



## Sales and Use Tax Changes

## Informational Bulletin

July 2003

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Director of Revenue

### For information or forms...

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### To: All Retailers and Servicepersons

This bulletin identifies several changes recently enacted by the Illinois General Assembly.

### Tax Exemptions Repealed

Effective July 1, 2003, several exemptions have been repealed. These exemptions are listed below.

- ◆ Pollution control facilities
- ◆ Graphic arts machinery and equipment
- ◆ Oil field exploration, drilling, and production equipment
- ◆ Coal exploration, mining, offhighway hauling, processing, maintenance, and reclamation equipment
- ◆ Distillation machinery and equipment
- ◆ Aggregate exploration, mining, offhighway hauling, processing maintenance, and reclamation equipment
- ◆ Machines and parts for machines used in commercial, coin-operated amusement and vending businesses if a use or occupation tax is paid on the gross receipts from these machines

### How do I report and pay the tax?

Sales of these items are no longer allowable deductions on Line 2 of your Form ST-1, Sales and Use Tax Return. Report your total sales on Line 1 of your Form ST-1, Sales and Use Tax Return and calculate the tax as explained in the Form ST-1 instructions.

### Manufacturer's Purchase Credit (MPC) Repealed

No MPC will be earned on purchases of manufacturing machinery and equipment or graphic arts machinery and equipment made after June 30, 2003. In addition, all unused MPC **earned** for purchases made through June 30, 2003, must be **used** before October 1, 2003.

### How does this change affect purchasers of qualifying production-related tangible personal property?

Purchasers cannot use MPC on or after October 1, 2003.

Purchasers still must file Form ST-16, Annual Report of Manufacturer's Purchase Credit Earned, and Form ST-17, Annual Report of Manufacturer's Purchase Credit Used on or before June 30, 2004. No original or amended reports will be accepted after June 30, 2004.

### How does this change affect retailers of qualifying production-related tangible personal property?

After October 20, 2003, we will disallow any MPC reported on either an original or amended return, regardless of when that MPC was earned. This includes both the MPC that you receive from your customers or that you use to satisfy your own use tax liability.

### Can MPC earned before June 30, 2003, be used to cover a liability for a period after September 30, 2003?

No. Unused MPC cannot be used to satisfy a liability, including an audit liability, after September 30, 2003.

### Gasohol, Majority Blended Ethanol Fuel, 100 Percent Biodiesel, and Qualifying Biodiesel Blends Exemption

Beginning July 1, 2003, the tax exemption allowed for proceeds from sales of gasohol, majority blended ethanol fuel, 100 percent biodiesel, and qualifying biodiesel fuel blends changes as shown below.

- ◆ **Gasohol** — Gasohol is defined as motor fuel that is no more than 90 percent gasoline and at least 10 percent denatured ethanol that contains no more than 1.25 percent water by weight. Tax applies to 80 percent of the proceeds from sales of gasohol.
- ◆ **Majority blended ethanol fuel** — “Majority blended ethanol fuel” is motor fuel that contains not less than 70 percent and no more than 90 percent denatured ethanol, **and** not less than 10 percent and no more than 30 percent gasoline. No tax applies to sales of majority blended ethanol fuel.
- ◆ **100 percent biodiesel** — “Biodiesel” is a renewable diesel fuel derived from biomass (*i.e.*, a non-fossil organic material such as soybean oil, other vegetable oils, or ethanol,

that has an intrinsic chemical energy content) that is intended for use in diesel engines. No tax applies to proceeds from sales of 100 percent biodiesel.

- ◆ **Qualifying biodiesel fuel blends** — “Biodiesel blend” is a blend of biodiesel and petroleum-based diesel fuel in which the final product contains no less than 1 percent and no more than 99 percent biodiesel. Proceeds from sales of biodiesel blends are either partially or 100 percent exempt from tax, depending on the amount of biodiesel in the fuel.

- 1) Tax applies to 80 percent of the proceeds from sales of biodiesel fuel blends that are no less than 1 percent and no more than 10 percent biodiesel.
- 2) No tax applies to proceeds from sales of biodiesel blends with more than 10 percent but no more than 99 percent biodiesel.

### How do I report sales of gasohol, majority blended ethanol fuel, 100 percent biodiesel, and qualifying biodiesel blends?

Sales of gasohol, majority blended ethanol fuel, 100 percent biodiesel, and biodiesel blends must be included in Line 1 of your Form ST-1, Sales and Use Tax Return. Use the Line 2 worksheet on the back of Form ST-1 to compute the exemption amount and write the result, along with your other deductions, on Line 2 of your Form ST-1.

Form ST-1 has been revised so that you can calculate these deductions correctly.

### Tire User Fee Increase

Beginning July 1, 2003, the Tire User Fee increases to \$2.50 per tire sold. This fee increase applies to both new and used tires that are sold and delivered in Illinois at retail.

The preprinted returns that you receive for your July - September 2003 liability period, due October 30, 2003 will reflect this new rate.

### New “Cost of Collection” fee

For returns due on or after July 1, 2003, you may be assessed a cost of collection fee if you do not pay the amount you owe within 30 days of the date printed on an assessment.

If the unpaid amount is less than \$1,000, your fee is \$30. If the unpaid amount is \$1,000 or more, your fee is \$100.