

Illinois Department of Revenue
J. Thomas Johnson, Director
101 West Jefferson Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY87-17

TO: All Registered Retailers

SUBJECT: Eliminating Credit Memoranda for Certain Types of Prior
Overpayments

Please read this bulletin if you file a monthly sales tax return (RR-1-A).

Some time ago we told you that, as part of our new sales tax processing system, you would eventually be able to use credit from certain types of prior overpayments without first filing a claim for credit and then waiting for us to issue an official credit memorandum. Beginning in January, 1987, you will be able to use this so-called "credit rollover" of certain prior overpayments for the first time.

The purpose of this bulletin is to explain which prior overpayments can be "rolled over" and which must still be approved by filing a claim form and receiving a credit memorandum. It will also explain how to "roll over" (automatically apply) qualified prior overpayments on your account.

Which Types of Prior Overpayments Qualify for a Credit Rollover?

In order to qualify for a credit rollover, your overpayment must meet three criteria:

The overpayment must appear on your original RR-1-A.

The RR-1-A must be filed after January 1, 1987.

The overpayment must be obvious.

There are three types of obvious overpayments:

Accelerated - created when an accelerated (quarter-monthly) filer makes payments which exceed the final liability due on the RR-1-A.

Pre-paid sales tax on motor fuel - created when a retailer of motor fuel files an RR-1-A showing that the total tax due is less than the sales tax previously paid to the distributor.

Computation error - created only when the following criteria are met:

the error was an error in arithmetic; and

the error showed plainly on your RR-1-A; and

the error resulted in your paying more tax than you owed and

collected.

How to Use Your Qualified Prior Overpayment as a Credit Rollover

In general, you will be able to use your sales tax credit rollover to satisfy liability due on any sales tax return, accelerated payment, assessment, or notice of deficiency.

Here is how to apply the credit rollover to these documents.

Sales Tax Return - You may apply credit rollover to liability reported on your original or amended monthly, quarterly, annual, or transaction reporting (RR-556) sales tax returns. Enter the amount of credit on the line captioned "Prior overpayment" (line 59 on the RR-1-A or line 15 on the RR-556.) Enter to the left of that line the month and year the overpayment occurred.

Accelerated Payment (RR-3) - You may apply your credit rollover to an accelerated payment. Submit your RR-3 card and reduce your cash or credit-memo payment by the amount of credit rollover. (If the credit rollover exceeds the amount due on the one payment card, you may roll over the remaining credit to subsequent payment cards.) In addition to sending the card, enter the amount of credit rollover applied to your payment cards on line 59 of your RR-1-A. Enter to the left of that line the month and year the overpayment occurred. Continue to enter your cash or credit-memo payments on line 58 of your RR-1-A.

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Assessment of Notice of Deficiency - You may apply your credit rollover to an amount due on a sales tax assessment or notice of deficiency. Write in the amount of credit rollover on the line provided on the assessment or notice of deficiency. Also, indicate on the front of the notice the month and year in which the overpayment occurred.

If you do not tell us that your accelerated credit rollover should be applied to an assessment or deficiency payment, we will automatically apply the credit amount to the following month's liability.

If you file a claim for credit for a prior overpayment and later determine that you can and wish to use the amount as a credit rollover, you may do so, but only if you haven't already received the credit memo. Simply apply the amount in the manner described above, and attach a note giving the date and amount of the claim.

Note: If you are both a retailer and a motor fuel distributor, you may not use an overpayment created on your sales tax return (RR-1-A) as a credit rollover to pay an amount due on your distributor's return for prepaid sales tax on motor fuel (Form PST-1). (See Special Note to Motor Fuel Distributors.)

Your Credit-Rollover Statement

If you have an overpayment from making accelerated payments of sales tax or from making payments of prepaid sales tax on motor fuel, you will get a monthly statement showing the amount of credit rollover that we have identified from your filed returns, the amount you have applied, and the available balance. All information will be current as of the date of the statement.

If you have an overpayment due to a computational error, you will get a statement only when you actually apply the overpayment as a credit rollover against a particular liability.

Which Types of Prior Overpayments Must Still be Approved by Filing a Claim for Credit?

Numerous types of prior overpayments cannot be "rolled over". The most common of these are:

A sales tax overpayment which is created on any assessment, notice of deficiency, or any return other than an original monthly return (Form RR-1-A) filed after January 1, 1987.

An overpayment created because of a change in any of the figures on the RR-1-A.

An overpayment created because you collected tax from your customer, paid it to the Department, and later refunded it to your customer.

If the prior overpayment on your account fits these circumstances (or any circumstance other than those described earlier as qualified for credit rollover), you must file a claim for credit and receive a credit memorandum before you can use the credit.

What To Do If You're Not Sure If You Have a Qualified Prior Overpayment

If you are not sure whether you have made a qualified overpayment, we advise you to file a claim for credit for the amount of the overpayment. This does two things: it avoids your being assessed for unpaid tax, penalty and interest (for trying to use an "unqualified overpayment" as a credit rollover), and it holds open the statutory period for obtaining a credit or refund. If it is later determined that the amount is eligible to be used as a credit rollover, you may use it (as explained earlier), as long as the credit memo has not been issued.

Special Note to Motor Fuel Distributors

Credit rollovers will also be available for qualified overpayments made in connection with your return for prepaid sales tax on motor fuel (Form PST-1). We will soon be sending you an informational bulletin regarding credit rollovers on that return.

For More Information

If you have questions or need more information on credit rollovers, please call or write. Our address and telephone numbers are at the top of this bulletin.

J. Thomas Johnson,
Director of Revenue

Issued: December 1986

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