

# ILLINOIS SALES TAX EXEMPTION FOR EXCLUSIVELY RELIGIOUS NOT-FOR-PROFIT ORGANIZATIONS

THIS FACT SHEET IS PROVIDED FOR  
INFORMATIONAL PURPOSES ONLY AND  
DOES NOT CONSTITUTE LEGAL ADVICE  
OR CREATE A CLIENT RELATIONSHIP.

Published By:  
Community Economic Development Law  
Project of  
The Chicago Lawyers' Committee for Civil  
Rights Under Law, Inc.

CEDLP coordinates pro bono legal services  
and education for community-based not for  
profit organizations and small business  
entrepreneurs who meet its eligibility  
requirements. Visit [www.cedlp.org](http://www.cedlp.org) for more  
information about CEDLP.

Copyright © 2009 The Chicago Lawyers'  
Committee for Civil Rights Under Law, Inc.  
All rights reserved.

This fact sheet can help determine if your  
organization may be entitled to an exemption from  
Illinois sales tax and how Illinois sales tax exemption  
works. This information can help you through the  
process. However assistance also is available from  
the Community Economic Development Law Project  
(CEDLP).

An organization with sales tax exemption receives  
an "E:" number but obtaining an "E"-number is not  
guaranteed, no matter how worthy your organization  
may be.

This fact sheet only applies to exclusively religious  
not for profits. If your organization is a charitable,  
educational, religious, or arts or cultural not for profit  
consult the CEDLP fact sheets for those specific  
types of organizations at  
[www.clccrul.org/publications](http://www.clccrul.org/publications).

## **GENERAL INFORMATION**

Your organization may be able to get an exemption  
from Illinois sales tax for some or all of the things  
your organization buys and sells. The following are  
answers to some of the basic questions about how  
the application process works and what an  
exemption can do for your organization.

### ***If the organization is already exempt from paying federal income tax, is the organization required to pay Illinois sales tax?***

Yes. An exemption from federal income tax  
does not mean the organization is exempt  
from Illinois sales tax. In Illinois, an  
organization must have an exemption  
identification number, also known as an "E"-  
number, from the Illinois Department of  
Revenue to be exempt from sales tax.

### ***What benefits does the "E"-number provide?***

- Purchases by the organization are exempt  
from Illinois sale tax. The organization must  
give to its suppliers a copy of the letter from  
the Department of Revenue providing the  
"E"-number in order to obtain the benefit of  
the exemption.
- Sales made by the organization are still  
taxable, except in the following situations  
(organizations must have an "E"-number to  
qualify for these exceptions):

- Sales to members primarily for the purposes of the organization (for example, sales of robes to choir members).
- Sales of food or beverages at occasional dinners, socials and other similar events are not taxable if those events are not held more than twice a year.
- Other sales when the organization is not competing with taxable business establishments. Selling is noncompetitive when the following elements are present:
  - The sales are made by members of the organization;
  - All the sales proceeds go to the organization or to charity;
  - The sales are not regularly made, but rather happen only annually or a few times during the year (for example, greeting cards sold for the holidays); and
  - The motive of most buyers is to make a gift to the organization or to charity.

**REQUIREMENTS FOR RELIGIOUS ORGANIZATIONS**

***What must the organization prove to the Department of Revenue to be eligible for an Illinois Sales Tax Exemption?***

The organization must show that it is formed and operated for exclusively religious purposes. The word “exclusively” is not given its most literal interpretation because of the impossibility of anyone being engaged “exclusively” in anything. However, if a substantial purpose or activity of the organization is not religious, the Department will not consider the purchaser to be organized and operated for exclusively religious purposes.

One early Illinois court defined “religion” as “the formal recognition of God as members of societies and associations.” Some examples of organizations that come within the scope of this definition include churches, synagogues,

mosques, Sunday schools, and Church Ladies’ Aid societies.

**APPLICATION PROCESS**

***How does an organization apply for an Illinois Sales Tax Exemption?***

There is no specific application form to use when requesting a sales tax exemption. Instead, you must send a letter describing why you believe that your organization is exempt along with documents that show that your organization satisfies the requirements for the exemption.

The letter must include the following documents:

- A description of your organization, including how it works and what it does, and why the organization meets the requirements for a sales tax exemption;
- A copy of your organization’s articles of incorporation or a copy of the organization’s constitution;
- A copy of your organization’s by-laws. It might be helpful if the bylaws include a provision for fee waivers if your organization charges a fee and the waiver policy is not documented elsewhere;
- A copy of the letter from the Internal Revenue Service granting your organization an exemption from federal income taxes under Internal Revenue Code Section 501(c)(3). A religious organization is not required to have 501(c)(3) status to obtain Illinois sales tax exemption; however, if your organization is exempt from federal income taxes, include this information in your application because the Illinois Department of Revenue considers it relevant;
  - If your organization is not exempt from federal income tax, the CEDLP may be able to help your organization apply for a federal income tax exemption;
- A copy of brochures or other printed materials explaining what your organization does and how it works. For example, newspaper clippings, or print outs from a website.

Address the letter to:

**Illinois Department of Revenue  
Office of Local Government Services  
3-520  
101 West Jefferson Street  
Springfield, IL 62702**

**It is important that you provide as much information as possible to the Department in your initial letter.** If the application is denied due to insufficient or incomplete information, the Department's decision is difficult to overturn at an administrative hearing.

***What happens after you submit your request?***

- If the Department of Revenue grants your exemption request, you will receive a letter providing you with an "E"-number. You will need to provide copies of this letter to suppliers when claiming the exemption on purchases.
- If your request is denied, you will have the right to appeal the decision. The denial letter will explain these rights to you.

If you do need to appeal, legal assistance is very important at the hearing because the Department's decision is difficult to overturn. Many lawyers will provide legal assistance to non-profit organizations on a pro bono basis. For more information contact the Community Economic Development Law Project.

**USING THE E-NUMBER**

***How can an organization use its "E"-number to make exempt purchases or sales?***

- Exempt purchases and sales may only be made by properly authorized members of the organization on behalf of the organization. The "E"-number belongs to the organization.
- Purchases and sales must be for the benefit of the organization. Members of the organization may not purchase or sell anything for their own purposes.

***What happens if someone misuses the "E"-number?***

- The organization could lose its exemption from Illinois sales and use taxes.

- The individual misusing the "E"-number could be liable for unpaid Illinois sales and use taxes as well as interest and penalties.
- In some circumstances, criminal penalties may also apply.

***How may an organization obtain more information or help in applying for an Illinois sales tax exemption?***

Please contact CEDLP at:  
**Community Economic Development Law Project  
100 N. LaSalle St., Suite 600  
Chicago, IL 60602  
312/939-3638 (Voice)  
312/630-1127 (Fax)  
cedlp@cedlp.org  
www.cedlp.org**