

ST 15-0079-GIL 12/16/2015 SALE FOR RESALE

This letter discusses the standard drop-shipment scenario and certificates of resale. See 86 Ill. Adm. Code 130.225 and 86 Ill. Adm. Code 130.1405. (This is a GIL.)

December 16, 2015

Dear Xxxxx:

This letter is in response to your letter dated October 9, 2015, 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:

ABC is a manufacturer of truck bodies, with manufacturing sites in STATE 1, STATE 2, STATE 3, STATE 4, STATE 5, STATE 6 and STATE 7. We are currently registered in the state of Illinois.

We recently had a STATE 5 customer buy directly from one of our manufacturing sites to which we delivered directly to their customer in Illinois. Our STATE 5 customer is not registered in Illinois. I called the ILDOR twice for advice on sales tax exemption for this sale.

The first call it was suggested our STATE 5 customer complete form CRT–61 Certificate of Resale. It was mentioned since this was a sale for resale our customer's end-user would be responsible for the sales tax. It was also suggested that we retain from our STATE 5 customer supplementary information to document the sale for resale. Supplementary documentation included invoice from the purchaser to his customer showing that the item was actually resold, along with a statement from the purchaser explaining why it had not obtained a resale certifying that the purchase was a purchase for resale in Illinois.

The second call to the ILDOR resulted in the suggestion to use Form ST–587 Equipment Exemption Certificate. Reasoning that since the sale was of a completed vehicle the end user will pay the sales tax when they register the vehicle in the state of Illinois.

Since ABC has several customers under the same circumstance we would like a general letter ruling regarding which document our customers should supply to us in order for us to not charge sales tax on their transaction. Also, do we need to accept the certificate prior or after the sale?

We appreciate your response.

**DEPARTMENT'S RESPONSE:**

The Department's regulations regarding drop shipments can be found at 86 Ill. Adm. Code 130.225 and a Seller's Responsibility to Obtain Certificates of Resale and Requirements for Certificates of Resale at 86 Ill. Adm. Code 130.1405. A drop-shipment situation is normally one in which an out-of State purchaser makes a purchase for resale from a company which is registered with Illinois and has that company drop-ship the property to the Purchaser's customer located in Illinois.

Note, generally, Form ST-587, entitled "Equipment Exemption Certificate" is given to the seller by the purchaser when the purchaser is purchasing equipment that will be used primarily (1) in graphic arts production; (2) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease; (3) in production agriculture; or (4) for coal and aggregate exploration and related mining, off-highway hauling, processing, maintenance, and reclamation, but excluding motor vehicles required to be registered under the Illinois Vehicle Code.

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.]

Sincerely,

Debra M. Boggess  
Associate Counsel

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