



Sales to Direct Payment Program Participants

Informational Bulletin

April 2002

Glen L. Bower
Director of Revenue

For information
or forms...

- ◆ Call us at:
1 800 732-8866 or
217 782-3336
- ◆ Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304
- ◆ Write us at:
Illinois Department of
Revenue
P.O. Box 19044
Springfield, IL 62794-9044
- ◆ Visit our Web site at:
www.revenue.state.il.us
- ◆ Call
"Illinois Tax Fax," our
fax-on-demand service, at:
217 785-3400
- ◆ Call
our 24-hour
Forms Order Line at:
1 800 356-6302

To:

All retailers who sell to direct payment program participants

This bulletin explains how you are affected if you sell to a purchaser who participates in the department's direct payment program.

How does the direct payment program work?

The department issues Form ST-46, Direct Payment Permit, to any applicants we approve to participate in this program.

The participant may designate that he or she will purchase goods from you by using the direct payment method. This allows the participant to make tax-free purchases from you and pay all applicable state and local taxes due on those purchases on his or her Form ST-1, Sales and Use Tax Return.

If the participant chooses to use this purchasing method, **all** of the qualifying purchases he or she makes from you **must** be made by this method. A participant cannot request you to collect tax on specific purchases.

What proof must a direct-payment participant provide to substantiate purchasing an item tax free?

The participant must present you with a **signed** Form ST-46, Direct Payment Permit, that has been issued by the department. Please keep a copy of this permit in your books and records as support for any tax-free sale you make to that participant.

What information does the ST-46 permit contain?

This permit contains the participant's business name and address, Illinois business tax number, effective date, and certifies that the participant will pay all applicable sales and use taxes directly to the department. A facsimile of this permit is on Page 2.

Does the permit have any restrictions?

Yes, the permit is valid only for qualifying purchases. It applies to retailers' occupation tax, applicable local taxes, and use tax. It cannot be

- ◆ used for the purchase of
 - food or beverages,
 - tangible personal property required to be titled or registered by an agency of state government,
 - any transactions subject to the Service Occupation Tax Act or Service Use Tax Act,
 - telecommunications and other utility taxes, or
- ◆ assigned or transferred. For example, a construction contractor cannot make purchases using a customer's Direct Payment Permit.

How do I report tax-free sales that I make to one of the program participants?

You must show these sales as exempt sales on Line 16 (other) of your ST-1, Worksheet for Line 2. Identify the exemption as "direct pay."



**Illinois Department of Revenue
Form ST-46, Direct Payment Permit**

The business shown below is authorized under the Retailers' Occupation Tax Act and the Use Tax Act as a direct payment participant. By presenting this signed permit, the purchaser certifies that he or she will pay all applicable sales and use taxes directly to the department.

This permit must be presented to the retailer and is only valid for qualifying purchases. Only the business shown below may use this permit. It can not be assigned or transferred.

Business name
Business address
Business address
City, State, ZIP

Illinois business tax number: xxxx-xxxx
Effective: Month, day, year

Authorized purchaser's signature

ST-46 front (N-8/01)
IL-492-4233



[Signature]

Director of Revenue

Facsimile of Form ST-46