

**Purpose:**

To explain the procedures that retailers must follow in documenting several of the most common Illinois Sales Tax exemptions

**Objectives:**

- To identify several of the most common exemptions
- To explain how retailers and servicepersons must document sales of tax-exempt items
- To provide additional references for information about each exemption

**General information**

Retailers and servicepersons are required to pay Illinois Sales Tax (Retailers' Occupation Tax and Service Occupation Tax) on certain sales of tangible personal property. In meeting their sales tax obligations, retailers and servicepersons are permitted to reimburse themselves by collecting the tax from their customers.

Customers who make tax-exempt purchases must provide retailers with proper documentation. In some cases, retailers are required to submit this documentation with their tax returns; see the instructions for each return for further information. Retailers who cannot properly document a tax-exempt purchase will be liable for paying sales tax on the transaction.

**Sales to exempt organizations**

In Illinois, only organizations that have applied for and received an exemption identification number ("E" number) from the Illinois Department of Revenue qualify as sales-tax-exempt purchasers. Examples of organizations that may qualify for tax-exempt status include units of government, churches, charities, schools, county fair organizations, and certain senior citizen organizations. Once such organizations have been granted their "E" numbers, they may purchase items tax free to further their organizational purposes.

To document tax-exempt purchases from such organizations, retailers must request from the purchaser either

- a copy of the purchaser's exemption letter issued by the department or
- the purchaser's "E" number (in this case, before completing the transaction, retailers should verify this number by calling the department toll free at 1 800 732-8866).

For more detailed information about exempt organizations, see 86 Illinois Administrative Code 130.2005 and 130.2007, and Brochure PIO-37.

**Sale for resale**

Illinois businesses may purchase items tax free to resell. Sales tax is then collected and paid when the items are sold at retail.

To document tax-exempt purchases of such items, retailers must keep in

their books and records a certificate of resale containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased for resale,
- a statement from the purchaser that the items are being purchased for resale,
- the purchaser's signature and the date of signing, and
- one of the following:
  - the purchaser's active registration number issued by department,
  - the purchaser's active resale number issued by the department, or
  - a statement that the purchaser is an out-of-state purchaser who will always sell (and deliver) to his or her customers outside Illinois.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.1405.

**Rolling stock**

The rolling stock exemption applies to items that are purchased by interstate carriers for hire to be used as rolling stock in interstate commerce on a regular and frequent basis; this exemption also applies to items that become physical components of rolling stock.

Purchasers must provide documentation to retailers that they are interstate carriers for hire.

- When required by law, the carrier must possess a valid certificate of authority number issued by the federal Interstate Commerce Commission (ICC).
- When not required by law to possess the certificate named above, the carrier must either
  - possess a valid certificate of authority number issued by the Illinois Commerce Commission for a qualifying vehicle or
  - possess a valid number issued by another regulatory agency, such as the Federal Aviation Administration.

To document tax-exempt purchases of such items, retailers must keep in their books and records

- the seller's name and address,
- the purchaser's name and address,
- the purchaser's certification number as described above,
- an identification or description of the items purchased,
- a statement that the purchaser is purchasing the items for use as rolling stock in interstate commerce for hire, and
- the purchaser's signature and the date of signing.

Purchasers of vehicles must document their tax-exempt purchases by completing Form RUT-7, Rolling

Stock Affidavit, and providing a copy to their retailers. Forms may be ordered by calling the department's 24-hour forms line at 1 800 356-6302.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.340.

### **Farm machinery and equipment**

The farm machinery and equipment exemption applies to purchases of farm machinery and equipment used or leased for use primarily (more than 50 percent of the time) in production agriculture or for use in state or federal agricultural programs; the exemption also applies to repair and replacement parts for qualifying machinery and equipment. Excluded from this exemption are motor vehicles required to be registered under the Illinois Motor Vehicle Code.

To document tax-exempt purchases of such items, retailers must keep in their books and records an exemption certificate containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items are being used primarily in production agriculture or in a state or federal agricultural program, and
- the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases by completing Form ST-587, Machinery and Equipment Exemption Certificate, and providing a copy to their retailers. Forms may be ordered by calling the department's 24-hour forms line at 1 800 356-6302.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.305.

### **Manufacturing machinery and equipment**

The manufacturing machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in manufacturing or assembling items for wholesale or retail sale or lease.

To document tax-exempt purchases of such items, retailers must keep in their books and records one of the following:

- the purchaser's active registration number issued by the department
- the purchaser's active resale number issued by the department
- an exemption certificate containing
  - the seller's name and address,
  - the purchaser's name and address,
  - an identification or description of the items purchased,
  - a statement from the purchaser that the items are being used primarily in manufactur-

ing or assembling items for wholesale or retail sale or lease, and

- the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases by completing Form ST-587, Machinery and Equipment Exemption Certificate, and providing a copy to their retailers. Forms may be ordered by calling the department's 24-hour forms line at 1 800 356-6302.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.330.

## **Pollution control facilities**

The pollution control facilities exemption applies to purchases of pollution control facilities that are for the primary purpose of eliminating, preventing, or reducing air or water pollution (as the term "pollution" is defined in the Environmental Protection Act) or for the purpose of treating, pretreating, modifying, or disposing of any potential solid, liquid, or gaseous pollutant that, if released without such treatment, pretreatment, modification, or disposal, might be harmful, detrimental, or offensive to human, plant, or animal life or to property.

To document tax-exempt purchases of such items, retailers must keep in their books and records an exemption certificate containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased,

- a statement from the purchaser that the items are being used primarily as pollution control facilities, and
- the purchaser's signature and the date of signing.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.335.

## **Graphic arts machinery and equipment**

The graphic arts machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in graphic arts production.

To document tax-exempt purchases of such items, retailers must keep in their books and records an exemption certificate containing

- the seller's name and address,
- the purchaser's name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items are being used primarily in graphic arts production, and
- the purchaser's signature and the date of signing.

Purchasers may document their tax-exempt purchases by completing Form ST-587, Machinery and Equipment Exemption Certificate, and providing a copy to their retailers. Forms may be ordered by calling the department's 24-hour forms line at 1 800 356-6302.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.325.

## **Interstate commerce**

The interstate commerce exemption applies to sales made from Illinois businesses that are delivered outside Illinois and are not returned to Illinois for use.

The documentation to validate use of this exemption depends upon the manner in which the merchandise is delivered.

- If the item is shipped by common carrier, retailers must keep in their books and records a waybill or bill of lading showing the delivery address outside Illinois.
- If the item is sent by mail, retailers must keep in their books and records a receipt from the U.S. Postal Service showing the name of the addressee, the delivery address outside Illinois, and the date the item was mailed.
- If retailers use their own transportation equipment, they must keep in their books and records a trip sheet containing the name, address, and signature of the out-of-state purchaser and the signature of the person making the delivery.

This exemption does not apply to sales to out-of-state buyers in which the buyer takes physical possession of the item in Illinois.

For more detailed information about this exemption, see 86 Illinois Administrative Code 130.605.

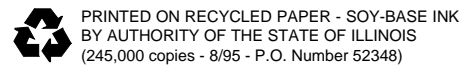


**Other exemptions**

The exemptions discussed above do not represent a comprehensive list of Illinois Sales Tax exemptions. If you have questions about any exemption, write or call us.

**Questions?**

If you have questions, need copies of the Illinois Administrative Code, or need more information, please call or write us. Our telephone numbers and address are at the end of this publication.



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<b>For Information...</b>	Call:	1 800 732-8866 or 217 782-3336
	Write:	1 800 544-5304 TDD -telecommunications for the deaf Illinois Department of Revenue, 101 W. Jefferson St., P.O. Box 19044, Springfield, IL 62794-9044

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