



# Illinois Department of Revenue

# Informational Bulletin

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

## Limited Expansion of Manufacturing Machinery and Equipment Exemption to Include Production-Related Tangible Personal Property

To: All Manufacturers

This bulletin is to inform you that the Manufacturing Machinery and Equipment Exemption has been expanded to include purchases of production-related tangible personal property purchased on or after July 1, 2007, and on or before June 30, 2008. [Emergency regulations](#) currently in effect may be found on the department's website.

### What qualifies for the exemption?

Purchases of production-related tangible personal property made on or after July 1, 2007, and on or before June 30, 2008, are eligible for the exemption.

### How is "production-related tangible personal property" defined?

For the purpose of this exemption, production-related tangible personal property is defined as tangible personal property that is used or consumed in a production-related process by a manufacturer in a manufacturing facility in which a manufacturing process takes place and includes, without limitation

- ◆ tangible personal property that is purchased and incorporated into real estate within a manufacturing facility; and
  - ◆ tangible personal property that is used or consumed in activities such as research and development, preproduction material handling, receiving, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes.
- Production-related tangible personal property does not include, without limitation, tangible personal property
- ◆ used in or within the manufacturing facility in sales, purchasing, accounting, fiscal management, marketing, personnel recruitment or selection, or landscaping; or
  - ◆ required to be titled or registered with a department, agency, or unit of federal, state, or local government.

**Note:** This expanded manufacturing machinery and equipment exemption cannot be claimed by construction contractors.



**How do I know if my purchases fall within the exemption period?**

The date of delivery will be used to determine the exempt status of the purchases. Deliveries on or after July 1, 2008, do not qualify even if the purchases were contracted on or after July 1, 2007, and on or before June 30, 2008.

**If I use the Manufacturer's Purchase Credit, can I still use the exemption?**

**NO.** Because this exemption is an alternative to the Manufacturer's Purchase Credit for purchases of production-related tangible personal property during this one-year period, you must choose either (1) to use the Manufacturer's Purchase Credit to satisfy the liability on purchases of production-related tangible personal property or (2) to submit an exemption report to the department claiming this Manufacturing Machinery and Equipment Exemption for purchases of production-related tangible personal property.

**When must I file for the exemption?**

You must file for the exemption on or after July 1, 2008, and on or before September 2, 2008. You must complete Form ST-60, Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Exemption Report to claim the exemption. If you file after September 2, 2008, your exemption will be disallowed

**How will I file for the exemption?**

You must pay tax at the time of purchase and file Form ST-60,

Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Exemption Report to claim the exemption.

You must maintain records for each purchase included in the exemption report. You will need to:

- ◆ identify the supplier including his or her Illinois account ID, federal employer identification number or social security number;
- ◆ identify the date of purchase, purchase price, and description of production-related tangible personal property; and
- ◆ obtain and keep a copy of a certificate signed by the supplier (on form ST-61, Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Certificate, or on your own certificate)
  - acknowledging that you will file the exemption report for the production-related tangible personal property; and
  - certifying that the supplier will not file a claim against the taxes paid to the department on the production-related tangible personal property.

Form ST-61 allows you, rather than the supplier to file Form ST-60 to report the exemption. Both you and your supplier will need to keep a copy of Form ST-61 or your own certificate. Do not submit a copy to the department.

**How do I compute the exemption?**

You will report your total purchases of production-related tangible personal property you purchased on or after July 1, 2007, and on or before June 30, 2008, on Form ST-60. You will multiply total purchases by

the exemption rate of 5 percent to arrive at the exemption amount. For example, if you purchased and paid tax on \$100,000 in production-related tangible personal property, you are eligible to file an exemption report for an exemption of \$5,000 ( $\$100,000 \times .05$  (5%) = \$5,000).

**How will I receive the exemption?**

Once your exemption report has been approved by the department, you will receive a credit memorandum from the department in the amount of the approved exemption.

The maximum amount of credit memorandums refunded to all taxpayers cannot exceed \$10,000,000. Your claim will be compiled with all claims received. Based on the total amount of claims received, your credit may be prorated.

**Note:** Your credit will not exceed your original claim amount.

The credit memorandum may be used like any other credit memorandum on Line 24 of Form ST-1, Sales and Use Tax Return.

**How do I as a registered supplier report the sale?**

You will report the transaction as any other sale on Form ST-1, Sales and Use Tax Return. You will give your customer a signed certificate containing information allowing your customer to file the exemption report on the production-related tangible personal property. Both of you will need to keep a copy of the certificate on file.