

+ CHANGES IN THE SALES TAX LAWS

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 |TO:| REGISTERED SALES
 +----+ TAX TAXPAYERS &
 PRACTITIONERS

On January 1, 1990, the state's new sales tax law, sales tax reform, will go into effect. The new law will make it easier for the majority of you to collect and pay your sales tax obligations. We have enclosed copies of the new sale tax returns so that you will have plenty of time to set up your books and records and to re-program your computers, if you use them.

This bulletin highlights some of the major changes that will take place under sale tax reform.

HOW THE NEW FORMS ARE EASIER

These are some of the ways the new forms are easier:

- You will no longer have to separately figure local, transit, county supplementary, and water commission taxes. Instead, you will have one rate for general merchandise and one rate for food, drugs, and medical appliances. (If you

- The forms will be personalized with your correct tax rates and due dates printed in the areas where you will need to use them.
- You will be able to figure your discount rate with one calculation on all taxes, rather than with numerous calculation on only certain taxes.

ROUNDING TO WHOLE DOLLAR AMOUNTS REQUIRED

The new sales tax forms will require you to round to whole dollar amounts. For each figure you write, you must drop amounts less than 50¢ and increase amounts of 50¢ or more to the next higher dollar.

UNFAIR OUT-OF-STATE COMPETITION ELIMINATED

Out-of-state retailers and suppliers who sell to Illinois customers will no longer have the advantage they currently have over Illinois businesses. This is because some local taxes, which are not now collected on out-of-state purchases, will be included in the new state rate, making the state rate the same

THERE WILL BE A NEW METHOD OF REPORTING FOR MULTIPLE-SITE BUSINESSES

There is a new method of reporting for taxpayers who have more than one place of business. Rather than combine your receipts under one area of local government, you will report on a "store-by-store" basis for each site you have. This will more closely reflect the way most of you actually keep your books and records.

The Multi-Site Form, the ST-2, is designed so that you can compute tax due on the form for each site by using the correct rate that we provide for each site. We will automatically send the forms to those taxpayers required to use them.

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 |TO:| SERVICEPEOPLE ONLY:
 +----+ YOUR REPORTING REQUIREMENTS MAY CHANGE

In Illinois, you owe tax on the merchandise you use and sell in your service. There is no tax on the cost of service.

What will change under the new law is that some taxpayers will figure and pay their tax differently than they do

presently pay home rule tax to your local government, continue to do so until September 1, 1990. We will tell you what to do then.)

as the out-of-state rate.now.

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HOW WILL THE NEW LAW AFFECT ME?

Today, you should be FIGURING your tax based on the price you paid for the merchandise and PAYING the tax either to your supplier or directly to us.

Beginning January 1, 1990, that will change. The amount of tax you pay and the method by which you pay it will depend on whether your cost of the merchandise transferred to your service customers is less than 35% of your total receipts from sales of service.

Here is how it will work:

+ Method 1

If you can accurately predict that your cost of merchandise to be transferred to your service customers will be less than 35% of your total receipts from sales of service, you should continue to pay tax on your cost price. In this situation, the tax should be paid to your suppliers if they are registered to collect Illinois tax. If all of your liability is paid to suppliers who give you receipts showing the tax as a separate item, you need not

+ Method 2

If your cost price of the merchandise you transfer to service customers is 35% or more of your total receipts from sales of service, then you must register and pay the tax to us based on the selling price of the merchandise you transfer to your service customers. In this situation, you do not pay tax to your supplier. Instead, you give your supplier a Certificate of Resale and pay the tax to us based on your selling price.

How you write your bill to your customer will determine how much tax to pay.

- You may separate the selling price of the merchandise from the price of your labor or service fee. In this case, you pay tax on only the separately stated selling price of the merchandise. Note, however, that if the selling price is less than your cost, you must pay tax on the actual price you paid for the merchandise.

- You may decide not to separate the price of the merchandise from the price of your

total bill. (The only exception here is when the price to you paid for the merchandise is more than 50% of the bill. In that case, you must pay tax on the actual price you paid for the merchandise.)

NOTE: You may, but do not have to, separately state the tax on your customer's bill.

+ Method 3

There is another method that you may use if you want to pay your supplier on your "less than 35% transactions" and pay us on your "35% or more transactions."

This method requires extensive bookkeeping. If you have questions about this method contact us.

QUESTIONS?

If you have any questions or need additional information, you may call or write us at the phone numbers and address listed at the bottom of this bulletin.

register. However, if you make purchases from suppliers who do not collect Illinois tax, you must register and pay the tax directly to us.

labor. In this case, you pay tax on 50% of your

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FOR
INFORMATION

CALL: 1 800 732-8866 or
1 217 782-3336
WRITE: Illinois Department of Revenue
101 W. Jefferson St., P.O. Box 19044
Springfield, IL 62794-9044
