

THOUGHT LEADERSHIP

LEGAL UPDATES

PUBLISHED: FEBRUARY 3, 2026

Services

Biofuels, Biomass, &
Landfill Gas
State & Local
Taxation (SaLT)
Tax

Professionals

ROBERT M. ROMASHKO
WASHINGTON:
202.378.2310
ROBERT.ROMASHKO@
HUSCHBLACKWELL.COM

BILL SCHENKELBERG,
CPA
CHICAGO:
312.655.1500
BILL.SCHENKELBERG@
HUSCHBLACKWELL.COM

Illinois Rules that Sales Tax Applies to Equipment Used to Produce RNG

Like many states, Illinois provides an exemption to its Retailers Occupation Tax (sales tax) for machinery and equipment primarily used in a manufacturing operation. However, that exemption does not extend to machinery and equipment used in “the generation or treatment of natural or artificial gas for wholesale or retail sale that is delivered to customers through pipes, pipelines, or mains.” [35 ILCS 120/2-5(14), 2-45; 86 Ill. Admin. Code 130.330(k)]

An Illinois Private Letter Ruling [ST 25-0008-PLR] issued in December 2025 addresses whether machinery and equipment used to produce renewable natural gas (RNG) from landfill gas (methane) qualified for the exemption.

Referring to the U.S. Environmental Protection Agency and the U.S. Department of Energy, the Department ruled that RNG was “a term of art used to describe gas obtained from biological sources (biogas) and treated for use as a fuel source in place of fossil natural gas, and is pipeline-quality gas that is fully interchangeable with conventional natural gas.”

The Department noted that the processes described by the taxpayer to produce RNG from landfill gas were like those used to treat fossil natural gas to make it into pipeline-quality natural gas. Additionally, according to the facts described by the taxpayer, once the process is completed, the finished RNG is injected into local natural gas pipelines for transportation and use, so all the conditions of the exception to the manufacturing machinery and equipment exemption are met.

The Department determined that ROT or use tax applies to purchases of machinery, equipment, or other tangible personal property used in the operation, as the manufacturing machinery and equipment exemption does not apply.

What this means to you

State sales tax determinations and applicability of exemptions can be very nuanced, and evolving technologies and production practices are not always well addressed in statutes or other legal guidance. A private letter ruling is the Department's binding interpretation of the law for the taxpayer who requested it, based on the facts provided. Businesses with RNG operations in Illinois should evaluate their specific facts in the context of this ruling to better understand their potential risks or opportunities related to the exemption.

Contact us

For further details or additional information, please contact Robert Romashko, Bill Schenkelberg, or a member of the Husch Blackwell State & Local Taxation team.