



# Illinois Department of Revenue

# Informational 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.

## State Sales Tax Holiday

### To: All retailers

**Effective August 6, 2010, through August 15, 2010**, a state sales tax holiday will be implemented and certain items purchased during this time period will have a reduced sales tax rate. The sales tax rate you will be required to collect during the holiday period is the rate currently in effect on the date of the holiday minus 5 percent. For example:

If your sales tax rate is:	9.750%
Reduced amount (state portion)	- <u>5.000%</u>
Your sales tax rate during the holiday period is:	4.750%

If your sales tax rate is:	6.250%
Reduced amount (state portion)	- <u>5.000%</u>
Your sales tax rate during the holiday period is:	1.250%

### What is a state sales tax holiday?

A state sales tax holiday is a 10-day period during which consumers can purchase certain items and pay sales tax at a reduced rate. Items include **qualifying clothing** and **footwear** with a retail selling price of less than \$100 and certain **school supplies** used by students in the course of study. School supplies are not subject to the \$100 threshold.

***For a list of qualifying and non-qualifying items, see Page 3.***

### How does this affect me as a retailer?

You must adjust your method of collecting sales tax so that beginning on August 6, 2010, and ending at the close of business August 15, 2010, you will collect the reduced tax rate on qualifying items.

### How do I report these sales on my Form ST-1, Sales and Use Tax Return?

Taxable receipts from the sale of qualifying items made during the state sales tax holiday must be reported on Lines 8a and 8b.

### How do I handle special sales?

#### Coupons and discounts

To determine whether the eligible clothing item's retail selling price is below \$100, look at the price after the **unreimbursed coupon or store markdown** but before a **reimbursed coupon**.

#### Bundled sales

Qualifying items bundled with items that do not qualify for the state sales tax holiday rate will be subject to the reduced tax rate **only** if the value of the qualifying items exceed the value of the non-qualifying items.

#### Splitting items

Articles normally sold as a single unit must continue to be sold as such to determine whether the selling price is within the state sales tax holiday price threshold. For example, a pair of shoes with a selling price of \$125.00 cannot be sold separately so the sales price of each shoe is within the sales tax holiday price threshold.

#### Rain checks

Qualifying items purchased during the holiday with a rain check issued prior to the state sales tax holiday will qualify for the **reduced** sales tax rate. Qualifying items purchased after the state sales tax holiday with rain checks issued during the holiday **are not** eligible for the reduced tax rate.

**Exchanges**

If a customer purchases a qualifying item during the state sales tax holiday, but after the holiday exchanges it for a different size, color, or other feature at the same or lower price, no additional tax will be due.

If a customer purchases a qualifying item during the state sales tax holiday, but after the holiday returns the item and receives credit on the purchase of a different item, they will receive credit for the holiday tax paid. The customer is charged the full sales tax rate on the purchase of a new item.

If a customer purchases a qualifying item before the state sales tax holiday period, but returns it during the sales tax holiday period and receives credit on the purchase of a different item that is eligible, the reduced rate of sales tax is due if the replacement item is purchased during the holiday.

**Delivery charges**

Delivery charges are part of the selling price of an item of clothing for purposes of calculating the \$100 threshold **unless** the seller and buyer have a separate agreement for delivery. Follow these steps.

**Step 1:** Determine if there is a separate agreement for delivery.

A separate agreement is established

- when the seller and the buyer have a separate contract for delivery charges and those charges do not exceed the cost of delivery (they are taxable to the extent they exceed the actual cost of delivery); or
- the seller can document that the buyer has the option of taking delivery at the seller's location for the agreed purchase price or having delivery made for the agreed purchase price plus an ascertainable delivery charge (they are taxable to the extent that they exceed the actual cost of delivery). *Example: An on-line or catalog seller offers buyers the option of picking up the item at a local store.*

- If a separate agreement exists, delivery charges are not part of the item's selling price. Do not add delivery charges to the item's selling price for purposes of calculating the \$100 threshold. Do not go to Step 2.
- If a separate agreement **does not** exist, the delivery charge should be apportioned to each item. Go to Step 2.

**Step 2:** Calculate what percentage of the total order (not including delivery) is attributable to each item. Apply that percentage to the total delivery charge to apportion the delivery charge to each item.

Next, add the apportioned delivery charge to each item to determine if the \$100 threshold is met.

*Example: Two jackets purchased (one for \$95 and one for \$60) as part of one transaction with a \$10 delivery charge —*

*\$ 95 Jacket*  
*\$95 is 61% of \$155 subtotal.*  
*61% of \$10 delivery charge*  
*= \$6.10; total price for*  
*purposes of calculating*  
*threshold is \$101.10,*  
***ineligible** for the state sales*  
*tax holiday rate*

*\$ 60 Jacket*  
*\$60 is 39% of \$155 subtotal.*  
*39% of \$10 delivery charge*  
*= \$3.90; total price for*  
*purposes of calculating*  
*threshold is \$63.90,*  
***eligible** for the state sales tax*  
*holiday rate*

\$155	<b>Subtotal</b>
\$10	<b>Delivery</b>
\$165	<b>Total</b>

**Back orders**

Qualifying items will be eligible for the reduced sales tax rate if

- the item is delivered and paid for by the customer during the state sales tax holiday period, or
- the customer orders and pays for the item and you, the retailer, accept the order during the sales tax holiday for immediate delivery even if it is delivered after the state sales tax holiday period.

**Returns**

Retailers may establish their own policy for a time period to accept returns for credit or refund. However, if a customer does not provide a receipt, invoice, or other proper documentation that shows a tax rate different than the state sales tax holiday rate, the refund or credit given for any and all returns within the 60 day period immediately following the state sales tax holiday period shall be refunded or credited at the reduced tax rate. In order to receive credit for tax refunded to your customer, you will need to file Form ST-1-X, Amended Sales and Use Tax Return. If you have more than one site, you will need to complete Form ST-2-X, Amended Multiple Site Form.

**Business account purchases**

The reduced rate of tax applies only to school supplies used by a student in the course of study; therefore, items that may be classified as school supplies purchased under a business account are subject to the full rate of tax. Sales made under one of the following circumstances are considered business purchases:

- the purchaser is billed under a business account maintained at the retailer;
- items are purchased using a business membership at a retailer that is membership based;
- items are purchased using a business check (rather than a personal check);
- items are purchased using a credit card issued to a business by the retailer (rather than a credit card issued by a third party); or
- items are delivered to the business.

## Qualifying Items

### Clothing

*Retail selling price must be less than \$100, including*

- household and shop aprons
- athletic supporters
- bathing suits and caps
- belts and suspenders
- coats and jackets
- gloves and mittens
- hats, caps, and ear muffs
- lab coats
- neckties
- rainwear
- rubber pants
- scarves
- underwear
- school uniforms
- shorts and pants
- skirts and dresses
- hosiery and pantyhose
- shirts and blouses

### Footwear

*Retail selling price must be less than \$100, including*

- shoes, sneakers, and shoe laces
- sandals
- slippers
- socks and stockings
- footlets
- boots and overshoes
- insoles for shoes
- steel-toed shoes

### School supplies

*Must be used by students in the course of study, including*

- binders
- book bags
- calculators
- cellophane tape
- blackboard chalk
- compasses
- composition books
- crayons

- erasers
- expandable pocket, plastic, and manila folders
- glue, paste, and paste sticks
- highlighters
- index cards and index card boxes
- legal pads
- lunch boxes
- markers
- notebook paper, including loose leaf notebook, copy, graph, tracing, manila, colored and construction paper, and poster board
- pencils and pencil leads
- pens, ink, and ink refills for pens
- pencil boxes and other school supply boxes
- pencil sharpeners
- protractors and rulers
- scissors
- writing tablets

## Non-qualifying Items

### Clothing

*Any item with a retail selling price of \$100 or more, and*

#### Clothing accessories

- briefcases
- cosmetics
- hair notions including, but not limited to barrettes, hair bows, and hair nets
- handbags and wallets
- handkerchiefs
- jewelry and watches
- non-prescription sunglasses
- umbrellas
- wigs and hair pieces

#### Sports or recreational equipment

- gloves, including but not limited to baseball, bowling, boxing, hockey, and golf gloves
- goggles
- hand and elbow guards
- life preservers and vests
- mouth guards
- shin guards
- shoulder pads
- wetsuits

### Protective equipment

- breathing masks
- clean room apparel and equipment
- ear and hearing protectors
- face shields
- hard hats and helmets
- paint or dust respirators
- protective gloves
- safety glasses and goggles
- safety and tool belts
- welder's gloves and masks

### Footwear

- ballet, tap, cleated or spiked athletic shoes
- ski boots
- roller and ice skates
- waders and fins

### School supplies

*Any item not used by students in the course of study, and*

#### Art supplies

- clay and glazes
- acrylic, tempera, and oil paints
- paintbrushes for artwork
- sketch and drawing pads
- watercolors

### Instructional material

- reference books
- reference maps and globes
- textbooks and workbooks

### Computer and computer supplies

- computers and related supplies
- flashdrives and other computer data storage devices
- data storage media such as diskettes, and compact disks
- boxes and cases for disk storage
- external ports or drives
- computer cases
- computer cables
- computer printers
- printer cartridges, toner, and ink

### Electronics

- cameras and related supplies such as film and memory cards, video cameras, tapes and videotapes
- cell phones
- Personal Digital Assistants (PDA's) and handheld electronic schedulers