



Illinois Department of Revenue

PO Box 19010
Springfield, IL 62794-9010

ST-19



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Retailer's Tax Booklet



Knowing how Illinois Sales and Use Tax laws apply to your business will save you time, trouble, and money. This booklet supplies you with tax information, answers common sales tax questions, lists who to contact if you need help, and provides instructions to help you file your returns correctly.

The information in this booklet is derived from the Illinois Retailers' Occupation Tax Act, related tax acts, and our rules and regulations as published in the *Illinois Administrative Code*. The term "Sales Tax" commonly refers to Retailers' Occupation Tax, Service Occupation Tax, Use Tax, and Service Use Tax.

The contents of this publication are informational only and do not take the place of statutes, rules and regulations, or court decisions.

Related Bulletins, Publications, and Forms

At any time, you can request informational bulletins, publications, or additional forms and schedules. Listed below are some items that pertain to Illinois Sales and Use Tax.

Preprinted forms and schedules are available by contacting our Central Registration Division. You may e-mail us at centreg@revenue.state.il.us or call 217 785-2889.

Preprinted Forms and Schedules

CMFT-1, County Motor Fuel Tax Return

ST-1, Sales and Use Tax Return

ST-2, Multiple Site Form

ST-4, Metropolitan Pier and Exposition Authority (MPEA) Food and Beverage Tax Return

ST-7, Multiple Site Form (MPEA)

ST-8, Tire User Fee Return

ST-14, Chicago Soft Drink Tax Return

For informational bulletins and publications, and for stock versions of forms and schedules that do not require preprinted information,

- visit our Web site at www.ILtax.com,
- call our 24-hour Forms Order Line at 1 800 356-6302, or
- in the continental United States, call our "Illinois Tax Fax" fax-on-demand service at 217 785-3400

Informational Bulletins

We routinely publish informational bulletins to inform you of new tax laws and regulations. Visit our Web site for the most up-to-date information.

Publications

Publication 103, Uniform Penalty and Interest

Publication 104, Common Sales Tax Exemptions

Publication 109, SOA-1 Statement of Account

* Publication 8, Taxpayer Service Guide

** ST-25, Illinois Sales Tax Rate Reference Manual

* Indicates this publication is updated annually.

** Indicates this publication is updated in January and July of each year.

Note: Informational bulletins and publications may provide you with additional tax information that is not covered in this booklet.

Amended Forms and Schedules, which are not preprinted

CMFT-1-X, Amended County Motor Fuel Tax Return

ST-1-X, Amended Sales and Use Tax Return

ST-2-X, Amended Multiple Site Form

ST-4-X, Amended MPEA Food and Beverage Tax Return

ST-7-X, Amended Multiple Site Form (MPEA)

ST-8-X, Amended Tire User Fee Return

ST-14-X, Amended Chicago Soft Drink Tax Return

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Part 1: General Information

Where can I get help?

Need forms? If you need preprinted forms (*e.g.*, Form ST-1), call our Central Registration Division at 217 785-2889. For forms that do not require preprinted information, visit our Web site at www.ILtax.com; call our 24-hour Forms Order Line at 1 800 356-6302; or, in the continental United States, call our “Illinois Tax Fax” fax-on-demand service at 217 785-3400.

Computer generating your forms? We accept computer-generated returns and schedules if we have approved them. For approval information, call our Office of Publications Management at 217 782-4641 or write us at:

OFFICE OF PUBLICATIONS MANAGEMENT (2-250)
ILLINOIS DEPARTMENT OF REVENUE
101 W JEFFERSON
SPRINGFIELD IL 62702

Have a question about registration? Contact our Central Registration Division by e-mail at centreg@revenue.state.il.us or by calling 217 785-3707.

Need help filling out your return? Need to know if a sale or purchase is taxable? Call our Taxpayer Assistance Division at 1 800 732-8866 or 217 782-3336; or call our TDD-telecommunications device for the deaf at 1 800 544-5304.

Have a question about a bill or statement of account you have received? Call our Account Management Division at 217 785-5353.

Have a question about an amended return or claim for credit? Call our Sales Tax Processing Division at 217 782-7897.

Who must file sales tax returns?

You must file Form ST-1, Sales and Use Tax Return, if you do business in Illinois and you

- sell tangible personal property at retail, or
- are a serviceperson who is also a retailer, or
- are a serviceperson who is not a retailer but meets the following requirement:
 - the annual aggregate cost to you of merchandise transferred (sold) to your customers is equal to or greater than 35 percent (or 75 percent, in the case of prescription drugs or graphic arts) of your annual gross receipts from sales of service (see “Sales of Service” on Page 15), or
 - purchase tangible personal property on which you do not pay Illinois Sales Tax to your supplier for use, consumption, or transfer (sale) in the performance of service.

You “do business” in Illinois if you meet any of the following requirements:

- You have a business site in Illinois, such as a store;
- You have or maintain within Illinois, directly or by subsidiary,
 - an office or an agent or other representative operating on your behalf in this state, even if only occasionally, or
 - a place (*e.g.*, a warehouse) from which you deliver or produce a product.

“Tangible personal property” is property that can be used or consumed. Tangible personal property does not include real estate or “paper” assets, such as stocks or bonds. In this publication, tangible personal property is frequently referred to as items or merchandise.

“Selling at retail” means any transfer of ownership of or title to tangible personal property for a “valuable consideration” (whether received in money or otherwise) to a purchaser for use or consumption, and not for resale.

Note: If you are not doing business in Illinois but you are an out-of-state retailer or serviceperson who has Illinois customers making taxable purchases from you and you are not required to collect Illinois tax, you may register to collect the tax as a courtesy to your customers.

Who must register?

You must register as a retailer if you sell tangible personal property at retail for use or consumption.

You must register as a reseller — rather than as a retailer — if all of your sales of tangible personal property are nontaxable (*i.e.*, all sales are to exempt buyers or for resale) and you wish to buy your merchandise tax free from registered Illinois suppliers.

Who must register? (cont.)

You must register as a serviceperson (only if you are not already registered as a retailer) when the annual aggregate cost to you of merchandise transferred to your customers is equal to or greater than 35 percent (or 75 percent, in the case of prescription drugs or graphic arts) of your annual gross receipts from sales of service. See the information beginning on Page 15 for more details regarding filing requirements for servicepersons.

Note: If you are not presently registered with us, each January 1, you must determine whether your cost ratio for the coming year will require you to register and pay tax.

You must register (if you are not already registered as a retailer or serviceperson) to pay use tax if you purchase tangible personal property for use, consumption, or transfer in the performance of service and on which you do not pay Illinois Use Tax to your supplier.

If you need to register, you must fill out Form NUC-1, Illinois Business Registration Form. Based on the information you provide, we will register you as a retailer, serviceperson, reseller, or use tax filer. We will send you a certificate of registration listing your Illinois business tax (IBT) number, business name, business address, and the date it will expire. If you are required to file sales tax returns, your registration certificate will expire in five years. In most cases, we will automatically renew your registration certificate. However, if you have an outstanding liability, we may not automatically renew your certificate. In this event, we will notify you.

Note: We are currently revising parts of our registration process. In the near future Form NUC-1 will be replaced by Form REG-1, Illinois Business Registration Application.

What books and records must I keep?

If you sell items at retail in Illinois, you must keep

- books and records of all your sales and purchases, such as cash register tapes, vendor's invoices, and records from a yearly inventory;
- accounts receivable records;
- accounts payable records;
- summaries or ledger accounts;
- records or working papers that are used to prepare your tax returns; and
- a copy of the tax returns you file.

What records do I need to complete sales tax returns?

To complete sales tax returns, you will need your

- receipts from sales,
- records of purchases, and
- lists of deductions.

What records do I need to support a deduction I take on my tax return?

In order to support each deduction you take on your tax return, you must maintain records that show

- the purchaser's name and address,
- the character (for example, a sale for resale) of each transaction,
- the date of each transaction,
- the amount of receipts from each transaction, and
- any other information that is required to establish the non-taxable nature of the transaction.

For example, in the case of a sale for resale, you must obtain and keep a record of the purchaser's registration or resale number (Illinois business tax [IBT] number) or other evidence that the sale is a sale for resale. You may use Form CRT-61, Certificate of Resale, for this purpose. In the case of a sale to an exempt organization, you must obtain and keep a record of the organization's valid tax exemption "E" identification number. For more information, please see our Publication 104, Common Sales Tax Exemptions.

How long must I keep these records?

In general, you must keep books and records that reflect receipts for the tax period covered by your return for three and one-half years after you have filed an original or amended return. If a Notice of Tax Liability or Notice of Assessment has been issued, you must keep books and records that reflect receipts for the tax period for which the notice was issued until the liability has been resolved. Your records must be kept for at least three and one-half years even if the liability is resolved before that time.

Are there any other requirements?

Your books and records must be

- available for inspection by the Illinois Department of Revenue during normal business hours,
- kept in the English language, and
- kept in Illinois unless you have received written permission from us to keep them in another location.

What returns must I file?

You must report on Form ST-1, Sales and Use Tax Return, all sales (except for sales of items that are required to be titled or registered with an agency of state government) which you make; and all taxable purchases on which you did not pay tax. In addition, if you make sales from more than one site, you must complete Form ST-2, Multiple Site Form, and attach it to your Form ST-1.

If you sell items that are required to be titled or registered with an agency of state government, such as vehicles, watercraft, aircraft, trailers, and mobile homes, you must file Form ST-556, Sales Tax Transaction Return, for each sale. Registered vehicles include automobiles and trucks. For additional information, see Form ST-556-1, Instructions for Sales in Illinois Locations, Form ST-556-2, Instructions For Out-of-State Sales, and Form ST-9, A Guide for Reporting Sales Using Form ST-556. You must also file Form ST-1 to report any separate sales of accessories or parts.

Note: If you are required to file sales tax returns, you must file Form ST-1 even if you have no taxable sales or purchases to report.

Depending on the nature and location of your business, you may also be required to file one or more of the following tax returns.

- If you sell motor fuel at retail within a county that has passed a county motor fuel tax ordinance, you must file Form CMFT-1, County Motor Fuel Tax Return.
- If you sell and deliver tires in Illinois at retail, you must file Form ST-8, Tire User Fee Return.
- If you sell food and beverages for immediate consumption and you are located within the boundaries of the Metropolitan Pier and Exposition Authority, you must file Form ST-4, Metropolitan Pier and Exposition Authority Food and Beverage Tax Return.
- If you sell canned or bottled (not fountain) soft drinks at retail in the city of Chicago, you must file Form ST-14, Chicago Soft Drink Tax Return.

Based on the information you supply to us when you register, we will determine if you are required to file any of these returns.

When is my Form ST-1 and tax payment due?

Form ST-1 is due on or before the 20th day of the month following the end of the reporting period. The reporting period for most taxpayers ends on the last day of every month. Your January return, for example, is due on or before February 20.

Some taxpayers qualify to file only four times a year (quarterly). These taxpayers' returns are due on the 20th day of the month following the end of the calendar quarter. Other taxpayers qualify to file only once a year (annually). These taxpayers' returns are due on the 20th day of January following the end of the calendar year. We will notify you if you qualify to file your Form ST-1 on a quarterly or annual basis. **Your tax payment is due the same date as your return.**

Taxpayers whose average tax due is at least \$20,000 a month (with Form ST-1) must pay tax in four quarter-monthly installments throughout each month, on the 7th, 15th, 22nd, and last day of the month. Any remaining tax is due the same date as your return.

Taxpayers whose average tax liability is \$200,000 or more per year (filed on Form ST-1) must pay the tax due by using the Electronic Funds Transfer (EFT) payment program. We will notify you if you are required to pay by EFT. Please see our publication EFT-8, Electronic Funds Transfer, and Informational Bulletin FY 2002-27, Sales and Use Tax Electronic Funds Transfer Payments.

Note: All due dates that fall on Saturdays, Sundays, and state-recognized holidays are adjusted to the next business day.

Is there any incentive for paying my tax on time?

Yes. You will be allowed to take a discount of 1.75 percent of the tax you collected on receipts from sales if you file your return and pay the tax on time.

What if I do not file and pay by the due date?

Beginning with returns due on and after January 1, 2001, you owe a **late-filing penalty** if

- we did not receive your return by the due date, or
- you file a return we cannot process and you do not correct it within 30 days of the date we notify you.

This penalty is figured at the rate of 2 percent of the amount of tax required to be shown on the return reduced by any payments made or credits allowed by the due date of the return. This penalty cannot exceed \$250.

We will impose an additional penalty if you

- file a return that we cannot process and you do not correct it within 30 days of the date we notify you, or
- do not file a return within 30 days of the date we send you a notice of nonfiling.

The additional penalty is equal to the greater of \$250 or 2% of the tax shown due on the return without regard to payments made or credits allowed by the due date of the return and cannot exceed \$5000. This penalty will be assessed even if there is no tax liability due.

You owe a **late-payment penalty** if you

- were required to make quarter-monthly payments and did not do so, or did not pay the required amount of any quarter-monthly payment by the payment due date.
- did not pay the tax you owed by the original due date of the return.

Late-payment penalty is figured at increased rates based upon the number of days the payment is late. The penalty rates are

- 2 percent of any amount that is paid no later than 30 days after the due date;
- 5 percent of any amount that is paid later than 30 days but no later than 90 days after the due date;
- 10 percent of any amount that is paid later than 90 days but no later than 180 days after the due date; and
- 15 percent of any amount that is paid later than 180 days after the due date.

Additional late-payment penalty is figured for failure to pay the full amount of any tax required to be shown due on a return and that is **not** shown. This penalty is 20 percent of the additional tax if it is not paid within 30 days after our notice of arithmetic error, notice and demand, or final assessment.

In addition to any other penalty, a **bad check penalty** will be assessed if your remittance is not honored by your financial institution.

Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax. Interest is simple interest using a daily rate. We will review the rate twice each year — on January 1 and July 1 — and adjust the rate as necessary in accordance with the underpayment rate established in the Internal Revenue Code.

We will bill you for penalties and interest. If you prefer to figure these amounts or for information on rates that were in effect prior to January 1, 2001, see Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, call 1 800 356-6302.

What is a “processable” return?

A processable return is one that has been signed by the person authorized by law to sign it, is in a format we have prescribed or approved, and contains all information, schedules, and supporting documents necessary to determine the correct tax due and make tax allocations.

How much tax do I owe?

Your tax rates will be printed on the tax returns we send you. If you have more than one taxable site to report on your Form ST-1, the rate for each site will be printed on your Form ST-2. If your rate is not printed on any form, you may obtain the correct rate for your area by

- visiting our Web site at www.ILtax.com (to view our ST-25 Rate Reference Manual), or
- calling us at 1 800 732-8866 or 217 782-3336 ; or calling our TDD-telecommunications device for the deaf at 1 800 544-5304.

Your printed tax rates for Form ST-1 and Form ST-2 will contain one or more of the following rates and will be based on your reported business location.

State Tax - All Taxpayers

There are two rates for state sales tax, which apply both to your taxable sales and to your taxable purchases: for general merchandise, the rate is 6.25 percent; for qualifying food, drugs, and medical appliances, the rate is 1 percent.

Qualifying food, drugs, and medical appliances include

- food that has not been prepared for immediate consumption, such as most food sold at grocery stores, excluding hot foods, alcoholic beverages, and soft drinks;
- prescription medicines and nonprescription items claimed to have medicinal value, such as aspirin, cough medicine, medicated hand lotion, and fluoride toothpaste;
- prescription and nonprescription medical appliances that directly replace a malfunctioning part of the human body, such as corrective eyewear, contact lenses, prostheses, and dentures; and
- insulin, urine testing materials, syringes, and needles used by diabetics.

Note: For food, drugs, and medical appliances to qualify for the low tax rate, the items must be intended for human use and used in the care and treatment of people. Items intended for or used in the care and treatment of animals do not qualify.

Local Tax - Certain Taxpayers

The tax rates for the mass transit, water commission and any other locally-imposed tax that we collect will be included in the appropriate line on your Form ST-1. If, for example, the tax applies to general merchandise, it will be included in the rate preprinted in Line 4a of Form ST-1. If the tax applies to qualifying sales of food, drugs, and medical appliances, it will be included in the tax rate preprinted in Line 5a of Form ST-1.

Note: We issue informational bulletins to retailers within the affected areas when a unit of local government imposes a sales tax.

Mass Transit Tax - Taxpayers in Cook, DuPage, Kane, Lake, Madison, McHenry, St. Clair, and Will Counties

If you are located in the Regional Transportation Authority (RTA) or the Metro-East Mass Transit District (MED), you must pay mass transit tax in addition to state sales tax on your taxable sales.

Water Commission Tax - Certain Taxpayers in Cook, DuPage, and Will Counties

If you are in a location serviced by the DuPage Water Commission, you must pay water commission tax in addition to state sales tax and mass transit tax on your taxable sales of general merchandise reported in Line 4a of Form ST-1. Water commission tax is not due on your sales of food, drugs, and medical appliances reported in Line 5a of Form ST-1.

Taxpayers Located Within Certain Units of Local Government

If you are located in an area that imposes a sales tax, such as a home rule tax, non-home rule tax, Special County Retailers' Occupation Tax for Public Safety, or Metro-East Park Recreation District Tax, you must collect and pay this tax in addition to state and other local sales taxes.

What factors determine the "taxable location" of the sales I make?

In most instances, the taxable location (the location where we consider the sale to take place and on which we base the tax rate) is determined by

- the location where you make final acceptance of your retail orders, or
- if orders are accepted out-of-state, the warehouse in Illinois from which you ship items that are ordered in Illinois.

For most sales, the taxable location will be the location of your retail outlet.

What factors determine the “taxable location” of the sales I make? (cont.)

If you are a retailer that accepts orders at one location but ships items from another location, the taxable location is determined by the location where you make final acceptance of the orders for your retail sales. As a retailer, you determine where final acceptance is made.

If, however, you are an out-of-state retailer that has a warehouse located in Illinois and you ship items from that warehouse to your Illinois customers, the location where the items are warehoused is the taxable location. In this case, where you accept the order does not determine the taxable location.

Other types of sales have special circumstances that determine the taxable location. Some examples include the sales of coal and other minerals, long-term or blanket contracts, and sales from vehicles carrying stock that has not been sold.

If you have questions regarding the taxable location of a sale, please call us at 1 800 732-8866 or 217 782-3336; or call our TDD-telecommunications device for the deaf at 1 800 544-5304.

Where can I get a list of sales tax rates?

Form ST-25, Sales Tax Rate Reference Manual, lists the tax rates for each municipality and county in the state of Illinois for which the department collects taxes. It is available upon request and the rates are subject to change each January and July. This manual provides the applicable location codes and tax rates for each of the following three categories:

- General merchandise
- Food, drugs, and medical appliances
- Vehicles, watercraft, aircraft, trailers, and mobile homes (reported on Form ST-556)

To obtain a copy of Form ST-25, Sales Tax Rate Reference Manual, visit our Web site at www.Iltax.com or call our 24-hour Forms Order Line at 1 800 356-6302.

Where do I file my Form ST-1?

We can process your return most efficiently when you mail it to the address that is preprinted on the front of your return. That address is:
ILLINOIS DEPARTMENT OF REVENUE
RETAILERS OCCUPATION TAX
SPRINGFIELD IL 62796-0001

Are alternative methods available for filing my sales tax returns?

Yes, we have two electronic filing options that allow you to file your return using more technologically advanced methods than filing a normal “paper” return.

- If you conduct business at one location (i.e., you are not required to attach Form ST-2, Multiple Site Form, to your return), you may be able to file your Form ST-1 using our TeleFile program. For more information, call 217 785-6672.
- You may visit our web site at www.Iltax.com to discover what tax practitioners have been approved to electronically submit Form ST-1 and Form ST-2 for their customers. These practitioners may charge a transaction fee.

On what must I pay tax?

As a **retailer**, you must pay tax on all receipts from the sales of merchandise to purchasers for use or consumption.

As a **registered serviceperson**, you must pay tax on either

- your cost price (see Page 16, “Can I register as a serviceperson even if my cost ratio is below the threshold?”) or
- your selling price (see Page 17, “When must I pay Service Occupation Tax on the selling price?”)

for sales of items (*e.g.*, auto repair parts, contact lenses, and prescription drugs) transferred to the purchaser in the performance of service (*e.g.*, repair, prescription sales, and special order printing).

All persons filing Form ST-1 must also pay tax on any items purchased for their own use or consumption on which Illinois Sales Tax was not paid to the supplier.

You do not collect tax on items or sales that are exempt from tax by law. For a list and an explanation of the most common exempt items, see the instructions for completing the ST-1 Worksheet for Line 2 beginning on Page 23 of this booklet. For additional information, see our Publication 104, Common Sales Tax Exemptions.

On what must I pay tax? (cont.)

If, after you filed your Form ST-1 or Form ST-2, you find you made a mistake that resulted in an overpayment or an underpayment, or you forgot to send any necessary attachments, you must file an amended return to correct the mistake. For each original return (ST-1 and / or ST-2) you are correcting, you must file a separate amended return (Form ST-1-X, Amended Sales Tax Return and/or Form ST-2-X, Amended Multiple Site Form). You may obtain amended returns by visiting our Web site at www.ILtax.com; calling our 24-hour Forms Order Line at 1 800 356-6302; or, in the continental United States, calling our "Illinois Tax Fax" fax-on-demand service at 217 785-3400.

What if I make a mistake on my return or want to take credit for taxes that I paid on a return I previously filed?

If you have previously paid tax that you now want to recover, you must file an amended return. For example, one of your customers, who had a valid tax exemption "E" identification number at the time of purchase but failed to present it, has returned with the tax-exempt number and requested a refund of the tax paid. Since you have already filed your return and paid this tax, you must file an amended return. You cannot take credit for previously paid taxes by showing negative figures on your return. We will issue an assessment for this reason. In addition, you cannot use credit until we have notified you that the credit is available.

If my business structure changes, what do I need to do?

If your business structure changes, the new or surviving business, must

- notify the department of the change by discontinuing the registration of any business that no longer exists and
- register with the department any new entities resulting from the change. The new entity is required to be registered before conducting business and should not file any returns under the number of a business that no longer exists. Doing so may result in penalty and interest.

If a prior overpayment has been issued under the IBT number of the business that no longer exists, the new entity cannot use the credit unless it is converted to a credit memorandum and transferred to the new IBT number. To do so, file Form ST-6, Claim for Prior Overpayment/Request for Action on a Credit Memorandum.

Note: The deadline for filing to obtain the transfer for an overpayment of tax changes semiannually on January 1 and July 1. If you file Form ST-6 between January 1 and June 30 of this year, you may file a claim for tax overpaid during the current year and previous 36 months. Beginning July 1, you may file a claim for tax overpaid during the current year and previous 30 months.

What are my rights as a taxpayer?

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond within specified time periods to department notices by asking questions, paying the amount due, or providing proof to refute the department's findings.

You have the right to appeal department decisions in many instances within specified time periods by asking for department review or by taking the issue to court.

If you have overpaid your taxes, you have the right within specified time periods to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other department procedures, you may write us at the following address:

PROBLEMS RESOLUTION OFFICE
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

You may call our Taxpayer Assistance Division at 1 800 732-8866 or 217 782-3336, or our Problems Resolution Office at 217 785-7313 (in Springfield) or 312 814-2629 (in Chicago).

Part 2: Specific Information

Leasing Companies

If you are in the business of leasing, your sales tax liability will depend upon whether your agreements with customers are “true leases” or “conditional sales contracts,” the kind of merchandise you lease, and to whom you lease the merchandise.

In Illinois, a **true lease** generally does not give the customer an option to purchase the leased item at the close of the lease. If your agreement does provide this option, the terms must state that the item has to be purchased for its fair market value. In a true lease situation, you (the lessor) are considered the taxable user and you must pay sales tax to your supplier based on your cost of the item. Your lease receipts are not subject to sales tax. If you purchase items from a supplier who is not registered to collect Illinois tax or if you remove an item from your sales inventory for your own use or consumption, you must pay use tax directly to us.

Note: Receipts from renting qualifying automobiles for a term of one year or less are subject to Automobile Renting Occupation and Use Tax (ART). Please visit our Web site at www.ILtax.com if you need information about ART.

If your agreement

- gives your customer the option to purchase the item for an amount other than the fair market value of the item, or
- guarantees the lessor/seller that the item will be purchased at the termination of the agreement,

the agreement is a **conditional sales contract**.

In a conditional sales situation, you are the seller of the item rather than the user and you pay tax on your receipts from the transaction as you receive them. In the case of motor vehicles, tax is due at the time of purchase. You do not collect tax on items or sales that are exempt from tax by law.

Are there times when a lessor in a true lease situation does not owe sales tax?

Yes. Lessors may purchase items tax free to be leased under a true lease agreement when those items qualify as manufacturing machinery and equipment, farm machinery and equipment, graphic arts machinery and equipment, rolling stock, or pollution control facilities.

In addition, an exemption exists for computer equipment leased by qualifying hospitals and items leased by governmental organizations. For information about this exemption and the time period that it covers, please visit our Web site at www.ILtax.com to view informational bulletins FY 96-17, New Sales and Use Tax Exemptions for Certain Leased Property, FY 2001-18, Tax Exemptions for Certain Items Purchased for Lease Ends, and FY 2002-02, Sales and Use Tax Exemptions for Certain Leased Property.

To purchase any of the above items tax free, you must certify in writing to the retailer that you will use the item that you purchase in the exempt manner specified.

When is tax due on sales of items coming off lease?

If you are involved in both true leases and sales (either the conditional sales contracts described above or standard retail sales), then you owe sales tax on all of your sales — including your sales of items that you no longer need for your leasing inventory. If you are involved only in true lease situations, you owe no sales tax when, at the end of the lease, you sell items that you no longer need for your leasing inventory.

If you have already paid sales tax on an item you are selling at retail or under a conditional sales contract, you must collect tax on the sale of the item. You may take credit for the **lesser of** the amount of tax

- you paid when you purchased that same item, or
- that was due on the current sale of the item.

On the Form ST-1 on which you report this sale, take the credit for tax paid by writing it on Line 16 of the Worksheet for Line 2.

Note: For information about titled and registered vehicles, please see the publication ST-9, A Guide to Reporting Sales using Form ST-556, Sales and Use Tax Transaction Return.

Construction Contractors (Including general contractors, subcontractors, and specialized contractors)

If you are a construction contractor who incorporates building materials into real estate, you must pay tax (state and local taxes) to your supplier based on your cost of those materials. If you cannot do so because your supplier is out of state and does not collect Illinois tax, you must pay use tax (state tax) directly to us on Form ST-1, Line 12a.

You are not allowed to charge tax on the selling price of the materials in the contract that you permanently install into real estate. If you do so, it is considered an overcollection of tax that must be paid to the department. You are still liable for the tax on your cost of materials.

What if I also sell building materials over the counter?

If you also sell building materials at retail and cannot determine at the time you purchase them which materials will be sold over the counter and which materials you will incorporate into real estate, you may buy building materials tax free (for resale).

In general, if you are a retailer of building materials that also performs as a construction contractor, you will withdraw building materials from your sales inventory to incorporate into real estate. Tax due is the same as sales tax on any other sale but is based on your cost price rather than the receipts from your selling price. To report this tax, include in Line 1 of your Form ST-1, the total receipts from the contract. Report the difference between your cost price and the contract's receipts in Item 16 of the Form ST-1 Worksheet for Line 2. Identify this amount as "excess over cost." Your cost of materials will then be included in the amount you compute for Line 3 of your Form ST-1.

What if I do a job for an exempt organization?

If you repair, improve, or construct real estate that is owned exclusively by an exempt organization, you may purchase the building materials for that job tax free. You must give your supplier a certificate that states

- the materials are being incorporated into real estate owned by an exempt organization,
- the name and address of the exempt organization,
- the date the contract was entered into, and
- the exempt organization's valid tax exemption "E" identification number issued by the Illinois Department of Revenue.

What if I do a job in an enterprise zone?

On and after January 1, 2002, you may make tax free purchases of building materials that will be incorporated into real estate in **any** enterprise zone providing the retailer from whom you purchase the materials is not located in an enterprise zone whose governing ordinance prohibits them from making a tax-free sale.

For example, If City A and City B both have enterprise zones and a contractor who plans to permanently install building materials in City A purchases building materials from a retailer in City B, the availability of the exemption is governed by the City B ordinance. If the City B ordinance required a City B building permit in order for the exemption to apply, the purchase of the building materials to be incorporated into City A will not qualify for the exemption.

If a retailer is located in a jurisdiction that does not have an enterprise zone, there are no restrictions on the retailer concerning these sales.

To document your tax free purchases, you must provide your supplier/retailer with a signed, dated purchaser's statement containing

- a statement affirming that the materials you are purchasing will be incorporated into real estate in an enterprise zone,
- a description of the building materials being purchased,
- the location of the real estate into which the building materials will be incorporated, and
- the name of the enterprise zone in which the real estate is located.

Note: Retailers who act as construction contractors cannot sell building materials to themselves tax free for use in an enterprise zone.

Prior to January 1, 2002, you could purchase building materials to be incorporated into real estate in an enterprise zone tax free only if the type of construction (*e.g.*, commercial, residential) met the local enterprise zone requirements and you purchased the building materials from a supplier who was located in the jurisdiction of the local government (*e.g.*, city, village, county) that created the enterprise zone.

What if I do a job in an enterprise zone? (cont.)

For example, prior to January 1, 2002, if the job site was in an enterprise zone located entirely within Chicago, only those building materials purchased from suppliers located in Chicago were exempt from sales tax.

To determine whether your job site is in an enterprise zone and inquire about any restrictions, please visit the Illinois Department of Commerce and Community Affairs Web site at www.commerce.ILtax.us.

Photoprocessors

On those sales in which you provide only the photoprocessing (such as sales made by drug stores and drop-off photo labs), you must pay tax on 100 percent of the selling price.

On those sales in which photoprocessing is sold by a professional photographer in conjunction with other services (such as wedding or portrait photos), you must pay tax on either

- 100 percent of the separately stated selling price for the photoprocessing portion of the bill (the charge for pictures, slides, negatives, or motion pictures other than motion pictures for commercial exhibition)

or

- 10 percent of the entire bill, or your cost price of materials, whichever is greater, if the photoprocessing portion is not separately stated.

If you sell the products of photoprocessing in conjunction with services other than those of a professional photographer and the photoprocessing portion of the bill is not separately stated, you must pay tax on 50 percent of the total bill.

If the photoprocessing is done in-house, you must pay tax on no less than the cost price of the materials you used for developing and printing.

Sales of Service: Repairs, Prescriptions, and Printing

A serviceperson is someone who transfers tangible personal property along with the performance of service. Sales of service include, but are not limited to,

- sales of repair,
- sales of prescription drugs, or
- sales of special-order printed materials.

Receipts from sales of service may be subject to a sales tax known as Service Occupation Tax (SOT). Your liability for this tax is determined by

- whether your cost ratio (see below) is equal to or greater than the threshold at which you must register as a serviceperson; or
- whether you are a retailer.

The “threshold” at which servicepersons must register is met when the cost ratio is 35 percent—except for sales of prescription drugs or graphic arts for which the threshold is 75 percent. These percentages apply any time the term “threshold” is used in this booklet.

How do I calculate my “cost ratio”?

To calculate your cost ratio, determine your annual aggregate costs, *i.e.*, your total costs for

- parts transferred in performing repair service,
- drugs, medicines, containers, *etc.*, transferred in filling prescriptions, or
- paper and ink transferred in special-order printing.

Also determine your annual gross receipts from the sales of service, including sales of service in which no merchandise was transferred. Your cost ratio will be the result of dividing your annual aggregate costs by your annual gross receipts.

In figuring this ratio, do not include costs or receipts from sales of merchandise sold at retail, removed from inventory for use, or incorporated into repairs of real estate.

◀ In this example, the cost ratio of 50 percent is greater than the 35 percent threshold so you must register with us and pay Service Occupation Tax on your selling price. Your “selling price” is either the charge for merchandise when it is separately stated from the charge for service or 50 percent of the total charge when the charge for merchandise is not separately stated.

Example for sales of repair:

Aggregate cost of parts	\$56,000
Marked up selling price of parts	\$ 75,600
Service and/or labor charge	\$ 20,000
Sales of service only	\$ 16,400
Annual gross receipts	\$112,000

To figure your cost ratio, divide the annual aggregate cost price of \$56,000 by the annual gross receipts of \$112,000.

$$\frac{56,000}{112,000} = 0.50$$

What if I am not required to be registered as a retailer and my cost ratio is below the threshold?

If your cost ratio is below the threshold and you are not required to be registered as a retailer, you may satisfy your tax liability on purchases of merchandise (*e.g.*, repair parts, drugs, paper and ink) transferred as part of providing your service by paying use tax, plus applicable local taxes, to your supplier. In this instance, you are not required to register as a serviceperson.

Note: If you are not presently registered with us because your cost ratio is below the threshold and you are paying tax to your suppliers, each year you must determine whether your cost ratio for the coming year will require you to register and pay tax on your selling price.

What if my suppliers are not charging me Illinois tax?

If you purchase tangible personal property or service involving the transfer of tangible personal property on which you have not paid Illinois sales taxes for transfer as part of providing your service and if your cost ratio is below the threshold and you are not a retailer, you must register to pay Illinois Use Tax. By so doing, you can meet your tax obligation by self-assessing use tax on these purchases and paying the tax using Form ST-1, Sales and Use Tax Return.

How do I report and pay Illinois Use Tax?

To report and pay Illinois Use Tax on purchases using Form ST-1, Sales and Use Tax Return,

- include all receipts from sales of service on Line 1,
- report all sales on the ST-1 Worksheet for Line 2 as appropriate,
- carry the worksheet total to Line 2,
- make sure Line 3 equals zero, and
- report the cost amount of your taxable purchases on Lines 12a, 13a, or 14a, as appropriate.

Can I register as a serviceperson even if my cost ratio is below the threshold?

Yes. As long as you are not a retailer, you may register as a serviceperson and pay Service Occupation Tax on either your **selling price** (see Page 17 “How do I determine tax on selling price?”) or your **cost price** of merchandise transferred as part of providing your service using Form ST-1, Sales and Use Tax Return. (If you are a retailer, you must register as a retailer. For more information on this, see the heading “Are there special rules for registered retailers with sales of service?” on Page 17.) As a registered serviceperson, you may make tax-free purchases of merchandise to be transferred as part of providing your service. If your tax is based on selling price, you may (or, if requested by your customer, you must) show the tax charged your customer on selling price. If your tax is based on cost price, you may show the amount of reimbursement for your tax on cost price. You may make tax-free sales of service to your exempt customers. You must continue to pay sales tax to your supplier on merchandise purchased for your own use or consumption, including merchandise used or consumed and not transferred as part of providing your service (*e.g.*, paint thinner and masking tape used in automobile repair). If your supplier (usually an out-of-state supplier) is not registered to charge Illinois Sales Tax on your purchases for use or consumption, you must self-assess and pay use tax using your Form ST-1.

Note: Use tax is also due on merchandise purchased tax free for resale but instead removed from your sales inventory for your own use or consumption.

How do I report and pay Service Occupation Tax on cost price?

For registered servicepersons paying tax on cost price, you must report and pay the tax using Form ST-1, Sales and Use Tax Return, by

- including all receipts from sales of service on Line 1,
- reporting the tax on your merchandise cost on Item 1b or 1d of the ST-1 Worksheet for Line 2,
- reporting the nontaxable portion (see the paragraph immediately following for an explanation of how to determine this amount) of your sales of service on Item 9 of the worksheet,
- reporting other exempt receipts on the worksheet where appropriate,
- carrying the worksheet total forward to Line 2 and subtracting this amount from the amount on Line 1, and
- reporting on Lines 4a, 5a, 6a, 7a, and 8a, as appropriate, any amounts from Line 3.

How do I report and pay Service Occupation Tax on cost price? (cont.)

The amount you report as the nontaxable portion of your sales of service on Item 9 of the worksheet depends on how you determine the selling price of the merchandise. If you separately state the amount for the merchandise transferred as part of providing your service apart from your charge for labor or service, calculate the nontaxable portion you report on Item 9 by subtracting from your total service receipts the sum of the total cost of merchandise plus the tax on cost reported on Items 1b and 1d.

If you do not separately state an amount for the merchandise transferred as part of providing your service apart from your charge for labor or service, the nontaxable portion you report on Item 9 is 50 percent of your total service receipts minus any tax reported on Items 1b and 1d.

When must I pay Service Occupation Tax on the selling price?

Every serviceperson having sales of service in which merchandise is transferred as part of providing the service and whose cost ratio equals or exceeds the threshold must register as a serviceperson and pay Service Occupation Tax on the selling price of merchandise transferred.

How do I determine tax on selling price?

Your “selling price” is either the charge for merchandise when it is separately stated from the charge for service or 50 percent of the total charge when the charge for merchandise is not separately stated.

If your cost ratio equals or exceeds the required threshold, you must figure the tax you pay by either of the following two methods.

◀ **Method 1** - Calculate Service Occupation Tax on the separately stated charge for merchandise apart from the separately stated charge for service.

Note: The tax due cannot be computed on an amount less than the serviceperson’s actual cost of the merchandise.

◀ **Method 2** - Calculate Service Occupation Tax on 50 percent of the total bill when the charge for merchandise is not separately stated apart from the charge for service.

Note: The tax due cannot be computed on an amount less than the serviceperson’s actual cost of the merchandise.

Example:	Merchandise	\$25.00
	Labor	40.00
	Tax (\$25.00 @ 6.25%)	1.56
Total		\$66.56

Example:	Merchandise & labor	\$65.00
	Tax (\$32.50 @ 6.25%)	2.03
Total		\$67.03

How do I report Service Occupation Tax on selling price when I’m required to charge the tax?

For those retailers or servicepersons incurring Service Occupation Tax on the **selling price** of merchandise transferred as part of providing their service, the tax is reported on Form ST-1, Sales and Use Tax Return, by

- including all receipts from sales of service on Line 1,
- reporting the tax collected on Item 1b or 1d of the ST-1 Worksheet for Line 2,
- reporting the nontaxable portion (service charges and labor) on Item 9 of the worksheet,
- reporting other exempt receipts on the worksheet where appropriate,
- carrying forward to Line 2 the worksheet total and subtracting this amount from the amount on Line 1, and
- reporting on Lines 4a, 5a, 6a, 7a, and 8a, as appropriate, any amounts from Line 3.

Are there special rules for registered retailers with sales of service?

Yes. Retailers who also have sales of service in which merchandise is transferred as part of providing their service and whose cost ratio meets the threshold must report and pay Service Occupation Tax on their **selling price** using Form ST-1, Sales and Use Tax Return.

However, retailers whose cost ratio is below the threshold may pay Service Occupation Tax on their **cost price** (rather than the selling price) of merchandise transferred as part of providing their service.

This tax must be reported and paid on the retailer’s Form ST-1. However, retailers can choose to charge and pay Service Occupation Tax on their **selling price** even though their cost ratio may be less than the 35 percent (or 75 percent) threshold.

Are there special considerations regarding sales of service from one serviceperson to another serviceperson?

Yes. Sales of service by a registered serviceperson to another registered serviceperson (*e. g.*, radiator repair service [secondary serviceperson] to an auto dealer [primary serviceperson]) can be made tax free as sales for resale. The Service Occupation Tax due will be determined by the primary serviceperson (auto dealer.)

However, care should be taken whenever servicepersons whose cost ratios are below the threshold — and most likely unregistered — sell services to another serviceperson. This situation is most likely to occur in the fields of dentistry, optometry, or printing.

Three options for paying sales tax are available to primary servicepersons purchasing from secondary servicepersons when one or both of the servicepersons are not registered.

Option 1 - The primary serviceperson (*e.g.*, dentist) can register as a serviceperson (see Page 16, “Can I register as a serviceperson even if my cost ratio is below the threshold?”).

Option 2 - The primary serviceperson can purchase services only from registered secondary servicepersons (*e.g.*, dental labs) that charge sales tax on their sales of materials transferred (sold) as part of providing their service.

Option 3 - The primary serviceperson can remain unregistered and purchase service from an unregistered, secondary serviceperson providing

- neither serviceperson meets the requirements for registering as a retailer or serviceperson (see “Who must Register?” on Page 6 of this booklet), and
- the secondary serviceperson certifies in writing to the primary serviceperson that he or she has paid or will pay the sales tax on the cost price of any tangible personal property transferred to the primary serviceperson as part of the service provided.

Primary servicepersons who do not pay sales tax under one of the above options must register and pay use tax directly to the department on their purchases of service from secondary servicepersons. If the primary serviceperson is already registered, they must pay this tax when they file their Form ST-1.

Apart from the purchases of service described above, all primary and secondary servicepersons owe use tax when they acquire tangible personal property for their own use or consumption from unregistered suppliers. This is most likely to occur when purchasing from an out-of-state supplier. In this instance, servicepersons must register to pay use tax on their purchases.

Are there any special considerations regarding repairs performed under a maintenance agreement or extended service contract?

Yes. Receipts from sales of “maintenance agreements” or “extended service contracts” are not subject to sales tax if they are sold separately from the item to be maintained. However, parts used in performing repairs carried out under these agreements or contracts are subject to tax. The tax liability is imposed on the serviceperson and is met when

- sales tax is paid to the supplier on the purchase of the repair part or
- use tax is paid to the Illinois Department of Revenue when repair parts are removed from tax-free inventory or when repair parts are purchased from a supplier that did not charge sales tax.

Part 3: Instructions for Returns

Form ST-1

On Form ST-1, Sales and Use Tax Return, you are asked to separately figure your receipts (in Steps 1 and 2) and your purchases (in Step 4). Receipts are your sales (including tax), and purchases are the items you buy tax free and then use or consume.

If you report for more than one site, you must complete Form ST-2, Multiple Site Form, and attach it to Form ST-1. Instructions for completing Form ST-2 begin on Page 26.

In most cases, the tax rate will be preprinted on the form. If your rate is not printed on any form, you may obtain the correct rate for your area by

- visiting our Web site at www.ILtax.com (to view our ST-25 Rate Reference Manual), or
- calling us at 1 800 732-8866 or 217 782-3336 ; or calling our TDD-telecommunications device for the deaf at 1 800 544-5304.

Note: Do not report negative figures on your return. We may issue an assessment for this reason.

Step 1: Figure your taxable receipts

When completing this form, round to the nearest dollar by dropping amounts of less than 50 cents and increasing amounts of 50 cents or more to the next higher dollar.

Line 1 Total receipts (include tax)

Write the total amount you received from all

- sales of merchandise, including sales that are considered deductions, plus
- sales of merchandise you transferred in performing your service, plus
- service charges, plus
- taxes collected.

If you make installment sales, report only the amount you received.

Note: You must include the County Motor Fuel Tax imposed in DuPage, Kane, and McHenry counties in Line 1.

Line 2 Deductions (use worksheet on back of Form ST-1)

Instructions for completing the worksheet immediately follow these instructions on Page 23.

Write the total deductions including tax collected from Item 18 of the “ST-1 Worksheet for Line 2” (on the back of Form ST-1). This amount cannot be more than the total receipts you wrote on Line 1. If the total from Item 18 is more than the amount on Line 1, you must file a claim for credit (Form ST-1-X) against the month(s) you originally reported and paid the erroneous tax.

Note: Sales to manufacturers and graphic artists using Manufacturer’s Purchase Credit (MPC) are not deductions. These sales are taxable. MPC that is used to satisfy the tax liability on those sales should be reported on Line 16a.

Line 3 Taxable receipts

Subtract Line 2 from Line 1, and write the amount on Line 3.

Step 2: Figure your tax on receipts

Sales from locations within Illinois

Note: If you are a multi-site retailer or serviceperson who also has out-of-state locations, see the instructions for Lines 6a and 7a.

Note: Do not include tax you collected on Lines 4a, 5a, 6a, 7a, or 8a. Tax collected should be deducted on Line 2.

Line 4a General merchandise base

Write the amount you received from sales of general merchandise, plus the amount you received from the general merchandise you sold in performing your service.

Line 4b General merchandise tax

Multiply Line 4a by the tax rate, and write the amount on Line 4b.

Line 5a Food, drugs, and medical appliances base

Write the amount you received from your sales of qualifying food, drugs, and medical appliances, plus the amount you received from the qualifying food, drugs, and medical appliances you sold in performing your service. (See “How much tax do I owe? State Tax—All Taxpayers” on Page 10 in this booklet for the definition of “qualifying.”)

Line 5b Food, drugs, and medical appliances tax

Multiply Line 5a by the tax rate, and write the amount on Line 5b.

Sales from locations outside Illinois

Line 6a General merchandise base

Write the amount you received from general merchandise you sold to a user in Illinois, plus the amount you received from general merchandise you sold for use in Illinois in performing your service.

Line 6b General merchandise tax

Multiply Line 6a by the tax rate, and write the amount on Line 6b.

Line 7a Food, drugs, and medical appliances base

Write the amount you received from qualifying food, drugs, and medical appliances you sold to a user in Illinois, plus the amount you received from qualifying food, drugs, and medical appliances you sold for use in Illinois in performing your service.

Line 7b Food, drugs, and medical appliances tax

Multiply Line 7a by the tax rate, and write the amount on Line 7b.

Sales at prior rates

Line 8a Receipts taxed at other rates base

On this line, write **only** the receipts from sales of merchandise and the receipts from merchandise you sold in performing your service that you made at rates different from the rates printed in Lines 4a, 5a, 6a, and 7a. This includes

- the amount you received from sales — such as installment sales — of general merchandise and qualifying food, drugs, and medical appliances, plus
- the amount you received from sales of general merchandise and qualifying food, drugs, and medical appliances you transferred in performing your service, plus
- the amount you, as an out-of-state retailer, received from sales of general merchandise and qualifying food, drugs, and medical appliances you sold and delivered to a user in Illinois, plus
- the amount you, as an out-of-state serviceperson, received from sales of general merchandise and qualifying food, drugs, and medical appliances you sold and delivered to an Illinois service customer.

If you have receipts from current sales that you believe are taxable at a different rate, call us at 1 800 732-8866 or 217 782-3336 or the TDD-telecommunications device for the deaf at 1 800 544-5304 for instructions on how to report these sales.

Line 8b Receipts taxed at other rates tax

Multiply each specific amount used to arrive at the total amount in Line 8a by the correct rate, add the results, and write the total on Line 8b.

Note: Check your math. Lines 4a + 5a + 6a + 7a + 8a must equal Line 3.

Line 9 Tax due on receipts

Write the total of Lines 4b, 5b, 6b, 7b, and 8b.

Step 3: Figure your discount

Line 10 Discount

If your return is postmarked (or delivered) and tax is paid in full by the due date, you are entitled to a discount. Form ST-1 is due on or before the 20th day of the month following the end of the reporting period. On preprinted forms, the due date is printed in Line 10. Multiply Line 9 by the percentage printed in Line 10, and write this amount on Line 10.

Line 11 Net tax due on receipts

Subtract Line 10 from Line 9, and write this amount on Line 11.

Step 4: Figure your tax on purchases

Note: The figures you write on Lines 12a, 13a, and 14a should not include tax or amounts already contained in Lines 4a through 8a.

Line 12a General merchandise base

Write

- your cost of the general merchandise you purchased to use from an out-of-state retailer who did not collect Illinois Sales Tax from you, plus
- your cost of the general merchandise you purchased tax free to sell at retail but instead used or consumed yourself, plus

Step 4: Figure your tax on purchases (cont.)

- your cost of the general merchandise you purchased tax free to sell in performing your service but instead used or consumed yourself or transferred subject to use tax, plus
- your cost of the general merchandise an out-of-state serviceperson used in performing a service for you if Illinois tax was not paid.

Line 12b General merchandise tax

Multiply Line 12a by the tax rate, and write the amount on Line 12b.

Line 13a Food, drugs, and medical appliances base

Write

- your cost of the qualifying food, drugs, and medical appliances you purchased for use or consumption from an out-of-state supplier who did not collect Illinois Sales Tax from you, plus
- your cost of the qualifying food, drugs, and medical appliances you purchased tax free to sell at retail but instead used or consumed yourself, plus
- your cost of the qualifying food, drugs, and medical appliances you purchased tax free to sell in performing your service but instead used or consumed yourself or transferred subject to use tax, plus
- your cost of the qualifying food, drugs, and medical appliances an out-of-state serviceperson used in performing a service for you if Illinois tax was not paid.

Line 13b Food, drugs, and medical appliances tax

Multiply Line 13a by the tax rate, and write the amount on Line 13b.

Line 14a Purchases taxed at other rates base

Write the total of all of the purchases you made at rates different from the rates printed in Lines 12a and 13a. This includes

- your cost of the general merchandise you purchased prior to January 1, 1990, from an out-of-state retailer on which you continue to make payments, plus
- your cost of the general merchandise and qualifying food, drugs, and medical appliances on which you paid tax to another state at a rate lower than Illinois tax rates, plus
- your cost of the general merchandise and qualifying food, drugs, and medical appliances that an out-of-state serviceperson used in performing a service for you if Illinois tax was not paid.

Line 14b Purchases taxed at other rates tax

Multiply each specific base amount in Line 14a by the correct rate, add the results, and write the total on Line 14b.

Line 15 Tax due on purchases

Write the total of Lines 12b, 13b, and 14b.

Step 5: Figure your net tax due

Line 16 Tax due from receipts and purchases

Write the total of Lines 11 and 15.

Line 16a Manufacturer's Purchase Credit

Write the total amount of Manufacturer's Purchase Credit (MPC) that you are reporting. This amount should include any MPC you have received from your customers during the current liability period plus any MPC of your own that you are using to satisfy use tax on qualifying purchases for the current liability period.

If you are using MPC to satisfy use tax on qualifying purchases, the amount you are using may not exceed the amount reported on Line 15.

If you are using MPC that you received from your customers, the amount reported on Line 16a may not exceed Line 16.

Note: Do not report negative figures on this line.

Step 5: Figure your net tax due (cont.)

Line 17 Prepaid sales tax (attach Form PST-2, Prepaid Sales Tax Statement of Tax Paid, Copy A)

Fill in Line 17 **only if** you prepay Illinois Sales Tax on motor fuel. Write the amount of sales tax you prepaid on motor fuel. This amount is equal to the total from the PST-2 forms you are attaching to this return as proof of payment. The originals of Form PST-2, Copy A, must accompany this return.

Line 18 Accelerated payments (paid by electronic funds transfer (EFT) or on Form RR-3, Sales and Use Tax Quarter-Monthly Payment)

Fill in Line 18 **only if** you make quarter-monthly payments. Write the amount of sales and use tax quarter-monthly payments you made by EFT or on your RR-3 forms. Include on this line any prior overpayment credit that you used to make these prepayments.

Line 19 Prior overpayment

If we have notified you that you have a prior overpayment and you wish to use it towards what you owe, write the amount you are using here.

Note: See Line 27 if you have a credit memorandum that you wish to use.

Line 20 Total prepayments

Write the total of Lines 17, 18, and 19.

Line 21 Net tax due

Subtract Line 20 from Line 16, and write the amount on Line 21.

Step 6: Figure your penalty and interest

Lines 22 and 23 Penalty and Interest

We will bill you for penalties and interest.

If you prefer to figure these amounts, see

- the heading “What if I do not file and pay by the due date?” on Page 9 of this publication for information on the penalty rates that are in effect beginning January 1, 2001, or
- Publication 103, Uniform Penalties and Interest, for information on penalty rates that were in effect prior to January 1, 2001. To receive a copy of Publication 103, call 1 800 356-6302.

If you calculate the penalty and interest amounts, write the amount of penalty you calculate on Line 22 and the amount of interest you calculate on Line 23.

Line 24 Total penalty and interest

Add Lines 22 and 23, and write the total on Line 24.

Step 7: Figure your payment due

Line 25 Excess tax collected

If you collected more tax than is due, write your excess tax collection on Line 25. To check this, compare Item 2 on the worksheet (on the back of Form ST-1) to Line 9 on Form ST-1. If Item 2 is more than Line 9, write the difference on Line 25.

Line 26 Total tax, penalty, and interest

Add Lines 21, 24, and 25, and write the total on Line 26.

Line 27 Credit memorandum

If we have informed you that you have a credit memorandum and you wish to use it towards what you owe, write the amount you are using on Line 27.

Line 28 Payment due

Subtract Line 27 from Line 26, and write the amount on Line 28.

If you are required or choose to pay by EFT, see our publication EFT-8, Electronic Funds Transfer, and Informational Bulletin FY 2002-27, Sales and Use Tax Electronic Funds Transfer Payments.

If you do not pay by EFT, make your check payable to: “Illinois Department of Revenue”

Send your return and check to the address that is preprinted on the front of your return.

For most filers that address is: ILLINOIS DEPARTMENT OF REVENUE
RETAILERS’ OCCUPATION TAX
SPRINGFIELD IL 62796-0001

Step 8: Sign below

An owner, partner, or officer of the business must sign on the appropriate line. If this return is completed by a paid tax preparer, the preparer must also sign on the appropriate line.

ST-1 Worksheet for Line 2

Do not include (in Items 1a, 1b, 1c, or 1d) taxes imposed on sales that are collected and paid by you to a unit of local government or to the department on another tax return, such as the Tire User Fee on retail sales of tires, or a locally administered restaurant tax. These and other similar taxes should be included in Line 1 of the return and deducted in Item 16 “Other” of the worksheet.

Item 1a General merchandise retail sales

Write the amount of tax you collected on your retail sales of general merchandise. This includes food sold for immediate consumption, such as food sold at a restaurant.

If you do not know the amount of tax you collected, follow these steps:

- 1) Figure your taxable receipts by subtracting your receipts for exempt retail sales of general merchandise from your total receipts for all retail sales of general merchandise.
- 2) Divide your taxable receipts by [1 + the sales tax rate]. (This rate is preprinted in Line 4a/4b of Form ST-1 or Form ST-2.)
- 3) Multiply the result (tax base) by the general merchandise sales tax rate. This is the amount of tax you collected.

Example (at 6.25% tax rate)	Total receipts	\$	712.50
	Exempt sales	-	500.00
	Taxable receipts		<u>212.50</u>
	Divide by [1 + sales tax rate]	÷	1.0625
	Tax base		200.00
	Multiply by the tax rate	X	<u>.0625</u>
	Tax		12.50

Item 1b General merchandise service sales

If you charge and collect Service Occupation Tax on sales of service, write the amount of tax you collected on general merchandise transferred or sold in the performance of that service.

Note: If you are not required to charge Service Occupation Tax on your sales of service and you owe Service Occupation Tax on purchases, report the tax here as a tax collected.

If you do not know the amount of tax you collected, follow these steps:

- 1) Figure your taxable receipts by subtracting your receipts for exempt service sales of general merchandise from your total receipts for all service sales of general merchandise.
- 2) Divide your taxable receipts by [1 + the sales tax rate]. (This rate is preprinted in Line 4a/4b of Form ST-1 or Form ST-2.)
- 3) Multiply the result (tax base) by the general merchandise sales tax rate. This is the amount of tax you collected.

Item 1c Food, drugs, and medical appliances retail sales

Write the amount of tax you collected from your qualifying retail sales of food (not sold for immediate consumption), nonprescription drugs or medicines, and nonprescription medical appliances.

If you do not know the amount of tax you collected, follow these steps:

- 1) Figure your taxable receipts by subtracting your receipts for exempt retail sales of food, drugs, and medical appliances from your total receipts for all retail sales of food, drugs, and medical appliances.
- 2) Divide your taxable receipts by [1 + the sales tax rate]. (This rate is preprinted in Line 5a/5b of Form ST-1 or Form ST-2.)
- 3) Multiply the result (tax base) by the food, drugs, and medical appliances sales tax rate. This is the amount of tax you collected.

Item 1d Food, drugs, and medical appliances service sales

If you charge and collect Service Occupation Tax on sales of qualifying food, prescription drugs and medicines, and prescription medical appliances, write the amount of tax collected on food, drugs, medicines, and medical appliances transferred or sold in performance of that service.

Note: If you are not required to charge Service Occupation Tax on your sales of service and you owe Service Occupation Tax on purchases, report the tax here as a tax collected.

If you do not know the amount of tax you collected, follow these steps:

- 1) Figure your taxable receipts by subtracting your receipts for exempt service sales of food, drugs, and medical appliances from your total receipts for all service sales of food, drugs, and medical appliances.
- 2) Divide your taxable receipts by [1 + the sales tax rate]. (This rate is preprinted in Line 5a/5b of Form ST-1 or Form ST-2.)
- 3) Multiply the result (tax base) by the food, drugs, and medical appliances sales tax rate. This is the amount of tax you collected.

Item 2 Total taxes collected

Add Items 1a through 1d, and write the total.

Item 3 Resale

Write the amount you collected from the items you sold to someone who will resell those items at retail. For each sale for resale you make, the buyer must give you an Illinois certificate of resale or have a blanket certificate of resale on file with you. You may accept as proof of the exemption either Form CRT-61, Certificate of Resale, or a certificate made by the buyer that documents the purchase is tax-exempt.

Item 4 Interstate commerce

Write the amount you collected from merchandise you sold that was **shipped or delivered by you** outside Illinois.

Item 5 Cash refunds

Write the amount in cash refunds you made to customers for merchandise that they returned and on which you have previously paid tax to us during the preceding return period or have now included in Line 1 of Form ST-1. This amount cannot exceed the amount reported on Line 1 of Form ST-1. If this occurs, you must file an amended return, Form ST-1-X for the period in which the tax was reported.

Item 6 Newspapers and magazines

Write the amount you collected from your sales of newspapers, magazines, and other periodicals.

Item 7 State motor fuel tax

For each type of fuel, write the number of gallons you sold. Then multiply the number of gallons by the state tax rate listed below, and write the total for each type of fuel.

Gasoline	19¢	Diesel	21.5¢	Other special fuels	19¢
Gasohol	19¢	Dieselhol	21.5¢		

Note: The County Motor Fuel Tax imposed in DuPage, Kane, and McHenry counties must be included in the gross receipts on Line 1 of your return. These taxes are not authorized deductions from your gross receipts. Do not deduct County Motor Fuel Tax paid on Form CMFT-1. Report any other local motor fuel taxes on Item 16, "Other." Do not include them on Item 7.

Item 8 Gasohol exemption

Subtract all motor fuel taxes and all state and local sales taxes from the amount you received for the gasohol you sold. Multiply the result by 30 percent (.30), and write the total.

Note: Do not include receipts from gasohol sales that are not subject to sales tax.

Item 9 Sales of service

Do not include any tax already reported as a deduction in Items 1a through 1d.

- a** Write the total of any portion of the repairs on which you did not charge your customers tax.
- b** Write the total of any portion of the prescriptions on which you did not charge your customers tax.
- c** Write the total of any portion of all other service transactions on which you did not charge your customers tax. Some examples of these are transactions made by dry cleaners, hairdressers, and medical professionals.

Item 10 Exempt organizations

Write the amount you collected from merchandise you sold to organizations that are exempt from paying sales tax. For each tax-exempt sale you make, you must obtain a copy of the organization's valid Illinois Sales Tax exemption identification number. This number will be an "E" followed by 10 digits.

Note: Do not include motor fuel taxes already reported in Item 7 or 16.

Item 11 Food stamps

Write the amount you collected from customers who used food stamps.

Item 12 Enterprise zone building materials and consumables or high-impact business building materials

Write the amount you collected from

- sales of building materials to a customer who will incorporate those materials into an enterprise zone certified by the Illinois Department of Commerce and Community Affairs (DCCA), or
- sales of consumables to a business certified by DCCA to buy consumables tax free, or
- sales of building materials to a business certified by DCCA as a high-impact business.

Item 13 Manufacturing machinery and equipment (including certain photoprocessing equipment)

Write the amount you collected from the sale of qualifying machinery and equipment (including repair and replacement parts) that produce items to be sold. You may accept as proof of the exemption either Form ST-587, Machinery and Equipment Exemption Certificate, or a certificate made by the buyer that documents the purchase is tax-exempt.

Note: Do not report as a deduction sales where Manufacturer's Purchase Credit is being used. These sales are taxable.

Item 14 Farm machinery and equipment

Write the amount you collected from qualifying farm machinery and equipment (including repair and replacement parts) you sold for use in production agriculture. You may accept as proof of the exemption either Form ST-587, Machinery and Equipment Exemption Certificate, or a certificate made by the buyer that documents the purchase is tax-exempt.

Item 15 Graphic arts, ethanol distillation, oil field and coal machinery and equipment

Write the amount you collected from the sale of qualifying machinery and equipment (including repair and replacement parts)

- used to produce graphic arts, or
- used to produce ethanol that will be used by the purchaser of the equipment, or
- used in the process of exploring for oil, or
- used in aggregate manufacturing or coal exploration and mining.

You may accept as proof of the exemption either Form ST-587, Machinery and Equipment Exemption Certificate, or a certificate made by the buyer that documents the purchase is tax-exempt.

Note: Do not report as a deduction sales where Manufacturer's Purchase Credit is being used. These sales are taxable.

Item 16 Other

Use Items 16a through 16d to identify other deductions. Write the amount you collected from the sale for each type of deduction you list.

Form ST-2

If you make sales from more than one site, you must complete Form ST-2, Multiple Site Form, and attach it to the Form ST-1 that you file. If Form ST-2 is not attached, your Form ST-1 will be considered unprocessable.

If you make sales from door to door or from changing locations (such as fairs or flea markets), you must combine and report your sales for each local taxing jurisdiction (*i.e.*, city or county).

For each site printed on the form, you must report your sales of goods and services. If you are doing business from a site that is not listed on the form, write the name and address of the site below the last preprinted site or on a separate page.

Line 4a General merchandise base

For each site, write the total taxable amount you received from your sales of general merchandise plus the amount you received from the general merchandise you sold or used in performing your service.

Line 4b General merchandise tax

Multiply Line 4a by the tax rate, and write the amount on Line 4b.

Line 5a Food, drugs, and medical appliances base

For each site, write the total taxable amount you received from your sales of qualifying food, drugs, and medical appliances, plus the amount you received from the qualifying food, drugs, and medical appliances you sold or used in performing your service.

Line 5b Food, drugs, and medical appliances tax

Multiply Line 5a by the tax rate, and write the amount on Line 5b.

Line 8a Receipts taxed at other rates base

For each site, write **only** the receipts from sales of merchandise and the receipts from the merchandise you sold in performing your service that you made at rates different from the rates printed in Lines 4a and 5a. This includes

- the amount you received from sales — such as installment sales — of general merchandise and qualifying food, drugs, and medical appliances, plus
- the amount you received from sales of general merchandise and qualifying food, drugs, and medical appliances you transferred in performing your service, plus
- the amount you, as an out-of-state retailer, received from sales of general merchandise and qualifying food, drugs, and medical appliances you sold and delivered to a user in Illinois, plus
- the amount you, as an out-of-state serviceperson, received from sales of general merchandise and qualifying food, and prescription drugs and medical appliances you sold and delivered to an Illinois service customer.

If you have receipts from current sales that you believe are taxable at a different rate, call us at 1 800 732-8866 or 217 782-3336 or the TDD telecommunications device for the deaf at 1 800 544-5304 for instructions on how to report these sales.

Page Totals

Lines 4a through 8b

For each page total line, 4a through 8b, add the amounts you wrote on the corresponding line for each site. Write the sum on the page total line at the bottom of each page. For example, add all of the amounts you wrote on Line 4a and write the sum on the 4a page total line. If your Form ST-2 has more than one page of sites, complete the page totals for each page. The combined ST-2 page totals for each line number must equal the amount on the corresponding line of your Form ST-1. For example, the amount of the combined ST-2 page totals for Line 4a must equal the amount on Line 4a of your Form ST-1.

Department of Revenue Offices

Illinois offices

101 West Jefferson Street
P.O. Box 19044
Springfield, IL 62794-9044

100 West Randolph Street
Concourse Level
Chicago, IL 60601-3274

Maine North Regional Building
9511 Harrison Avenue
Des Plaines, IL 60016-1523

9730 South Western Avenue
Room 304
Evergreen Park, IL 60805-2876

15 Executive Drive
Suite 2
Fairview Heights, IL 62208-1331

1107 West DeYoung Street
Suite 2
Marion, IL 62959-0337

3211 West Belvidere Road
Park City, IL 60085-6017

2000 West Pioneer Parkway
Suite 23
Peoria, IL 61615-1866

4711 44th Street
Rock Island, IL 61201-7190

200 South Wyman Street
Rockford, IL 61101-1237

1717 Philo Road
Suite 18
Urbana, IL 61801-8416

245 West Roosevelt Road
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West Chicago, IL 60185-0310

Out-of-state Offices

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5839 Green Valley Circle
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45 Eisenhower Drive
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