

When tangible personal property is sold at retail along with related service charges, the related service charges are part of the gross receipts subject to the Retailers' Occupation Tax if an "inseparable link" exists between the tangible personal property and the service charges. See 86 Ill. Adm. Code 130.415. (This is a GIL.)

April 10, 2026

NAME

EMAIL

Dear Sam Perin:

This letter is in response to your letter dated March 24, 2026, 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.

INQUIRY:

hey I had a few quick questions regarding sales tax on the state of Illinois. If someone were to bring a physical poster to me to have signed and I charged for the signing, would the signing be sales taxed?

I identified 3 transaction events that could occur, and am seeking a yes or no answer for each question:

- Sales tax on individual stand alone poster signing transactions (customer brings an individual item to you that they own only to be charged to be signed and no other purchases)

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- Sales Tax on poster signing transactions bundled with other product purchases (that are not signed) (Customer brings something to you for signing AND purchases a separate non-signed item) - is bundled purchase taxed in its entirety? Or just the non-signed item

- Sales tax on poster signings bundled with the purchaser buying the item to be signed from you (customer buys a poster from you and has it signed for an additional fee) is bundled purchase taxable or just purchased item value not signing?

Thanks for your help!

DEPARTMENT'S RESPONSE:

The 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.

Retailers' Occupation and Use Taxes do not apply to sales of service that do not involve the transfer of tangible personal property to customers. However, if tangible personal property is transferred incident to sales of service, this will result in either Service Occupation Tax liability or Use Tax liability for the serviceperson depending upon the serviceperson's activities.

When tangible personal property is sold at retail along with related service charges, the related service charges are part of the gross receipts subject to the Retailers' Occupation Tax if an "inseparable link" exists between the tangible personal property and the service charges. An inseparable link exists when either (1) the service charges are not separately identified to the customer on the invoice; or (2) the service charges are separately identified to the customer on the invoice, but the retailer does not offer the customer the option to purchase the tangible personal property without the payment of service charges added to the price of an item. 86 Ill. Adm. Code 130.415. For instance, if shipping charges are not separately stated from the selling price of tangible personal property, an inseparable link exists, and the shipping charges are subject to tax.

Service Occupation Tax

Under the Service Occupation Tax Act, businesses providing services (*i.e.*, servicepersons) are taxed on tangible personal property transferred as an incident to sales of service. See 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 serviceperson, depending upon which tax base they choose to calculate their liability.

Servicepersons may calculate their tax base in one of four ways: (1) separately-stated selling price of tangible personal property transferred incident to service; (2) 50% of the serviceperson's entire bill; (3) Service Occupation Tax on the serviceperson's cost price if the serviceperson is a registered de minimis serviceperson; or (4) Use Tax on the serviceperson's cost price if the serviceperson is de minimis and is not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act.

Using the first method, servicepersons 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 servicepersons do not wish to separately state the selling price of the tangible personal property transferred, those servicepersons 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, servicepersons may 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 servicepersons may account for their tax liability only applies to de minimis serviceperson 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. Servicepersons 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 servicepersons 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. Servicepersons 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 servicepersons that are not otherwise required to be registered under Section 2a of the

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Retailers' Occupation Tax Act. Servicepersons 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 servicepersons' annual gross receipts from service transactions (75% in the case of pharmacists and persons engaged in graphic arts production). Such de minimis servicepersons handle their tax liability by paying Use Tax to their suppliers. If their suppliers are not registered to collect and remit tax, the servicepersons must register, self-assess, and remit Use Tax to the Department. The servicepersons 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.

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,

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KAR:slc