

ST 25-0067-GIL 12/11/2025 FARM MACHINERY & EQUIPMENT

Corrugated plastic pipe and other water management products used in production agriculture for drainage are not considered equipment under the farm machinery and equipment exemption. 86 Ill. Adm. Code 130.305. (This is a GIL).

December 11, 2025

NAME
COMPANY
ADDRESS

Dear NAME:

This letter is in response to your letter dated December 3, 2025, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings (“PLRs”) are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I am writing to inquire about the sales tax exemption for agricultural purposes as outlined in Illinois law. Specifically, I would like clarification on the following points:

1. Does field tile installed in the ground for drainage purposes on land used for production agriculture, qualify for the exemption for sales tax?
2. If the purchase of field tile qualifies for the exemption, is this only for ground that is owned by the individual that is farming the ground or if the owner is a separate individual or entity does the landowner qualify if they purchase the field tile? For example, if the farming operation is in one entity and the farming operation rents the ground which is held in a separate entity,

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would tile purchased by the entity that owns the ground qualify for the exemption?

3. For question 2, if the land is in a separate entity from the farming operation does it make a difference if the 2 entities are related?

I appreciate your assistance in this matter and look forward to your prompt response. Thank you for your attention to these questions.

DEPARTMENT'S RESPONSE:

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales tax" in Illinois.

In certain cases, the sale of tangible personal property used in production agriculture is not subject to Illinois Retailers' Occupation Tax and Use Tax. Illinois sales tax does not apply to the sale of machinery and equipment, both new and used and including that manufactured on special order, used or leased for use primarily in production agriculture or for use in State or Federal agricultural programs. See 86 Ill. Adm. Code 130.305. The sale of individual replacement parts for such machinery and equipment is also exempt. To obtain the exemption, the purchaser must certify that the equipment or machinery is used primarily in production agriculture. 86 Ill. Adm. Code 130.305(a). Ownership of the land on which machinery or equipment will be used does not affect whether the machinery or equipment qualifies for the exemption. Rather, the exemption hinges on two things: whether the machinery or equipment will be used primarily, meaning more than 50% of the time, in production agriculture or in State or Federal agricultural programs, and whether the tangible personal property in question is considered qualifying farm machinery or equipment. See 86 Ill. Adm. Code 130.305(a), (c).

Production agriculture is defined under the Retailers' Occupation Tax Act as "the raising of or propagation of livestock; crops for sale for human consumption; crops for livestock consumption; and production seed stock grown for the propagation of feed grains and the husbandry of animals or for the purpose of providing a food product, including the husbandry of blood stock as a main source of providing a food product. 'Production agriculture' also means animal husbandry, floriculture, aquaculture, horticulture, viticulture, and apiculture." 35 ILCS 120/2-35; 86 Ill. Adm. Code 130.305(b). Further, production agriculture, with respect to crops, includes mapping fields, applying farm chemicals, as well as activities necessary in tilling the soil, planning, irrigating, cultivating, applying herbicide, insecticide, or fertilizer, as well as harvesting or drying of crops.

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Activities such as the clearing of land, mowing of fence rows or ditches, creation of ponds or drainage facilities, scouting crops and tile mapping are not included, nor are the operations involved in the storing or transporting of crops and produce. See 86 Ill. Adm. Code 130.305(b)-(c).

Machinery means major mechanical machines or major components thereof contributing to the production agriculture process or used primarily in State or Federal agricultural programs, e.g., tractors, combines, balers, augers, and grain dryers. 86 Ill. Adm. Code 130.305(c)(6). Equipment means any independent device or apparatus separate from any machinery, but essential to production agriculture. 86 Ill. Adm. Code 130.305(c)(7). Although field tile installed in the ground for drainage purposes may be used for production agriculture, it does not qualify for the exemption, because corrugated plastic pipe and other water management products used in production agriculture for drainage are not considered equipment under the exemption. 86 Ill. Adm. Code 130.305(c)(7)(G).

I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at 800-732-8866.

Very truly yours,

Edward Mroczkowski
Associate Counsel

EM:slc