

TAX BULLETIN

ILLINOIS PROVIDES NEW CREDIT FOR MANUFACTURERS

The Illinois Department of Revenue has released rules governing the expanded manufacturing exemption which includes tangible personal property related to manufacturing. This exemption applies to qualifying purchases received between July 1, 2007 and June 30, 2008. A claim for the exemption's credit must be filed no later than September 2, 2008. No extensions for filing will be granted.

Exemption Credit

5% of all qualifying purchases (QP's) between July 1, 2007 and June 30, 2008. In the event that total claims filed exceed \$10 million, all claims will be reduced proportionately.

Qualifying Purchases

All tangible personal property used in production-related activities for which Illinois state sales tax was paid or self-assessed qualifies for the exemption. The regulations cite as examples:

- Materials incorporated into real estate within a manufacturing facility
- Supplies used in manufacturing, including fuels, coolants, solvents, oils, lubricants, cleaners
- Hand tools, protective apparel, safety equipment
- Pre-production and post-production material handling supplies, receiving, quality control, inventory control, storage, packing for shipping
- Property used in research and development

Non-Qualifying Purchases

- Titled vehicles
- Machinery and equipment used in manufacturing
- Supplies, furnishings used for non-manufacturing activities, even if within a manufacturing plant - sales, accounting, purchasing, marketing, human resources
- Property that is decorative or aesthetic including art work and landscaping
- Property used outside the facility (except R&D)
- Inventory
- All property used by a construction contractor
- All property used in graphic arts production

Filing the Claim

- Total all qualifying purchases by vendor (the QP's will be the amount on which the sales tax was measured).
- Have each vendor complete Form ST-61 Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Exemption Certificate. The purpose of this form is to prevent the vendors from filing a duplicate claim. If a vendor does not collect Illinois tax, it would seem reasonable to assume that you do not need to secure this form from those vendors.
- Step 3 requests a description of the property and the date of purchase. There are no instructions for this form. It is reasonable to assume that copies of the invoices or a spreadsheet will satisfy this step.
- Prepare Form ST-60 Manufacturing Machinery and Equipment Exemption - Production-Related Tangible Personal Property Report.
- Mail Form ST-60 so as to be postmarked no later than September 2, 2008.
- Preserve the invoices and the ST-61's until July, 2011 (July, 2014 if you do not file Form ST-1) in case you are audited.

Credit

After the Department's review and dependent on the total amount of claims filed, the Department will issue Credit Memoranda which may be used or sold.

The Department has 60 days to review the claims. If it questions a claim, the taxpayer will have 30 days to correct its claim or prove the accuracy of its claim.

If you have any questions regarding this exemption or need assistance in preparing a claim, contact Joe Bigane at (630) 545-4540 or joe.bigane@wolfco-fs.com.

