

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 dated August 13, 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](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:

I am hoping that you can provide some interpretation for my company regarding the new sales tax requirements for production related tangible personal property. Specifically I am asking for assistance with understanding Illinois Public Act (P.A.) 101-009 which amends the sales tax acts, beginning July 1, 2019, to expand the manufacturing machinery and equipment exemption to include production related tangible personal property purchased on or after July 1, 2019.

Our company manufactures what are referred to as chemical processing aids for plastics processors. Our products are used to enhance the efficiency of the manufacturing process to make it easier and faster. So the products are definitely used in a manufacturing setting. But 2 of COMPANY’s product categories can also be used in a pre or post-production use to help clean, protect and prepare the production equipment for use. This is the gray area where I would like help with understanding. Would this pre or post-production use qualify these

customer purchases as being tax-exempt? I am not sure that we or our resellers are able to qualify with the customer/user what percentage of the purchases are used in the immediate production process and what percentage are used pre or post-production to clean and prepare the equipment for future use.

We have a number of Illinois-based resellers who are asking my company for assistance with how to handle these customer purchases. Any guidance you can provide is appreciated. I can be reached at NUMBER or EMAIL if you have any questions. Thank you.

#### **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 chemicals are used, they could be considered production related tangible personal property and qualify for the manufacturing and assembling machinery and equipment exemption. As indicated above, 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 ship or transportation qualify for the exemption. It is unclear from your letter exactly how the chemical processing aids are used. However, you state that the chemicals are used to help clean, protect and prepare the production equipment for use. It is unclear what you mean by “protect and prepare” the production equipment for use. Generally, chemicals used to clean the production equipment used in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process takes place would qualify.

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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