ST 19-0023-GIL 12/04/2019 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).

December 4, 2019

Dear XXX:

This letter is in response to your letter dated May 31, 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:

COMPANY is a manufacturer of steel framing. Our production process is as follows. We receive our raw materials, master coils, from a steel vendor. We slit master coils into appropriate widths for making various products, we use roll forming machines to continue processing appropriate slit coil for finished product. We package the finished product for loading on trucks and delivery to customer.

My question is on the taxability or exemption for overhead cranes. We use overhead cranes to take the master coil out of storage and load it on to the slitter. Is loading part of the production cycle or is it considered a pre-production activity?

"The manufacturing machinery and equipment does not apply to machinery or equipment used in primarily pre-production activities. Machinery and Equipment used primarily to store, convey, handle or transport materials or sub-assemblies prior to their entrance into the productions cycle do not qualify for the equipment exemption. Taxable

Or

"The use of machinery and equipment to convey, handle, or transport the tangible personal property to be sold within production stations on the production line or directly between the production stations or buildings within the same plant". Exempt

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.

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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