



Miscellaneous Sales and Use Tax Changes

Informational Bulletin

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For information or forms...

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- ◆ Write us at:
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To: All Retailers and Servicepersons

This bulletin includes several changes in sales and use tax law.

Changes to Requirements for Tax-free Purchases Made by Not-for-profit Arts or Cultural Organizations

Effective July 1, 2001, a not-for-profit arts or cultural organization **must** have an active sales tax exemption identification number ("E" number) issued by the department in order to make tax-free purchases.

In addition, to qualify for an "E" number, the organization must be organized and operated **primarily** for the presentation or support of arts or cultural programming, activities, or services.

Manufacturing and Graphic Arts Machinery and Equipment Exemption Changes

Effective August 23, 2001, the term "equipment" as used in the exemption for manufacturing machinery and equipment and graphic arts production has been expanded to include additional items.

What are the Changes for Manufacturing Machinery and Equipment?

In regard to manufacturing, the term "equipment" now includes

- ◆ computers used primarily in a manufacturer's computer assisted

design, computer assisted manufacturing (CAD/CAM) system. Formerly, the "equipment" had to be used primarily in operating exempt machinery and equipment in a CAD/CAM system.

- ◆ chemicals or chemicals acting as catalysts when they produce a direct and immediate change upon a product being manufactured or assembled for wholesale or retail sale or lease.

What are the Changes for Graphic Arts Production?

In regard to graphic arts production the term "equipment" now includes

- ◆ chemicals or chemicals acting as catalysts when they produce a direct and immediate change upon a graphic arts product.

"Bulk Vending Machine" Definition Changes

Effective January 1, 2002, "bulk vending machine" means a vending machine, which

- ◆ is electronic or not,
- ◆ contains unsorted confections, nuts, toys, or other items designed primarily to be used or played with by children, and
- ◆ dispenses them in equal portions, at random and without selection by the customer when a coin or coins of not more than \$0.50 are inserted.

New Vending Machine Exemption

Effective January 1, 2002, machines and parts for machines used in commercial, coin-operated amusement and vending businesses may be exempt from tax when purchased. To qualify as exempt, a use or occupation tax must be paid on the gross receipts derived from the use of these machines.

Enterprise Zone Exemption Change

Effective January 1, 2002, the deduction for the sale of building materials that will be incorporated into real estate in an enterprise zone has changed.

What is the change?

Retailers who make a sale of building materials to be incorporated into real estate in any enterprise zone established by a county or municipality under the Illinois Enterprise Zone Act may deduct receipts from these sales when filing Form ST-1, Sales and Use Tax Return.

Formerly, the retailer had to be located in the same jurisdiction that created the enterprise zone where the building materials would be incorporated into real estate.

Are there any limitations on these sales?

Yes, depending on whether or not the retailer is located in a jurisdiction that has established an enterprise zone.

If a retailer is located in a jurisdiction that has established an enterprise zone, the sales of materials and the availability of the enterprise zone exemption is governed by the ordinance for that enterprise zone.

For example, if a contractor in "Municipality A" purchases building materials from a retailer in "Municipality B," the availability of the exemption is governed by the "Municipality B" enterprise zone ordinance. If the "Municipality B" ordinance requires a "Municipality B" building permit in order for the exemption to apply, the purchase of the building materials to be incorporated into "Municipality A" will not qualify for the exemption.

If a retailer is located in a jurisdiction that does not have an enterprise zone, there are no restrictions on the retailer concerning these sales.

For example, the same "Municipality A" contractor purchases building materials from a retailer located in a municipality that has no enterprise zone ordinance. Since there are no ordinances concerning enterprise zones in that municipality, there are no restrictions on claiming the exemption.