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.

Taxpayer Bill of Rights

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to Department notices by asking questions, paying the amount due, or providing proof to refute the Department's findings.

You have the right to appeal Department decisions, in many instances, within specified time periods, by asking for Department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right, within specified time periods, to file for a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other Department procedures, you may write us at the following address:

Problems Resolution Office
Illinois Department of Revenue
PO Box 19014
Springfield, IL  62794-9014

Get forms and other information faster and easier at tax.illinois.gov
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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 are being used primarily in graphic arts production, 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 130.325.

**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 pollution control facilities,
- TPP used or consumed within an enterprise zone in the process of manufacturing or assembly of TPP for wholesale or retail sale or lease, including repair and replacement parts,
- 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 facilities,
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 exempt organizations (excluding governmental bodies)

In Illinois, only organizations that have applied for and received an exemption identification number (“E” number) from IDOR qualify as tax-exempt purchasers of tangible personal property and prepaid wireless services. Examples of organizations that may qualify for tax-exempt status include churches, charities, schools, county fair organizations, and certain senior citizen organizations. Once such organizations have been granted their “E” numbers, they may purchase items tax free to further their organizational purposes.

To document the exemption, you must request from the purchaser either

- a copy of the purchaser’s exemption certificate issued by IDOR or
- the purchaser’s “E” number. (In this case, before completing the transaction, retailers should verify this number by using MyTax Illinois, available on the IDOR website at tax.illinois.gov, or by calling IDOR at 217 782-8881).

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

For more information, see 86 Ill. Adm. Code 130.2005.

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 haul 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](http://tax.illinois.gov).