

Illinois Department of Revenue
Roger D. Sweet, Director
101 West Jefferson Street
Springfield, Illinois 62794

INFORMATIONAL BULLETIN FY88-16

TO: All Illinois Sales Tax Return Filers

SUBJECT: Changes Enacted by the 85th Illinois General Assembly

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

SALES TAX ON DIESEL FUEL

Effective April 1, 1988, due to a change in the Federal Excise Tax on diesel fuel, retailers of diesel fuel must now include the Federal Tax in the tax base for the calculation of Illinois sales tax. Diesel Fuel Excise Tax will be treated in the same manner as Gasoline Excise Tax.

The Federal Excise Tax on special fuel other than diesel fuel continues to be imposed at the retail level and, therefore, will continue to be deductible in computing the sales tax base.

PENALTY RATE INCREASE

Effective January 1, 1988, Public Act 85-295 increased the penalty rate for delinquent (late) payment of Retailers' Occupation Tax and Pre-Paid Sales tax. The new penalty rate is 10% (previously 7.5%). This means that any return that is DUE TO BE FILED on or after January 1, 1988, is subject to a 10% penalty if the return is late or not paid in full when due. (P.A. 85-982 increased the penalty rate from 7.5% to 10% when a Notice of Tax Liability is issued as the result of a deficient tax return.)

The department has revised tax returns for liability periods of January, 1988 and after to reflect this new penalty rate.

SENIOR CITIZENS ORGANIZATIONS

Effective January 1, 1988, Public Act 85-415 provides that not-for-profit service organizations for the benefit of persons 65 years of age or older are no longer required to collect sales taxes on items they SELL IF THE ITEMS WERE NOT PURCHASED BY THE ORGANIZATION FOR RESALE. Sales tax continues to be due on other items that are sold to the general public.

PASSENGER VANS

Effective January 1, 1988, Public Act 85-415 also provides that

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passenger vans which seat 7 to 16 passengers, that are purchased for

RENTAL PURPOSES, are exempt from sales taxes but ARE subject to Automobile Renting Tax.

DAY CARE CENTERS

Effective January 1, 1988, Public Act 85-864 allows licensed not-for-profit "day care centers", as defined, to be exempt from paying sales taxes on purchases of merchandise for use or consumption. "'Day care center' means any child care facility which regularly provides day care for less than 24 hours per day for (a) more than 8 children in a family home or (b) more than 3 children in a facility other than a family home."

Retailers must obtain the exemption identification numbers from such day care centers. This number, beginning with an "E" followed by at least eight digits is issued by the Department of Revenue to organizations which qualify.

MUSIC AND DRAMATIC ARTS ORGANIZATIONS

Effective January 1, 1988, Public Act 85-118 provides that music and dramatic arts groups, which are 501(c)(3) organizations and are organized and operated for the presentation of live public performances of musical or theatrical works on a regular basis, are exempt from sales taxation on purchases of merchandise for use or consumption.

To qualify for exempt status, however, these organizations must apply to the Department of Revenue and be issued an exemption identification number. This number begins with "E" followed by at least eight digits.

MOTOR VEHICLE DEALERS

As of September 10, 1987, through passage of Public Act 85-340, motor vehicle dealers are no longer required to prove compliance with sales tax bonding requirements in order to receive or renew a dealer's license.

CORPORATE TAX LIABILITIES

Effective September 9, 1987, Public Act 85-299 allows the Department of revenue to notify the Secretary of State of corporations which have been administratively dissolved and which owe delinquent tax liabilities; and the Secretary of State is required to withhold reinstatement of such corporations' charters.

QUARTER-MONTHLY (ACCELERATED) SALES TAX

Effective July 1, 1988 Public Act 85-0977 changed the minimum quarter-monthly payment due with each payment card to 22.5% of the final liability for the current month, OR 20% (down from 26.25%) of the final liability for the same month of the preceding year.

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NOTE: CST/CWCT ACCOUNTS RECEIVABLE REPORTING

This item is included in the bulletin to help clarify questions we have recently received.

If you are reporting your sales tax on a receipts basis, the following guidelines should be complied with to reduce the chance of us billing you for taxes you may owe. If your gross receipts include accounts receivables from sales prior to the implementation of County Supplementary Tax in your area or County Water Commission Tax, a statement should be attached to your Retailers Occupation Tax return (RR-1-A) explaining the amount of receipts which are not subject to these taxes.

NOTE: CORRECTION TO BULLETIN FY88-10

County Supplementary Tax applies to coal exploration and mining equipment which is exempt from state tax.

FOR MORE INFORMATION

If you have questions or need more information, please call or write. The phone numbers and address are provided at the top of this bulletin.

Roger D. Sweet
Director of Revenue

Issued: February 1988

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