

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

INFORMATIONAL BULLETIN FY84-21

TO: Illinois Manufacturers and Refiners
SUBJECT: Assessing Use Tax on Waste and By-Products

Effective January 1, 1984, the Department of Revenue will use new criteria (contained in Public Act 83-614) to determine the use tax base on waste or by-products manufactured, refined, or produced and consumed in Illinois.

The new law provides that the use tax base will be the lower of the "selling price" (that is, the taxpayer's purchase price) of the raw material or the "fair market value" of the waste or by-product.

Tax base determined from selling price will be established by multiplying the price of the raw material by the percentage of the material which is converted into waste or by-product and eventually used by the taxpayer.

Fair market value will be established by sales made by the taxpayer in Illinois of the property which the taxpayer is using or consuming. If the taxpayer makes no such sales, then fair market value will be established by other, comparable sales or purchases in Illinois (made either by the taxpayer or someone else) of property of like kind and character.

If you are using in Illinois a waste or by-product which you manufactured,, refined, or produced in Illinois, you must maintain documentary evidence showing the selling price (that is, your purchase price) of the raw material. If you wish to base your use tax liability on fair market value rather than selling price, you must maintain documentary evidence showing how you determined fair market value.

If you have any questions, please write to our Legal Division, 1500 South Ninth Street, Springfield, Illinois 62708.

J. Thomas Johnson
Director of Revenue

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