

Organizations possessing "E" numbers issued by the Department are exempt on purchases used in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007. (This is a GIL.)

March 5, 2012

Dear X:

This letter is in response to your letter dated February 24, 2012, 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:

This is a request for a General Information Letter pursuant to the provisions of 2 Ill. Admin. Code 1200. The University is requesting information from the Illinois Department of Revenue regarding whether the Illinois Retailers' Occupation Tax applies to a University owned purchase of equipment in which a 100% nonprofit wholly owned subsidiary (university-related organization) will also be utilizing the equipment.

The University is among the preeminent public universities of the nation and is a world leader in research, teaching, and public engagement, distinguished by the breadth of its programs, broad academic excellence, and internationally renowned faculty.

ABC is an Illinois not-for-profit corporation created by the Board of Trustees of the University. ABC provides support to undergraduate and graduate medical education purposes. ABC was created to provide billing and collection services and practice management support services for the Medical Service Plan of the College of Medicine of the University. Although, ABC is an Illinois not-for-profit corporation, for tax purposes, ABC is not an exempt organization. ABC is a taxable C-corporation subject to federal income taxes.

The University is considering the purchase of a server to run hospital billings. The equipment will be located in a University building, operated by University personnel, and will hold both University (hospital) and ABC (medical service group) medical records. The system will

generate billings for both the University hospital and ABC medical service group. ABC owns the software license for the system.

## **LAW REFERENCES**

- 1) Illinois Retailers' Occupation Tax 35 ILCS 120/2
- 2) Illinois Regulation Title 86 Part 130 Section 130.120-Nontaxable Transactions
- 3) Illinois Regulation Title 86 Part 130 Section 130.2080-Sales to Governmental Bodies, Foreign Diplomats and Consular Personnel

## **TAXPAYERS [sic] POSITION**

The University takes the position that the equipment purchase is not subject to sales tax. The equipment will be purchased and owned by the University, located in a University building, operated by University employees, and University information will be stored on the equipment. The equipment will be used to further the University's tax exempt purpose/educational mission.

## **RULING REQUESTED**

The University requests confirmation regarding sales tax exemption for this University purchased/owned equipment. The University currently has an active exemption identification number issued by the Illinois Department of Revenue.

Please contact me if you have any questions or require additional information.

Thank you for your assistance in this matter.

## **DEPARTMENT'S RESPONSE:**

Organizations that make application to the Department of Revenue and are determined to be exclusively religious, educational, or charitable, receive an exemption identification number (an "E" number). 86 Ill. Adm. Code 130.2007. This number evidences that the Department recognizes the organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. If an organization does not have an E number, then its purchases are subject to tax. Only sales to organizations holding the E number are exempt, not sales to individual members of the organization.

The type of tangible personal property purchased by the exempt organization is not determinative of its tax-exempt status. Whether the item is used in furtherance of the organizational purpose of the exempt entity determines whether the item can be purchased tax-free.

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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