

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

INFORMATIONAL BULLETIN FY87-29

TO: All Sellers of Titled Vehicles and Registered Aircraft
Subject: Changes to Tax Return, Form RR-556

If your business does not file form RR-556, please disregard this bulletin.

The purpose of this bulletin is to make you aware of the three changes we are making to the sales tax form you use for reporting sales of vehicles and aircraft (cars, trucks, trailers, motorcycles, airplanes, etc.) and to advise you of some details you can observe in filing these returns to help your customers get their license plates or registrations (or both) faster.

Please continue to use the forms you currently have until they are gone. We will begin filling orders with the revised returns beginning this summer.

CHANGES

As we said earlier, there are three differences between the current form and the revised one.

The first has to do with sales to tax exempt purchasers.

If you sell a vehicle to a government agency, school, religious organization, or other tax exempt purchaser, the agent of the purchaser must give you the purchaser's tax exemption number assigned by the Illinois Department of Revenue. Enter the number on the appropriate line in the section "Complete for Non-taxable Sales." The exemption number will always be "E9" followed by seven numbers; for example, E9990-1234.

For more information on sales tax exemption numbers, see Informational Bulletin FY86-45, issued in February 1986.

The second change has to do with distributing the several copies of the completed form.

The top copy will continue to go to the buyer. The second copy (pink border) will be for the appropriate state government agency (see "Copy Distribution" on the back of the enclosed sample). The third copy will be for your records.

The third change adds one line to the tax form.

The new line 15 allows you to claim an automatic tax credit for an "obvious payment" made on a previously filed monthly sales tax return, Form RR-1-A.

In other words, this line allows you to use credit from certain types of overpayments without filing a claim for credit and waiting for us to issue a credit memorandum. It is not necessary to attach a copy of the previously filed RR-1-A to substantiate this claim.

Caution: You may NOT take an automatic credit based on an overpayment on a previously filed RR-556. Please read Informational Bulletin FY87-17 for a complete explanation of these automatic credits (also called "credit rollovers") before you enter an amount on line 15.

Page 2

A FEW REMINDERS

Following is a summary of errors and omissions that are contributing to the delays some vehicle buyers are encountering in getting their titles and license plates. Please take a moment to look them over. Both we and your customers will thank you for it.

Do not leave this line blank, even if the sale is exempt from tax. Enter total sales price of the vehicle, including accessories, freight, and federal tax (except excise tax on trucks with a gross vehicle weight of more than 33,000 pounds). Do not include state or local sales tax.

If your customer has a trade-in, mark the appropriate box and enter the value of the trade-in.

If you are making a sale which is subject to replacement vehicle tax, enter the new settlement amount determined by the insurance company. This amount is found on the Replacement Vehicle Certificate (Form RVT-7) prepared by the insurance company. Also, mark the box "replacement vehicle receipts" on line 2 and attach the RVT-7 to your return.

Line 4

Enter the tax you charged the buyer for taxes collected by the Illinois Department of Revenue. Do not include any tax - such as a home rule sales tax - that you pay directly to a local government. Several cities (Chicago, Springfield, and others) impose a home rule tax on vehicle sales, but, please, do not include it on line 4.

Dealer's Check Number

Enter your check number in the area provided to the left of line 21. Be sure to write down the number on each return, especially if you have written one check to "cover" the tax owed on several transactions. If any of the returns becomes separated from the check, the check number will help us to reunite them and avoid sending you a bill for tax due.

Non-Taxable Sales

If you are making a non-taxable sale, please indicate the reason that the sale is tax exempt. In the area on the left side of the return titled "Complete for Non-taxable Sales" mark the appropriate box (A through K). Do this even though you may be attaching exemption forms or completing other information adjacent to the box.

Sales in Interstate Commerce - Exemption A

A sale is in interstate commerce when the retail buyer (i.e., user) intends to license and title the vehicle outside Illinois. When you make such a sale, be sure to mark exemption A. In addition, if you deliver the vehicle in Illinois, you must give the buyer a "driveway decal" (furnished by the Secretary of State) and enter the decal permit number on the tax return. If you deliver the vehicle outside Illinois, please enter the address where the delivery was made.

Sale for Resale - Exemption G

A sale is for resale only if the purchaser is a registered Illinois vehicle dealer and if the dealer is buying the vehicle in order to sell it, not to use it. If you make such a sale, you must complete a tax return, marking exemption G, and enter the purchaser's retailers' occupation tax number and the Illinois dealer's license number. It doesn't matter if the vehicle is new or used; you must file a return.

Page 2

Many dealers transfer a vehicle to another dealer by completing the title-assignment provision on the reverse of the title without also filing a tax return. If you don't file a return on these tax exempt sales, you may find that an assessment for tax, penalty, and interest has been charged against your account for this unreported sale. We will, of course, cancel the assessment when you file the return, but all this obviously involves much more effort for both of us. Please remember to file a return on each of your sales for resale.

If you make a sale to an out-of-state dealer, do not use exemption G, even if the out-of-state dealer intends to resell the vehicle. Instead, use exemption K and explain the circumstances of the sale.

Sale for Use as Rental - Exemption H

Such a sale is exempt from sales tax only if the purchaser intends to rent the vehicle under leases of 1 year or less. The buyer must give you a signed Automobile Renting Certificate, Form ART-7, for you to attach to the back of your tax return. Also, please remember to enter the buyer's Illinois Renter Registration Number (from line 2 of Form ART-7) on the line next to exemption H.

Sale to an Interstate Carrier for Hire ("Rolling Stock" Exemption)- Exemption I

The buyer must give you a signed Rolling Stock Affidavit, Form RUT-7, for you to attach to the back of your return. The buyer's Commerce Commission Certificate of Authority is NOT an acceptable substitute. If you are selling aircraft to be used as rolling stock, you must in addition attach a copy of the current lease agreement covering the aircraft.

Other Exempt Sale - Exemption K

If you mark this box, be sure to explain why the sale is exempt from tax. If you need more space to write your explanation, attach a sheet to the back of your return.

For More Information

If you have other questions or need additional information, please call or

write. Our address and telephone numbers appear at the top of this bulletin.

Roger D. Sweet,
Director of Revenue

Issued: June 1987

•