

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

INFORMATIONAL BULLETIN FY86-35

TO: All Taxpayers Required To Make Quarter-Monthly Tax Payments
SUBJECT: Revisions to the Quarter-Monthly Tax System (Public Act #84-1012)

This bulletin replaces Informational Bulletin FY85-19 originally issued in December, 1984.

Effective January 1, 1986, Public Act 84-1012 and 84-221 changes some of the quarter-monthly filing requirements for certain distributors, suppliers, and other resellers of motor fuel. In order to be subject to quarter-monthly filing requirements, your average monthly liability, as computed by the Department from collections of prepaid sales tax on motor fuel, must exceed \$25,000. If you qualify, you may now choose one of two methods for figuring the minimum quarter-monthly payment amount due. This new legislation also provides for the assessment of penalty and interest on quarter-monthly payments of prepaid sales tax that are late or underpaid.

No change has been made with respect to retailer requirements for making quarter-monthly payments of sales tax.

According to our records your business is subject to quarter-monthly filing requirements. To assist you in complying with the new requirements (and perhaps to freshen your memory on some of the old ones), we are offering answers to some of the most frequently asked questions relating to the quarter-monthly payment system.

WHAT ARE QUARTER-MONTHLY PAYMENTS?

Quarter-monthly payments consist of four weekly payments made during a liability period. Each payment is to be made for a specified amount estimated to be a certain portion of your final liability for the month. Your monthly return, showing your final liability, is due - as usual - at the end of the month following the liability month.

WHO MUST MAKE QUARTER-MONTHLY PAYMENTS?

Taxpayers who are required to make quarter-monthly payments fall into one (or both) of two categories.

First, you must make quarter-monthly sales tax payments if your average monthly tax under the Retailers' Occupation Tax Act and related tax acts, excluding any liability from collections of prepaid sales tax on motor fuel, equals or exceeds \$10,000 during the previous four complete calendar quarters. This requirement continues until your average monthly liability during the preceding four complete calendar quarters (excluding the month of highest and lowest liability) is less than \$9,000, or until your average monthly liability for each quarter

of the four preceding quarters is less than \$10,000.

Second, you must make quarter-monthly payments if, during the preceding two calendar quarters, your average monthly liability from collections of prepaid sales tax on motor fuel exceeded \$25,000. You must continue to make these payments until your average liability during the preceding two calendar quarters is \$25,000 or less.

HOW MUCH IS THE MINIMUM PAYMENT?

Distributors, suppliers, or other resellers of motor fuel, as well as retailers, may choose an amount equal to:

- 22.5% of the final liability for the current month, or;
- 27.5% of the liability for the same month of the preceding year.

The final liability for the month, whether it be from the preceding or current year, is the total tax due amount on your monthly return (RR-1-A, line 50 or PST-1, line 7). Please DO NOT attempt to apply the above percentages to a weekly tax liability amount incurred or to any prior quarter-monthly payment amount you may have paid.

To illustrate:

Example 1 - Apply 22.5% to final liability for the current month.

	Tax Liability	WRONG 22.5% x Weekly Liability	RIGHT 22.5% x Final Liability (\$26,000)
	-----	-----	-----
Week 1	\$ 1,000	\$ 225	\$5,850
Week 2	7,000	1,575	5,850
Week 3	8,000	1,800	5,850
Week 4	10,000	2,250	5,850
-----	-----		
Final Liability	\$ 26,000		

Example 2 - Apply 27.5% to final liability for same month of preceding year.

	Tax Liability	Q/M Payments (Preceding Year)	WRONG (27.5% x \$3,500)	RIGHT 27.5% x 14,000)
	-----	-----	-----	-----
Week 1	\$ 2,000	\$ 3,500	\$ 962.50	\$ 3,850*
Week 2	1,500	3,500	962.50	3,850
Week 3	4,500	3,500	962.50	3,850
Week 4	6,000	3,500	962.50	3,850
-----	-----			
Final	\$14,000			

Liability

*This amount will be shown on the RR-3 or PST-3 payment cards that we send you provided you have been in business for one year or more. For PST-3 filers who have been in business less than one year, you will have to use example 1.

WHEN ARE PAYMENTS DUE?

Quarter-monthly payments are due on the 7th, 15th, 22nd and the last day of the month, adjusted for holidays and weekends.

If we have granted you permission to file a sales tax return as a 13-period filer, a 3-week filer, or a 5-week filer, we will automatically adjust the due dates of your sales tax quarter monthly payments.

HOW ARE PAYMENTS MADE?

At the beginning of each quarter, we will send you a supply of twelve quarter-monthly payment cards and pre-addressed return envelopes. Printed on each card will be: the name, address, and registration number of your business; the payment due dates; and the liability period to which each payment applies. Simply send your payment - with the appropriate payment card - in one of the pre-addressed envelopes.

Please do not combine a "regular" sales tax quarter-monthly payment with a quarter-monthly payment for prepaid sales tax on motor fuel. Also, keep your quarter-monthly payments separate from any payments you may send with your monthly sales tax return.

Finally, please keep payments for other axes (income tax, motor fuel tax, etc.) separate from your quarter-monthly payments.

WHAT IF PAYMENTS ARE LATE OR UNDERPAID?

If you mail your payment, we will consider it filed on the date of the U.S. Postal Service postmark.

If your payment is late or underpaid and you may:

- Be liable for penalty of 7.5% on the amount of tax that is late or underpaid.

Page 4

FY86-35

- Be charged interest at the rate of 2% per month or fraction of a month that the tax is late or underpaid.

Retailers also may lose a portion of the vendor's discount, equal to 2.1% of the difference between the minimum amount due and the amount paid on time.

WHAT HAPPENS IF I OVERPAY MY FINAL LIABILITY?

If your quarter-monthly payments exceed the total liability for the month as shown on Form RR-1-A (line 50 minus the sum of lines 51 and 57) or Form PST-1 (line 8), we will, in most cases, automatically issue you a credit memorandum.

The credit memorandum will be for the amount of the overpayment minus any final assessments on your account that remain unpaid at the time the credit memorandum is being issued.

HOW MAY I USE MY CREDIT MEMORANDUM

Credit memoranda issued as a result of our overpaying your "regular" sales tax liability may be applied by you only to future sales tax liabilities reflected on your monthly sales tax return (Form RR-1-A), your quarter-monthly payment card (Form RR-3), or an outstanding sales tax assessment balance. Likewise, prepaid sales tax credit memoranda may be applied by you only to future prepaid sales tax liabilities reflected on your monthly prepaid sales tax return (Form PST-1), your quarter-monthly payment card (Form PST-3), or an outstanding prepaid sales tax assessment balance.

NOTE: A tax payment may not be deferred or reduced because of an anticipated credit memorandum due from the Department. A credit memorandum, like cash, checks, or other negotiable instruments, must be physically tendered at the time payment is made before credit can be given.

If you submit a credit memorandum that exceeds the amount you show as being paid on your quarter-monthly payment card, we will issue you another credit memorandum for the amount of the remaining overpayment. If you have a large outstanding credit memorandum in a total amount that exceeds one payment card, you may submit as many cards issued for the quarter as is necessary to use the full amount of the credit memorandum. In this instance, you must show the amount of credit you wish to apply to each payment card.

HOW MAY THE QUARTER-MONTHLY PAYMENT REQUIREMENTS BE WAIVED?

We will consider a written request for waiver of the quarter-monthly payment requirement if you believe that recent permanent changes in your business warrant it. We may waive the requirement if, for example:

- You sold or permanently lost a portion of your business.

Page 5

FY86-35

- You made unusual purchases that resulted in a large one-time payment of use tax during the calculation period.
- You expect to pay reduced amounts of sales tax due to a recent law change, such as the state sales tax exemption on food and drugs.

Your request for a waiver must include your estimate of your future monthly sales tax liabilities.

Please note that any waiver we grant pertains to a single calendar quarter only. At the end of each quarter we will again review your account to determine quarter-monthly payment requirements. Accordingly, you must renew your request for waiver each quarter until our quarterly review shows that you are no longer required to make quarter-monthly payments.

WHAT IF I STILL HAVE QUESTIONS?

If you have further questions, need more information, or would like to request a waiver of quarter-monthly payment requirements, please write or call:

Illinois Department of Revenue
R.O.T. Pre-Edit Unit
Unit Supervisor
Post Office Box 4007
Springfield, IL 62708

Telephone: 217/782-5906

J. Thomas Johnson
Director of Revenue

Issued: December, 1985

•