

Beginning on July 1, 2019, the manufacturing and assembling machinery and equipment exemption includes production related tangible personal property purchased on or after July 1, 2019. See 86 Ill. Adm. Code 130.330. (This is a GIL).

December 9, 2019

Dear XXX:

This letter is in response to your letter received July 22, 2019, 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 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 on behalf of COMPANY. We manufacture cleaning chemicals and detergents. Our chemicals are used to clean the processing and manufacturing equipment in all types of manufacturing facilities (food, beverage, packaging, concrete, asphalt, etc.). As of July^{1st} the production related tangible personal property is now included within the Manufacturing Machinery and Equipment Exemption, however the bulletin announcement on the II. Department of Revenue website does not reference cleaning compounds specifically. We have had a few customers reach out, and I was hoping to get a letter from the Department of Revenue that I could pass along explaining whether or not our cleaning chemicals are included in the exemption. Please reach out with any specific questions.

DEPARTMENT’S RESPONSE:

Beginning on July 1, 2019, the manufacturing and assembling machinery and equipment exemption includes production related tangible personal property. Production related tangible personal property means all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process takes place or by a graphic arts producer in graphic arts production. Production related tangible personal property also means all

tangible personal property that is used or consumed in research and development regardless of use within or without a manufacturing or graphic arts production facility. 86 Ill. Adm. Code 130.330(h).

The Department recently filed emergency regulations that incorporate production related tangible personal property into the manufacturing and assembling machinery and equipment exemption which can be found on the Department's website and became effective upon filing. The Department included examples of items that the Department considered to be production related. For example, the Department provided that the following tangible personal property would be considered production related: (1) tangible personal property purchased by a manufacturer for incorporation into real estate within a manufacturing facility for use in a production related process; or tangible personal property purchased by a construction contractor for incorporation into real estate within a manufacturing facility for use in a production related process; (2) supplies and consumables used in a manufacturing process in a manufacturing facility, including fuels, coolants, solvents, oils, lubricants, and adhesives; (3) hand tools, protective apparel, and fire and safety equipment used or consumed within a manufacturing facility; and (4) tangible personal property used or consumed in a manufacturing facility for purposes of pre-production and post-production material handling, receiving, quality control, inventory control, storage, staging, and packing for shipping or transportation.

Generally, depending on how the cleaning chemicals and detergents are used, they could be considered production related tangible personal property and qualify for the manufacturing and assembling machinery and equipment exemption. For example, cleaning chemicals and detergents used to clean the processing and manufacturing equipment that is used in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process takes place would qualify. However, cleaning chemicals and detergents used, for example, to clean the facility itself, would not be considered used in a production related process and would not qualify for the exemption.

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

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