

This letter discusses the Graphic Arts Machinery and Equipment Exemption. See 86 Ill. Adm. Code 130.325 and 130.2000. (This is a GIL.)

June 22, 2011

Dear Xxxxx:

This letter is in response to your letter dated February 22, 2011, 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](http://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:

We are a graphics art supply / equipment wholesaler. One of the products we sell is proofing materials. Proofing materials can be described as *'Prepress materials consumed in the process. This process refers to the creation of a prototype to be approved by a customer before the actual print job can be started. Materials include donor, receptors, paper stock (specially coated).* According to **86ILAC130.325(b)(4)(A) Prepress or preliminary processes**, we are charging tax to these products. However, we have a commercial printer customer in IL who is disputing the tax charged. He says this product is exempt because of the way he uses it. His description of how it is used is as follows: *A segment of our business (approx 20% by sales volume, but probably 40% - 50% of the Final Proofing material purchased) is for prepress only jobs, with the product we deliver to customers consisting of digital files and the associated proofs. The balance of our sales are for offset printing jobs with the proofs, sometimes remaining with the customer, and if retained by us done so only as a customer courtesy. In either circumstance the proof is a separately identified line item in our customer quotations.*

According to the information supplied, what is the taxability if [sic] proofing materials? If you need any additional information please feel free to contact me. Thank you for your help.

## DEPARTMENT'S RESPONSE:

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. 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.

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." Graphic arts *machinery and equipment* used in the prepress preliminary process generally are included within the exemption. See Section 130.325(b)(4)(A). However, materials used or consumed in the graphic arts process are not included within the exemption. 86 Ill. Adm. Code 130.325(b).

In general, the items you describe do not qualify for the graphic arts machinery and equipment exemption because they are not part of the prepress process as described in Section 130.325(b)(4)(A).

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters  
Associate Counsel

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