

Illinois Manufacturer's Purchase Credit

Illinois has a unique credit available to manufacturers and graphic-arts producers - the Manufacturer's Purchase Credit, or MPC. Illinois exempts the purchase of qualifying manufacturing machinery, equipment and materials, including repair parts used more than 50% in the manufacturing process. In addition, the purchaser of that exempt equipment can apply for a Manufacturer's Purchase Credit. The amount of the credit is equal to 50% of the sales tax (rate of 6.25%) that would have been due on the purchased equipment if not for the manufacturing/graphic arts exemption.

Once the credit has been earned, it may be applied against sales or use tax on future purchases of "production-related tangible personal property" that do not qualify for the sales tax exemption. Such property is defined to mean all tangible personal property used or consumed by the purchaser in a manufacturing process, including property purchased for incorporation into real estate within a manufacturing or graphic arts facility and property used or consumed in activities such as preproduction material handling, receiving, quality or inventory control, storage, staging, and packaging for shipping and transportation purposes; and all tangible personal property used or consumed by the purchaser for research and development.

Certain items are specifically excluded from the definition, including property used in sales, purchasing, accounting, fiscal management, marketing, personnel recruitment or selection, or landscaping; and property required to be titled or registered with a department, agency, or unit of federal, state, or local government.

The credit expires on December 31st of the second calendar year following the year in which the credit was earned. Therefore credits earned on purchases made in 2010 will expire on December 31, 2012.

To earn and report the credit, Form ST-16 (Report of Manufacturer's Purchase Credit Earned) must be completed and filed no later than June 30, 2011 for purchases made in 2010. Additionally, Form ST-17 (Report of Manufacturer's Purchase Credit Used) must be completed and filed no later than June 30, 2011 to report the portion of the credit used during the year.

If you are interested in more information on the credit or forms that you need to file for the Illinois Manufacturer's Purchase Credit, please call Marianne Phalin or Sarah Beirne at 847/205-5000.