

The Department's rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. (This is a GIL.)

December 27, 2010

Dear Xxxxx:

This letter is in response to your letter dated August 12, 2010, in which you request 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 www.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. In your letter you have stated and made inquiry as follows:

I have a very specific question that relates to Title 86 Part 130 Section 130.325 Graphic Arts Machinery and Equipment Exemption. It seems like a future purchase will fall within this exemption and I am seeking an officially documented approval of this exemption prior to purchasing to avoid any misinterpretation fines or penalties. The following are brief descriptions of the machinery and components as well as the company purchasing the machinery.

COMPANY is a direct/wholesaler with a particular interest in custom pad printing on multiple different substrates. Pad printing is a graphical arts process that involves the transfer of an image from a plate to the substrate via smooth silicon padding. It is also known as gravure printing which specifically mentioned as exempt throughout the Title 86 Part 130 Section 130.325 Graphic Arts Machinery and Equipment Exemption. The primary and ancillary equipment being purchased will be used only for the graphical art purpose of pad printing. The following is a table of the primary and ancillary equipment as well as a description of their functionality within the pad printing system. Please see below.

COMPANY Pad Printing Equipment Acquisition

Equipment	Primary or Ancillary	Description
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Model KP-06 1-Color	Primary	Pad printing machine
8 Station Mechanical 700mm Rotary Table	Primary	Substrate conveying rotary table
Flamer Unit on Pneumatic Slide	Primary	Substrate pretreatment station
2 Sets of 8 Custom Machined (2 up) fixtures	Primary	Substrate fixturing mechanism
Pick and Place Device (With Extended Reach)	Primary	Substrate conveying removal and placement mechanism
Stand and Guarding with Light Curtain	Primary	Operator safety guarding
PLC and Controls - Touch Screen OIP (8" HMI Upgrade)		Primary Pad printing user interface
Hot Air Feature	Primary	Substrate post treatment station
Conveyor Oven #1	Primary	Substrate additional post treatment station
RapidFire Laser Etching System	Primary	Printing plate production equipment
Self Contained Exhaust Unit	Primary	Printing plate production equipment
Model KP-05 1-Color Custom Stand	Primary	Pad printing machine
	Primary	Pad printing machine support stand
Stand-alone Flamer	Primary	Substrate pretreatment station
Conveyor Oven #2	Primary	Substrate post treatment station
Stratus Horizontal Wrapper	Ancillary	Graphically printed substrate packaging equipment
Markem SmartDate 5 Coder	Ancillary	Graphically printed substrate packaging equipment
Additional Infeed Chain	Ancillary	Graphically printed substrate packaging equipment
Basic Spare Parts Kit	Ancillary	Graphically printed substrate packaging equipment
Remote Start/Stop With Local/ Remote Switch	Ancillary	Graphically printed substrate packaging equipment
High Product Sensor (Photoeye or Limit Switch Version)	Ancillary	Graphically printed substrate packaging equipment
No Product/No Bag	Ancillary	Graphically printed substrate packaging equipment
Up and Downstream Interface Ready Signal	Ancillary	Graphically printed substrate packaging equipment
Dorner 2200 Incline Conveyor	Ancillary	Graphically printed substrate conveying system equipment
Dorner 2200 Incline Conveyor	Ancillary	Graphically printed substrate conveying system equipment
Dorner 3200 Horizontal Conveyor	Ancillary	Graphically printed substrate conveying system equipment
Synchronized Single Toothbrush Drop-Bucket	Ancillary	Graphically printed substrate conveying system equipment
Accumulation Drop-Bucket	Ancillary	Graphically printed substrate conveying system equipment
Case Nest	Ancillary	Graphically printed substrate

Programming and Control Integration	Ancillary	conveying system equipment Graphically printed substrate conveying system equipment
ACSI Model 138CAP Belt	Ancillary	Graphically printed substrate conveying system equipment

If this purchase would fall within the exemption for form ST-587, please send a notification as soon as possible.

Thank you very much for your time and consideration,

DEPARTMENT’S RESPONSE:

The Department’s regulation “Public Information, Rulemaking and Organization” provides that “[w]hether to issue a private letter ruling in response to a letter ruling request is within the discretion of the Department. The Department will respond to all requests for private letter rulings either by issuance of a ruling or by a letter explaining that the request for ruling will not be honored.” 2 Ill. Adm. Code 1200.110(a)(4). Your letter fails to provide any description, information or explanation regarding the purpose and use of each of the items identified in your letter. Therefore, it is the Department’s position that we must decline to issue a Private Letter Ruling. However, we hope the following will be helpful in addressing your question.

The Department’s rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. Under the graphic arts machinery and equipment exemption, Retailers’ Occupation Tax does not apply to sales of machinery and equipment, including repair and replacement parts, both new and used and including that manufactured on special order to be used primarily in graphic arts production. The exemption extends to purchases by lessors who will lease the property for use primarily in graphic arts production. Taxpayers must certify the use of the equipment they are purchasing to their suppliers. The Department’s regulation at Section 130.325(b)(1)(D) provides that “[t]he exemption includes printing by methods of engraving, letterpress, lithography, gravure, flexography, screen, quick, and digital printing.”

On and after July 30, 2009, P.A. 96-116 imposes the additional requirement that the qualifying graphic arts machinery and equipment be used primarily in the production of tangible personal property for wholesale or retail sale or lease.

I am sorry we could not be more helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters
Associate Counsel

RSW:mzk