

Under the Retailers' Occupation Tax Act, the manufacturing machinery and equipment exemption is available for machinery and equipment used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. The manufacturing process is the production of articles of tangible personal property or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

July 8, 2016

RE: Sales tax ST-587 Equipment Exemption Certificate

Dear Xxxxx:

This letter is in response to your letter dated April 25, 2016, in which you requested 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:

We at COMPANY are looking to go the route of automation in assembling our final product to the patients. We are purchasing a machine in which we will be able to Count, Fill the bottle, Label the Bottle, and Cap so the final product is ready to be checked by the pharmacist and dispensed to the patient. We are trying to understand if this purchase is eligible for the Sales tax exemption as per your documentation in Section 130.330 it seems like if we use the product for assembly for retail sale then the eligibility would be sustained. The machine to do this process is available in the market only by 3 manufacturers and I am sending you a copy of one machine to review. This piece of machinery is 99.99% accurate helping us automate the process which is done by my Technicians today to give them more time to be with patients and do what we are here to do is communicate with the patients as well as other providers. This automation is replacing the valuable time in which it takes about 2 minutes on average to fill a prescription and the machine will do the same process with higher accuracy in less than 30 seconds without an attendant. It will also eliminate the possibility of cross infection between drugs since they will be contained in a small cell and not touch anything else. I

also think it is a requirement to have mechanical mechanism which is how this machine works by mechanically doing every task by taking the input from the computer as the pharmacist types it in and authorizes it. The reason we believe this exemption should be allowed is that we the process that is replaced is complete manual labor and nothing else has been taken away from neither our technicians nor the Pharmacist. I know you may of not considered this mechanism for automation before for Sales Tax Exemption but I urge you please look into it closely and grant us this permission. Please let us know if you need any other information and please feel free to call me at (XXX) XXX-XXXX or email me at [EMAIL](#). Our Mailing address is as follows:

NAME  
ADDRESS  
CITY, IL XXXXX

**DEPARTMENT'S RESPONSE:**

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. 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. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales tax" in Illinois.

Retailers' Occupation Tax, however, does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. The manufacturing process is the production of articles of tangible personal property or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See Section 130.330(b)(2).

Machinery means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process, including machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment. See Section 130.330(c)(2).

Generally, equipment used in the manner described in your letter would not qualify for the manufacturing machinery & equipment exemption because the equipment is not changing the existing material into a material with a different form, use or name.

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,

Debra M. Boggess  
Associate Counsel

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