

Illinois Department of Revenue  
101 West Jefferson Street  
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY86-22

TO: All Retailers of Gasohol  
SUBJECT: Changes To Sales Tax Exemption For Gasohol

If you do not sell gasohol, please disregard this bulletin.

This bulletin is the promised follow-up to Informational Bulletin FY-86-19, which briefly announced a new definition and state sales tax rate for gasohol (as contained in Public Act 84-223, Senate Bill 254). This bulletin provides a fuller explanation of the new law and describes how to report gasohol receipts on your sales tax return.

DEFINITION OF GASOHOL

"Gasohol" continues to be defined as motor fuel which contains at least 10% alcohol and the alcohol must still contain no more than 1.25% water by weight. However, the source and type of the alcohol are more restricted than they used to be. Under the new definition the alcohol must be derived from cereal grains or food processed by-products essentially derived from cereal grains. (The old definition required merely that the alcohol be derived from agricultural products or by-products. Also, the alcohol must be ethanol (i.e., may not be methanol).

The new, restricted definition excludes gasohol which contains alcohol derived from wood, coal, sugar cane, or any other non-cereal product. If you sell such gasohol, you must charge your customers (and pay to us) the full 5% state tax.

In addition to changing the definition of "Qualified" gasohol, the new law gradually increases the state sales tax on this product. Here is the schedule of rate changes:

EFFECTIVE DATES	STATE SALES TAX RATE
January 1, 1985 - August 31, 1985	1%
September 1, 1985 - May 31, 1986	2% (plus an additional amount if the federal government reduces its tax on gasohol)
June 1, 1986 - December 31, 1992	3% (plus an additional amount if the federal government further reduces its tax on gasohol)
January 1, 1993 and thereafter	5%

Even though the law provides for a reduced tax RATE, the sales tax return (Form RR-1-A) does not readily allow for reporting sales and tax on this basis.

Therefore, we are asking you to deduct a portion of your gasohol receipts (on line 12 of your RR-1-A) and apply the full 5% rate to the remaining receipts. The results of this calculation is identical to figuring the tax at the reduced rate.

In order to help you figure the amount of your deduction, we have created a Gasohol Exemption Schedule (Form RR-600) which you must complete whenever you take a gasohol deduction (on line 12 of your sales tax return). The schedule is "good" until June 1, 1986 (when the tax rate is scheduled to change again).

The gasohol schedule allows for reporting:

- Receipts from sales of "new" gasohol containing alcohol distilled in Illinois
- Receipts (accounts receivable) from sales of "old" gasohol (sold before September 1, 1985)
- Receipts from sales of "new" gasohol containing alcohol distilled in a state which allows a tax exemption (or Credit) on Illinois-distilled gasohol. However, the exemption or credit allowed in the other state MUST BE CERTIFIED by the Department of Revenue.

LIST OF "CERTIFIED" STATES

Here are the states which we have certified as granting reciprocal tax relief to Illinois-distilled gasohol. Illinois law allows you similar tax relief on gasohol containing alcohol distilled in these states as long as it doesn't exceed Illinois' own tax relief. (see the instructions on the schedule for more information.)

If you do not find the state where your alcohol was distilled, it has not been certified by the Department and you must charge (and pay to us) the full 5% tax on your sales of this fuel. Note: As we certify other states, we will let you know.

STATE	EXEMPTION OR CREDIT	REPORT ON GASOHOL EXEMPTION SCHEDULE
Iowa	1> per gallon	Part II
Kansas	4> per gallon	Part II
Kentucky	3<>per gallon	Part II
Michigan	1> per gallon	Part II
Minnesota	4> per gallon	Part II
South Dakota	3> per gallon	Part II
Indiana	None	Not Applicable
Missouri	None	Not Applicable
Wisconsin	None	Not Applicable

Gasohol sales are not exempt from LOCAL and MASS TRANSIT SALES TAXES; i.e., the municipal occupation taxes, county occupation taxes, Regional Transportation Authority occupation taxes, and Metro East Mass Transit District occupation taxes. You should add the amount deducted on line 12 to the amount on line 18 when computing your tax bases on lines 41

and 46.

Note: The line 12 instructions which are printed on the back of your September sales tax return are incorrect. Please ignore them and use instead the instructions contained in this bulletin and in the Gasohol Exemption Schedule.

If you need more information, call or write. The phone number and address are at the top of this bulletin.

J. Thomas Johnson  
Director of Revenue

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