

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.)

July 30, 2012

Dear:

This letter is in response to your letter dated July 19, 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 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 am writing to inquire about specific tax exempt purchases made by our organization. Our church is currently renting a meeting space. When we meet with staff and members, we typically meet in restaurants. We also incur gasoline expenses as a result of these meetings. In addition, because we are a small church we have a number of people assist in purchasing supplies for the organization. My questions are as follows:

- Do restaurant purchases qualify as exempt from sales tax?
- Do gasoline purchases qualify as exempt from sales tax?
- Must these purchases be made directly with church funds (church credit card or check)? or
- Is it allowable for individuals to make sales tax exempt purchases for supplies with their own funds and then be reimbursed by the church provided we keep thorough records documenting that these purchases were used solely by and for the church?

Thank you in advance for your help in this matter. We want to be sure we are using our tax exempt status appropriately. If you have any questions, please do not hesitate to contact me at X.

DEPARTMENT'S RESPONSE:

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. In Illinois, Use Tax is imposed on the privilege of using, in this State, any

kind of tangible personal property that is purchased anywhere at retail from a retailer. 35 ILCS 105/3; 86 Ill. Adm. Code 150.101.

Organizations that are recognized as non-profit under Internal Revenue Code Section 501(c)(3), are not necessarily exempt organizations pursuant to Illinois tax law. Such organizations must obtain an exemption identification number (an "E number") to qualify. See 86 Ill. Adm. Code 130.2007. Organizations that make application to the Department of Revenue and are determined to be exclusively religious, educational, or charitable, receive an E number. The E 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. Please be aware that currently only sales to organizations holding the E number are exempt, not sales to individual members of the organization. For example, the purchase of meals by staff and members may not be made tax-free on the basis of the E number issued to the church.

As a general proposition, individual members or clients of exempt organizations who purchase items of tangible personal property with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization, and the "E" number can only be used in making purchases in furtherance of organizational purposes.

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,

Debra M. Boggess
Associate Counsel