

Generally, a provider of medical services is considered engaged in the business of making sales of services. As a serviceperson, the Service Occupation Tax is imposed upon all tangible personal property transferred as an incident to the sale of such service. Prescription and non-prescription medicines, drugs, and medical appliances are taxed at a reduced State rate of 1%, plus applicable local service taxes based on the location of the sale of the service. See 86 Ill. Adm. Code 140.126. (This is a GIL).

May 8, 2026

NAME
EMAIL

Dear NAME:

This letter is in response to your letter dated March 18, 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:

I hope you are doing well.

I am writing to seek guidance as I prepare to establish a new healthcare company in Illinois. Our organization will focus on providing **infusion therapies and infusion drugs** for several medical conditions, including:

- - Blood disorders

- Rheumatoid arthritis
- Immuno deficiency disorder
- Bipolar disorder
- Chronic gut

All medications administered in our practice are **prescription-only drugs** and will be **infused and administered by licensed/registered nurses** in a clinical setting.

Based on Illinois tax guidance, I understand that **prescription medications are exempt from Illinois state sales tax**. Additionally, drugs and medicines generally qualify for reduced or exempt tax treatment under Illinois Administrative Code. [\[taxjar.com\]](https://taxjar.com) [\[salestaxhandbook.com\]](https://salestaxhandbook.com)

However, before we finalize our operational structure and billing procedures, I would like clarification on the following:

Questions

1. **Are prescription infusion drugs used for the above conditions fully exempt from Illinois sales tax?**
2. **Are the infusion services themselves—i.e., the administration of these drugs by registered nurses—considered taxable or exempt?**
3. **If both the drug and the administration service are exempt, are there any specific registration, documentation, or exemption certificate requirements we must follow?**

We want to ensure full compliance with Illinois Department of Revenue regulations from the outset, and your guidance will help us set up accurate tax handling procedures.

Thank you very much for your assistance. I appreciate your time and look forward to your response.

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 at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. 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.

Retailers’ Occupation and Use Taxes do not apply to sales of service. The Service Occupation Tax Act and Service Use Tax Act are imposed on the transfer of tangible personal property incident to sales of service. 86 Ill. Adm. Code 140.101 and 160.101. If a transaction does not involve the transfer of any tangible personal property to the customer, then the taxpayer generally would not be subject to Retailers’ Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax.

Generally, a provider of medical services is considered to be engaged in the business of making sales of services. As a serviceperson, the Service Occupation Tax is imposed upon all tangible personal property transferred as an incident to the sale of such service. The tax rate imposed depends on the nature of the tangible personal property transferred to the service customer. Prescription and non-prescription medicines, drugs, and medical appliances are taxed at a reduced State rate of 1%, plus applicable local service taxes based on the location of the sale of the service. See 86 Ill. Adm. Code 140.126. Also see 86 Ill. Adm. Code 270.115 for information on selling activities used to determine the local taxing jurisdiction. Tangible personal property transferred to the service customer that does not qualify for the low rate is taxed at the State rate of 6.25%, plus applicable local taxes.

A medicine or drug that qualifies for the reduced State rate of 1% includes any pill, powder, potion, salve, or other preparation for human use that, on the label, purports to have medicinal qualities. A written claim on the label that a product is intended to cure or treat disease, illness, injury, or pain, or to mitigate the symptoms of such disease, illness, injury, or pain, constitutes a medicinal claim. However, grooming and hygiene products do not qualify for the 1% rate, regardless of whether the products make medicinal claims or meet the definition of over-the-counter drugs. See 86 Ill. Adm. Code 130.111; 86 Ill. Adm. Code 140.126.

Servicepersons may calculate their tax base in one of four ways: (1) separately-stated selling price of the tangible personal property transferred incident to the sales of the service; (2) 50% of the serviceperson’s entire bill; (3) Service Occupation Tax on the cost price if the serviceperson is a registered de minimis serviceperson; or (4) Use Tax on the cost price of the tangible personal property transferred, if the serviceperson is de minimis and is not otherwise required to be registered under Section 2a of the Retailers’ Occupation Tax Act. See 86 Ill. Adm. Code Sections 140.106; 140.108; and 140.109.

Under the first method, a serviceperson may separately state the selling price of each item transferred as part of a sale of services. The tax is based on the separately stated selling price of the tangible personal property transferred. If a serviceperson does not wish to separately state the selling price of the tangible personal property transferred, that

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serviceperson must use the second method, in which the tax base is 50% of the entire bill to their service customers. Both 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 a resale certificate when purchasing the tangible personal property to be transferred as part of a sale of services. The serviceperson is required to collect the corresponding Service Use Tax from their customers. See 86 Ill. Adm. Code 140.106.

The third way servicepersons may account for their tax liability applies only to de minimis servicepersons who have either chosen to be registered, are required to be registered because they incur Retailers' Occupation Tax liability for a portion of their business, or, beginning January 1, 2026, maintain a place of business in this State and make any retail sales of tangible personal property to purchasers in Illinois. 35 ILCS 115/2(g); see also 86 Ill. Adm. Code 140.109. Servicepersons may qualify as de minimis if their annual aggregate cost price of tangible personal property transferred incident to the sale of service is less than 35% of total annual gross receipts from service transactions (75% or greater in the case of servicepersons transferring prescription drugs). Servicepersons do not have the option to determine whether the de minimis status is met on a transaction-by-transaction basis. Registered de minimis servicepersons should provide their suppliers with a resale certificate and remit State and any applicable local Service Occupation Tax based on the cost price of the tangible personal property transferred incident to the sale of their service. This method also results in the customer incurring a Service Use Tax liability.

The final method for determining tax liability may be used by de minimis servicepersons who are not otherwise required to register under Section 2a of the Retailers' Occupation Tax Act, or, beginning January 1, 2026, by any serviceperson maintaining a place of business in this State who does not make any retail sales of tangible personal property to purchasers in Illinois. 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 serviceperson must register, self-assess, and remit Use Tax to the Department. The servicepersons are considered the end-users of the tangible personal property transferred incident to their service. Consequently, they are not authorized to collect a "tax" from their customers. 35 ILCS 110/2(7); see also 86 Ill. Adm. Code 140.108. Under this method, the customer incurs no Service Use Tax liability. However, the servicepersons may either seek reimbursement of the tax from their customers or build the tax into their prices.

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,

NAME
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Thomas Grudichak
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TG:slc