



Illinois Department of Revenue

September 14, 2017

Personal Property Replacement Tax Update

In April 2016, the Department reported a misclassification of pass-through withholding payments resulting in an overpayment of personal property replacement tax and an underpayment of income tax. The misallocation began following the passage of Public Act 98-478. The statutory change resulted in the discontinuation of Form IL-1000, and revisions to Forms IL-1065 and IL-1120-ST, which caused calculation errors associated with the payments for these forms. As a result, pass-through withholding payments were classified as replacement tax rather than income tax.

The Department identified the error while testing a new comprehensive accounting software program which allowed for more extensive tracking of payment and return information. Through this review, the Department determined that certain collections had been misallocated. At that time, the Department estimated local taxing districts had collectively been overpaid \$168 million in Personal Property Replacement Tax. A final review of the related tax returns in 2017 showed the actual amount was \$166.831 million.

When the Department reported the error in early 2016, the original plan was to reconcile the 2014 returns (filed in 2015) and the 2015 returns (filed in 2016) in early 2017. Once the reconciliation was done, a repayment schedule was to be determined and the overpayments recouped from future distributions. However, Public Acts 99-524 (June 2016) and 100-21 (July 2017), appropriated monies to community college districts out of the Personal Property Replacement Tax Fund in lieu of recouping the overpayment of Personal Property Replacement Tax monies.

This letter serves as official notification to local taxing districts that the Department will not seek to recoup any of the overpaid amounts described above from future distributions of Personal Property Replacement Tax.

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