

ST 26-0031-GIL 07/29/2026 MEDICAL APPLIANCE

A medical appliance is an item used to directly substitute for a malfunctioning part of the human body. Sterile band-aids, dressings, bandages, and gauze qualify for the low rate because they serve as a substitute for skin. See 86 Ill. Adm. Code 130.311(e)(3). (This is a GIL).

July 29, 2026

NAME
COMPANY
EMAIL

Dear NAME:

This letter is in response to your letter dated June 10, 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.

We are seeking guidance regarding the Illinois sales tax treatment of certain regenerative medicine products sold by my company COMPANY having Account ID: XXXX-XXXX.

COMPANY specialises [sic] in advanced human tissue-based allografts and biologic solutions used in wound care, surgical, burn care, ocular, and other specialty clinical applications. The products generally consist of human

July 29, 2026

placental tissue-derived allografts, amniotic membrane allografts, chorion membrane allografts, and related regenerative medicine products.

The relevant facts are as follows:

- Products are sold exclusively to hospitals, physicians, wound care clinics, ambulatory surgery centres, and other healthcare providers.
- Products are not sold directly to consumers or retail customers.
- Products are applied or implanted by licensed healthcare professionals as part of patient treatment.
- Products are intended for wound management, tissue repair, surgical procedures, burn care, and related clinical applications.
- Products are derived from human tissue and are not conventional over-the-counter medical supplies.

We have reviewed Illinois Administrative Code Section 86 Ill. Adm. Code 130.311 relating to drugs, medicines, and medical appliances. However, we have not identified specific guidance addressing the Illinois sales tax treatment of human tissue-based allografts and regenerative medicine products of the type described above.

Accordingly, we would appreciate your guidance on the following:

Are human tissue-based allografts, amniotic membrane allografts, placental tissue products, and similar regenerative medicine products subject to Illinois Retailers' Occupation Tax when sold to healthcare providers?

If taxable, do such products qualify for the reduced-rate treatment applicable to drugs, medicines, or medical appliances under Illinois law?

Is there any specific Illinois statute, regulation, General Information Letter, Private Letter Ruling, or other published guidance addressing the tax ability [sic] of these products?

If additional product-specific information is required, please advise what documentation should be provided for a more complete determination.

We would appreciate any guidance you can provide. If possible, we kindly request a response at the earliest, as the company is currently evaluating its Illinois sales tax obligations and product tax ability determinations.

Thank you for your time and assistance. We look forward to your response.

July 29, 2026

DEPARTMENT'S RULING:

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.

Qualifying medical appliances are subject to a reduced 1% tax rate under the Retailers' Occupation Tax Act as well as applicable local transit taxes imposed by the Northern Illinois Transit Authority (NITA), formerly the Regional Transportation Authority (RTA), and the Metro-East Mass Transit District (MED). 35 ILCS 120/2-10, 70 ILCS 3615/4.03(e), 70 ILCS 3610/5.01(b). Tangible personal property that does not qualify for the low rate of tax is taxed at the rate of 6.25% of the gross receipts from sales plus any applicable local taxes. 35 ILCS 120/2-10 and 120/14.

"Qualifying medical appliance" is defined in the Department's regulation, 86 Ill. Adm. Code 130.311(e), as "an item that is used to directly substitute for a malfunctioning part of the human body." Further guidance is provided in subsection (e)(1), which states in part "...an item that becomes part of the human body by substituting for any part of the body that is lost or diminished because of congenital defects, trauma, infection, tumors, or disease is considered a medical appliance...". Additionally, subsection (e)(3) provides that items such as sterile band-aids, dressings, bandages, and gauze qualify for the low rate because they serve as a substitute for skin. However, subsection 130.311(e)(4) disqualifies items transferred incident to elective cosmetic procedures from the lower tax rate. Such items are not considered medical appliances.

Please note that the Department cannot provide a definitive ruling on your questions in the context of a GIL.

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,

Thomas Grudichak
Associate Counsel

TG:slc