

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

INFORMATIONAL BULLETIN FY84-7

TO: All Illinois Retailers and Other Filers of Illinois Sales Tax Returns

SUBJECT: Changes to the Sales Tax
Public Act 83-14

We have received many telephone calls asking about the changes that will be made to the state sales tax as a result of recently enacted legislation.* Therefore, even though the changes will not be in effect for several month, we are issuing this informational bulletin in order to answer the questions that we have been asked most frequently.

EFFECTIVE JANUARY 1, 1984, the state sales tax will change as follows:

- ∅ The state sales tax rate will increase to 5% (from the current 4%).
- ∅ Food and drug items that are currently taxed at a 2% state rate will be exempted from the state sales tax. Local taxes are not altered.
- ∅ A new component will be added to the current partial exemption for manufacturing machinery and equipment. Replacement parts for machinery and equipment will qualify for the exemption if the machinery and equipment on which the parts will be used would themselves qualify.

Generally, with the exception of certain transactions involving construction materials, the tax rate you should charge (or pay) on any transaction is the rate which is in effect on the date of the sale. For this purpose we will consider the date of the sale to be the date of delivery to the purchaser. Therefore, if you enter into a contract in December, 1983 to sell an item which will be delivered to the purchaser in January, 1984, you must charge the tax rate that will be in effect in January, UNLESS the purchaser pays you in December. In that case, you charge the "December rate" on the receipts you receive in December and the "January rate" on the receipts, if any, you receive in or after January.

We are revising the sales tax return (Form RR-1-A) to accommodate the changes which become effective next year. We will send you revised forms and instructions well in advance of the due date for your January, 1984 return (the first monthly return to be effected by these changes).

Should you have further questions on this subject, you may call us at (217) 782-7897 or, if you are in Cook County, at (312) 641-2150.

*The sales tax is composed of four separate laws: the Retailers' Occupation Tax Act, the Use Tax Act, the Service Occupation Tax Act, and the Service Use Tax Act.

J. Thomas Johnson
Director of Revenue

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