

■ Miscellaneous Issues for ST-556 Filers

TO: ST-556 Filers

Beginning with sales you make on or after September 16, 1994, you are no longer required to report sales of

- canoes,
- kayaks, and
- vessels less than 16 feet in length that do not have inboard motors

on a transaction-by-transaction basis using Form ST-556, Sales Tax Transaction Return. Instead, you may report the sale of these items on Form ST-1, Sales and Use Tax Return.

You must continue to report sales of other vessels (defined in this bulletin as "watercraft") on a transaction-by-transaction basis on Form ST-556.

What "watercraft" must I report on Form ST-556?

You must report the sale of

- vessels 16 feet in length or longer,
- jet skis or other similar "personal watercraft," and
- any vessels having inboard motors, regardless of length, on Form ST-556.

What are my Illinois Use Tax obligations for the "demonstration use" or "interim use" of aircraft or watercraft?

If you have aircraft or watercraft that you have purchased tax-free for resale in your sales inventory and you use these items exclusively in connection with your business of selling them (a practice called "demonstration use" or "interim use"), you must pay Illinois Use Tax on your cost price of these items if you hold them in demonstration or interim use for more than 18 months after January 1, 1994.

I sell motor vehicles, trailers, watercraft, aircraft, or mobile homes to out-of-state customers. How does the interstate commerce exemption from Illinois Sales Tax apply to my sales?

■ For sales of motor vehicles or trailers...

- If your customer takes delivery of a motor vehicle or trailer within Illinois, the sale is not taxable in Illinois if you

issue your customer a drive-away decal or your customer has an out-of-state license plate to transfer to the item sold. On Form ST-556, check Section 5, Box A, and write the drive-away decal number or the out-of-state license plate number on the line provided.

- If you deliver (or contract to be delivered) a motor vehicle or trailer to your customer outside Illinois, the sale is not taxable in Illinois. However, you must correctly document your use of the interstate commerce exemption on these sales. On Form ST-556, check Section 5, Box G ("Other"), and write "Delivery made outside Illinois."

■ For sales of watercraft, aircraft, and mobile homes...

- If your customer takes delivery of a watercraft (with or without motor), aircraft, or mobile home within Illinois, the sale is taxable in Illinois.

- If you deliver (or contract to be delivered) a watercraft (with or without motor), aircraft, or mobile home to your customer outside Illinois, the sale is not taxable in Illinois. However, you must correctly document your use of the interstate commerce exemption on these sales. On Form ST-556, check Section 5, Box G ("Other"), and write "Delivery made outside Illinois."

My sales location is within a unit of local government that imposes a home rule or a non-home rule sales tax. I sell boats that are titled and registered but not defined as "watercraft" in this bulletin. How do I report these sales?

If you sell vessels that are required to be titled or registered by an agency of Illinois government but are not defined as "watercraft" (see the definition elsewhere in this bulletin) and you make these sales from within a unit of local government that imposes a home rule or a non-home rule sales tax, you should pay special attention.

Vessels of this type (such as canoes, kayaks, and vessels less than 16 feet in length that do not have inboard motors) may be reported on Form ST-1, but they are not subject to home rule or non-home rule sales tax. The rate preprinted on Form ST-1, Line 4a, includes the home rule or non-home rule portion of the tax. Therefore, you **must not** report sales of these items on Line 4a. Instead, you must

- figure the tax rate on these items by subtracting the home rule or non-home rule portion of the rate from the rate preprinted on Line 4a (or use the rate preprinted on Form ST-556, Section 6, Line 4),
- figure the tax due, and
- report these sales on **Line 8a.**

Be sure not to collect the home rule or non-home rule sales tax from your customers who purchase these items.

If you wish, you may report sales of these items on Form ST-556. If you do so, you must use the rate preprinted in Section 6, Line 4.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.



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INFORMATION...

CALL: 1 800 732-8866 or 217 785-2889

1 800 544-5304 TDD teletype device **for hearing impaired only**

WRITE: Illinois Department of Revenue, 101 W. Jefferson St., P.O. Box 19030, Springfield, IL 62794-9030