Illinois Department of Revenue

ST-556 Sales Tax Transaction Return Instructions (2) for Leasing Companies Selling at Retail

General Information

Who must file Form ST-556?

When a leasing company — either an Illinois leasing company or an out-of-state leasing company — sells an item coming off a lease in Illinois and that item must be titled or registered by an agency of Illinois state government (*i.e.*, vehicles, watercraft, aircraft, trailers, and mobile homes), the leasing company is considered to be selling such items at retail in Illinois. These leasing companies must register with the Illinois Department of Revenue and are obligated to collect Illinois Sales Tax on these transactions. If you are a leasing company engaged in the business of selling such previously leased items to Illinois purchasers and the items are located in Illinois at the time of the sale, you must report these sales on Form ST-556, Sales Tax Transaction Return.

How can I file Form ST-556?

Form ST-556 can be filed electronically using MyTax Illinois at **mytax.illinois.gov**. The Illinois Department of Revenue also issues preprinted paper forms in limited quantities.
You can request preprinted returns by calling our Central Registration Division at **217 785-3707**. You can also request preprinted returns using MyTax Illinois. Note that preprinted forms display information for each of your business locations. Related sales and use tax forms are available on our website at **tax.illinois.gov**.

Do I need to file Form ST-556 if no tax is due?

Yes. Anytime you sell an item at retail in Illinois that is of the type that must be titled or registered by an agency of Illinois state government, you must report the sale on Form ST-556, regardless of whether you are reporting tax due. Failure to file Form ST-556 as required subjects you to possible penalties for each transaction that goes unreported.

If you make sales for resale in Illinois of items that must be reported on Form ST-556 and these items had been previously rented or leased, you have the option of bulk reporting these sales for resale on Form ST-556-D, Nontaxable Sales for Resale of Previously Rented or Leased Vehicles. Form ST-556-D can be filed electronically using MyTax Illinois at **mytax.illinois.gov.** For more information see the instructions for filing Form ST-556-D, available on our website at **tax.illinois.gov**.

What if I make a mistake while filling out a preprinted paper form?

If you make a mistake on a preprinted paper Form ST-556, write "VOID" across the form. Keep the voided return in your records for at least 42 months. Do **not** send the form to us.

What if I need help?

If you need help, call us at **1 800 732-8866** or **217 782-3336**, call our TDD-telecommunications device for the deaf at **1 800 544-5304**, or visit our website at **tax.illinois.gov**.

Specific Instructions

1 Enter the purchaser's name and address

The purchaser's name and address must be the same as the name on the application for title or registration. If there is more than one purchaser, be sure to enter each name.

2 Describe the item sold

Check the correct box (A-E) to show the type of item sold. If the type of item sold is not identified in boxes A-E, check box F and enter the type of item sold.
Check the correct box to show whether the item sold is new or used.
Next, enter the appropriate identification number for the item sold, such as a vehicle identification number (VIN) for vehicles, trailers, and mobile homes, a hull identification number (HIN) for watercraft, or (N) number for aircraft.
Finally, enter the year, make, body style, and model of the item sold.
Note: If you sold more than one type of item (*e.g.*, a watercraft and a trailer) or more than one item of the same type (*e.g.*, three motor vehicles) you generally must complete a separate Form ST-556 for each item sold. You may, however, report sales for resale of previously rented or leased items on Form ST-556-D, Tax-Exempt Sales for Resale of Previously Rented or Leased Vehicles. Form ST-556-D allows you to report multiple sales for resale, to the same or multiple purchasers, on the same schedule. Form ST-556-D must be filed electronically using MyTax Illinois, available at **mytax.illinois.gov**.

3 Enter the date of delivery

Enter the month, day, and year in which the purchaser took possession of the item. If the purchaser has been leasing the item and, therefore, already has possession of it, enter the date you applied for a change in the title.

Note: This return is due no later than 20 calendar days after the date of delivery.

4 Describe the trade-in, if any

If you did not claim a qualified trade-in, skip this section and go to Section 5.
If you claimed a qualified trade-in, enter the type of item traded in (*e.g.*, automobile, truck, airplane, boat, trailer). Next, enter the appropriate identification number, year, make, body style, and model of the trade-in.

What is a qualified trade-in?

A qualified trade-in is an item

- that the purchaser gives you to reduce the selling price (in part or in full) of the item sold;
- that you are allowed to subtract from the selling price; and
- that you are in the business of selling.

You are "in the business of selling" a particular kind of item if you hold yourself out to the public as being engaged in (or habitually engage in) selling such items.
Example: You may claim the trade-in of a boat on an auto if you are in the business of selling **both** boats and autos.
However, you may not claim the trade-in of a boat on an auto if you are in the business of selling **only** autos.

Note: For sales on or after January 1, 2020, for purposes of calculating your Sales Tax due, you cannot claim trade-in credit exceeding $10,000 for any first division motor vehicle that was traded in during the sale being reported on Form ST-556. This does not prohibit a retailer from reducing the price of the vehicle being sold by the value of or credit given for the traded-in motor vehicle. Only the credit the retailer may take on the return for that trade-in is limited to a maximum of $10,000.

5 Exempt

If the sale is to an Illinois resident and taxable, skip this section and go to Section 6.

If the sale is exempt from tax, check the correct box (A-F), and complete Section 6, Lines 1 and 2.

If you are not required to submit title or registration paperwork on the item, send the return directly to us at:

ILLINOIS DEPARTMENT OF REVENUE
RETAILERS' OCCUPATION TAX
PO BOX 19042
SPRINGFIELD IL 62794-9042

A. Sold to a nonresident purchaser (NOT an out-of-state dealer)

Do not check this box. All the sales you report will be to Illinois purchasers. This exemption cannot apply to any of your sales. See "Who must file Form ST-556?" in the General Information section above.

B. Sold for resale to a DEALER

Check this box if you sold the item to an Illinois dealer for resale. Enter the Illinois account ID number of the dealer to whom you sold the item. If you sold to an Illinois dealer as junk or salvage or for parts, enter "Junked," "Salvage," or "Parts Only" after the account ID number. Keep a completed Form CRT-61, Certificate of Resale, in your records for documentation. See "Who must file Form ST-556?" in the General Information section above.

You can also use Form ST-556-D, Nontaxable Sales for Resale of Previously Rented or Leased Vehicles, for multiple sales for resale of vehicles coming off a lease or rental. Form ST-556-D must be filed electronically using MyTax Illinois, available at **mytax.illinois.gov**.

C. Sold to an exempt organization

Check this box if you sold the item to one of the following tax-exempt Illinois purchasers that have an active Illinois Sales Tax exemption "E" number:

- a government agency
- a school
- a religious organization
- a charitable organization

In the space provided, enter the organization's active Illinois Sales Tax exemption "E" number. To qualify, the purchaser must be the organization itself rather than a member or officer of the organization. The item must be titled and/or registered in the organization's name and paid for with the organization's funds. The organization's exemption number must have been in effect on the day you made the sale.

D. Sold to an interstate carrier for hire for use as rolling stock

Check this box if you sold an item for use as rolling stock to haul persons or commodities for hire in interstate commerce. In the space provided, enter the certificate of authority number. Keep a properly completed Form RUT-7, Rolling Stock Certification, in your books and records for documentation.

E. Sold for rental use

Check this box if

- you sold the vehicle to a business that is registered to collect Automobile Renting Occupation Tax; and
- the purchaser will use the vehicle for rental purposes in rental agreements of one year or less.

Enter the purchaser's Illinois Automobile Renting Occupation Tax account ID number.

F. Other

Check this box if the sale is exempt for a reason not identified in boxes A-E.

For example, you sold the item to a foreign consul who has a card from the U.S. Department of State declaring that the foreign consul does not have to pay sales tax on that item. In the space provided, enter "Foreign Consul."

6 Enter the price and figure the tax

Note: When completing Section 6, round to the nearest dollar by dropping amounts of less than 50 cents and increasing amounts of 50 cents or more to the next higher dollar.

Line 1 Enter the selling price, including accessories, federal excise taxes, freight and labor, dealer preparation, documentary fees, and any rebates or incentives for which you as a dealer receive reimbursement. Do **not** subtract the value of any rebate made directly to the customer. In general, any cost passed on to the customer as part of the sale of an item and for which gross receipts are received should be included in the selling price.

Line 2 If you claimed a qualified trade-in (see Section 4), enter the total trade-in credit or value. Do not enter more than $10,000 for a traded-in first division motor vehicle (see Note below).

You must identify the traded-in item in the spaces provided in Section 4.

If you claimed an exemption in Section 5 and no tax is due, you do not need to complete the remaining Lines 3-14 of Section 6. Remember that you and all purchasers must sign the return.

Note: For sales on or after January 1, 2020, for purposes of calculating your Sales Tax due, you cannot claim trade-in credit exceeding $10,000 for any first division motor vehicle that was traded in during the sale being reported on Form ST-556. This means that $10,000 is the maximum credit a retailer may take on the return to reduce the taxable selling price of a motor vehicle when the retailer accepts the trade-in of a first division motor vehicle in the transaction, regardless of the value of or credit given for the trade-in. This does not prohibit the retailer from reducing the price of the vehicle being sold by the value of or credit given for the traded-in motor vehicle. It only limits the credit the retailer may take on the return for that trade-in.

Line 3 Subtract Line 2 from Line 1.

Special Instructions for Completing Line 4

Leasing company with *no* registered sales locations in Illinois

Line 4 Multiply Line 3 by the tax rate. This tax rate is determined by the purchaser's address entered in Section 1. To find this tax rate, use the Tax Rate Database on our website at **tax.illinois.gov**, or call us at **1 800 732-8866** or call our TDD (telecommunications device for the deaf) at **1 800 544-5304**. Also, enter the tax rate in the correct space on the form.

Leasing company with registered sales locations in Illinois

Line 4 Calculate your tax due using the following to determine the appropriate rate:

- If you made this sale at your standard business location (*i.e.*, the location printed on the front of the paper Form ST-556 returns the Department issues to you), multiply Line 3 by the tax rate printed on your return.
- If you made this sale at an off-site location (*e.g.*, a tent sale), follow the instructions on ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases, available on our website at **tax.illinois.gov**.
- If you made this sale to a nonresident who is taking delivery of the item in Illinois but who will title it in a state that does not have a reciprocal nonresident purchaser exemption for Illinois residents, multiply Line 3 by the nonresident's state sales tax rate, up to 6.25 percent. See ST-58, Reciprocal - Non-Reciprocal Vehicle Tax Rate Chart, available on our website at **tax.illinois.gov**.

Note for business locations in Cook, DuPage, Kane, Lake, McHenry, or Will County when the customer's address is in Chicago:
If your sales location is in Cook, DuPage, Kane, Lake, McHenry, or Will County and the purchaser's address on Form ST-556, Section 1, is within the corporate limits of the city of Chicago, you must collect an additional 1.25 percent (.0125) Chicago Home Rule Use Tax. To help you calculate the tax due on one of these sales, we preprint a combined rate below Line 4 on the paper Form ST-556 returns the Department issues to you. This combined rate includes your tax rate, plus the additional 1.25 percent Chicago Home Rule Use Tax. To figure the correct tax due, multiply the amount subject to tax on Line 3 by the combined rate. Enter the result on Line 4.

Line 5 Enter the name of the Illinois county in which the purchaser's address is located. If the purchaser's address falls within the limits of an Illinois city or village, enter the name of the city or village. If the purchaser's address falls within Madison or St. Clair County, enter the name of the township in which the address is located.
Do not enter a dollar amount on this line.

Line 6 Enter the amount from Line 4.

Line 7 If you are filing this return and paying the tax due within 20 days of the date of delivery entered in Section 3, multiply Line 6 by the rate printed on your return.

Line 7a The Illinois Department of Revenue is responsible for collecting and administering the fee imposed by the Metro-East Mass Transit District (MED) on items that are required to be titled or registered in Illinois. You must collect this fee if, at the end of a lease, you sell a motor vehicle that is located in the MED portion of St. Clair County. Multiply Line 3 by 0.5 percent (0.005).

- If the result is **less than $20**, enter the result on Line 7a.
- If the result is **$20 or more**, enter $20 on Line 7a.

Line 8 Subtract Line 7 from Line 6. If you calculated an amount on Line 7a according to the above instruction, subtract Line 7 from Line 6, and then add to that total the amount on Line 7a.

Line 9 If we have notified you that you have an overpayment credit on your account, you may use this overpayment credit to pay some or all of the tax due on this return. Enter the amount you wish to use.

Line 10 You may be able to claim a credit for tax paid on an item you are now selling at the end of a lease. You may claim this credit only if, when you purchased the item, tax was either collected by an Illinois retailer and reported on From ST-556 or Form ST-556-LSE, or paid directly to the Department using Form RUT-25 or Form RUT-25-LSE.

Enter the amount of tax paid (but not exceeding the amount of tax due on Form ST-556 on which you are now reporting the retail sale of this previously leased item) and the tax return number from either the Form ST-556 or Form ST-556-LSE filed by the Illinois retailer when you purchased the item and paid the tax, or the Form RUT-25 or Form RUT-25-LSE filed when the item was purchased and the tax paid.
Note: If you are selling an item that was purchased for lease on or after January 1, 2015, **you may not claim this credit if** the selling price reported on the original Form ST-556-LSE or Form RUT-25-LSE when you purchased the item was the amount due under the lease contract; **you may claim this credit only if** the selling price reported was equal to the actual selling price.

Line 11 If you collected more tax than is due on this sale, enter the amount you overcollected.

Line 12 Subtract Lines 9 and 10 from Line 8 and add Line 11.

Line 13 If you have a credit memorandum and you wish to use it towards what you owe, enter the amount you are using on Line 13.

Line 14 Subtract Line 13 from Line 12, and enter the amount due. Also, enter the identifying number from the remittance you are sending to pay the tax due on this return. If you are filing more than one Form ST-556, enclose a separate remittance for each return.

Sign the return

Both the seller and all purchasers must sign the return. If you claimed a qualified trade-in for the item sold, the signatures also declare that the title of the traded-in item has been properly assigned and surrendered to the seller.

Penalty and Fee Information

We will bill you for any amounts owed, including the following penalties and fees:

- You owe a **late filing penalty** if you do not file a processable return by the due date.
- You owe a **late payment penalty** if you do not pay the amount you owe by the original due date of the return.
- You owe a **bad check penalty** if your remittance is not honored by your financial institution.
- You owe a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on a bill that we send you.
- You owe a **nonfiling penalty for transaction returns** if you do not file a processable transaction return (ST-556, Sales Tax Transaction Return, or ST-556-LSE, Transaction Return for Leases) by the due date, but only if no tax is due on the return.

For more information, see Publication 103, Penalties and Interest for Illinois Taxes, available on our website at **tax.illinois.gov**.