



# CDF Sales Tax Exemption Qualifications

## Informational Bulletin

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Director of Revenue

### For information or forms...

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### To:

- 1) Retailers who file Form ST-556, Sales Tax Transaction Return, and
- 2) Individuals who file Form RUT-25, Use Tax Transaction Return, or RUT-50, Vehicle Use Tax Transaction Return

This bulletin identifies four qualifications which must be met for a second division motor vehicle or trailer purchase to qualify for the Commercial Distribution Fee (CDF) sales tax exemption, which began July 1, 2003.

### Definitions

For purposes of the CDF sales tax exemption, the term

- ◆ "second division motor vehicle" has the same meaning as that in Section 1-146 of the Illinois Vehicle Code.
- ◆ "trailer" includes a trailer as defined in Section 1-209 of the Illinois Vehicle Code, a semi-trailer as defined in Section 1-187 of the Illinois Vehicle Code, and a pole trailer as defined in Section 1-161 of the Illinois Vehicle Code.
- ◆ "gross vehicle weight rating" (GVWR) is the weight identified by the manufacturer or manufacturers as the maximum loaded weight, including passengers and cargo, of a single motor vehicle or trailer (*i.e.*, the maximum loaded weight that it can carry safely). This number is shown on the vehicle's Safety Compliance Certification Label, generally located on the driver's side door opening.

### CDF Sales Tax Exemption Qualifications

The purchase of a second division motor vehicle or trailer qualifies for the CDF sales tax exemption if **all** of the following conditions are met.

- 1 The manufacturer's gross vehicle weight rating (GVWR) is more than 8,000 pounds.
- 2 The vehicle will be used primarily for commercial purposes.
- 3 The Commercial Distribution Fee administered by the Illinois Secretary of State is paid
  - when the vehicle or trailer is registered at the time of purchase (or, directly to the Illinois Secretary of State when the purchaser applies for apportioned plates) **and**
  - in subsequent registration years.
- 4 The exemption is documented properly.

### Examples of purchases that do not qualify for the CDF sales tax exemption

Although the Commercial Distribution Fee may be imposed and paid, that does not mean that the second division motor vehicle or trailer purchase automatically qualifies for

the CDF sales tax exemption. All other qualifications identified in this bulletin must be met.

**Examples** of purchases that do not qualify for the exemption are listed below.

- 1** The purchase of a pick-up truck with a manufacturer's GVWR of 7,000 pounds, even if the purchaser claims that the vehicle will carry loads that will cause it to weigh more than 8,000 pounds.
- 2** The purchase of a pick-up truck with a GVWR of 8,200 pounds to be used primarily for personal use.
- 3** The purchase of a sports utility vehicle (SUV) with a GVWR of 7,000 pounds when the purchaser chooses to register the vehicle with "D" plates and pays the Commercial Distribution Fee.

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### **"Title only" transactions and the CDF sales tax exemption**

The **only** "title only" transactions for which the CDF sales tax exemption can be claimed at the time of purchase are those purchases from Illinois dealers for which the purchaser is applying for apportioned plates. In this situation, the dealer completes a "title only" application at the time of purchase and the purchaser applies for the necessary registration with the Illinois Secretary

of State. The purchaser will then be required to pay the Commercial Distribution Fee directly to the Illinois Secretary of State.

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### **How to document the exemption**

#### **Purchases from a registered Illinois dealer**

The purchaser should complete Form CDF-7, Commercial Distribution Fee (CDF) Sales Tax Exemption Certification.

**Note:** We have revised Form CDF-7 to incorporate the qualifications described in this bulletin.

The dealer should retain Form CDF-7 to properly document the exemption.

The dealer must complete Section 5, Box F, "CDF sales tax exemption", on Form ST-556, Sales and Use Tax Transaction Return, and complete Part 6, Lines 1 and 2.

**Note:** If Box F on Form ST-556 says, "This form is void", the dealer must check Part 5, Box G, "Other," write "CDF sales tax exemption" on the line provided, then complete Part 6, Lines 1 and 2.

#### **Purchases from an out-of-state dealer or retailer**

The purchaser must complete Form RUT-25, Use Tax Transaction Return, check the box in Section D, Line 3, "The item is used as rolling stock.", write "CDF

sales tax exemption" on the line provided for the Certificate of Authority number, and complete Section E, Lines 1 and 2.

#### **Private transactions between individuals**

The purchaser must complete Form RUT-50, Vehicle Use Tax Transaction Return, write the purchase price or fair market value in Step 3, on Line 11; and check the box in Step 4, Line c, "the vehicle is used for rolling stock."; and write "CDF sales tax exemption" on the line provided for the Certificate of Authority number.

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### **Repair and replacement parts**

Purchases of repair and replacement parts **do not** qualify for the CDF sales tax exemption.