

ST 20-0008-GIL 04/21/2020 MANUFACTURING MACHINERY & EQUIPMENT

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).

April 21, 2020

Dear Xxxx:

This letter is in response to your letter dated March 20, 2020, 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. Your letter is a follow-up to an email you sent wherein you were asking about clarification regarding what production related tangible personal property now qualifies for the the manufacturing and assembling machinery and equipment exemption. In your letter you have stated and made inquiry as follows:

I do appreciate the time you have devoted on these sales tax issues regarding the ST-587. Because of the position our firm has in this industry, we want to “get this right” if we are going to make structural changes in the invoicing of customers.

There a number, and varied steps involved in the manufacture of Printed Circuit Boards (not unlike other industries). I want to give you some examples of what we have been dealing with.

**Drilling of Printed Circuit Board (“board”):**

To drill the holes in a board, requires drill bits that have a relatively short life (thus not a repair or replacement item).

Aluminum entry material on top of the board to absorb heat from the drill.

Back-up material on the bottom of the board to absorb the drill bit.

Currently, the drill, entry and back-up are “used/consumed” and discarded. All of these items are being taxed at this time.

### **Preparation of Tooling to Image a Board:**

To make the tooling to image a board requires photographic film, fixer, and developer.

After imaging, the tool, fixer and developer are “used/consumed” and discarded. All of these items are being taxed at this time.

### **Imaging of the Board:**

To image the board requires a photopolymer “dry film” that is applied to the board, imaged, developed, etched and stripped.

Currently, the photopolymer dry film, developer, and stripper are “used/consumed” and discarded. All of these items, except the etchant (direct and immediate effect on the product), are being taxed at this time.

### **Lamination of the Printed Circuit Board:**

Certain boards have multiple internal layers that have to be heat pressed. This requires, among other things, lamination aluminum, release sheets and release sprays.

Currently, the aluminum, release sheets and sprays are “used/consumed” and discarded. All of these items are being taxed at this time.

### **Wet processing of the Printed Circuit Board:**

For the most part all boards are “wet processed” in one fashion or another and can include many plating and stripping operations.

These include pre-cleaners, pumice scrubs, acids, strippers, plating carriers, coppers, tins, slivers and gold among other things.

None of the metals are taxed because they are integrated into the board during production and “shipped” with the product.

Any of the pre-cleaners, pumice scrubs, acids, strippers plating carriers are “used/consumed” and discarded. All of these items are being taxed at this time.

There are other examples, but these probably comprise 95% of the operation.

From the looks of h)1) on page 12 of 130.330, none of these products would appear to be taxable any longer.

If that is the case, changing the ST-587 into an “annual form” makes more sense. Otherwise, we will have to get one of these filled out for every order we receive.

Per d) on page 7 regarding catalysts is somewhat confusing. I don't think that statement needs to be in there if all above stated items are tax exempt from now on.

Also, d)1 Example 1 on page 7 is technically incorrect. A chemical acid alone cannot etch copper off the surface of a printed circuit board. Only an acid in combination with other chemicals can etch copper, thus the term “etchant”.

On a secondary issue, we also supply cleaners and soaps for cleaning various parts and forgings. What is the tax status of this process?

Lastly, the ST-587 was instituted in July 2019. Our customers may want to get those sales taxes back. I would appreciate it if you could provide the procedure to accomplish this?

Please review and any guidance you can give us will be greatly appreciated.

#### **DEPARTMENT’S RESPONSE:**

Although we cannot give you a specific answer in the form of a General Information Letter, we hope you find the following helpful.

##### Production Related Tangible Personal Property:

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 amended its manufacturing and assembling machinery and equipment regulation at 86 Ill. Adm. Code 130.330 to reflect the inclusion of production related tangible personal property into the manufacturing and assembling machinery and equipment exemption. That amendment was adopted effective March 16, 2020 and was published at 44 Illinois Register 5392. You can find a copy of that regulation on the Illinois General Assembly’s website. Go onto that website, look at the right column and scroll down to the “Rules and Regulations” section, click on “Illinois Register.” You will find the regulation published in the March 27, 2020 version of the Register.

As you will see, in that regulation 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, based on the uses of the materials described in your letter, the materials could be considered production related tangible personal property and qualify for the manufacturing and assembling machinery and equipment exemption. However, cleaners and soaps used for cleaning various parts and forgings do not appear to be used in in a manufacturing process and, thus would not qualify.

Claim For Credit:

If a taxpayer pays an amount of tax under the Retailers' Occupation Tax Act that is not due, either as a result of a mistake of fact or an error of law, the taxpayer may file a claim for credit with the Department. See 86 Ill. Adm. Code 130.1501. Please note that only persons who have actually paid tax to the Department can file a claim for credit. No credit shall be given the taxpayer unless the taxpayer shows that he or she has borne the burden of the tax or has unconditionally repaid the amount of the tax to the purchaser from whom it was collected. In other words, if a purchaser has paid tax to the retailer, only that retailer can file a claim for credit.

The retailer must first refund tax money paid by the purchaser before proceeding with the claim. Once the retailer has done this, he or she must apply for the credit in the manner described in the regulation. Retailers are not required by law to apply for such credits; rather, this procedure is voluntary. Whether or not the retailer refunds the tax paid and files a claim for credit with the Department is a private matter between the retailer and the purchaser.

Blanket Certificate Of Exemption:

Public Act 101-604, effective December 13, 2019, removed the requirement that purchasers of manufacturing machinery and equipment have to provide an exemption certificate for each qualifying purchase (e.g., purchasers may now use "blanket" exemption certificates).

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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