

**Illinois Department of Revenue  
Regulations**

<b>Title 86 Part 130 Section 130.1946 Tangible Personal Property Used or Consumed in Graphic Arts Production within Enterprise Zones Located in a County of more than 4,000 Persons and less than 45,000 Persons</b>
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**TITLE 86: REVENUE  
CHAPTER I: DEPARTMENT OF REVENUE**

**PART 130  
RETAILERS' OCCUPATION TAX**

**Section 130.1946 Tangible Personal Property Used or Consumed in Graphic Arts Production within Enterprise Zones Located in a County of more than 4,000 Persons and less than 45,000 Persons**

- a) Section 1d of the Retailers' Occupation Tax Act provides an exemption for *tangible personal property to be used or consumed in the process of graphic arts production if used or consumed at a facility that is certified by the Department of Commerce and Economic Opportunity (DCEO) and located in a county of more than 4,000 persons and fewer than 45,000 persons.* [35 ILCS 120/1d]
- b) To qualify for the exemption, a business must meet the following requirements contained in Section 1f of the Retailers' Occupation Tax Act:
  - 1) *be located in an enterprise zone established pursuant to the Illinois Enterprise Zone Act;*
  - 2) *use or consume the tangible personal property at a facility located in a county of more than 4,000 but fewer than 45,000 persons;*
  - 3) *make investments that:*
    - A) *cause the creation of a minimum of 200 full-time equivalent jobs in Illinois;*  
*or*
    - B) *cause the retention of a minimum of 2,000 full-time jobs in Illinois; or*
    - C) *total a minimum of \$40,000,000 and retain at least 90% of the jobs in place on the date on which the exemption is granted and for the duration of the exemption; and*
  - 4) *be certified by DCEO as complying with the requirements specified in this subsection (b).* [35 ILCS 120/1f]
- c) *Businesses seeking certificates of eligibility must make application to DCEO on application forms provided by DCEO.* [35 ILCS 120/1f] The Illinois Department of Revenue does not certify businesses as eligible for this exemption.

- d) To qualify for the exemption, the tangible personal property must be used or consumed within the enterprise zone in the process of graphic arts production. Sales of tangible personal property used or consumed in activities that do not constitute graphic arts production remain subject to the tax. *For purposes of this Section, "graphic arts production" means the production of tangible personal property for wholesale or retail sale or lease by means of printing, including ink jet printing, by one or more of the processes described in Groups 323110 through 323122 of Subsector 323, Groups 511110 through 511199 of Subsector 511, and Group 512230 of Subsector 512 of the North American Industry Classification System published by the U.S. Office of Management and Budget, 1997 edition. Graphic arts production does not include the transfer of images onto paper or other tangible personal property by means of photocopying or final printed products in electronic or audio form, including the production of software or audiobooks. Persons engaged primarily in the business of printing or publishing newspapers or magazines that qualify as newsprint and ink, by one or more of the processes described in Groups 511110 through 511199 of subsector 511 of the North American Industry Classification System are deemed to be engaged in graphic arts production.* [35 ILCS 120/2-30]
- e) *The exemption includes repair and replacement parts for machinery and equipment used primarily in the process of graphic arts production.* [35 ILCS 120/1d] The exemption also includes equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of such graphic arts machinery or equipment.
- f) Examples of items that qualify for the exemption are:
- 1) machinery and equipment that would otherwise qualify under the graphic arts machinery and equipment exemption because of being used in the activities described in Section 130.325(b)(4) and for repair and replacement parts for the machinery and equipment;
  - 2) printing plates, film, fountain solution, blanket wash, and ink additives used in the activities set out at Section 130.325(b)(4);
  - 3) materials and prep supplies, such as mylar, masking sheets, developer, hardener, fixer, replenishers, and tape used or consumed in the activities set out at Section 130.325(b)(4);
  - 4) machinery and equipment and hand tools used to maintain, repair or operate machinery and equipment that qualifies for the graphic arts machinery and equipment exemption as set out in Section 130.325;
  - 5) materials and supplies, such as lubricants, coolants, adhesives, solvents or cleaning compounds used to maintain, repair or operate machinery or equipment that qualifies for the graphic arts machinery and equipment exemption as set out in Section 130.325;
  - 6) any fuel, such as coal, diesel oil, gasoline, natural gas, artificial gas or steam that would be subject to Retailers' Occupation Tax or Use Tax liability when sold at retail is exempt from those taxes when sold for use as fuel for machinery and equipment that qualifies for the graphic arts machinery and equipment exemption as set out in Section 130.325;

- 7) protective clothing and safety equipment, such as ear plugs, safety shoes, gloves, coveralls, aprons, goggles, safety glasses, face masks and air filter masks used when maintaining, repairing or operating machinery and equipment that qualifies for the graphic arts machinery and equipment exemption as set out in Section 130.325.
- g) The tangible personal property must be used primarily in graphic arts production. Therefore, tangible personal property that is used primarily in an exempt process and partially in a nonexempt manner would qualify for exemption. However, the purchaser must be able to establish through adequate records that the tangible personal property is used over 50 percent in an exempt manner in order to claim the exemption.
- h) The exemption does not extend to tangible personal property that is not used or consumed in the graphic arts production process itself. This is true even though the item is used in an activity that is essential to graphic arts production. The exemption does not extend, for example, to:
  - 1) tangible personal property used or consumed in general production plant maintenance activities or in the maintenance of machinery and equipment that would not qualify for the graphic arts production exemption;
  - 2) tangible personal property used to store, convey, handle or transport materials prior to their entrance into the production cycle;
  - 3) tangible personal property used to store, convey, handle or transport finished articles after completion of the production cycle;
  - 4) tangible personal property used to transport work-in-process or finished articles between production plants;
  - 5) machinery and equipment used to gather information, photograph, transmit data, edit text, prepare drafts or copy or perform other data-related functions prior to final composition, typesetting, engraving or other preparation of the image carrier;
  - 6) xerographic or photocopying machines;
  - 7) word processing, text editing machinery or computerized equipment unless it is an integral part of a final graphic arts operation such as a computer-controlled typesetting machine or equivalent that is used primarily in graphic arts production;
  - 8) computers used to store data and generate text, maps, graphs or other print-out formats unless the product is an image carrier to be used to repetitively transfer images by printing. For example, a computer that generates an image that may later be reproduced by a graphic arts process would not qualify while a computer-controlled engraving system that produces printing cylinders and computer-controlled digital typesetting equipment would qualify;
  - 9) tangible personal property used or consumed in managerial, sales or other nonproduction, nonoperational activities, such as disposal of waste, scrap or residue, inventory control, production scheduling, work routing, purchasing,

receiving, accounting, fiscal management, general communications, plant security, product exhibition and promotion, or personnel recruitment, selection or training;

- 10) tangible personal property used or consumed as general production plant safety equipment; or
  - 11) tangible personal property and fuel used or consumed in general production plant ventilation, heating, cooling, climate control or illumination, not required by a graphic arts production process.
- i) This exemption from Retailers' Occupation Tax is available to all retailers registered to collect or remit Illinois tax. It is not restricted to retailers located in jurisdictions that have established enterprise zones.
  - j) If the purchaser of the machinery or equipment leases the machinery and equipment to a certified business that uses it in an exempt manner, the sale to the purchaser-lessor will be exempt from tax. A retailer may exclude these sales from taxable gross receipts provided that the purchaser-lessor provides to the retailer a properly completed exemption certificate and the information contained in the certificate would support an exemption if the sale were made directly to the certified business. Should a purchaser-lessor subsequently lease the machinery or equipment to a business who does not use it in an exempt manner that would qualify directly for the exemption, the purchaser-lessor will become liable for the tax from which he or she was previously exempted.
  - k) Documentation of Exemption
    - 1) When a certified business (or the lessor to a certified business) initially purchases qualifying items from an Illinois registered retailer, the retailer must be provided with:
      - A) a copy of the current certificate of eligibility issued by DCEO; and
      - B) a written statement signed by the certified business (or its lessor) that the items being purchased will be used or consumed (or leased for use or consumption) in a graphic arts production process at a location in an enterprise zone established under the authority of the Illinois Enterprise Zone Act.
    - 2) So long as a copy of a current certificate of eligibility and a statement of exemption are maintained by a retailer, the certified business (or its lessor) may claim the exemption on subsequent purchases from that retailer by indicating on the face of purchase orders that the transaction is exempt by referencing the certificate of eligibility and statement of exemption. This procedure on subsequent purchases is authorized only so long as the certificate of eligibility remains current. That is, the exemption can be claimed only as to purchases made during the effective period of the certificate of eligibility specified by DCEO on the face of the certificate of eligibility.
    - 3) If a certified business (or its lessor) purchases tangible personal property that is to be used in the process of graphic arts production, the certified business (or its lessor) must certify that fact to the retailer in writing in order to relieve the retailer

of the duty of collecting and remitting tax. However, the purchaser who certifies that the item is being purchased for a qualifying use within an enterprise zone by a qualified business will be held liable for the tax by the Department if it is found that the item was not so used.

- l) An item that initially is used primarily in a qualifying manner but that is converted to a nonexempt use or is moved to a nonqualifying location will become subject to tax at the time of its conversion, based on the fair market value of the item at the time of conversion.

(Source: Added at 39 Ill. Reg. 14616, effective October 22, 2015)