

AHLBECK & COMPANY

CERTIFIED
PUBLIC
ACCOUNTANTS

1665 ELK BOULEVARD
DES PLAINES, ILLINOIS
60016

TELEPHONE: 847/824-4000
FACSIMILE: 847-824-4012
WEB: www.ahlbeck.com

Manufacturing Machinery and Equipment Exemption

What is it? The Manufacturing Machinery and Equipment Exemption provided by the state of Illinois has been expanded to include purchases on production-related tangible personal property. By filing the appropriate forms, companies can receive a 5% refund of sales tax paid on these items.

What Qualifies? The credit applies to any purchases of production related tangible personal property from July 1, 2007 to June 30, 2008. Related tangible personal property is anything used or consumed in a production related process by a manufacturer including items used in research and development, material handling, receiving, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes. It does include fuels, coolants, solvents, oils, lubricants, cleaners and adhesives.

These purchases must be items that you paid sales tax on when purchased. Also, the amount of sales tax paid is excluded when calculating the amount of the credit.

Attached is a publication from the Illinois Department of Revenue that explains the credit and how to get it. Also attached are two related forms: one to claim the credit, and the other is a form you are supposed to have on file from your suppliers. This form provides acknowledgement from your supplier that they sold you these items.

If you have any questions or would like some help completing these forms to get the credit, please contact our office and we will be happy to assist you.

Pursuant to Internal Revenue Service Circular No. 230, be advised that the information contained herein was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding any Internal Revenue Code penalties that may be imposed on the taxpayer. It was written with the intent of disseminating general information related to the transaction(s) or matters(s) addressed herein.



Illinois Department of Revenue

Informational Bulletin

Brian Hamer
Director of Revenue

For information . . .

Visit our web site —
tax.illinois.gov

Call us —
1 800 732-8866 or
1 217 782-3336
1 800 544-5304 (TDD only)

Write us —
Illinois Department of Revenue
P.O. Box 19044
Springfield, IL 62794-9044

For forms . . .

Visit our web site —
tax.illinois.gov

Call our Forms Order Line —
1 800 356-6302

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.



ST-60 Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Exemption Report

Use this form to report the Manufacturing Machinery and Equipment Production-Related Tangible Personal Property Exemption for purchases made on or after **July 1, 2007** and on or before **June 30, 2008**

REV 01 Form 093 Station 195
E S ____/____/____
NS CA

Step 1: Identify your business

- 1 Business name _____
- 2 Business address _____
Street address
- City _____ State _____ ZIP _____
- 3 Business phone number (_____) _____
- 4 Illinois account ID _____ - _____
If you do not have an account ID, check this box.
Write your federal employer identification number (FEIN) or social security number.
- 5 Total amount of exemption claimed _____

Step 2: Identify the total amount of production-related tangible personal property purchases eligible for the expanded manufacturing machinery and equipment exemption.

- 6 Purchases of production-related tangible personal property from July 1, 2007 through June 30, 2008 that are eligible for the expanded manufacturing machinery and equipment exemption on which tax was paid, and for which Manufacturer's Purchase Credit was not used. (Do not include taxes paid.) \$ _____
- 7 Amount of exemption claimed (subject to proration by the department) \$ _____
(Multiply Line 6 by 5% (.05))

Step 3: Sign below

Under penalties of perjury, I state that I have a certificate from the supplier(s) authorizing me to file this report to claim the exemption. The items purchased qualify for the expanded manufacturing machinery and equipment exemption for production-related tangible personal property. I have examined this form and, to the best of my knowledge, it is true, correct, and complete.

Taxpayer or authorized agent's signature (_____) _____ / _____ / _____
Daytime phone number Date

General Information

When do I complete this report?

You must complete this report if you are claiming the expanded manufacturing machinery and equipment exemption for production-related tangible personal property. You must have paid Retailers' Occupation Tax to your suppliers or self-assessed use tax on purchases of production-related tangible personal property used in the manufacturing process. You must file the report no later than September 2, 2008.

Note: You may not use or earn MPC on these purchases.

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

For more information, see Informational Bulletin FY 2008-19.

What is "production-related tangible personal property"?

The term "production-related tangible personal property" refers to items used or consumed in a production-related process by the purchaser in a facility in which the manufacturing process takes place. The term includes but is not limited to

- tangible personal property purchased for incorporation into real estate within a manufacturing facility;
- tangible personal property used or consumed in activities such as preproduction material-handling, receiving, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes; and
- tangible personal property used or consumed by the purchaser for research and development.

What is not considered "production-related tangible personal property"?

"Production-related tangible personal property" does not include, without limitation

- tangible personal property used, within or outside a manufacturing facility, in sales, purchasing, accounting, fiscal management, marketing, personnel recruitment or selection, or landscaping; or
- tangible personal property required to be titled or registered with a department, agency, or unit of federal, state, or local government.

How do I complete this report?

Complete each line of this report using information you have retained in your records. **If you do not complete and file this report timely, you will lose your right to claim the exemption.** Do not submit invoices or certifications with the report.

Where can I get help?

You may get help by

- visiting our web site at tax.illinois.gov.
- calling our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**
- calling our TDD (telecommunications device for the deaf) at **1 800 544-5304**
- writing to
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

Step-by-step Instructions

Step 1: Identify your business

Lines 1, 2, and 3 - Write your business name, address, and telephone number.

Line 4 - Write your Illinois account number. If you do not have an account ID, check the box and write your FEIN or social security number in the space provided.

Line 5 - Write the amount of the exemption you are claiming.

Step 2: Identify the total amount of production-related tangible personal property purchases eligible for the expanded manufacturing machinery and equipment exemption.

Line 6 - Write the total taxable purchase price of all production-related tangible personal property you purchased from registered suppliers who charged you Retailers' Occupation Tax. Do not include taxes paid. You will also include any production-related tangible personal property for which you self-assessed use tax on Form ST-1.

Line 7 - Multiply Line 6 by the exemption rate of 5 percent to arrive at the amount of the exemption claimed before any necessary proration.

Step 3: Sign below

You or your authorized agent must sign the report, and write a contact telephone number and the date on the line provided. Mail this form to:

SALES TAX PROCESSING DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19034
SPRINGFIELD IL 62794-9034



Illinois Department of Revenue

ST-61 Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Exemption Certificate

Both the supplier and purchaser must keep a copy of this certificate.
Do not submit a copy to the department.

Step 1: Identify the supplier

Name _____

Phone (____) _____

Address _____
Number and street

Account ID _____ - _____

If you do not have an account ID, write your federal employer identification number (FEIN) or social security number.

City _____ State _____ ZIP _____

Step 2: Identify the purchaser

Name _____

Phone (____) _____

Address _____
Number and street

Date of purchase ____/____/____
Month Day Year

City _____ State _____ ZIP _____

Step 3: Identify the property you are purchasing

Describe purchase _____

Date of purchase ____/____/____
Month Day Year

Purchase Price _____
(Do not include tax)

Step 4: Sign below

Under penalties of perjury, I state that I will not file an exemption report (Form ST-60) to claim the expanded manufacturing machinery and equipment exemption for production-related tangible personal property.

I authorize _____ to file the report to claim the exemption.
Purchaser

Furthermore, I will not file a claim for credit against taxes paid to the department on the production-related tangible personal property identified in Step 3.

Supplier's signature _____

____/____/____
Date

You may photocopy this form or you may request additional forms by visiting our web site **tax.illinois.gov**, writing us, or by calling our Springfield office weekdays between 8 a.m. and 5 p.m. Our address and telephone number are below.

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

1 800 732-8866 or 217 782-3336