
MINING EQUIPMENT, MM&E, AND AGLIME SALES TAX EXEMPTIONS

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OVERVIEW

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 - MM&E Exemption
 - Resale Exemption
 - How to claim exemption on my PURCHASES
- Exemptions on SALES made by aggregate producers
 - How to document exemptions on my SALES
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Aggregate Exploration, Mining, Off Highway Hauling, Processing, Maintenance and Reclamation Equipment Exemption

(Aggregate Exemption)

- Covers machinery and equipment and replacement parts used in most aggregate mining activities
- Does NOT apply to supplies such as fuel, coolants, oil, and protective apparel
- Does NOT apply to vehicles that are required to be registered pursuant to the Illinois Vehicle Code
- For an item to be exempt, it must be used over 50% of the time in an exempt manner
- 86 Ill. Adm. Code 130.351 provides examples of what generally does and does not qualify

<https://www2.illinois.gov/rev/research/legalinformation/regs/Documents/part130/130-351.pdf>

Manufacturing Machinery & Equipment Exemption (MM&E Exemption)

- Starting 7/1/19; Covers machinery, equipment, and production related supplies used in manufacturing or assembling tangible personal property for retail or wholesale sale or lease
- DOES apply to supplies such as fuel, coolants, oil, and protective apparel when used in a production related process within a manufacturing facility
- For aggregate producers, the production related process likely begins with the extraction process and ends with the shipping process, but each situation must be evaluated separately
- For an item to be exempt, it must be used over 50% of the time in an exempt manner
- 86 Ill. Adm. Code 130.330 provides examples of what generally does and does not qualify

<https://www2.illinois.gov/rev/research/legalinformation/regs/Documents/part130/130-330.pdf>

Resale Exemption

- Exemption applies to purchases of items that will be resold
- Examples include bags used for gravel, aggregate purchased from a supplier, and pallets transferred to customers with materials
- 86 Ill. Adm. Code 130.210 provides more information about the resale exemption

<https://www2.illinois.gov/rev/research/legalinformation/regs/Documents/part130/130-210.pdf>

How to claim exemption on my PURCHASES

- When claiming the AGGREGATE EXEMPTION or the MM&E EXEMPTION provide a completed ST-587, Equipment Exemption Certificate (or equivalent) to your supplier
<https://www2.illinois.gov/rev/forms/sales/Documents/sales/st-587.pdf>
- When claiming the RESALE EXEMPTION provide a completed CRT-61, Certificate of Resale (or equivalent) to your supplier
<https://www2.illinois.gov/rev/forms/sales/Documents/sales/crt-61.pdf>
- You also must maintain records which document that the purchase was used in an exempt manner
- Providing an exemption certificate or simply stating an item is used in an exempt manner is INSUFFICIENT

Exemptions on SALES made by aggregate producers

- Many sales to construction contractors are taxable since contractors are considered the users of tangible personal property they convert into real property
- Shipping/delivery charges are included in the tax base when there is an inseparable link between the shipping charge and the product sold
- Rush fees, overtime fees, surcharges and similar other charges are usually also included in the taxable base

Government / Exempt Entities

- Exempt organizations such as governments, charitable organizations, educational institutions, etc. are exempt from tax on their purchases provided they have an active IDOR issued E number
- In most cases, the exempt organization must be direct billed, but there are special rules for purchases that do not exceed \$400
- Can verify that an E number is active using [MyTax.Illinois.gov](https://mytax.illinois.gov)
- [86 Ill. Adm. Code 130.2081](#) provides more information about sales to exempt organization
- Contractors can claim a flow through exemption on property incorporated into real property (See [86 Ill. Adm. Code 130.2075](#))

Exemptions on SALES made by aggregate producers

Enterprise Zone Building Materials Exemptions

- Certified contractors doing construction work for a qualified Enterprise Zone project are exempt on building materials incorporated into the project
- The retailer must obtain from the purchaser:
 - A statement that the materials are being incorporated into real estate located in an Illinois enterprise zone
 - The location or address of the real estate
 - The name of the enterprise zone
 - A description of the building materials purchased
 - The purchaser's Exemption Certificate number issued by the Department
 - The purchaser's signature and date of purchase
- Each contractor must have their own Exemption Certificate issued by the Department; subcontractors cannot use the primary contractor's certificate
- Can verify that a Certificate is active using [MyTax.Illinois.gov](https://mytax.illinois.gov)

Exemptions on SALES made by aggregate producers

Sales for Resale

- Retailers do not owe tax on purchases of items they will resell to others
- Obtain a completed CRT-61, Certificate of Resale (or equivalent) from the purchaser
- Can verify that a Certificate is active using MyTax.Illinois.gov

Sales to Farmers

- Farmers can claim a few different exemptions on materials used in production agriculture
- Farm chemical exemption applies to most chemicals used on a farm (86 Ill. Adm. Code 130.1955)
- Department does not have a specific form for this type of purchase. The farmer/retailer can either create their own form or modify the ST-587 equipment exemption form
- Farmers can also claim the resale exemption when purchasing Aglime or other materials used as a fertilizer (86 Ill. Adm. Code 130.2110)
- Aglime or other materials used to improve a farmer's real estate (i.e. NOT used for production agriculture) does NOT qualify for sales tax exemption

How to document exemptions on my SALES

- All sales are presumed taxable unless a valid exemption is documented
- For each exemption, IDOR's regulations list what must be obtained from the purchaser to document an exemption
- If a seller accepts valid documentation in good faith, the seller will not be held liable for the tax if the purchaser does NOT use the property in an exempt manner
- If a purchaser tells the seller that they will NOT use the item in a qualifying manner, or the seller otherwise knows that the seller will NOT use the item in a qualifying manner, they can no longer accept a certificate in good faith
- Obtain Certificates
 - ST-587, Equipment Exemption Certificate (or equivalent) – Aggregate or MM&E Exemption
 - CRT-61, Certificate of Resale (or equivalent) – Resale Exemption
 - See regulations for documentation that is required on other exemptions

Expectations in an Audit

- Auditors will request documents that ensure they are reviewing all applicable purchases and sales
- They then identify which transactions to review
- For a large number of transactions, they may do a sample and projection
- When reviewing sales transactions, they are looking for the required exemption documentation
- When looking at purchase transactions, they are looking for documentation demonstrating that an item qualifies for an exemption
- Auditors apply the laws and rules as determined by the General Assembly and the Department of Revenue; they do not make the rules

ANY QUESTIONS?

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Disclaimer:

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