

ST 15-0104 (GIL) October 15, 2015 SERVICE OCCUPATION TAX

Under the Service Occupation Tax, servicemen are taxed on tangible personal property transferred incident to a sale of service. See 86 Ill. Adm. Code Part 140. (This is a GIL.)

October 15, 2015

Dear Xxxxx:

This letter is in response to your letter dated September 3, 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 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:

Our office is seeking a letter from the Illinois Department of Revenue on whether a company or medical provider should be charging sales taxes for providing copies of medical records. Our office believes that providing copies of medical records is a service and not a sale of goods, and therefore there should be no collection or payment of sales taxes. Please advise our office on the correct procedure for this so that we can inform medical records providers of the law on this matter.

If you should have any questions, please feel free to contact the undersigned.

DEPARTMENT’S RESPONSE:

Retailers' Occupation and Use Taxes do not apply to sales of service. Under the Service Occupation Tax Act, businesses providing services (i.e., servicemen) are taxed on the tangible personal property transferred as an incident to sales of service. See 86 Ill. Adm. Code 140.101. The purchase of tangible personal property that is transferred to the service customer may result

in either Service Occupation Tax liability or Use Tax liability for the servicemen depending upon his activities.

The serviceman's liability may be calculated in one of four ways:

- (1) separately stated selling price of tangible personal property transferred incident to service;
- (2) 50% of the serviceman's entire bill;
- (3) Service Occupation Tax on the serviceman's cost price of tangible personal property transferred incident to service if the serviceman is a registered de minimis serviceman; or
- (4) Use Tax on the serviceman's cost price of tangible personal property transferred incident to service if the serviceman is de minimis and is not otherwise required to be registered under Section 2a of the Retailers' Occupation Tax Act.

Note, the Department does not consider the viewing, downloading or electronically transmitting of video, text and other data over the internet to be the transfer of tangible personal property. However, if a company provides services that are accompanied with the transfer of tangible personal property (e.g., medical records delivered to a customer in a hardcopy version, rather than sent electronically), such service transactions are generally subject to tax liability under one of the four methods set forth above.

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

DMB:mdb

