About this publication

The focus of this publication is as follows:

- identify several of the most common sales and use tax exemptions;
- explain how retailers and servicepersons must document tax-exempt sales; and
- provide additional information about these common exemptions.

General Information

Retailers and servicepersons are required to pay Illinois Sales Tax (Retailers’ Occupation Tax and Service Occupation Tax) on certain sales of tangible personal property. In meeting their sales tax obligations, retailers and servicepersons are permitted to reimburse themselves by collecting the tax from their customers. Retailers who sell prepaid wireless services are also required to collect and remit the Prepaid Wireless E911 Surcharge.

Customers who make tax-exempt purchases must provide retailers with proper documentation. In some cases, retailers are required to submit this documentation with their tax returns; see the instructions for each return for further information. Retailers who cannot properly document a tax-exempt sale will be liable for paying sales tax, and if applicable, the E911 Surcharge on the transaction.
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Office locations.
Common Sales Tax and E911 Surcharge Exemptions

Sales for resale
The sale for resale exemption applies to sales made to businesses that purchase items tax free to resell. The tax and, if applicable, surcharge are collected and paid when the items and prepaid wireless services are sold at retail.

To document the exemption, you must keep in your records a certificate of resale containing:
- the seller’s name and address,
- the purchaser’s name and address,
- an identification or description of the items purchased for resale,
- a statement from the purchaser that the items are being purchased for resale,
- the purchaser’s signature and the date of signing, and
- one of the following:
  — the purchaser’s active account ID or resale number issued by the Illinois Department of Revenue (IDOR),
  — a statement that the purchaser is an out-of-state purchaser who will always sell (and deliver) to his or her customers outside Illinois.

Purchasers may either document their tax-exempt purchases by completing Form CRT-61, Certificate of Resale, or by making their own certificate. A copy of the certificate must be provided to the retailer. Certificates of Resale should be updated at least every three years.

For more information, see 86 Ill. Adm. Code 130.210.

Interstate commerce
The interstate commerce exemption applies to sales made from Illinois businesses that are delivered outside Illinois and are not returned to Illinois for use.

To document the exemption, you must keep in your records one of the following:
- a waybill or bill of lading in the name of the seller and showing the delivery address outside Illinois if the item is shipped by common carrier,
- a receipt from the U.S. Postal Service showing the name of the addressee, the delivery address outside Illinois, and the date the item was mailed if the item is sent by mail, or
- a trip sheet containing the name, address, and signature of the out-of-state purchaser and the signature of the person making the delivery if you will use your own transportation equipment.

This exemption does not apply to sales to out-of-state purchasers when the purchaser takes physical possession of the item in Illinois, except in the case of items that must be titled or registered with an agency of state government for which either the seller issued a drive-away permit or the purchaser transferred current out-of-state license plates, provided the state where the item will be titled or registered offers Illinois resident purchasers a reciprocal exemption. Note that nonresident purchaser exemptions are not allowed on watercraft sales.

For more information, see 86 Ill. Adm. Code 130.340 and 130.605.

Manufacturing machinery and equipment
The manufacturing machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in manufacturing or assembling items for wholesale or retail sale or lease.

To document the exemption, you must keep in your records one of the following:
- the purchaser’s active account ID or resale number issued by IDOR
- an exemption certificate containing
  — the seller’s name and address,
  — the purchaser’s name and address,
  — an identification or description of the items purchased,
  — a statement from the purchaser that the items are being used primarily in manufacturing or assembling items for wholesale or retail sale or lease, and
  — the purchaser’s signature and the date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587, Machinery and Equipment Exemption Certificate, or by making their own certificate. A copy of the certificate must be provided to the retailer.

For more information, see 86 Ill. Adm. Code 130.330.

Farm machinery and equipment
The farm machinery and equipment exemption applies to purchases of farm machinery and equipment used or leased for use primarily (more than 50 percent of the time) in production agriculture or for use in state or federal agricultural programs. The exemption also applies to repair and replacement parts for qualifying machinery and equipment. Excluded from this exemption are motor vehicles required to be registered under the Illinois Motor Vehicle Code.

To document the exemption, you must keep in your records an exemption certificate containing:
- the seller’s name and address,
- the purchaser’s name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items are being used primarily in production agriculture or in a state or federal agricultural program, and
- the purchaser’s signature and the date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587 or by making their own certificate. A copy of the certificate must be provided to the retailer.

For more information, see 86 Ill. Adm. Code 130.305.
Graphic arts machinery and equipment

The exemption for graphic arts production machinery and equipment expired August 30, 2014.

The graphic arts machinery and equipment exemption applies to purchases of machinery and equipment used primarily (more than 50 percent of the time) in graphic arts production.

To document the exemption, you must keep in your records an exemption certificate containing
- the seller’s name and address,
- the purchaser’s name and address,
- an identification or description of the items purchased,
- a statement from the purchaser that the items being used primarily in graphic arts production, and
- the purchaser’s signature and date of signing.

Purchasers may document their tax-exempt purchases either by completing Form ST-587 or by making their own certificate. A copy of the certificate must be provided to the retailer.

For more information, see 86 Ill. Adm. Code 130.325.

Sales to enterprise zones

Building materials

The enterprise zone exemption applies to the sale of building materials that will be incorporated into real estate located within an enterprise zone.

There is no requirement that the building materials be purchased from a retailer located within the enterprise zone.

To document the exemption, you must keep in your records a certification from the purchaser that contains the following:
- a statement that the building materials are being purchased for incorporation into real estate located in an Illinois enterprise zone,
- the location or address of the real estate into which the building materials will be incorporated,
- the name of the enterprise zone in which that real estate is located,
- a description of the building materials being purchased,
- the purchaser’s exemption certificate number issued by IDOR, and
- the purchaser’s signature and date of purchase.

Note: A completed Form EZ-1, Building Materials Exemption Certification, may be used to satisfy this certification requirement.

Items other than building materials

The enterprise zone exemption also applies to the sale of tangible personal property (TPP) other than building materials, to a business certified by the Department of Commerce and Economic Opportunity (DCEO).

Items that may qualify include
- TPP used or consumed in the operation of a high impact service facility within the enterprise zone,
- machinery and equipment used in the operation of a high impact service facility within the enterprise zone,
- jet fuel used in the operation of a high impact service facility,
- machinery and equipment used in the operation of an aircraft maintenance facility located within an enterprise zone,
- TPP used or consumed within an enterprise zone by any aircraft maintenance facility directly in the process of maintaining, rebuilding, or repairing aircraft, including repair and replacement parts, and
- jet fuel and petroleum products used or consumed by any aircraft support center directly in the process of maintaining and rebuilding, or repairing aircraft.

To document the exemption, you must keep in your records the following:
- a copy of the current certificate of eligibility issued by DCEO and
- a written statement signed by the certified business that the items are being purchased for use or consumption at a location within an enterprise zone.

Once you have a current copy of the certificate of eligibility and statement of exemption on file, the certified business may claim the exemption on subsequent purchases from you. The business will need to indicate on the purchase order that the item or items are exempt by referencing the certificate of eligibility and statement of exemption. The exemption can only be claimed as long as the certificate of eligibility is current and made during the effective period of the certificate of eligibility specified by DCEO.

For more information, see 86 Ill. Adm. Code 130.1951.

Sales to high impact businesses

Building materials

The high impact business exemption applies to the sale of building materials that will be incorporated into a high impact business (HIB) location if the business has received this designation from DCEO.

To document the exemption, you must keep in your records a certification from the purchaser that contains the following:
- a statement that the building materials are being purchased for incorporation into a designated HIB location,
- the location or address of the designated HIB into which the building materials will be incorporated,
- the name of the designated HIB,
- a description of the building materials being purchased,
- the purchaser’s exemption certificate number issued by IDOR, and
- the purchaser’s signature and date of purchase.

Note: A completed Form EZ-1, Building Materials Exemption Certification, may be used to satisfy this certification requirement.

Items other than building materials

The high impact business exemption also applies to sale of tangible personal property (TPP) other than building materials to a business certified by DCEO.

Items that may qualify include those used in the process of manufacturing or assembly of TPP for wholesale or retail sale or lease.

To document the exemption, you must keep in your records the same documentation as required for the enterprise zone items other than building materials.

For more information, see 86 Ill. Adm. Code 130.1952.
Sales to river edge redevelopment zones

The river edge redevelopment zone exemption applies to qualifying sales of building materials that will be incorporated into real estate within a river edge redevelopment zone by remodeling, rehabilitating, or new construction. A “qualifying sale” is a sale of building materials that will be incorporated into real estate as part of an industrial or commercial project and a Certificate of Eligibility for Sales Tax Exemption has been issued by the municipality where the project is located.

To document the exemption, you must keep in your records a certification from the purchaser that contains the following:

• a statement that the building materials are being purchased for incorporation into real estate located in a river edge redevelopment zone,
• the location or address of the real estate into which the building materials will be incorporated,
• the name of the river edge redevelopment zone in which that real estate is located,
• a description of building materials being purchased,
• the purchaser’s exemption certificate number issued by IDOR, and
• the purchaser’s signature and date of purchase.

Qualifying sales must be to the organization itself, not its members or representatives.

Note: A completed Form EZ-1, Building Materials Exemption Certification, may be used to satisfy this certification requirement. For more information, see 86 Ill. Adm. Code 130.1954.

Sales to governmental bodies

On and after January 1, 2015, except as otherwise provided in 86 Ill. Adm. Code 130.2080(b) and 130.2080(c), sales of tangible personal property made to a governmental body (Federal, State, local, or foreign) are exempt from the Retailers’ Occupation Tax only if the governmental body has an active E-number issued by IDOR and the governmental body provides this active E-number to the retailer, who records that number instead of collecting the tax. In addition, only sales of tangible personal property invoiced directly to and paid by governmental bodies that possess active E-numbers are exempt. If an individual government employee provides a credit card to the retailer containing the name of the employee along with the name of the governmental body, tax will be due, even if the employee provides an active E-number. However, until December 31, 2014, retailers may accept U.S. government bank cards in sales to the U.S. government and its agencies without requiring an Illinois active exemption identification number. Retailers making sales to persons with a U.S. State Department, Office of Foreign Missions card or a Taipei Economic and Cultural Representative Office card should consult 86 Ill. Adm. Code Part 130, Illustration A, which depicts examples of the type of tax exemption cards currently being used and the type of exemption to which the person in possession of that particular card is entitled.

For more information, see 86 Ill. Adm. Code 130.2080.

Rolling stock

Items (including repair and replacement parts) purchased by interstate carriers for hire to carry persons or commodities in interstate commerce qualify for the rolling stock exemption. Lessor may qualify for the exemption if items (including repair and replacement parts) purchased will be leased for one year or more.

To qualify for the exemption, a motor vehicle (other than a limousine) must have a GVWR of more than 16,000 pounds. The GVWR is the weight identified by the manufacturer as the maximum loaded weight that the motor vehicle can carry safely. A motor vehicle, limousine, or trailer must carry persons or property for hire in interstate commerce each consecutive 12-month period for more than 50 percent of the motor vehicle’s total trips or miles.

Aircraft and watercraft (and repair and replacement parts) purchased before January 1, 2014, must be used by an interstate carrier for hire to carry persons or commodities in interstate commerce on a regular and frequent basis. Aircraft and watercraft purchased on or after January 1, 2014 (and repair and replacement parts) must be used by an interstate carrier for hire to carry persons or commodities in interstate commerce for more than 50 percent of its total trips for that period or for greater than 50 percent of its total miles for that period. The 50-percent test also applies to aircraft and watercraft repair and replacement parts purchased on or after January 1, 2014, regardless of whether the aircraft or watercraft was purchased before or after January 1, 2014.

Rail carrier items (and repair and replacement parts) must be used by an interstate carrier for hire to carry persons or commodities in interstate commerce on a regular and frequent basis.
Trips or mileage of a motor vehicle, trailer, limousine, aircraft, watercraft, or rail carrier item in or on which persons or property are carried for hire just between points in Illinois may be used to qualify for the exemption if the journey of the passenger or shipment of the property either originates or terminates outside Illinois. For aircraft, flight hours may be used in lieu of recording miles, and for watercraft, nautical miles or trip hours may be used in lieu of recording miles.

Any item that carries persons or property for hire but seldom or never leaves Illinois may qualify for the rolling stock exemption only when its trips or miles are a continuation of interstate commerce. For these trips or miles to count as a continuation of interstate commerce the person’s journey or property’s shipment must begin or end outside of Illinois.

Generally, it is not the type of item that determines whether or not it qualifies for use as rolling stock, but how the item is used by an interstate carrier for hire. Only those items specifically used as rolling stock will qualify for this exemption. For example, items do not qualify for use as rolling stock when they are used only

- to transport company officers, employees, customers or others not for hire (even if the persons cross state lines); or
- to transport property that a business owns or is selling and delivering to customers (even if the items cross state lines); or
- as support vehicles (other than those specifically used for “escort” service) when the vehicles do not haul persons or commodities for hire in interstate commerce.

Purchasers must provide documentation to the retailers that they are interstate carriers for hire. To document the exemption, you must keep in your records

- the seller’s name and address,
- the purchaser’s name and address,
- the documentation indicating that the purchaser is an interstate carrier for hire,
- an identification or description of the items purchased,
- a statement that the purchaser is purchasing the items for use as rolling stock in interstate commerce for hire, and
- the purchaser’s signature and the date of signing.

Purchasers of motor vehicles, trailers, aircraft, watercraft, limousines, and rail carrier items (and repair and replacement parts) should document their tax-exempt purchases by completing Form RUT-7, Rolling Stock Affidavit, and providing a copy to their retailers. Purchasers also must identify which method will be used to document the exemption — trips or mileage. This choice must be documented on Form RUT-7. Once made, this election will remain in effect for the duration of the purchaser’s ownership of that item. If no choice is indicated, the purchaser will be deemed to have chosen the mileage method.

For more information and examples of qualifying uses, see 86 Ill. Adm. Code 130.340.

Sales to community water supply purchasers

A community water supply purchaser (or a contractor) may claim a sales and use tax exemption on the following types of sale:

- sales of tangible personal property purchased and used in the construction or maintenance of structures and physical plant owned by a community water supply, when the tangible personal property is physically incorporated into the structures and physical plant; or
- sales of tangible personal property purchased and owned by a community water supply, when the tangible personal property is not physically incorporated into the structures and physical plant owned by a community water supply but is used in the construction and maintenance of a community water supply.

See 86 Ill. Adm. Code 130.1934(c), for a detailed list of tangible personal property that does and does not qualify for this exemption.

A community water supply purchaser (or a contractor) claiming a sales and use tax exemption must provide to the seller either Form ST-589, Certificate of Eligibility for Sales and Use Tax Exemption — Community Water Supply, or an equivalent as proof that no tax is due on the sale. An equivalent certificate must contain the following:

- the name of the not-for-profit corporation operating the community water supply;
- the location or address of the community water supply;
- a statement that the community water supply identified in the certificate meets all the requirements of Section 2-5(39) of the Retailers’ Occupation Tax Act;
- a statement that the not-for-profit corporation is in good standing and has not been dissolved (a foreign not-for-profit corporation also shall state that it has obtained a certificate of authority to conduct affairs in Illinois and that the certificate has not been withdrawn);
- a description of the tangible personal property being purchased;
- a statement that the tangible personal property is either:
  - being purchased and used in the construction or maintenance of structures and physical plant owned by a community water supply and physically incorporated into the structures and physical plant; or
  - being purchased for use in the construction or maintenance of a community water supply by a community water supply; and
- the signature of the chief executive officer of the not-for-profit corporation operating the community water supply or the chief executive officer’s duly authorized designee.

If the purchaser is a contractor, the equivalent certificate also must contain a signed statement that the tangible personal property will be physically incorporated into the structures and physical plant owned by a community water supply in fulfillment of a construction contract with a not-for-profit corporation that operates the community water supply and is eligible for this exemption.

Note that purchases of tangible personal property by a lessor to be leased to a community water supply for use in the construction or maintenance of structures and physical plant owned by the community water supply do not qualify for the exemption.


**Other exemptions**

The exemptions discussed above do not represent a comprehensive list of Illinois Sales Tax exemptions. If you have questions about any exemption, visit our website at tax.illinois.gov.
For information or forms
Visit our website at tax.illinois.gov
Call us at 1 800 732-8866 or 217 782-3336.
Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.
Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.