

DeKalb County Enterprise Zone Building Materials Exemption Certificate (BMEC) Guide



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BUILDING MATERIALS EXEMPTION CERTIFICATE (BMEC)

Enterprise Zone participants have been granted an exemption of the State, City and County sales tax. Sales tax is exempted on building materials incorporated into real estate located in the DeKalb County Enterprise Zone. The exemption applies to building and construction materials used for remodeling, rehabilitation or new construction.

What is the sales tax deduction and what is the retailer's role?

Each retailer, who makes a qualified sale of building materials to be incorporated into real estate by remodeling, rehabilitation or new construction in the DeKalb County Enterprise Zone, may deduct receipts from such sales when calculating the tax imposed by this Act. For purposes of this Section, "qualified sale" means a sale of building materials that will be incorporated in to real estate as part of a building project for which a Building Materials Exemption Certificate (BMEC) has been issued by the administrator for the enterprise zone in which the building project is located. To document the exemption allowed under this Section, the retailer must obtain from the purchaser a copy of the BMEC issued by the Illinois Department of Revenue.

The Building Materials Exemption Certificate must contain:

- a statement that the building project identified in the Certificate meets all the requirements for the building material exemption of the DeKalb County Enterprise Zone;
- the location or address of the building project; and

In addition, the retailer must obtain certification from the purchaser that includes:

- a statement that the building materials are being purchased for incorporation into real estate located in the DeKalb County Enterprise Zone;
- the location or address of the real estate into which the building materials will be incorporated;
- the name of the enterprise zone – DeKalb County Enterprise Zone - in which that real estate is located;
- a description of the building materials being purchased; and
- the purchaser's signature and date of purchase.

Upon receipt and review of a valid BMEC Application, the Zone Administrator will request a BMEC directly from the Illinois Department of Revenue (IDOR). Once the project information is entered into the IDOR BMEC system, the Department will review the applicant's tax status to make sure there are no outstanding tax liens, collection decrees or judgements pending against the applicant or its contractors and/or sub-contractors.

IDOR will not process BMEC requests for specific property owners, contractors or sub-contractors if unresolved tax delinquencies exist.

Assuming there are no past tax liabilities, IDOR will immediately issue a temporary BMEC and will forward the permanent BMEC via e-mail to the Applicant. The BMEC is typically valid for one to two years and will need to be provided to each point of sale where building materials for the project are purchased.

Applicants should be aware that detailed material cost lists may be required by the Illinois Department of Revenue prior to issuance of the final exemption certificate as well.

- ✓ Verify that the information printed on this certificate is correct. If the information is not correct, contact the person responsible for submitting the original application for this certificate.
- ✓ If you are a certificate holder with multiple, ongoing exempt projects, be certain to use the certificate that matches the project for which you are purchasing materials.
- ✓ You must have your certificate number and project information at the time of sale when making exempt purchases. Form EZ-1, Building Materials Exemption Certification, has been created as an easy resource for you to use to ensure that all pertinent information has been provided to the retailer.

Building Materials Exemption Certificate

Certificate holder:
TEST APPLICANT 4
101 N MAIN
OCEANVIEW IL 62225

Certificate number:
22EBC000000004

Expiration date:
12/31/2022

Project:
SADFSADF
SADFSADF
SADFSADF IL 21354-1234

Name of Zone or High Impact/Reimagining Electric Vehicle Business:
ALEXANDER/PULASKI COUNTY (2016)

NOTICE: This certificate may be used only in conjunction with the purchase of building materials by the certificate holder identified on this certificate and for the project identified on this certificate. Any misuse of this certificate will result in the assessment of taxes and penalties on the purchase and an additional monetary penalty equal to the local sales taxes on the purchase.

The entity identified on the certificate must by law report annually to the Illinois Department of Revenue the amount of exempt building materials purchased under the certificate. Please go to the "Business Incentives Reporting and Building Materials Exemption Certification" tab at tax.illinois.gov for reporting deadlines.

CRF-65 (8-05-22)

Illinois Department of Revenue
EZ-1 Certificate of Exempt Purchase for Building Materials
Use of this form requires the purchaser to have a valid Building Materials Exemption Certificate from the Illinois Department of Revenue.

Step 1: Identify the seller
The seller must keep this certificate.
Name _____ Address _____
Phone _____ City _____ State _____ ZIP _____

Step 2: Identify the purchaser and purchaser's certificate number
Name (TEST APPLICANT 4) _____ Phone (618-555)3054
Address 101 N MAIN _____ Date of purchase _____
City, State, ZIP 62225 _____ Building materials exemption certificate number of the purchaser: 22EBC000000004

Step 3: Location or address of the real estate into which building materials will be permanently incorporated
Name of Zone or High Impact/Reimagining Electric Vehicle Business ALEXANDER/PULASKI COUNTY (2016)
Project Name _____
Location _____ Address _____
SADFSADF SADFSADF IL 21354-1234 OR SADFSADF IL 21354-1234
City, State, ZIP _____

Step 4: Identify the building materials you are purchasing
Description of building materials purchased _____

Step 5: Sign below
I certify that the building materials described above will be permanently incorporated into real estate in the location indicated above as rehabilitation, renovation, and/or new construction for this project.
Purchaser's signature _____ Date _____

For more information about Building Materials Exemptions, visit the Business Incentives Reporting and Building Materials Exemption Certification web page at tax.illinois.gov/businessincentivesreportingandbuildingmaterials.
Note to seller: It is the seller's responsibility to verify that the purchaser's building materials exemption certificate number is valid and active. You can confirm this by using the "Verify the validity of a Building Materials Exemption Certificate" tool on our website at tax.illinois.gov.

EZ-1 (8-05-22)
Printed by the authority of the State of Illinois.
One copy, electronic only.

This form is authorized by the Illinois Revenue Occupation Tax Act. Disclosure of this information is required.
Failure to provide information may result in this form not being processed and may result in a penalty.



Sample BMEC and EZ-1 IDOR form

QUALIFYING MATERIALS

Below are references from the Illinois Dept. of Revenue on materials that do qualify for the Building Materials Sales Tax Exemption Certificate (BMEC), and those that do not:

e) Qualified Sales of Tangible Personal Property. In order to qualify for the building materials exemption under this Section, the materials being purchased must be building materials. That is, they must be purchased for physical incorporation into real estate. For example, gross receipts from sales of:

1) common building materials such as lumber, bricks, cement, windows, doors, insulation, roofing materials and sheet metal can qualify for the exemption;

2) plumbing systems and components thereof such as bathtubs, lavatories, sinks, faucets, garbage disposals, water pumps, water heaters, water softeners and water pipes can qualify for the exemption;

3) heating systems and components thereof such as furnaces, ductwork, vents, stokers, boilers, heating pipes and radiators can qualify for the exemption;

4) electrical systems and components thereof such as wiring, outlets and light fixtures that are physically incorporated into the real estate can qualify for the exemption;

5) central air conditioning systems, ventilation systems and components thereof that are physically incorporated into the real estate can qualify for the exemption;

6) built-in cabinets and other woodwork that are physically incorporated into the real estate can qualify for the exemption;

7) built-in appliances such as refrigerators, stoves, ovens and trash compactors that are physically incorporated into the real estate can qualify for the exemption;

8) floor coverings such as tile, linoleum and carpeting that are glued or otherwise permanently affixed to the real estate by use of tacks, staples, or wood stripping filled with nails that protrude upward (sometimes referred to as "tacking strips" or "tack-down strips") can qualify for the exemption.

f) Sales of Tangible Personal Property that Do Not Qualify for the Exemption. Items that are not physically incorporated into the real estate cannot qualify for the exemption. For example, gross receipts from sales of:

- 1) tools, machinery, equipment, fuel, forms and other items that may be used by a construction contractor at an enterprise zone building site, but that are not physically incorporated into the real estate, do not qualify for the exemption;
- 2) free-standing appliances such as stoves, ovens, refrigerators, washing machines, portable ventilation units, window air conditioning units, lamps, clothes washers, clothes dryers, trash compactors and dishwashers that may be connected to and operate from a building's electrical or plumbing system but which do not become a component of those systems do not qualify for the exemption;
- 3) floor coverings that are area rugs or that are attached to the structure using only two-sided tape do not qualify for the exemption.

Source: <http://tax.illinois.gov/LegalInformation/regs/part130/130-1951.pdf>

UPDATES PER IDOR ON LANDSCAPING QUALIFICATIONS:

"[S]eed or landscaping blanket" qualifies for Building Material Exemption Certificate. "Landscape products which are physically incorporated into real estate located in an enterprise zone are eligible for the exemption available for building materials. In other words, products like trees, shrubs, topsoil and sod that will be transplanted into real estate in the enterprise zone will be eligible for the exemption. ST 91-0624."

IDOR ANNUAL REPORTING

A report must be filed for each year the BMEC was issued. Keep accurate records of your qualified building material purchases to report them annually to the Illinois Department of Revenue (IDOR). Failure to do so in a timely manner may result in a rescinded BMEC by IDOR for ALL projects in which a BMEC has been issued.

If a BMEC was not used to make purchases during a given year, a report must still be filed for that year. Report a value of "\$0" in this situation.

IDOR will email a notification to file your annual report each year. These reports can be filed electronically. Please watch your email for communications from IDOR and the enterprise zone administrator's office.

How to file your annual report:

- Go to <http://tax.illinois.gov>
- Navigate to the Menu bar far right "Tax Resources".
- Use the drop-down menu and click "Businesses".
- Go to "QUICK LINKS" on the left side of the webpage and select "Business Incentives Reporting and Building Materials Exemption Certification".
- Once that page loads, in the middle of the page in red text, select "Click Here to Begin Filing a Report".
- File your report as accurately as possible.

Additional information, resources, and FAQs can also be found online at <https://tax.illinois.gov/businesses/incentives.html>

BMEC RENEWAL

A BMEC can be issued for a time period of up to two years. If a project is still on going and additional purchases are needed, a BMEC can be renewed provided all annual reporting is up to date.

To renew a BMEC, contact the Zone Administrator office (DCEDC) for a renewal application. Once the application is received, it can be processed and a renewed BMEC will be sent to you. All IDOR annual reporting requirements will continue for each year the BMEC is valid.

RESCINDED BMEC

If a BMEC holder fails to file their IDOR annual reports in a timely manner, their BMEC will be rescinded until all outstanding reports are filed. Missing reports for the current tax year can be filed online, but previous years will have to be submitted by email or mail on the correct tax year form.

To obtain forms for previous years, contact the IDOR directly by visiting <https://tax.illinois.gov/businesses/incentives.html> or contact the DCEDC office. Once you file missing reports, contact the DCEDC office regarding any rescinded BMECs within the DeKalb County Enterprise Zone. DCEDC can follow up with IDOR to ensure missing reports were received and your BMEC is reinstated.

NOTE: Rescinded BMECs cannot be renewed and can result in ALL BMECs for ALL PROJECTS being rescinded by IDOR. Can be renewed once reinstated.

How to file your annual report online (current tax year only):

- Go to <http://tax.illinois.gov>
- Navigate to the Menu bar far right "Tax Resources".
- Use the drop-down menu and click "Businesses".
- Go to "QUICK LINKS" on the left side of the webpage and select "Business Incentives Reporting and Building Materials Exemption Certification".
- Once that page loads, in the middle of the page in red text, select "Click Here to Begin Filing a Report".
- File your report as accurately as possible.

Additional information, resources, and FAQs can also be found online at <https://tax.illinois.gov/businesses/incentives.html>

CLOSING YOUR PROJECT

In addition to filing your annual reports with IDOR, BMEC holders must also notify the DeKalb County Zone Administrator's office when their work on a project has concluded. As the Zone Administrator, DCEDC is required by IDOR to close all BMEC projects with the actual total project information as requested below. This information is required by the Illinois Enterprise Zone Act, a statutory mandate of the Illinois Legislature.

Information you will need to provide:

- Total actual building materials cost
- Total actual labor cost

DCEDC will provide an online form for contractors to submit their closing information when ready to close.

This step is required in addition to filing with IDOR. DCEDC does not receive the annual reports to IDOR.

Providing all required annual reports to the IDOR and final closing information for your work are important to the long-term maintenance of the Illinois Enterprise Zone Program. Without the program, these valuable savings opportunities would not exist for contractors and project applicants.

Our office, as well as the other Illinois Enterprise Zone Program administrators across the state, rely on our contractors and project managers to provide required information to help us keep this program running. Without timely and accurate reporting, we risk losing this program.

Thank you in advance for your help and cooperation. Please contact the DCEDC office any time with questions or concerns related to the DeKalb County Enterprise Zone program.

BMEC CHECKLIST

- ☐ Obtain BMEC Application from Project Manager or DCEDC office
- ☐ Complete BMEC Application accurately to the best of your knowledge
- ☐ Submit materials list with pricing estimates (Labor NOT needed)
- ☐ Receive BMEC from DCEDC
- ☐ Track expenditures using the BMEC
- ☐ File annual reports with the IL Dept. of Revenue (IDOR) each year BMEC is valid
- ☐ Report work completion to DCEDC
- ☐ Complete closing report with DCEDC



Thank you for taking advantage of the Illinois Building Materials Exemption Certificates (BMEC's) available through the DeKalb County Enterprise Zone Program. Your contributions to development in DeKalb County, IL is greatly appreciated.

Please contact our office with any additional questions or concerns you may have:

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or

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