

Illinois Department of Revenue
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATION BULLETIN FY83-3

TO: All Illinois Retailers
SUBJECT: Retail Sales to Railroads

Effective September 17, 1982, Public Act 82-1013 (HB 2425) amended the Retailers' Occupation and related Tax Acts by removing such taxes from the proceeds from retail and service sales of tangible personal property to common carriers by rail (railroads). The Act specifies that railroads must receive physical possession of the tangible personal property in the State of Illinois and transport said property (or have transported by another common carrier) out of Illinois on a standard uniform bill of lading showing the seller as the shipper or consignor of the property for use outside Illinois. Specifically, proceeds from sales of tangible personal property, special order tangible personal property and repairs to tangible personal property are exempt from taxes provided such sales meet the qualifications outlined above.

To conform with the Federal 1981 Budget Reconciliation Act, this statute also exempts from Retailers' Occupation Tax and related taxes, the proceeds from sales of petroleum products to purchasers if the sellers are prohibited by federal law from charging tax to such purchasers. This exemption applies exclusively to such purchasers as the Amtrak and Conrail systems.

Counties, Municipalities, Regional Transportation Authority and the Metro-East Mass Transit District may, by local ordinance, reimpose their portion of the exempted tax.

The following reporting method should be used in claiming full tax exemption on qualifying transactions:

1. All receipts from sales of tangible personal property to railroad companies and the receipts from the sale of petroleum products (including any reimposed local taxes) should be included in the gross receipts amount reported in Item 1 of pages 2 and 4 of the RR-1-A reporting return.
2. In order to claim the tax exemption, the receipts from qualified sales of tangible personal property to railroads, and/or qualifying sales of petroleum products, less any reimposed local taxes, should be entered in Item 2K or 2L, identified as "Exempt Sales to Railroad", or "Exempt Petroleum Sales", and deducted from gross taxable receipts (Item 1).

NOTE: Any reimposed local taxes collected must be entered in tax

collection Item 3A along with other state and local taxes collected and deducted from "Taxable Receipts, Including Taxes Collected" (Item 3).

3. The Motor Fuel Tax on the petroleum products should be deducted in Item 2E.
4. Taxpayers reporting and paying local reimposed taxes must add the amount deducted in Item 2K or 2L to the net taxable receipts reported in Item 3B, and enter the result in the local tax areas (Item 16, 17, 18, 19, or 20) and compute the tax due by applying the formula of total taxable receipts times the applicable rate.
5. Servicemen/Suppliers should eliminate the qualified purchases/receipts amounts in computing Service Occupation and Service Use Tax due (Item 9 or 10), but include such transactions in computing reimposed local taxes due.

If you have any questions regarding the information provided, please contact the Taxpayer Information Division at (312) 641-2150 or (217) 782-3336.

J. Thomas Johnson
Director of Revenue

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