

This letter discusses whether a grinder used to sharpen saw blades qualifies for the manufacturing machinery and equipment exemption. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

September 26, 2006

Dear Xxxxx:

This letter is in response to your letter dated July 12, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We have a client who purchased a grinder to sharpen saw blades. This client operates a shop where his sole business is to sharpen saw blades and bits. Over 95% of the blades and bits he sharpens are used in the manufacturing process. (His customer's mfg. Businesses)

C)2 of the 130.330 statutes indicate that 'equipment used in the general maintenance ... of such (manufacturing) equipment' is exempt.

It would appear to me that this item of sharpening equipment (grinder) would be exempt from sales tax based upon paragraph C)2. Do you agree? Please advise.

## **DEPARTMENT'S RESPONSE**

The guidelines for whether equipment or machinery qualifies for the exemption are set out in the Department's regulation "Manufacturing Machinery and Equipment" at 86 Ill. Adm. Code 130.330.

Machinery and equipment that is used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease is exempt from Retailers' Occupation Tax and Use Tax. The manufacturing process is the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or

assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use, or name. These changes must result from the process in question and be substantial and significant.

For this exemption, how the grinder is used will determine whether the exemption is available. If the grinder is used to sharpen saw blades for subsequent wholesale or retail sale or lease, then the use of the grinder would qualify for the exemption because the grinder is used in a manufacturing process. However, if the grinder is used to sharpen saw blades brought in by a customer and subsequently returned to the customer, then whether or not the grinder would qualify would depend upon whether or not the blades being sharpened were for saws that qualify as manufacturing machinery or equipment. (See 86 Ill. Adm. Code 130.330(c)(2) which provides that “[m]achinery means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process: *including, machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment.*”) The taxpayer would need to be able to document not only that the saw blades qualify for the exemption, but also that the grinder qualifies for the exemption. Please note that generally, hand saws do not qualify for the manufacturing machinery and equipment exemption.

Based upon the information provided in your letter, we are unable to determine whether or not the grinder in question is used in a process that qualifies as manufacturing under the manufacturing machinery and equipment exemption. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

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