

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

INFORMATIONAL BULLETIN FY84-25

TO: All Illinois Sales Tax Return Filers
SUBJECT: Changes Enacted by the 83rd General Assembly

The purpose of this bulletin is to inform you in summary fashion of some of the recent and soon to be effective changes in the Illinois sales tax. You may have received detailed bulletins on some of these issues in recent months. Also, please note that some items may not apply to your business.

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PUBLIC ACT 83-0014 (HOUSE BILL 1470)
SALES TAX CHANGES

Effective January 1, 1984, the state sales tax will change as follows:

1. The state sales tax rate will increase to 5% (from the current 4%)
2. Food and drug items currently taxed at a 2% state rate will be exempt from the state sales tax. Local taxes are not altered.
3. 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.

The revised sales tax return and detailed instructions for completing it will be sent to you in January.

Tax tables have been proposed for publication in the ILLINOIS REGISTER (a publication of the Illinois Secretary of State). They are also available from most trade associations. See Informational Bulletins FY84-7 and FY84-19 for further information.

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PUBLIC ACT 83-0012 (HOUSE BILL 1305)
MOTOR FUEL TAX INCREASE

The rate you use to figure your deduction for motor fuel tax paid increased last August. We have revised the sales tax form to show the increased rate.

Motor Fuel Rate for Other Than Diesel Fuel

- 11> per gallon for the period August 1, 1983 through June 30, 1984
- 12> per gallon for the period July 1, 1984 through June 30, 1985
- 13> per gallon for the period July 1, 1985 and thereafter

Diesel Fuel Rates

- 13<> per gallon for the period August 1, 1983 through June 30, 1984
- 14<> per gallon for the period July 1, 1984 through June 30, 1985
- 15<> per gallon for the period July 1, 1985 and thereafter

"Diesel fuel" is defined as any petroleum product intended for use or offered for sale as a fuel for engines in which fuel is injected into combustion chamber and ignited by pressure without electric spark. Those motor fuels known as diesel, dieselhol kerosene and other motor fuels used in a diesel engine are within this definition and are subject to the additional 2<> per gallon rate. The diesel rates shown above include this additional 2<> per gallon rate. The diesel fuel rates shown above include this additional 2<> per gallon.

See Informational Bulletin FY84-10 for further information.

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PUBLIC ACT 83-0327 (HOUSE BILL 9)
STUDENT ORGANIZATIONS

Effective January 1, 1984, sales by teacher-sponsored student organizations affiliated with an elementary or secondary school located in Illinois are exempt from retailers' occupation tax (sales tax) as a result of Public Act 83-327 (House Bill 9).

"A teacher-sponsored student organization affiliated with an elementary or secondary school" means an organization affiliated with an elementary or secondary school" means an organization which is approved by the local Board of Education and whose fund-raising activities generally contribute to the educational experience of students. Such organizations would include student councils, student clubs, choral and band groups, and other approved organizations formed for specific purposes. This particular exemption does not extend to sales by the school itself, a school bookstore, a faculty lounge, PTA, or any other entity which does not meet the requirements described above.

Purchases by qualified groups for resale must be made in accordance with regulations of the State Board of Education. That is, purchases must be paid for, on order of the president or secretary of a qualified organization, with checks signed by the student activity fund treasurer and counter-signed by the faculty advisor.

Teacher sponsored student organizations of private elementary or secondary schools not under the jurisdiction of the State Board Education must comply with the disbursement procedures set by the school when expending funds.

In order for student organizations of private to be allowed to purchase items for resale without paying tax to their suppliers, the school district or treasurer appointed by the local Board of Education may apply to the Department of Revenue for a reseller's certificate to be issued in the name of the school district or the student activity fund.

Suppliers selling to teacher-sponsored student organizations for resale must obtain a Certificate of Resale from the student activity fund treasurer or school district and ensure that payment is made from the student activity fund.

Student organizations selling tangible personal property obtained under a Certificate of Resale need not file sales tax returns with respect to such sales. Also, there is no limitation on the amount of nor frequency of such sales.

Purchases by teacher-sponsored student organizations of items FOR USE OR CONSUMPTION by the organization or activity are subject to sales tax. Only items which are resold may be acquired without payment of tax. For example, if a qualified organization buys modeling clay for a purpose other than resale, it must pay sales tax on its purchase of the clay.

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PUBLIC ACT 83-0485 (HOUSE BILL 673)
LIENS

Effective September 17, 1983, where a sale is conducted under an order or judgement of foreclosure of abandoned property, the right to redeem under a tax lien terminates after 60 days from the filing date of the certified copy of the certificate of sale.

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PUBLIC ACT 83-0086 (HOUSE BILL 1120)
CREDIT FOR TAX PAID ANOTHER STATE

Under the Use Tax and Service Use Tax Acts, the credit allowed for tax paid to another state is now limited to the amount PROPERLY PAID.

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PUBLIC ACT 83-0195 (HOUSE BILL 426)
TRANSIENT MERCHANTS

Effective January 1, 1984, transient merchants must meet an additional requirement before a County Treasurer may issue them licenses to do business. Specifically, these merchants must show the County Treasurer evidence of having a Retailers' Occupation Tax Certificate of Registration and Bond (required under Section 2a of the Retailers' Occupation Tax Act).

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PUBLIC ACT 83-0595 (HOUSE BILL 2102)
INTERSTATE CARRIERS

Section 2 of the Service Use Tax Act and Section 2 of the Service Occupation Tax Act were amended to exclude in the definition of "Sale of service" sale of tangible personal property produced on special

order for an interstate railroad taking possession in Illinois.

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PUBLIC ACT 83-0950 (SENATE BILL 149)
SALES TAX ON GASOHOL

Effective December 1, 1983, sales of gasohol are exempt from the state sales tax. This exemption remains in effect through December 31, 1983.

Beginning on January 1, 1984, and continuing through December 31, 1992, the state tax on gasohol will be at the rate of 1%. There are no changes to the local and mass transit district sales taxes. That is, sales of gasohol remain subject to local and mass transit district sales taxes.

See Informational Bulletin FY84-18 for instructions on completing your December return and FY84-22 explaining how to report at the 1% rate.

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PUBLIC ACT 83-0114 (SENATE BILL 926)
REPLACEMENT VEHICLE TAX ACT

Effective August 19, 1983, a state tax of \$200 was imposed 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. Local and mass transit authorities may also impose a \$50 replacement vehicle tax based on the point of sale.

"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.

The insurance company is responsible for payment of the replacement vehicle tax imposed by this law. That portion of the sale which is subject to the replacement vehicle tax is exempt from the sales tax.

If you, are a seller of a motor vehicle subject to the replacement tax, then these sales must be reported by using the transaction reporting return (Form RR-556) and attaching the Replacement Vehicle Tax Certificate to this return.

See Informational Bulletin FY84-14 for further information concerning this Act and the preparation of forms.

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PUBLIC ACT 82-1019 (SENATE BILL 1299)
ILLINOIS ENTERPRISE ZONE ACT

The Illinois Department of Commerce and Community Affairs has certified an area in the following cities and counties as an "enterprise zone". A retailer in a designated zone may be entitled to sales tax relief on certain sales of building material which will be incorporated into real

estate in the enterprise zone.

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|------------------------|---------------------------------------|
| City of Canton | City of Peoria |
| City of Chicago | City of Rockdale |
| City of Dacatur | City of Rockford |
| City of East St. Louis | Unincorporated Areas of Will County |
| City of Joliet | Unincorporated Areas of Fulton County |
| City of Lockport | |

Informational bulletins detailing specific criteria have or will be sent to retailers in each of the cities and counties listed above.

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PUBLIC ACT 83-0557 (HOUSE BILL 1373)

SALES OF SERVICE

Effective August 12, 1983, sales to non-profit county fair associations are exempt from State and local sales tax when they purchase tangible personal property for use in conducting, operating, or promoting county fairs.

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PUBLIC ACT 83-0614 (HOUSE BILL 1227)
TAX BASE FOR BY-PRODUCTS

Effective January 1, 1984, the Department of Revenue will use new criteria 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.

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PUBLIC ACT 83-0921 (HOUSE BILL 1557)
SURETY

Effective January 1, 1984, the Department is required to return a taxpayer's surety within 30 days after it ceases to be required. The

bill also provides that a final determination of the taxpayer's remaining tax liability be made as quickly as possible. If the determination cannot be made within 45 days after filing of the final tax return, the Department must notify the taxpayer of the reason for the delay.

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PUBLIC ACT 83-0136 (HOUSE BILL 1329)
BANKRUPTCY

The time within which the Department may commence court action against a person claiming bankruptcy has been more narrowly circumscribed. Specifically, the running of the statute of limitations recommences 30 days after notice of termination or upon the expiration of the automatic stay imposed by the Federal Bankruptcy Act.

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Should you have any further questions, you may call us at (217) 782-

7897 or, in Cook County, at (312) 641-2150.

J. Thomas Johnson
Director of Revenue

Issued: December, 1983

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