

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

INFORMATIONAL BULLETIN FY84-2

TO: All Retail Sellers of Cigarettes

SUBJECT: Deduction of State and Local Cigarette Taxes for Retailers'  
Occupation Tax and Use Tax Purposes

Some Illinois licensed cigarette distributors are now marketing packages containing 25 cigarettes. In accordance with the Illinois Cigarette Tax Act, this size package is subject to 15¢ cigarette tax. The Department is now making available 15¢ stamps (Series F) to be affixed to each cigarette package by the distributors. In April, 1973, the Department issued a bulletin which stated in part:

"Due to a recent Illinois Supreme Court decision, this Department has revised Section 3 of retailers' occupation tax Rule 52 to read as follows:

"Persons engaged in the business of selling cigarettes, cigars and other tobacco products incur retailers' occupation tax liability when selling price represented by the State cigarette tax or cigarette use tax may be deducted from the total selling price in arriving at the net taxable selling price. The rate of the cigarette tax and the cigarette use tax is 6 mills per cigarette, or 12¢ per package on a package of 20 cigarettes."

"If a home rule jurisdiction, such as Chicago, imposes a cigarette tax whose legal incidence clearly falls on consumers, with sellers being merely collectors of such tax, the amount of such local cigarette tax likewise is not subject to retailers' occupation tax. If any local government, pursuant to authorization from the Illinois General Assembly to do so, should impose a cigarette tax in the nature of an occupational tax, the amount collected by retailers because of that kind of local cigarette tax is subject to retailers' occupation tax."

The above quotation also applies to the 15¢ per package cigarette tax as a deduction from total receipts from the gross selling price of cigarettes for sales tax purposes.

The Department suggests the following reporting method be used in reporting Illinois cigarette tax deductions in the computation of sales tax due for a given liability period:

- A. Always include receipts from state and local taxes in total receipts reported in Item 1, of the computation pages (pages 2 or 4) of the monthly return (form RR-1-A).
- B. In Item 2(d) the blank space should be used for writing in an itemized listing of the number of packs of cigarettes subject to both the 12¢ and 15¢ taxes (include any Home Rule Cigarette Tax amounts). Of course, the total deduction amount must be reported in Column 3.

EXAMPLE: A retailer sells 2,500 packs of cigarettes in June, 1983. 2,000 are packs of 20 each and 500 packs have 25 cigarettes. The deduction reporting method will be:

2. TOTAL DEDUCTIONS AUTHORIZED BY LAW:
- (a) - Receipts From Sales Made For Purposes of Resale .....
  - (b) - Receipts From Sales Made in Interstate Commerce .....
  - (c) - Cash Refunds .....
  - (d) - Receipts from - Illinois & Local Cigarette Tax.....
  
  - (e) - Receipts From-Illinois & Local Motor Fuel Tax.  
If records are in liters, multiply number of  
liters\_\_\_\_\_ x .2641721 = .....

If you have any questions regarding this, please feel free to 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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