



Informational

Bulletin

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

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Production Related Tangible Personal Property Is Now Included within the Manufacturing Machinery and Equipment Exemption

To: All Manufacturers and Retailers

Illinois Public Act (P.A.) 101-0009 amends the sales tax acts, beginning July 1, 2019, to expand the manufacturing machinery and equipment exemption to include production related tangible personal property purchased on or after July 1, 2019.

How is “production related tangible personal property” defined?

Production related tangible personal property means all tangible personal property primarily used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place.

This definition includes the following:

- tangible personal property purchased by a manufacturer for incorporation into real estate within a manufacturing facility for use in a production related process; or tangible personal property purchased by a construction contractor for incorporation into real estate within a manufacturing facility for use in a production related process,
- production related tangible personal property that is primarily used or consumed in activities such as research and development, preproduction material handling, receiving, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes, and
- supplies and consumables primarily used in a manufacturing process in a manufacturing facility, including fuels, coolants, solvents, oils, lubricants, and adhesives, hand tools, protective apparel, and fire and safety equipment primarily used or consumed within a manufacturing facility in a manufacturing process.

Production related tangible personal property purchased on or after July 1, 2019, that is primarily used or consumed in a manufacturing process qualifies for the manufacturing machinery and equipment exemption.

What is not considered “production related tangible personal property”?

The following is not considered production related tangible personal property:

- tangible personal property used within or without a manufacturing facility in sales, purchasing, accounting, fiscal management, marketing, personnel recruitment or selection, or landscaping; or
- tangible personal property required to be titled or registered with a department, agency, or unit of federal, state, or local government.

How does a retailer report an exempt sale?

Report the transaction as any other sale on your Form ST-1, Sales and Use Tax and E911 Surcharge Return. The sale should be included in Step 2, Line 1 Total receipts. The sale should then be subtracted out as a deduction on Schedule A, Line 6, 7, or 8, depending on the exemption.

How does the retailer document an exempt sale?

An example of a certificate for exemption is a completed Form ST-587, Exemption Certificate (for Manufacturing, Production Agriculture, and Coal and Aggregate Mining), signed by the purchaser. For each exempt sale, the purchaser using the qualifying machinery and equipment, tools, and production related tangible personal property shall prepare a certificate of exemption stating facts establishing the exemption for that transaction. The purchaser must provide the certificate to the retailer selling the production related tangible personal property. The certificate for the transaction must be retained by the retailer and must be made available to IDOR for inspection or audit. If the purchaser has an active registration or resale number, that number may be given in lieu of the prescribed certificate.

Note: Unless requested, do not send these certificates to the Illinois Department of Revenue.

Where do I get more information?

IDOR is drafting emergency regulations to reflect this expansion of the manufacturing machinery and equipment exemption.