

Illinois Department of Revenue  
J. Thomas Johnson, Director  
101 West Jefferson Street  
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY86-48

TO: All Retailers of Oil Field Exploration, Drilling, and  
Production Equipment

SUBJECT: Exemption From Sales Tax For Oil Field Exploration, Drilling  
and Production Equipment (Schedule RR-597)

If you do not sell oil field exploration, drilling, and production  
equipment, please disregard this bulletin.

Effective January 1, 1986, the state sales tax on oil field  
exploration, drilling, and production equipment individually costing  
\$250.00 or more was removed. For the purpose of this exemption, "oil  
field exploration" means the search for oil or natural gas.  
"Exploration" includes: seismic studies, core testing, and the  
drilling of test wells (wildcat wells). This state sales tax exemption  
includes machinery and equipment purchased for lease. However, motor  
vehicles required to be registered under the Illinois Vehicle Code do  
not qualify for the exemption. (You will continue to collect and pay  
the 5% state tax on sales of items which individually cost less than  
\$250.00.)

Some of the items included in the exemption are: oil rigs (rotary  
rigs, cable tool rigs, and workover rigs), pipe and tubular goods  
(casing and drill strings) which are sold by the linear foot if the  
cost of the total length sold in an individual transaction or sale  
exceeds \$250.00, gasoline and diesel engines used as power sources,  
pump and pump-jack units, storage tanks, and flow lines. Some of the  
items not included in the exemption are hand tools, supplies (such as  
drilling mud, well cement, acid, chemicals, and explosives), equipment  
used off the production lease to store, convey, handle, or transport  
oil, and equipment trailers or structures used in management, sales,  
and other non-productive, non-operational activities.

Local and mass transit taxes (where applicable) are due on the full  
selling price.

Enclosed you will find a small supply of Oil Field Exploration,  
Drilling, and Production Equipment Exemption Schedules (RR-597). You  
must complete and attach a schedule to your RR-1-A tax return each time  
you take a deduction on Line 10 or reduce your tax base on Lines 20,  
22, 27, and 29. You may reproduce these forms, provided your copy is  
an exact duplicate, or you may write the Department at P.O. Box 3545,  
Springfield, Illinois 62708 and we will mail you a supply.  
There are detailed completion instructions on the reverse side of the  
schedule. If, however, you need additional assistance or have  
questions, please contact us using the address or telephone number

listed above.

J. Thomas Johnson  
Director of Revenue

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