

ST 03-0118-GIL 07/21/2003 MANUFACTURING MACHINERY & EQUIPMENT

Machinery qualifying for the exemption are major mechanical machines or major components of such machines contributing to a manufacturing or assembling process. This includes 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. See 86 Ill. Adm. Code 130.330(c)(2). (This is a GIL.)

July 21, 2003

Dear Xxxxx:

This letter is in response to your letter dated May 28, 2003. The information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/Laws/regs/part1200>.

In your letter you stated and made inquiry as follows:

We are a manufacturer of specialty wire products located in CITY, IL. We own various pieces of machinery and equipment used in the production process. I am writing to request a Private Letter ruling concerning the purchase of 'Light Curtains' for some of our existing exempt machinery.

We would like to upgrade some of our equipment by installing 'Light Curtains'. A 'Light Curtain' is a permanent piece of equipment that becomes an integral part of each machine. It acts as a power control, having the ability to shut-down a piece of machinery in the event that the curtain, which emits a beam of light, senses that something other than strip steel or wire is entering the machine.

Since the 'Light Curtain' becomes a permanent part of the existing equipment, would this purchase be tax exempt under the Machinery & Equipment Exemption? I have searched your website and can not find any articles or a ruling concerning 'Light Curtains'.

Thank you for your prompt response and assistance concerning my tax question. If you should have any questions concerning my request, I can be reached at ###.

We are unable to respond to your letter in the manner requested. Below you will find general information and an explanation of the Manufacturing Machinery and Equipment tax exemption that will help you in determining your tax liability. Enclosed for your reference please also find a copy of the Department regulations governing the exemption from sales tax afforded the sale of manufacturing machinery and equipment, 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. 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. See Section 130.330(b)(2).

It is the purchase and use of machinery and equipment used in the manufacturing or assembling process that is exempt from tax. Thus, no other type or kind of tangible personal property will qualify for the exemption, even though it may be used primarily in the manufacturing or assembling of tangible personal property for sale or lease. Machinery means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process. This includes 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. See 86 Ill. Adm. Code 130.330(c)(1) and (2). Equipment includes any independent device or tool separate from any machinery but essential to an integrated manufacturing or assembling process. See Section 130.330(c)(3).

Your letter states that the "Light Curtain" to be purchased and about which you are inquiring will be installed on your existing machinery used in the process of producing specialty wire products. We cannot comment on the exempt status of the existing machinery, as not enough information has been provided regarding the use of such machinery. However, should the underlying machinery to which the Light Curtain will be permanently installed qualify as exempt machinery, then the Light Curtain permanently affixed and becoming an integral part of the machinery would also qualify as it would be a major component of the machine contributing to the manufacturing process.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Sincerely,

Dana Deen Kinion  
Associate Counsel

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