



# Publication 139

June 2019

## *Application Process to Obtain Sales Tax Exemption Certificates for Building Materials*

### ***About this publication***

The information in this publication is current as of the date of the publication. Please visit our website at [tax.illinois.gov](http://tax.illinois.gov) to verify you have the most current revision.

The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Illinois Administrative Code.

Publication 139, Application Process to Obtain Sales Tax Exemption Certificates for Building Materials, has been developed to help obtain and describe the requirements of Sales Tax Exemption Certificates for Building Materials. This publication supercedes Informational Bulletin FY 2013-16.

Contractors, sub-contractors, and other entities participating in a real estate construction, rehabilitation, or renovation project in an Enterprise Zone or a River Edge Redevelopment Zone – or for a state-certified High Impact Business – may purchase qualified building materials for the project exempt from sales tax.

**Each contractor, sub-contractor, or other entity that purchases qualified building materials for a project must have their own exemption certificate. Contractors or sub-contractors may not use other contractors' or other entities' exemption certificates.**

This publication provides a brief description of the requirements. For complete information about what you need, visit our website at [tax.illinois.gov](http://tax.illinois.gov) and click on the "Business Incentives Reporting" link under the "Businesses" drop-down to get started.

**For information or forms, visit our website at:  
[tax.illinois.gov](http://tax.illinois.gov)**

### **Who is required to obtain a Building Materials Exemption Certificate?**

- Each construction contractor, sub-contractor, or other entity that purchases building materials to be incorporated into real estate in an Enterprise Zone or River Edge Redevelopment Zone by rehabilitation, remodeling or new construction.
- Each construction contractor, sub-contractor, or other entity that purchases building materials that will be incorporated into a High Impact Business location as designated by the Department of Commerce and Economic Opportunity.

### **What information does IDOR require to apply for an exemption certificate?**

- Name, address and e-mail address of the construction contractor, sub-contractor, or other entity seeking a certificate;
- Name of the Enterprise Zone or River Edge Redevelopment Zone (not necessary for High Impact Business locations);
- The name of the project;
- The address (or location) of the project;
- The estimated amount of the exemption based on the percentage of the contract that consists of qualified materials; and
- Federal Employer Identification Number (FEIN) or Applicant ID

## How do I apply for a Building Materials Exemption Certificate?

- Construction contractors, sub-contractors, or other entities may obtain an Applicant ID through the Illinois Department of Revenue (IDOR) website to expedite the Building Materials Exemption Certificate application process. IDOR will provide an Applicant ID by email, which the applicant can bring to the Zone Administrator or High Impact Business project manager to complete the application. Select the “Proceed to the BMEC application” link on the “Business Incentives” page to get started.
- Construction contractors, sub-contractors, or other entities are required to set up an account on IDOR’s website. To begin the process, click on the link in the Applicant ID email that was sent to you. You will be prompted to enter the Social Security Number or Federal Employer Identification Number that you used to obtain your Applicant ID. Next it will require you to create a password and security questions for easy access in the future. Once your account has been set up, you will only need to enter the Applicant ID and your password to have access to all exemption certificates associated with your Applicant ID.
- Construction contractors, sub-contractors, or other entities must request exemption certificates from the Zone Administrator of the zone where the project is located or from the High Impact Business project manager. The Zone Administrator will then submit an application on behalf of the construction contractor, sub-contractor, or other entity for an exemption certificate from IDOR.
- IDOR will issue an exemption certificate within 72 hours of receiving an application.

## How long is a certificate valid?

Zone Administrators determine the length of time that an exemption certificate is valid with a maximum of two years. However, exemption certificates may be renewed by the Zone Administrator upon request. Renewals can be submitted 30 days prior to expiration date. Contact your Zone Administrator or High Impact Business project manager for more details.

## What are the penalties for misuse of an exemption certificate?

Certificate holders are responsible for ensuring that their certificates are used only to make qualified purchases. A certificate holder who uses the certificate or allows it to be used to improperly avoid tax will be assessed taxes and penalties on the purchase, an additional monetary penalty equal to the state and local sales taxes on the purchase, and may be barred from securing certificates for other projects.

**Each contractor, sub-contractor, or other entity that purchases qualified building materials for a project must have their own exemption certificate. Contractors or sub-contractors may not use other contractors’ or other entities’ exemption certificates.**

## How will a retailer know when a purchaser has a valid exemption certificate?

When a certificate holder purchases tax exempt building materials, the certificate holder must submit a signed statement to the retailer that contains the certificate number, the zone, the project, and the qualified materials being purchased. Form EZ-1, Building Materials Exemption Certification, contains all necessary information and will be provided to certificate holders when they receive their certificates. Form EZ-1 is also available for download at [tax.illinois.gov](http://tax.illinois.gov).

**Note:** It is the seller’s responsibility to verify that the certificate holder’s building materials exemption certificate number is valid and active. You can confirm this by visiting our website at [tax.illinois.gov](http://tax.illinois.gov). Select the “Business Incentives Reporting ” link under the “Businesses” drop-down on our homepage and then select “Verify the validity of a Building Materials Exemption Certificate” link.

## Are there reporting requirements if I have been issued an exemption certificate?

If you obtained a sales tax exemption certificate issued by IDOR, you are required to file a report with IDOR. You are required to report the dollar amount of exempt building materials that you purchased. Each contractor, sub-contractor, or other entity that is issued a certificate is liable to file, including filing a zero report when no purchases were made. For information on reporting requirements, see Publication 140, Reporting Requirements for Business Incentives.

### For more information:

Find the most up-to-date information on the Illinois Department of Revenue’s website at [tax.illinois.gov](http://tax.illinois.gov).

Frequently Asked Questions (FAQ) pages have been developed to provide more specific detail about each reporting type. Look for the “Business Incentives Reporting” link under the “Businesses” drop-down on our homepage to get started.



# Publication 140

June 2019

## *Reporting Requirements for Business Incentives*

The information in this publication is current as of the date of the publication. Please visit our website at [tax.illinois.gov](http://tax.illinois.gov) to verify you have the most current revision.

The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Illinois Administrative Code.

### ***About this publication***

Publication 140, Reporting Requirements for Business Incentives, has been developed to describe the reporting requirements for all entities required to report incentives, including High Impact Businesses, businesses in designated Enterprise and River Edge Redevelopment Zones, Building Materials Exemption Certificate holders, and utility providers. This publication supercedes Informational Bulletin FY 2014-11.

This publication provides a brief description of the requirements. For complete information about what you need, visit our website at [tax.illinois.gov](http://tax.illinois.gov) and click on the "Business Incentives Reporting" link under the "Businesses" drop-down to get started.

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### **Who is Required to File a Report?**

The following summarizes reporting requirements, including who is required to file a report, and the types of reports required.

- **Building Materials Exemption Certificate (BMEC) report** – If you obtained a building materials exemption certificate issued by the Illinois Department of Revenue (IDOR)\*, you are required to file a report with IDOR in which you report the dollar amount of exempt building materials that you purchased. Each contractor, sub-contractor, or other entity that is issued a certificate is liable to file, including filing a zero report when no purchases were made.  
The requirement to file a BMEC report is mandated by Public Act 98-0109, effective July 25, 2013.
- **Business report** – Businesses that receive incentives because they are located within either an Enterprise Zone or River Edge Redevelopment Zone, or because they are a High Impact Business, must file a business report with IDOR. Each business that receives incentives must provide the information IDOR requests.
- **Utility Company report** – Businesses and other entities that are required to file under the Gas Revenue Tax Act, Gas Use Tax Act, Electricity Excise Tax Act, or the Telecommunications Excise Tax Act must report the information IDOR requests about any utility customers who received incentives due to the customer's location within an Enterprise Zone or the customer's certification as a High Impact Business.

\* For information on applying for a Building Materials Exemption Certificate, see Publication 139, Application Process to Obtain Sales Tax Exemption Certificates for Building Materials.

## When are reports due?

All reports for the previous calendar year are due no later than May 31 of the following year. However, if a report deadline falls on a Saturday, Sunday, or holiday, the deadline to file automatically defaults to the following business day. For example, if May 31 falls on a Saturday, the reports for the previous calendar year are due on Monday, June 2.

## How do I file a report?

Use IDOR's online reporting system available through the Department's website, [tax.illinois.gov](http://tax.illinois.gov). From the "Business" drop-down, click on "Business Incentives Reporting." From there, click "Click Here to Begin Filing a Report" to go to the filing system. After reading the general information about the system, click the "Next" button to start your filing session.

If you are a:

- **BME certificate holder**, select the tab labeled "BME Certificate Report."
- **utility**, select the tab labeled "Utility Company Report."
- **business that received incentives**, select the tab labeled "Business Incentive Report."

The system includes prompts and tips, indicated with a "?" to guide you through the report.

## What do I need to file a report?

Depending on the type of filer you are, you should have the following information available when filing a report.

- **BMEC report filers** – Certificate holders need the number used to register for their building materials exemption certificates (Federal Employer Identification Number (FEIN), Social Security number (SSN), or Applicant Identification number). Once logged into the system, the reporting application provides a list of all current certificates you hold for which you have a reporting requirement. For each project-related certificate, you will need to declare the dollar value of the building materials you purchased in the previous calendar year, using each of your certificates.
- **Utility report filers**- You are required to enter your Federal ID number or license number, and exemption figures for all utility businesses that are certified exempt.
- **Business report filers** – You are required to enter identifying information for your business, such as Tax ID number, the type of zone, and zone name, if applicable. In addition, you must report any tax incentives that you have received. Incentives may be related to income tax, utility taxes, sales tax, property tax, or jobs created.

## What if I make a mistake or need to correct a report that I already filed?

If you make a mistake or need to correct a report that you already filed, you must submit an entirely new report for all of your certificates again, even the ones that were correctly filed the first time. Please log into your account and file a new report. This new report will completely replace your earlier submissions.

## Are there penalties if a certificate holder or business fails to file a report?

Certificate holders who fail to report sales tax exemption benefits for building materials purchased may have their certificates revoked, and shall become ineligible to receive certificates for other projects. The penalties for not complying with reporting requirements are:

- 1st offense-A contractor, sub-contractor, or other entity will have its non-compliant exemption certificate suspended until the reporting requirement is met.
- 2nd offense-A contractor, sub-contractor, or other entity who fails to comply with reporting requirements for two reporting periods within a five-year period will have all exemption certificates issued to it suspended for 30 days past the date that all filing requirements have been met.
- 3rd offense-A contractor, sub-contractor, or other entity who fails to comply with reporting requirements for more than two reporting periods within a five-year period will have all exemption certificates issued to it suspended for 180 days past the date that all filing requirements have been met.

Furthermore, contractors, sub-contractors, or other entities engaged in the fraudulent use of exemption certificates may be subject to further penalties including a permanent revocation of all exemption certificates.

See 86 Ill.Admin. Section 130-1951 for more information on penalties for certificate holders.

Businesses that fail to report benefits may lose their eligibility to receive incentives.

### For more information:

Find the most up-to-date information on the Illinois Department of Revenue's website at [tax.illinois.gov](http://tax.illinois.gov).

Frequently Asked Questions (FAQ) pages have been developed to provide more specific detail about each reporting type. Look for the "Business Incentives Reporting" link under the "Businesses" drop-down on our homepage to get started.