefore, qualifying machinery used primarily in an exempt process and partially in a nonexempt manner would qualify for exemption. However, the purchaser must be able to establish through adequate records that the machinery and equipment is used over 50% of the time in an exempt manner in order to claim the exemption. 86 Ill. Adm. Code 130.330(a)(3); 140.125(o).

When an item of machinery and equipment, that has been used primarily in manufacturing or assembling for less than one-half of its useful life, is converted to primarily nonexempt uses, the item becomes subject to tax at the time of the conversion, allowing for reasonable depreciation on the item of machinery and equipment. 86 Ill. Adm. Code 130.330(a)(4).

The manufacturing and assembly machinery and equipment exemption includes machinery and equipment that replaces machinery and equipment in an existing manufacturing facility, as well as machinery and equipment for use in an expanded or new manufacturing facility. 35 ILCS 120/2-45. The exemption has expanded over time and currently includes not only conventional machinery and equipment used or consumed in a manufacturing or assembling process in a manufacturing facility but also chemicals, computer software, machinery and equipment used primarily in graphic arts production, and production related tangible personal property. Unless otherwise provided, all the types of tangible personal property that qualify for the exemption will be referred to as "machinery and equipment". 86 Ill. Adm. Code 130.330(a).

The exemption does not include machinery and equipment used in the:

- generation of electricity for wholesale or retail sale;
- generation or treatment of natural or artificial gas for wholesale or retail sale that is delivered to customers through pipes, pipelines or mains; or
- treatment of water for wholesale or retail sale that is delivered to customers through pipes, pipelines or mains. 35 ILCS 120/2-45.

The fact that particular machinery or equipment may be considered essential to the conduct of the business of manufacturing or assembling because its use is required by law or practical necessity does not mean the machinery or equipment is used primarily in manufacturing or assembling. 86 Ill. Adm. Code 130.330(a)(5).

¹ 35 ILCS 2-5(14); 35 ILCS 105/3-5(18); 35 ILCS 115/2(e); 35 ILCS 110/2(5).

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15.3.1 “CONVENTIONAL” MACHINERY

“Conventional’ machinery” is the term used to describe the machinery and equipment that qualify for the exemption as it was originally enacted and applies to machinery and equipment that will be used by the purchaser, or a lessee of the purchaser, primarily in the process of manufacturing or assembling tangible personal property for wholesale, retail sale or lease. The manufacturing and assembly machinery and equipment exemption also includes machinery and equipment that replaces machinery and equipment in an existing manufacturing facility as well as machinery and equipment for use in an expanded or new manufacturing facility. The machinery and equipment exemption also includes machinery and equipment used in the general maintenance or repair of exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment. 86 Ill. Adm. Code 130.330(c)(1).

Equipment includes an independent device or tool separate from any machinery but essential to an integrated manufacturing or assembly process, including computers used primarily in a manufacturer's computer assisted design, computer assisted manufacturing (CAD/CAM) system; any subunit or assembly comprising a component of any machinery or auxiliary, adjunct, or attachment parts of machinery, such as tools, dies, jigs, fixtures, patterns, and molds; and any parts that require periodic replacement in the course of normal operation. [86 Ill. Adm. Code 130.330\(c\)\(2\)](#).

Machinery and equipment used primarily in the following activities will generally be **considered exempt**:

- The use of machinery and equipment to effect a direct and immediate physical change upon the tangible personal property to be sold. 86 Ill. Adm. Code 130.330(c)(3)(A).
- The use of machinery and equipment to guide or measure a direct and immediate physical change upon the tangible personal property to be sold, provided this function is an integral and essential part of tuning, verifying or aligning the component parts of that property. 86 Ill. Adm. Code 130.330(c)(3)(B).
- The use of machinery and equipment to inspect, test or measure the tangible personal property to be sold, when the function is an integral part of the production flow. 86 Ill. Adm. Code 130.330(c)(3)(C).
- The use of machinery and equipment to convey, handle or transport the tangible personal property to be sold within production stations on the production line or directly between the production stations or buildings within the same plant. 86 Ill. Adm. Code 130.330(c)(3)(D).
- The use of machinery and equipment to place the tangible personal property to be sold into the container, package or wrapping in which this property is normally sold, when the machinery and equipment is used as a part of an integrated manufacturing process. 86 Ill. Adm. Code 130.330(c)(3)(E).

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- The production or processing of food, including the use of baking equipment such as ovens to bake bread or other bakery items, whether that baking is performed by a central bakery or a retail grocery store. 86 Ill. Adm. Code 130.330(c)(3)(F).
- The use of machinery and equipment such as buffers, builders or vulcanizing equipment to retread tires, whether or not the tire casing is provided by the purchaser. 86 Ill. Adm. Code 130.330(c)(3)(G).

Machinery or equipment used primarily in the following activities will generally **not be considered exempt**:

- To transport work in process, or semifinished goods, between plants (e.g., forklift). 86 Ill. Adm. Code 130.330(c)(4)(A).
- In managerial, sales, or other nonproduction, nonoperational activities (e.g., disposal of waste, scrap or residue, production scheduling, work routing, purchasing, receiving, accounting, fiscal management, general communications, plant security, sales, marketing, product exhibition and promotion, or personnel recruitment, selection or training). 86 Ill. Adm. Code 130.330(c)(4)(B).
- In the preparation of food and beverages by a retailer for retail sale (e.g., restaurants). 86 Ill. Adm. Code 130.330(c)(4)(C).
- Used in the last step of a retail sale (e.g., embroidery or monogramming machines used by retailers or sewing machines used to hem garments sold by a clothing store). [86 Ill. Adm. Code 130.330\(c\)\(4\)\(D\)](#).

15.3.2 By-Products

Per 86 Ill. Adm. Code 150.201(a), property purchased is deemed to be purchased for resale, despite first being used, to the extent which it is resold as an ingredient of an intentionally produced product or by-product of manufacturing. Purchases of items (including chemicals) which become ingredients of intentionally produced by-products of a manufacturing or refining process which are resold are not subject to Use Tax. This is true even though the items are subjected to a use before they are resold as a by-product. However, by-products which are used and not resold are subject to Use Tax.

Public Act 83-614 amended the Use Tax Act (35 ILCS 105/3-10) to change the basis for computing the Use Tax on by-products converted to use. The change, effective January 1, 1984, altered the basis to the lower of the fair market value of the by-products, if any, or the cost. The fair market value is defined as the price charged if the property would change hands between a willing buyer and a willing seller. This value shall be established by the sales price of similar by-products sold by the user. If sales were not made by the user, then similar sales made by someone else in Illinois would be used to determine a fair market value.

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Tax base determined from selling price will be established by multiplying the price of the raw material by the percentage of the material which is converted into waste or by-product and eventually used by the taxpayer.

Fair market value will be established by sales made by the taxpayer in Illinois of the property which the taxpayer is using or consuming. If the taxpayer makes no such sales, then fair market value will be established by other, comparable sales or purchases in Illinois (made either by the taxpayer or someone else) of property of like kind and character.

If the taxpayer is using a waste or by-product in Illinois which they manufactured, refined, or produced in Illinois, they must maintain documentary evidence showing the selling price (that is, their purchase price) of the raw material. If they wish to base their use tax liability on fair market value rather than selling price, they must maintain documentary evidence showing how they determined fair market value.

15.3.3 COMPUTER SOFTWARE

The exemption includes computer software used to operate exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease. [86 Ill. Adm. Code 130.330\(e\)](#); [35 ILCS 12/2-25](#).

15.3.4 CHEMICALS

The manufacturing and assembling machinery and equipment exemption includes chemicals or chemicals acting as catalysts but only if they effect a direct and immediate change upon a product being manufactured or assembled for wholesale, retail sale or lease.¹ Effective July 1, 2019, chemicals that do not make a direct and immediate change or act as a catalyst may qualify if they are production related. [86 Ill. Adm. Code 130.330\(d\)](#).

Chemicals which are purchased by manufacturing companies should be examined carefully. Chemicals added or included as ingredients in a manufacturing or refining process that become a part of the product or by-product produced for resale, are not subject to Use Tax when purchased. Instead, they would be considered purchases made for resale. The fact that a portion of these chemicals may not molecularly become a part of the final product is not material. If the chemical is purchased as a raw material, then the entire purchase is exempt. See 35 ILCS 120/2; ST-97-0006-PLR.

Normally chemicals used during a manufacturing process are classified as inventory by a manufacturing company. The purchase invoices will be coded as inventory and the transaction will be recorded in inventory accounts by the taxpayer. Chemical purchases should be carefully analyzed for potential Use Tax liability.

15.3.5 PHOTO PROCESSING

¹ 35 ILCS 2-45(4); 35 ILCS 105/3-50(4); 35 ILCS 115/2; 35 ILCS 110/2.

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Photoprocessing is a manufacturing process of tangible personal property for wholesale or retail sale.² Photoprocessing does not begin until after the film is exposed. The following list includes, but is not limited to, photoprocessing machinery and equipment that qualify for the manufacturing and assembly machinery and equipment exemption:

Developers	Dryers
Enlargers	Mounting machines
Roll film splicers	Film developing image makers
Disc film opening and spindling devices	Film indexers
Photographic paper exposure equipment	Photographic paper developing machines
Densitometers	Print inspection devices
Photo print/negative cut assembly stations	Film sleeve insertion machines
Negative image producers	Film coating equipment
Photo transparency mounters	Processor rack sanitizers
Photo print embossers	Photo print mounting presses
Graphic slide generators	Chemical mixing equipment
Paper exposure positioning and holding devices	

Cameras and equipment used to take pictures or expose film are not eligible as the photoprocessing begins after the film is exposed. Retail/net price calculation equipment and chemical reclamation equipment are not considered to be manufacturing machinery and equipment. [86 Ill. Adm. Code 130.330\(b\)\(9\)](#).

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in the business of selling tangible personal property at retail, including photographs, negatives, and positives that are the result of photoprocessing, but not including products of photo-processing produced for use in motion pictures for public commercial exhibition.

Photographers, film makers, and other servicemen, are subject to Retailers' Occupation Tax on the photoprocessing component of their total service charge when they sell products of photoprocessing. The tax on the photoprocessing component will apply regardless of whether the photographer performs the photoprocessing in-house or engages a third-party photo processor. For purposes of the Retailers' Occupation Tax imposed on photographs, negatives and positives, photoprocessing includes, but is not limited to, developing films, positives and negatives, transparencies, tinting, coloring, making and enlarging prints.

Photoprocessing does not include products of photoprocessing produced for use in motion pictures for public commercial exhibition, color separation, typesetting and platemaking by photographic means in the graphic arts industry and does not include any procedure, process or activity connected with the creation of the images on the film from which the negatives, positives or photographs are derived.

The sale of digital photography is not a sale of products of photoprocessing. Digital photography is the taking of pictures with a digital camera and storing and printing them on digital devices. The "digital

² 35 ILCS 120/2-45(1); 35 ILCS 105/3-50(1); 35 ILCS 115/2; 35 ILCS 110/2.

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film," which is made up of flash memory modules or recordable CDs (CD-Rs), can be transferred to a local computer for printing, or it can be uploaded to a website for viewing and printing.

The charge for in-house photo processing may not be less than the photo processor's cost price of materials. In transactions in which products of photo processing are sold in conjunction with other services, if a charge for the photo processing component is not separately stated, tax is imposed on 50% of the entire selling price unless the sale is made by a professional photographer, in which case tax shall be imposed on 10% of the entire selling price.

Examples of sales at retail would include such things as:

1. Photos sold directly to a customer by a drug store, convenience store or photo shop, which provided or arranged for photo processing of film or negatives;
2. Wedding photos or portraits taken by a professional photographer;
3. Photos sold by a free-lance photographer for use in a magazine, newspaper, book, etc.;
4. Baby or family photos sold through a department store;
5. School photos taken by a professional photographer.

If a sale is made to someone who intends to resell the photos, negatives or slides then this would be a sale for resale and no tax would be due on that transaction. Examples of sales for resale would include:

1. A photo processing lab that develops photos for a drug store to sell to customers,
2. A photo store that makes a print from a negative for a photographer who will resell it to a customer.

Photoprocessing machinery and equipment, including repair and replacement parts, both new and used, including that manufactured on special order, certified by the purchaser to be used primarily for photoprocessing, and including photoprocessing machinery and equipment purchased for lease are exempt from Retailers' Occupation Tax.

15.3.6 GRAPHIC ARTS PRODUCTION

"Graphic arts production" was added into the manufacturing and assembling machinery and equipment exemption beginning July 1, 2017. Prior to July 1, 2017, graphic arts production was not commonly regarded as manufacturing, and the machinery and equipment used in graphic arts production did not qualify for the manufacturing and assembly machinery and equipment exemption under the tax acts.³

Graphic arts production means the production of tangible personal property for wholesale or retail sale or lease by means of printing, including ink jet printing by one or more of the processes described in

- [Groups 323110 through 323122 of Subsector 323](#),
- [Groups 511110 through 511199 of Subsector 511](#), and
- [Group 512230 of Subsector 512](#)

³ 35 ILCS 120/2-45, 2-5(4), 2-5(14), 2-30; 35 ILCS 105/3-5(6), 3-5(18), 3-30, 3-50; 35 ILCS 115/2, 3-5(5), 3-30; 35 ILCS 110/2, 3-5(5), 3-30.

of the [North American Industry Classification System published by the U.S. Office of Management and Budget, 1997 edition](#). 35 ILCS 120/2-30.

Persons engaged primarily in the business of printing or publishing newspapers or magazines that qualify as newsprint and ink by one or more of the processes described in [Groups 511110 through 511199 of subsector 511](#) of the North American Industry Classification System published by the U.S. Office of Management and Budget, 1997 edition, are deemed to be engaged in graphic arts production. 35 ILCS 120/2-30; 86 Ill. Adm. Code 130.330(g).

Manufacturing includes printing by methods of engraving, letterpress, lithography, gravure, flexography, screen, quick and digital printing. It also includes the printing of manifold business forms, blankbooks, looseleaf binders, books, periodicals and newspapers, etc. [86 Ill. Adm. Code 130.330\(g\)\(2\)](#).

There may be instances in which some machinery and equipment do not qualify as conventional machinery and equipment but do qualify as graphic arts machinery and equipment, thus qualify for the manufacturing and assembly machinery and equipment exemption. **Refer to [86 Ill. Adm. Code 130.330\(g\)\(3\)](#) for illustrations of activities that will generally be considered graphic arts production.**

- EXAMPLE: A printer who prints bulletins as part of its sale of service to a church is engaged in graphic arts production.
- EXAMPLE: Printer A subcontracts with Printer B to print greeting cards that Printer A sells to retailers. Printer B is engaged in graphic arts production.
- EXAMPLE: An engineering firm is conducting a seminar for local businesses and contracts with a printer to print materials that are distributed to seminar participants. The printer is engaged in graphic arts production because they are printing tangible personal property for sale as part of their sale of service.
- EXAMPLE: Company A is in the business of printing the local weekly newspaper that qualifies as newsprint and ink. [See [86 Ill. Adm. Code 130.2105](#) for what qualifies as newsprint and ink]. Company A is engaged in graphic arts production.
- EXAMPLE: A retailer contracts with a printer to print holiday catalogs to be sold at retail. The printer is engaged in graphic arts production because they are printing tangible personal property for sale as part of their sale of service.
- EXAMPLE: Company A is in the business of binding books held in the personal collections of individuals and entities. A law firm contracts with Company A to rebind their collection of old law books. Company A is engaged in graphic arts production because it is engaged in an activity involving the binding, collating or finishing of the graphic arts product as part of their sale of service.

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- **EXAMPLE:** Company A is printing a “How-To Manual” to be sold at retail and contracts with a printer to have the manual bound. The printer is engaged in graphic arts production because the manual being bound is being printed to be sold and, the activity involves the binding, collating or finishing of the graphic arts product as part of its sale of service.

“Graphic arts production” does not include the transfer of images onto paper or other tangible personal property by means of photocopying or final printed products in electronic or audio form, including the production of software or audiobooks. 35 ILCS 120/2-30.

Machinery and equipment used primarily in the following activities will generally **not be considered exempt**:

- The use of machinery and equipment primarily to produce graphic arts items not for wholesale or retail sale or lease is not exempt (e.g., items produced for internal consumption or items produced and distributed without charge). 86 Ill. Adm. Code 130.330(g)(4)(A).
 - **EXAMPLE:** A law firm binds and collates its legal briefs and office manuals in-house. The law firm is not engaged in graphic arts production because the legal briefs and office manuals are not for sale.
 - **EXAMPLE:** A retailer prints their own sale fliers and distributes them to potential customers. The retailer is not engaged in graphic arts because it is not printing the fliers for sale.
 - **EXAMPLE:** A manufacturer that prints catalogs of their products and distributes them without charge to potential customers is not deemed to be engaged in graphic arts production because the catalogs they print are not for sale.
 - **EXAMPLE:** A manufacturer purchases graphic arts machinery and equipment to be used primarily for the production of office manuals and materials for internal use only. Occasionally, the manufacturer will print catalogs to be sold to promote its year-end inventory sale. The manufacturer is not engaged in graphic arts production because it does not use its equipment primarily (over 50%) in the production of tangible personal property for sale.
- The use of machinery and equipment (e.g., forklifts, roll clamps and roll grabbers) to convey raw materials to the press is not exempt. 86 Ill. Adm. Code 130.330(g)(4)(B).
- The use of machinery and equipment to convey materials to final storage or shipping areas is not exempt. That equipment includes, forklifts used primarily to place the packaged printed product into final storage or shipping areas. 86 Ill. Adm. Code 130.330(g)(4)(C).
- The use of machinery and equipment to gather information, track jobs, or perform data-related functions prior to a qualifying prepress activity (e.g., computers used primarily to edit or create text, data or other copy) is not exempt. That equipment includes items such as inventory tracking devices and bar-code readers. 86 Ill. Adm. Code 130.330(g)(4)(D).

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- The use of machinery and equipment used primarily to photocopy printed matter is not exempt. A copier that is capable of printing images or text transmitted to it in digital form may qualify if used primarily in that manner. However, a copier that produces photocopies by means of xerographic technology is subject to tax. 86 Ill. Adm. Code 130.330(g)(4)(E).
- The use of machinery and equipment in managerial, sales or other nonproduction, nonoperational activities, including production scheduling, purchasing, receiving, accounting, physical management, general communications, plant security, marketing, or personnel recruitment, selection or training is not exempt. Waste disposal equipment (e.g., equipment used to contain and recapture paper dust) does not qualify for the exemption. 86 Ill. Adm. Code 130.330(g)(4)(F).
- The use of machinery and equipment for general ventilation, heating, cooling, climate control or general illumination is not exempt, except when the machinery and equipment is used to produce an environment necessary for the production of printed material. 86 Ill. Adm. Code 130.330(g)(4)(G).

15.3.7 PRODUCTION RELATED TANGIBLE PERSONAL PROPERTY

“Production related tangible personal property” was added into the manufacturing and assembling machinery and equipment exemption beginning July 1, 2019.⁴

Production related tangible personal property means all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process takes place or by a graphics arts producer in graphic arts production. Production related tangible personal property **also means** all tangible personal property that is used or consumed in research and development regardless of use within or without a manufacturing or graphic arts production facility. 86 Ill. Adm. Code 130.330(h)(1).

The following uses of tangible personal property by manufacturers, including graphic arts producers, **are considered production related**:

- Tangible personal property purchased by a manufacturer or construction contractor for incorporation into real estate within a manufacturing facility for use in a production related process. 86 Ill. Adm. Code 130.330(h)(2)(A).
- Supplies and consumables primarily used in a manufacturing process in a manufacturing facility, including fuels, coolants, solvents, oils, lubricants, and adhesives. 86 Ill. Adm. Code 130.330(h)(2)(B).
- Hand tools, protective apparel, and fire and safety equipment primarily used or consumed within a manufacturing facility. 86 Ill. Adm. Code 130.330(h)(2)(C).

⁴ 35 ILCS 120/2-45; 5 ILCS 105/3-50; 35 ILCS 115/2(e); 35 ILCS 110/2(5).

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- Tangible personal property used or consumed in a manufacturing facility for purposes of pre-production and post-production material handling, receiving, quality control, inventory control, storage, staging and packing for shipping or transportation. 86 Ill. Adm. Code 130.330(h)(2)(D).
- Fuel used in a ready-mix cement truck only to rotate the mixing drum in order to manufacture concrete or cement, but not fuel used in transportation of the truck. 86 Ill. Adm. Code 130.330(h)(2)(E).

The following uses of tangible personal property used by manufacturers, including graphic arts producers **are not considered production related**:

- The use of trucks, trailers and motor vehicles that are required to be titled or registered pursuant to the Illinois Motor Vehicle Code [625 ILCS 5], and aircraft or watercraft required to be registered with an agency of State or federal government. 86 Ill. Adm. Code 130.330(h)(3)(A).
- The use of office supplies, computers, desks, copiers and equipment for sales, purchasing, accounting, fiscal management, marketing, and personnel recruitment or selection activities, even if the use takes place within a manufacturing or graphic arts production facility. 86 Ill. Adm. Code 130.330(h)(3)(B).
- The use or consumption of tangible personal property for aesthetic or decorative purposes, including landscaping and artwork. 86 Ill. Adm. Code 130.330(h)(3)(C).

Purchasers who claim the exemption must supply their vendors with the ST-587 Exemption Certificate certifying the machinery, equipment, or replacement parts will be used primarily in a qualifying manner.

The user of qualifying machinery and equipment must prepare a certificate of exemption for each transaction stating facts establishing the exemption for that transaction and submit the certificate to the vendor. If the user has an active registration or resale number, that number may be given in lieu of the prescribed certificate. Certificates must be retained by the vendor and must be made available to the Department for inspection or audit. 35 ILCS 120/2-45; 86 Ill. Adm. Code 130.330(j).

For the exemption to apply, the purchaser need not itself employ the exempt machinery and equipment in manufacturing. If the purchaser leases that machinery and equipment to a lessee-manufacturer who uses it in an exempt manner, the sale to the purchaser-lessor will be exempt from tax. A vendor may exclude these sales from its taxable gross receipts provided that the purchaser-lessor provides a properly completed exemption certificate and 86 Ill. Adm. Code 130.330(i) would support an exemption if the sale were made directly to the lessee-manufacturer. [86 Ill. Adm. Code 130.330\(i\)](#).

If a purchaser-lessor subsequently lease the machinery or equipment to a lessee who does not use it in a manner that would qualify directly for the exemption, the purchaser-lessor will become liable for the tax, allowing for reasonable depreciation on the machinery and equipment. See [86 Ill. Adm. Code 130.330\(i\)](#).

Manufacturing generally does not include extractive industrial activities. Logging and drilling for oil, gas, and water neither produce articles of tangible personal property nor effect any significant or substantial change in the form, use or name of the materials or resources upon which they operate. However, the extractive processes of mining or quarrying may constitute manufacturing. 86 Ill. Adm. Code 130.330(b)(5).

Blasting agents, high explosives, detonators, lead-in line and blasting machines are examples of exempt tangible personal property that is often used in the extractive process of quarrying. Equipment used primarily to drill and load holes to place blasting material that fractures aggregate qualifies as manufacturing machinery and equipment. Dredges that are used primarily in a sand and gravel mining operation to pick up and sort materials from a riverbed also qualify for the exemption. Equipment, such as crawler dozers, used primarily to move shot rock after blasting, and wheel loaders, used primarily to load the mined product into off-highway haulage trucks for transport to the crusher-sorter machine, will qualify for the exemption. In addition, wheel loaders used to transport the mined product to the crusher-sorter machine or onto a conveyor system will qualify for the exemption. Machinery and equipment used primarily in activities such as crushing, washing, sizing and blending will qualify for the exemption if the process results in assembly of an article of tangible personal property with a different form than the material extracted, which possesses new qualities or combinations. Other types of mining and quarrying equipment may be exempt if used in qualifying activities. 86 Ill. Adm. Code 130.330(b)(5).

When auditing mining entities, the auditor must verify that any purchases claiming the manufacturing and assembling machinery and equipment exemption are actually being used in a qualifying manner. For more information, refer to [86 Ill. Adm. Code 130.330](#) and [86 Ill. Adm. Code 130.351](#).

COURT CASES

Nokomis Quarry Co. v. Department of Revenue, 295 Ill. App. 3d 264, 267, 692 N.E.2d 855 (5th Dist. 1998).

Equipment used primarily in the cleaning, sizing, or grading of coal in a coal preparation plant may qualify as manufacturing machinery and equipment. [86 Ill. Adm. Code 130.350\(c\)\(1\)\(J\)](#), [130.350\(c\)\(2\)\(P\)](#).

When auditing coal mining or quarrying entities, the auditor must verify that any purchasers claiming the manufacturing and assembling machinery and equipment exemption are actually being used in a qualifying manner. For more information, refer to [86 Ill. Adm. Code 130.330](#) and [86 Ill. Adm. Code 130.350](#).

COURT CASES

Nokomis Quarry Co. v. Department of Revenue, 295 Ill. App. 3d 264, 692 N.E. 2d 855 (5th Dist.1998).