

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

INFORMATIONAL BULLETIN FY84-1

TO: All Retail Sellers of Gasohol

SUBJECT: Sales of Gasohol

Effective December 3, 1980, Public Act 81-1513 (S.B. 1518) amended the various State sales tax acts (Retailers' Occupation Tax Act, Use Tax Act, Service Occupation Tax Act, Service Use Tax Act) by REMOVING THE 4% STATE SALES TAX from the retail and service sales of gasohol and REIMPOSING it as follows:

- 1% for the period of July 1, 1982 through June 30, 1983;
- 2% for the period of July 1, 1983 through June 30, 1984;
- 3% for the period of July 1, 1984 through June 30, 1985;
- 4% for the period of July 1, 1985 and thereafter.

This legislation does NOT EXEMPT gasohol FROM LOCAL and MASS TRANSIT SALES TAXES, i.e., the Municipal Occupation Taxes, County Occupation Taxes, Regional Transportation Authority Taxes, and Metro East Mass Transit District Occupation Taxes.

Gasohol is defined as a motor fuel containing at least 10% alcohol which contains no more than 1.25% water by weight and is obtained from agricultural products or by-products and includes dieselhol.

In accordance with the provisions of this Act, you should begin computing 4% State sales tax on 50% of the receipts from gasohol effective July 1, 1983 and continue to use this method through June 30, 1984.

HOW TO CALCULATE AND REPORT THE 2% STATE SALES TAX ON GASOHOL

IF YOU ARE A REGISTERED RETAILER LOCATED IN ILLINOIS, on pages 2 and 4 of the RR-1-A tax return:

1. include all receipts from the sale of gasohol (including motor fuel tax and State, local, and mass transit sales taxes) in the gross receipts amount reported in Item 1;
2. deduct the 7.5¢ per gallon motor fuel tax from all motor fuel receipts (including gasohol) in Item 2(e);
3. enter 50% of the balance of gasohol receipts (excluding State, local and mass transit district sales tax collection) in Item 2(j), the pre-printed gasohol exemption deduction;

4. include the remaining 50% of receipts from gasohol sales

(including State, local and mass transit district sales tax collections) in Item 3.

The above method is one which computes 4% State sales tax on 50% of receipts rather than 2% tax on 100% of receipts. The results of the computations are the same.

NOTE: When computing the LOCAL AND MASS TRANSIT SALES TAXES, in Items 16 through 20, you must remember to INCLUDE 100% OF THE TAXABLE RECEIPTS from the sale of gasohol, not 50%. Failure to compute tax on 100% of the taxable receipts could result in the imposition of penalty and interest.

IF YOU ARE AN OUT-OF-STATE REGISTERED RETAIL SELLER OF GASOHOL TO ILLINOIS PURCHASERS, you should include only 50% of receipts of gasohol sales in computing the 4% use tax due (Items 5 and 11).

IF YOU ARE AN ILLINOIS USER WHO PURCHASES GASOHOL FROM AN OUT-OF-STATE UNREGISTERED SELLER, you should include only 50% of the cost of gasohol purchases in reporting use tax due on such purchases (Items 6, 10 and 12).

The FOLLOWING EXAMPLE illustrates the method to be used by in-state retailers for computing and reporting sales tax due on receipts from sales of gasohol.

Assume:

sales of 10,000 gallons of gasohol at a base price of \$1.40 per gallon;
plus motor fuel tax (MFT) of 7¢ per gallon;
plus 3% sales tax on gross receipts excluding MFT (2% State and 1% local).

Computation and Reporting on Pages 2 and 4 of RR-1-A Return

Item 1	- Enter gross receipts from sales	\$15,170
	10,000 x 1.40 + 10,000 x .075 + 14,000 x .03	
Item 2(e)	- Deduct motor fuel tax 10,000 x .075	750
Item 2(j)	- Deduct 50% of receipts, excluding tax collections	7,000
Item 2(m)	- Sum of total deductions	7,750
Item 3	- Balance: Item 1 minus Item 2(m) 15,170 - 7,750	7,420
Item 3(a)	- State tax due 10,000 x 1.40 x .03	420
Item 3(b)	- Balance subject to State sales tax 7,420 - 420	7,000
Item 4	- State tax due 7,000 x .04	280
Item 16	- Local tax due (MROT): Item 2(j) + Item 3(b) x MROT rate 7,000 + 7,000 x .01	140

As stated above, P.A. 81-1513 directs an annual phase-in of an additional 1% until the maximum 4% rate has been reached. The percent of exempt receipts each year is indicated below:

50% for the period of July 1, 1983 through June 30, 1984;
25% for the period of July 1, 1984 through June 30, 1985;
0% (no exemption) for the period of July 1, 1985 and thereafter.

Should you have any questions regarding the proper computation and reporting of tax on the sales of gasohol, please contact the Department. If you are in Cook County, call 641-2150. Persons elsewhere in Illinois can call the Department's toll free number 800-252-8972. Out-of-state taxpayers should call 217-782-3336.

J. Thomas Johnson
Director of Revenue

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