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Bulletin

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

Form ST-1 Changes for New Assessment for Illinois Telecommunications Access Corporation Fund and Deduction for Tax Paid on Uncollectible Debt and Updated Department Address for Wage Levies

To: All retailers and servicepersons filing Form ST-1, Sales and Use Tax and E911 Surcharge Return

For information or forms
Visit our website at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

This bulletin is being issued to notify you of recent changes that affect all Illinois retailers and servicepersons. Effective July 1, 2016, PA 99-6 requires retailers to collect and remit a new Assessment for the Illinois Telecommunications Access Corporation (ITAC) on sales of prepaid wireless telecommunications service as part of their retail transactions for this service and to report and pay the ITAC Assessment on Form ST-1, Sales and Use Tax and E911 Surcharge Return. As discussed in more detail below, implementation of the new ITAC Assessment, as well as other changes to Illinois's Sales and Use Tax Acts, necessitates a new revision to Form ST-1. Also discussed in more detail below is an address change for the Department's Wage Levy Unit.

What is the ITAC Assessment?

The ITAC Assessment is a competitively neutral amount (as established by the Illinois Commerce Commission) charged or assessed to subscribers of wireless telecommunications service and Interconnected VoIP service, as well as consumers of prepaid wireless telecommunications service. The ITAC Assessment allows the Commission to administer its program to assist persons having a hearing or speech disability to communicate with persons of normal hearing.

What is prepaid wireless telecommunications service?

Prepaid wireless telecommunications service is service that must be paid for in advance and is sold in predetermined units or dollars. As the predetermined units are used, the amount remaining available for use declines in a known amount. Examples of this service include prepaid calling cards and minutes added to "pay-as-you-go" phones.

Are all retailers required to collect the ITAC Assessment on retail transactions?

Yes. If you make sales of prepaid wireless telecommunications service, you are required to collect and remit the ITAC Assessment only on the portion of the receipts from the retail transaction of prepaid wireless telecommunications service. Receipts from sales of other tangible personal property are not subject to the ITAC Assessment.

What is the ITAC Assessment rate?

The Illinois Commerce Commission has established the initial ITAC Assessment rate at seven one-hundredths of a percent (0.07%). Retailers must collect and remit the ITAC Assessment when making sales at retail of prepaid wireless telecommunications service, beginning July 1, 2016.

How is the ITAC Assessment collected and reported?

As noted above, retailers must collect the ITAC Assessment when making sales at retail of prepaid wireless telecommunications service. Retailers of prepaid wireless telecommunications service shall collect and remit the ITAC Assessment to the Illinois Department of Revenue in the same manner in which they collect and remit the Prepaid Wireless E911 Surcharge. The ITAC Assessment also is reported with the Prepaid Wireless E911 Surcharge on Schedule B of Form ST-1. As with the Prepaid Wireless E911 Surcharge, Schedule B allows the retailer to deduct and retain three percent (3.0%) of the ITAC Assessment collected, provided the retailer timely files and pays the ITAC Assessment to the Department.

Are retailers required to disclose the ITAC Assessment to customers?

Yes. Retailers must disclose the ITAC Assessment by stating the figure on the receipt or invoice or through other documentation, but PA 99-6 does allow the rates of the Prepaid Wireless E911 Surcharge and the ITAC Assessment to be combined. Retailers' receipts should clearly indicate that the amount is a combination of the Prepaid Wireless E911 Surcharge and the ITAC Assessment. Retailers' books and records must clearly identify the ITAC Assessment for retail transactions.

How is the ITAC Assessment rate determined?

The Illinois Commerce Commission establishes the amount to be assessed to consumers of prepaid wireless telecommunications service. The Commission shall determine annually whether to adjust the ITAC Assessment rate and shall announce the annual rate on or prior to May 1, to take effect July 1 each year.

Are purchasers who are exempt from sales and use tax also exempt from paying the ITAC Assessment?

Yes. Purchasers who are exempt from paying sales and use tax (*e.g.*, government agencies, schools, and charitable and religious organizations) are exempt from paying the ITAC Assessment. Do *not* include receipts from these sales on Schedule B of Form ST-1.

How do I handle special sales of prepaid wireless telecommunications service?

Minimal sales of prepaid wireless telecommunications service

A retailer who sells a minimal amount of prepaid wireless telecommunications service with a prepaid wireless device for a single, non-itemized price may elect not to apply the ITAC Assessment to this receipt, provided the retailer previously had made the same election with regard to application of the Prepaid Wireless E911 Surcharge to the receipt. Minimal amounts of prepaid wireless telecommunications service can be defined as service denominated not to exceed 10 minutes or a \$5 value.

Telephone and online sales

Sales of minutes or other prepaid wireless telecommunications service made over the phone or online are subject to the ITAC Assessment if the consumer uses a credit card to purchase the service and the billing address of that credit card is in this state. This applies even if no product is shipped.

Was Form ST-1 revised because of the new ITAC Assessment?

Yes. The Department has revised Form ST-1, Sales and Use Tax and E911 Surcharge Return, to accommodate retailers reporting the new ITAC Assessment. The revised Form ST-1 shows a June 2016 revision date (i.e., "(R-06/16)"). The ITAC Assessment shall be reported on Schedule B of the revised Form ST-1 beginning with July 2016 reporting period for monthly filers, with the July – September 2016 reporting period for quarterly filers, and with the January – December 2016 reporting period for annual filers. Schedule B allows the rates for the Prepaid Wireless E911 Surcharge and the ITAC Assessment to be combined. Taxpayers who receive preprinted Forms ST-1 from the Department will see the combined rate on Schedule B for the July 2016 tax period and forward. Users of MyTax Illinois will see the new combined rate for the applicable periods.

Special return instructions for annual filers —

Due to the Prepaid Wireless E911 Surcharge and the ITAC Assessment rates being combined during the reporting period, you must report the pre-July portion of the total receipts for sales of prepaid wireless telecommunications service for Chicago locations on Line 3 of Schedule B, rather than Line 2, and the pre-July portion of the total receipts for sales of prepaid wireless telecommunications service for non-Chicago locations on Line 6 of Schedule B, rather than Line 5.

Are there any other changes on the R-06/16 Form ST-1?

Yes. Form ST-1 also now includes a deduction line for uncollectible debt. This deduction can be claimed on Line 14 of Schedule A of the R-06/16 Form ST-1.

Is uncollectible debt a new deduction?

No. The deduction allowed for uncollectible debt is not new. Filers previously claiming this deduction on Form ST-1 needed to report the deduction by using Schedule A, Line 15, "Other," and entering "Uncollectible Debt" on the line describing the amount claimed on Line 15. While the deduction for uncollectible debt is not new, PA 99-217 amended the Retailers' Occupation Tax Act, effective July 1, 2015, to codify, with some changes, the regulatory provisions that previously allowed this deduction and also to allow a deduction for uncollectible debt with respect to tax paid on purchases made through private-label credit cards.

When can I claim a deduction for tax paid on uncollectible debt?

A deduction is allowed on Schedule A of Form ST-1 for the amount of tax paid that is represented by amounts that have become worthless or uncollectible. You must have charged off the uncollectible amounts as bad debt in your records in accordance with generally accepted accounting principles and have claimed the uncollectible amounts as a deduction pursuant to Section 166 of the Internal Revenue Code on your federal income tax return before you can claim a deduction for tax paid on uncollectible debt.

How can I claim a deduction I previously was allowed but did not claim on my original Form ST-1?

You can file Form ST-1-X, Amended Sales and Use Tax and E911 Surcharge Return, to claim a deduction that you neglected to take on your original Form ST-1. The period of time in which you can file Form ST-1-X to claim credit for this deduction is the same period of time in which you are allowed to claim a credit for any overpayment of sales and use tax or E911 Surcharge. This time period depends on when you file your Form ST-1-X. If you file an amended return between January 1 and June 30 of this year, you may file a claim for credit for the amounts you overpaid during the current year and previous 36 months. Beginning July 1, you may file a claim for the amounts you overpaid during the current year and previous 30 months.

Note: We use the U.S. Postal Service postmark date as the filing date of a properly amended return (claim for credit).

You also must file Form ST-1-X if you claim the deduction in error or if you claim too much of a deduction. There is no deadline for making an additional payment; however, the longer you wait to pay, the more interest and, when applicable, penalty you will owe. For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes, which is available on our website at tax.illinois.gov.

As a business registered in Illinois, are there any other current issues about which I should be aware?

Yes. While unrelated to the Form ST-1 revision and the new ITAC Assessment, one topic that could be of importance to you, as a registered Illinois retailer, if you have employees, is the relocation of the Illinois Department of Revenue's Wage Levy Unit from our Chicago offices to Springfield. We currently are in the process of updating Department correspondence and other material with the Wage Levy Unit's new contact information. We ask that you direct all correspondence related to wage levy collections to the following address:

**WAGE LEVY UNIT
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19035
SPRINGFIELD IL 62794-9035**