

Repair and replacement parts for tangible personal property that qualifies as rolling stock includes items such as oil, grease and other internal parts that become a physical component part of the qualifying rolling stock. See 86 Ill. Adm. Code 130.340(b). (This is a GIL).

June 26, 2026

NAME
COMPANY1
ADDRESS1
EMAIL

Dear NAME:

This letter is in response to your email dated May 19, 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:

My name is NAME and I need a ruling concerning sales of engine oil, gear box lube oil and grease to a customer with a watercraft claiming those items are repair parts. My customer, COMPANY2, is a coal transfer terminal in CITY, IL. Mailing address ADDRESS2. Coal in rail cars are dumped then relocated on their yard. A large continuous bucket machine will send the coal to the Barge loading unit on the Mississippi River by beltline. Their watercraft (a tug boat) stages the empty barges in line for loading. When finished the tug boat will assist a large river boat in tying loaded barges together and attach them to the large river boat for travel up or down river to its destination.

COMPANY2 did not give me the RUT-7-A Rolling Stock Certificate for repair parts till 4-2026. Their claim is for repair parts from 7-2023 to 10-2025. I had no certificate at the time of sale in that time period. I believe I was correct in charging Illinois Sales Tax on every invoice, but now they want their tax money refunded back. The repair parts they are claiming is the engine oil, lube oil and grease. After reading 130.340 about repair parts on watercraft I found lubricants not named as tax exempt. I called the number that's on my Sales Tax Return for information. The person I talk to, in his opinion, agreed that the lubricants are not repair parts. I also used Google to search for information. That search, again an opinion, said specifically fuel, engine oil, lube oil and grease are consumable maintenance items and not repair parts.

I have attached four documents. One is a list of the invoices they want to claim. But that document is incorrect. Those invoices are for the purchases for the entire operation they use on land and water. They have a number of large construction type equipment, service trucks and pickup trucks they use daily. The watercraft usage of all lubricants in my estimation is PERCENT or less of their total purchases.

My first question for a ruling. Are lubricants used in watercraft ruled a sales tax exempt repair part or a taxable consumable maintenance item?

My second question for a ruling. Does the time period, three years of sales before COMPANY2 gave me the RUT-7-A, cancel their request for a refund?

Hopefully a ruling will clear up this situation.

DEPARTMENT'S RESPONSE:

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. If the purchases occur in Illinois, the purchasers must pay the Use Tax to the retailer at the time of purchase. The retailers are then allowed to retain the amount of Use Tax paid to reimburse themselves for their Retailers' Occupation Tax liability incurred on those sales. If the purchases occur outside Illinois, purchasers must self-assess their Use Tax liability and remit it directly to the Department.

Under the rolling stock exemption, the Retailers' Occupation Tax does not apply to sales of tangible personal property to owners or lessors, lessees, or shippers of tangible personal property that is utilized by interstate carriers for hire for use as rolling stock moving in interstate commerce as long as the tangible personal property is used by the interstate carriers for hire. [35 ILCS 120/2-5(13)]

It is important to note that it is not the type of item that determines whether or not tangible personal property qualifies as rolling stock, rather how the property is used by a qualifying interstate carrier. Not all items of tangible personal property used by an interstate carrier for hire qualify for the rolling stock exemption. The exemption is applicable to equipment or parts only if they become a component part of qualifying rolling stock and to equipment which, though not physically incorporated, is dedicated to a particular qualifying item or items of rolling stock and participates directly in the transportation process. As such, items including oil, grease, parts, belts, lights, transmission fluids, paint, filters, hoses, and seats generally qualify for the exemption since these products become a physical component part of the qualifying rolling stock. Items such as fuel, flares, cleaners, paint supplies, and tools do not generally qualify for the exemption because the regulation specifically states that "the exemption does not apply to fuel nor to jacks or flares or other items that are used by interstate carriers for hire in servicing the transportation vehicles, but that do not become a part of such vehicles, and that do not participate directly in some way in the transportation process." See 86 Ill. Adm. Code 130.340(b).

In order to claim the exemption for watercraft or repair and replacement parts for watercraft, retailers and servicepersons must obtain a properly executed exemption certification from the purchaser at the time of sale and retain this certification in their books and records. Exemption certifications for watercraft or repair and replacement parts for watercraft must comply with the requirements of Section 130.340(g)(6). Form RUT-7-A, Rolling Stock Certification for Aircraft, Watercraft, Limousines, and Rail Carrier Items, which can be found on the Department's website, may be used to provide the required certification to document the rolling stock exemption.

A retailer who has paid Retailers' Occupation Tax on the sale of watercraft or repair and replacement parts for watercraft that is eligible for the rolling stock exemption may file a claim for credit or refund of the tax paid in error. Refunds and claims for credit are governed by the procedure explained at 86 Ill. Adm. 130.1501. In order to obtain a credit, the retailer must first demonstrate that they unconditionally refunded the tax to the party from whom they collected it (the purchaser). The retailer will be considered to have satisfied the unconditional repayment requirement where it provides the purchaser with an instrument upon which the purchaser can make a demand upon the retailer/claimant for payment of the tax recovered if the claim is allowed. The retailer's provision of unconditional promissory notes or irrevocable credit memoranda to its purchaser(s) who paid tax in error would satisfy this requirement. In other words, if a retailer has collected tax from a purchaser, the retailer

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must show that it has unconditionally refunded the tax to the purchaser before credit will be allowed. As such, purchasers will have to approach the retailer about seeking a claim for credit. Retailers are not required by law to seek a credit; this is a matter of business between the retailer and the purchaser.

A taxpayer will not be eligible for a claim for credit for taxes paid more than three to three and a half years (dependent on the claim for credit being filed with the Department on and after each January 1 and July 1) prior to the filing of the claim for credit, barring any extension agreements between the taxpayer and the Department. 86 Ill. Adm. Code 130.1501(a)(4). The statute of limitations for a claim for credit will fall on either January 1 or July 1, determined by the date the taxpayer files the claim for credit. For example, on June 29, 2026, a taxpayer files a claim with the Department. Any claim for credit may be allowed for amounts paid on or after January 1, 2023. If that same taxpayer were to instead file a claim for credit on July 2, 2026, any claims for credit may be allowed for amounts paid on or after July 1, 2023. See 86 Ill. Adm. Code 130.1501(a)(4).

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 Assistance Division at 800-732-8866.

Very truly yours,

A handwritten signature in black ink, appearing to read 'GLE', is written over a light gray rectangular background.

George L. Encarnacion, Jr.
Associate Counsel

GLE:sce