

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

INFORMATIONAL BULLETIN FY84-16

TO: Insurance Companies
SUBJECT: Reporting of Replacement Vehicle Tax
Public Act 83-114 (SB-926)

Effective August 19, 1983, a new law, the Replacement Vehicle Tax Act, imposes a state tax of \$200 on any motor vehicle that is purchased by or on behalf of an insurance company to replace a vehicle of an insured person in settlement of a total loss claim.

In addition to the state tax, the local authorities of a municipality or county and the authorities of the Regional Transportation Authority and the Metro-East Mass Transit District may each impose a \$50 replacement vehicle tax. Both the local and the mass transit taxes are assessed based on the POINT OF SALE - NOT on where the vehicle will eventually be registered. If you wish to know if a particular locality (or transit district) has imposed a \$50 replacement vehicle tax, contact the appropriate local government.

"Replacement vehicle" means a vehicle, as defined in Section 1-146 of the Illinois Vehicle Code, purchased by or on behalf of an insurance company for an amount not exceeding the fair market value of the total loss vehicle as determined by the insurance company, or the net settlement amount, whichever is less.

Amounts paid by an insured or third party to purchase a vehicle which exceeds that value are subject to retailers' occupation or use tax (sales tax). The amount subject to sales tax includes all deductible amounts under insurance policies, purchase of accessories, and "trade-up" amounts.

You, as the insurance company, are responsible for paying the replacement vehicle tax to the Department on each separate purchase. The vehicle dealer is responsible for paying any retailers' occupation tax (sales tax) due.

THE REPLACEMENT VEHICLE CERTIFICATE

When you purchase a replacement vehicle in settlement of a total loss claim, you MUST provide the seller of the vehicle with a Replacement Vehicle Certificate (Form RVT-7). The vehicle dealer will be required to attach the certificate to his tax return (Form RR-556) when reporting the sale to the Department. Following is a listing of the information that you must provide on the certificate.

1. Name and address of purchaser (insurance company);

2. make, model, year, and serial number of vehicle;
3. sales price and date of sale (date of sale is the date of delivery);
4. the seller's business name, address, and Illinois Business Tax number (sales tax registration number);
5. the RR-556 transaction number;
6. a statement that the vehicle is purchased by or on behalf of an insurance company to replace a vehicle of an insured person in settlement of a total loss claim and the dollar amount of the net settlement or the fair market value as determined by the insurance company, whichever is less;
7. the name of the insured;
8. the insurance claim number;
9. signature (and date of signature) of a person authorized by you to sign the certificate.

We are providing you with a supply of the Replacement Vehicle Certificates (Form RVT-7). We will provide additional forms upon request.

YOUR TAX RETURN

You must file a separate tax return (Form RVT-1) for each vehicle you purchase to replace that of an insured person. The tax return and a remittance should be made payable to the Illinois Department of Revenue and mailed to:

Illinois Department of Revenue
P.O. Box 3587
Springfield, IL 62708

Remember to include state tax, local tax, and mass transit tax, as appropriate. Note also that any return filed more than 30 days after the date of purchase is subject to a 5% penalty and interest of 2% per month or fraction thereof.

We will send you a supply of tax returns upon request.

If you do not insure vehicles which might be subject to the replacement vehicle tax, please disregard this bulletin.

Should you have any further questions regarding the tax, you may call us at (217) 782-2181 or, if you are in Cook County, at (312) 641-2150.

J. Thomas Johnson
Director of Revenue

Issued: October, 1983

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