

■ Changes to the Manufacturer's Purchase Credit

TO: Taxpayers Whose Purchases Qualify for the Manufacturer's Purchase Credit

Beginning with purchases you make on or after July 1, 1995, changes in the law will affect the way in which you

- report Manufacturer's Purchase Credit (MPC) you have earned,
- report MPC you have used, and
- use MPC.

This bulletin summarizes these changes.

Two of our informational bulletins,

- FY 95-3, Manufacturer's Purchase Credit, and
- FY 95-4, Manufacturer's Purchase Credit - Requirements for Retailers,

explain the MPC as originally administered.

How have the filing requirements changed?

The reporting method for filing after either earning or using MPC has been changed to require annual filing.

- To report MPC **earned**, you will have until June 30 of the year following the calendar year in which you earned MPC to file Form ST-16, Annual Report of Manufacturer's Purchase Credit Earned.

- Likewise, to report MPC **used**, you will have until June 30 of the year following the calendar year in which you used MPC to file Form ST-17, Annual Report of Manufacturers's Purchase Credit Used.

You **must not** file these new annual forms before May 1, 1996. We will not process any new forms that we receive before this date. In addition, you must report purchases you made before July 1, 1995, on the "old" forms.

Must I continue to provide purchase-by-purchase reporting?

Forms ST-16 and ST-17 no longer require purchase-by-purchase reporting. Instead, MPC is reported in monthly lump sums.

However, you are required to maintain purchase-by-purchase information in your books and records. This information must include for each purchase

- the date of purchase,
- the name and IBT number or FEIN of the retailer from whom you purchased the exempt manufacturing machinery and equipment or the production-related machinery and equipment,
- the purchase price, and
- the amount of credit earned or used.

May I generate my own forms or file using magnetic media?

You **must** first obtain approval from us before generating your own forms on personal computers. For more information, call our Office of Automation at 217 782-5553.

You may file using magnetic media for purchases made prior to July 1, 1995. Because the new "annual" forms are only one page in length, we will not accept reports on magnetic media for purchases made on or after this date.

What new methods are available for me to certify to retailers that I have MPC?

When you use MPC to meet your sales tax liabilities on purchases of production-related tangible personal property, you now have the option of making your own certification statements, printing the certification information on your purchase orders, or using Form ST-16-C, Manufacturer's Purchase Credit Certificate. Regardless of which certification option you choose, the certification must include the following information:

- your name,
- your address,
- the purchase date,
- your IBT number,
- the credit being applied, and

- a statement that the MPC is being used to satisfy all or part of the Illinois sales or use tax liability for the purchase.

Form ST-16-C has been revised and is available to those who request it.

May I amend a form?

You may now file amended forms for purchases you made on or after June 30, 1995. You must file an amended form before the last day of the second calendar year following the year in which you made the purchase.

May I reuse MPC that is disallowed during an audit?

MPC used on or after June 30, 1995, and later disallowed as the result of an audit may now be reused on subsequent qualifying purchases of production-related tangible personal property provided that the credit has not expired.

May I use MPC with a construction contractor?

You may use MPC with a construction contractor only if you have executed a written contract allowing the contractor to use a specific dollar amount of MPC. You remain liable for the timely reporting of all information required on Form ST-17. In addition, you must keep proper books and records showing with which retailers the contractor used the credit.

What is "production-related tangible personal property"?

"Production-related tangible personal property" includes tangible personal property that is

- used or consumed by the purchaser in a manufacturing facility in activities such as preproduction material handling, receiving, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes;
- used or consumed by the purchaser for research and development; or
- purchased for incorporation into real estate within a manufacturing facility.

"Production-related tangible personal property" **does not** include tangible personal property that is

- used or consumed in activities such as sales, purchasing, accounting, fiscal management, marketing, personnel recruitment or selection, or landscaping; or
- required to be titled or registered with an agency of local, state, or federal government.

What kinds of errors should retailers, manufacturers, and lessors be careful to avoid when reporting?

Retailers, manufacturers, and lessors who file Form ST-18, Retailer's Credit Report, **must not** include any type of credit other than MPC on that form.

Manufacturers and lessors who purchase manufacturing machinery and equipment or production-related machinery and equipment before July 1, 1995, must use the "old" forms to report MPC earned and used.

When does the percentage for figuring MPC credit earned change?

Effective July 1, 1995, the percentage used to figure MPC earned is **25 percent** of the 6.25 percent Illinois Sales Tax that would be due on the exempted manufacturing machinery and equipment if the exemption did not exist.

Do you need forms?

If you need forms, beginning in September 1995, you may call our 24-hour Forms Order Line at 1 800 356-6302.

The revised forms discussed in this bulletin will also be available beginning in September through our new fax-on-demand system, Illinois Tax Fax. Call 217 785-3400.

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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