

■ New Sales and Use Tax Exemptions for Disaster Relief and Infrastructure Repair

TO: Manufacturers, Retailers, and Servicepersons

If a disaster occurs between August 17, 1995 and December 31, 2004, and you are a manufacturer, retailer, or serviceperson who donates property for disaster relief, the items you donate may be exempt from sales and use tax.

How do I determine if the items I donate are exempt?

In order to be exempt, your donations must be

- made for use in an already existing state or federally declared disaster area in Illinois or bordering Illinois, and
- made to a corporation, society, association, foundation, or institution
 - that has been issued an active sales tax exemption identification number by the department, and
 - that assists victims of the disaster who reside within the declared disaster area.

What records must I keep to support my tax-free donations?

Your records must include

- the name and address of the organization to which you made the donation,
- the organization's sales tax exemption identification number, and
- a signed and dated statement from the organization
 - that the items will be used in the already existing state or federally declared disaster area in Illinois or bordering Illinois, and
 - that the organization will assist victims of the disaster who reside within the declared disaster area.

TO: Retailers and Servicepersons

If a disaster occurs between August 17, 1995 and December 31, 2004, and you sell property to customers that will use the property to make infrastructure repairs or if you purchase property for your own use in making infrastructure repairs, the sales or purchases you make may be exempt from sales and use tax.

How do I determine if property used to make infrastructure repairs is exempt?

The property used to make infrastructure repairs is exempt from sales and use tax when the repairs

- are made within Illinois,
- are the result of a state or federally declared disaster area in Illinois, and
- are initiated on facilities located in the declared disaster area within six months after the disaster.

What are some examples of infrastructure repairs?

Some examples of infrastructure repairs include but are not limited to repairs made to

- municipal roads and streets,
- access roads,
- bridges,
- sidewalks,
- waste disposal systems,
- water and sewer lines and extensions,
- water distribution and purification facilities,
- storm water drainage and retention facilities, and
- sewage treatment facilities.

What records must I keep to document my exempt sales or purchases?

You must keep in your records a certification stating

- the purchaser's name and address,
- the purchaser's Illinois business tax number, if applicable
- the purchaser's signature and date of signing,
- a description of the items being purchased,
- the address of the property where the repairs will be made,
- a statement from the purchaser that the location of the property is within a state or federally declared disaster area, and
- the date that the area was declared a disaster.

How do I report these exempt sales on my Form ST-1?

First, you must include the receipts from the sales of the property on Line 1 of your Form ST-1, Sales and Use Tax Return. Then, you must write the receipts from the sale of the property on Item 16 of Form ST-1, Worksheet for Line 2.

Describe the type of deduction on the line provided. Finally, you must include the amount from Item 16 in the total deductions you write on Line 2 of your ST-1.

Am I ever liable for use tax on the items I purchase for this purpose?

Yes. You will owe use tax based on the fair market value of the property if it no longer qualifies under this exemption.

You will also owe use tax if we determine that the property was not used to make infrastructure repairs.

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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BY AUTHORITY OF THE STATE OF ILLINOIS
(9808 copies - 01/96 - P.O. Number 53140)