

The graphic arts machinery and equipment exemption does not include consumable supplies. See Section 130.325(b)(2). (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 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 graphic art supply and equipment reseller. One of our commercial printer customers is disputing the tax on filters we sell them. They use these filters on a heatset press. They can be used on other presses as well. The filters in question should not be considered a press part. They are a consumable item just like a blanket or fountain liner or anti-offset spray powder. They allow the press to run effectively and are meant to be changed periodically when spent.

Whether they are a part or not would depend on definition. We consider a press part something mechanical. These filters are most often part of the fountain solution recirculation system that extends the life of the fountain solution. Is it a mechanical part – no. It is part of a press system.

Our customer claims these filters can be purchased without tax because it is listed on the PII matrix (see attachment) as exempt. According to our research these filters are taxable under 86 ILL. Admin Code 130.325. Are these filters taxable or exempt?

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).

Notwithstanding the determinations provided in the printing industry's matrix, your letter does not sufficiently describe the use and purpose of the filters in sufficient detail for the Department to determine if they may qualify for the graphics arts machinery and equipment exemption.

I hope this information is 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

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