

■ Illinois Use Tax

TO: Taxpayers

This bulletin's purpose is to inform Illinois taxpayers of their use tax obligations.

What is "use" tax?

"Use" tax is a form of sales tax designed to distribute the tax burden fairly among Illinois consumers and assure fair competition between Illinois and out-of-state businesses.

Since 1955, Illinois law has required you to pay tax at Illinois rates on purchases you make for use or consumption in Illinois

- when you buy the items from businesses located outside Illinois and bring them into Illinois or
- when you have the items delivered to you from businesses located outside Illinois.

Credit is allowed for taxes you pay to another state; however, if you pay less than the Illinois rates to another state, you must pay Illinois the difference.

Credit is not allowed for foreign sales taxes you may have paid, and these purchases are subject to the full Illinois Use Tax rates.

Using goods purchased tax free or at lower rates outside Illinois is unfair to retailers, consumers, and taxpayers in the following ways:

- Illinois retailers, who must charge sales tax, must compete with out-of-state retailers, who may charge little or no sales tax.
- Illinois consumers who buy goods in Illinois may pay more sales tax than those who buy outside the state.
- Illinois must make up lost revenues by increasing other taxes or imposing new taxes.

Why should I voluntarily pay use tax?

Illinois is aggressively focusing on the collection of this tax.

- Illinois shares sales information with other states and bills Illinois residents for unpaid tax, penalty, and interest.
- Illinois gathers information on overseas purchases from the U.S. Customs Service.

By voluntarily paying on time all of the Illinois Use Tax you owe, you will avoid being billed for unpaid tax and additional penalty and interest charges.

The Illinois Department of Revenue can assess use tax owed by taxpayers who do not pay voluntarily. For taxpayers who do not have records to document their use tax liability, the department will estimate liability, and taxpayers have the right to refute the department's estimate.

What are the Illinois Use Tax rates?

Illinois Use Tax rates are 6.25 percent of the purchase price of general merchandise and 1 percent of the purchase price of qualifying food, drugs, and medical appliances. These rates are identical to the state sales tax rates.

The 1 percent rate applies to

- food that has not been prepared for immediate consumption (such as most food sold in grocery stores, excluding hot foods, alcoholic beverages, and soft drinks),
- prescription medicines and nonprescription items claimed to have medicinal value (such as aspirin), and
- prescription and nonprescription medical appliances (such as wheelchairs and hearing aids).

Who must pay use tax?

You owe Illinois Use Tax if you purchase an item for use or consumption in Illinois under the following conditions:

- for Illinois **businesses**:
 - if the item you purchased would normally be subject to sales tax when bought from a retailer in Illinois **and**
 - if you originally purchased the item tax free for resale and later removed the item from your inventory for use or consumption in your business **or**
 - if you purchased the item from an out-of-state retailer who charged no Illinois Sales Tax or charged sales tax at a rate lower than the Illinois rate

Examples include

- items that were originally purchased for resale by registered retailers or resellers and later removed from inventory for business use or consumption in Illinois (such as cleaning products used by a grocery store rather than sold); and
- catalog purchases from an out-of-state supplier for business use or consumption in Illinois (such as computer equipment or office supplies).

- for Illinois **individuals**:
 - if the item you purchased would normally be subject to sales tax when bought from a retailer in Illinois **and**
 - if you purchased the item from an out-of-state retailer who charged no Illinois Sales Tax or charged sales tax at a rate lower than the Illinois rate

Examples include

- catalog purchases from an out-of-state retailer who does not charge Illinois Sales Tax;
- purchases through out-of-state home shopping television and computer network services that do not charge Illinois Sales Tax;
- purchases through "value coupons" from merchandisers soliciting sales for out-of-state businesses that do not charge Illinois Sales Tax; and
- items purchased while you were on vacation outside Illinois from a retailer who charged sales tax at a lower rate than the Illinois rate.

- for Illinois **organizations**:
 - if the item you purchased would normally be subject to sales tax when bought from a retailer in Illinois **and**
 - if you are not an organization that is exempt from paying sales tax **and**

- if you purchased the item from an out-of-state retailer who charged no Illinois Sales Tax or charged sales tax at a rate lower than the Illinois rate

For examples, see the previous discussion for individuals.

How and when must I pay use tax?

- Generally, registered businesses that file Form ST-1, Sales and Use Tax Return, must report any use tax due on Lines 12b, 13b, or 14b of the return.

Businesses that purchase items **tax free for use or consumption** in Illinois should use the return whose liability period corresponds to the purchase date of the items for which use tax is due. For example, for an item purchased on February 14, a business that files Form ST-1 monthly should report use tax for that item on the February return.

Businesses that purchase items **tax free for resale** and later remove these items from inventory for use or consumption in Illinois should use the return whose liability period corresponds to the date the item was removed from inventory. For example, for an item removed from inventory on April 20, a business that files Form ST-1 monthly should report use tax for that item on the April return.

- Generally, individuals, organizations, and businesses that are not required to file Form ST-1 must pay use tax on Form ST-44, Illinois Use Tax Return (see the sample on Page 4). If you need this return, write or call us.

If you are **not required** to be registered with us to pay use tax and your annual use tax liability is \$600 or less, you may pay use tax annually on or before April 15 of the year following the year in which you make your purchases.

If you are not registered with us to pay use tax and your annual use tax liability is greater than \$600, you must pay the tax within 30 days of the purchase date.

- To pay use tax on motor vehicles, watercraft, aircraft, trailers, or mobile homes you purchased from dealers outside Illinois, you must file Form RUT-25, Motor Vehicle Use Tax Return, within 30 days of the date the item was brought into Illinois. Do not use Forms ST-1 or ST-44 for these purchases.
- To pay use tax on motor vehicles you purchased or acquired as a gift from private parties, you must file Form RUT-50, Vehicle Use Tax Return, within 30 days of the date you purchased or acquired the item. Do not use Forms ST-1 or ST-44 for these purchases. Purchases of watercraft, aircraft, trailers, and mobile homes from private parties are not subject to use tax.

What do I do if I find that I owe use tax from past purchases?

If you discover that you owe use tax and immediately come forward, you may qualify for the Illinois Voluntary Disclosure Program, which offers many benefits for taxpayers who discover that they should have paid taxes or filed returns. Informational Bulletin FY 93-26 explains the program. For a copy of the bulletin, write or call us.

What has the Department of Revenue done to inform taxpayers of their use tax obligations?

The department has made a continuous effort to inform taxpayers of their use tax obligations. It has

- provided use tax information in the
 - IL-1040 Individual Income Tax booklet for tax years 1986, 1988, and 1990 through 1994
 - IL-1120 Business Income Tax booklet for tax years 1990 through 1994
- distributed a use tax brochure (with return) at O'Hare International Airport and Illinois travel agencies
- discussed use tax in our brochure, PIO-36, Use Tax
- discussed use tax in our ST-19 Retailer's Tax Booklet
- discussed use tax in a flyer entitled "Update on Use Taxes"

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the end of this bulletin.

This example illustrates how you would pay Illinois Use Tax on items you bought in another state. Your purchase price (not including tax) was \$150 on stereo equipment and \$25 on vitamins. You paid 5 percent sales tax on the stereo equipment to the other state and no tax on the vitamins. You receive credit for the tax you paid to the other state, and you pay Illinois the difference.

Write the purchase price (excluding tax) of the vitamins. Write the purchase price (excluding tax) of the stereo equipment. Figure the amount of tax you would have paid if you had bought the vitamins in Illinois. Figure the amount of tax you would have paid if you had bought the stereo equipment in Illinois.

Illinois Department of Revenue
ST-44 Illinois Use Tax Return (R-11/94)

Name Joe R. Taxpayer

Address 100 Main St.
Number and street

Anytown IL 00000 Phone (000) 000-0000
City State Zip

SSN 000-00-0000 FEIN -
Social Security number Federal employer identification number

1 Write the date of your last purchase.* 5 / 24 / 95
(Please see the footnote in the instructions below.) Month Day Year

1a Write the total cost of the general merchandise you purchased outside Illinois to use in Illinois.	1a	<u>150.00</u>	
1b Multiply Line 1a by 6.25% (.0625).	1b		<u>9.38</u>
2a Write the total cost of the food, drugs, and medical appliances you purchased outside Illinois to use in Illinois.	2a	<u>25.00</u>	
2b Multiply Line 2a by 1% (.01).	2b		<u>.25</u>
3 Add Lines 1b and 2b. This is your net tax on purchases.	3		<u>9.63</u>
4 Write the amount of tax you paid to another state (not to another country).	4		<u>7.50</u>
5 If Line 4 is greater than or equal to Line 3, you do not need to file this return. Otherwise, subtract Line 4 from Line 3. This is your total use tax due.	5		<u>2.13</u>
6 Penalty (See "What if I do not file or pay on time?")	6		
7 Interest (See "What if I do not file or pay on time?")	7		
8 Add Lines 5, 6, and 7. This is your total payment due.	8		<u>2.13</u>

STOP

- DO NOT attach your check OR this form to any other return.
- DO make your check payable to "Illinois Department of Revenue."
- DO write your SSN or FEIN and "ST-44" on your check and attach it to this form.
- DO mail all other returns separately.

Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct, and complete.

Sign here Joe R. Taxpayer 5 / 27 / 95
Taxpayer signature Date

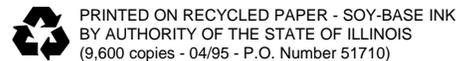
Mail this form and your payment to: Illinois Department of Revenue, Retailers' Occupation Tax, Springfield IL 62776-0001

REV 01
 FORM 019
 ES / /
 NS DP CA
 RC (UG)
 0775-0005

Write the total amount of tax you paid to the other state on these items.

Subtract the tax you paid to the other state.

You are paying the tax before the due date. Therefore, you do not owe any penalty or interest.



FOR INFORMATION...

CALL: 1 800 732-8866 or 217 782-3336

1 800 544-5304 TDD-telecommunications device for the deaf

WRITE: Illinois Department of Revenue, 101 W. Jefferson St., P.O. Box 19044, Springfield, IL 62794-9044



Illinois Department of Revenue

ST-44 Illinois Use Tax Return

(R-11/94)

REV 01
FORM 019
ES / /
NS DP CA
RC (UG)

0775-0005

Name _____

Address _____
Number and street

City _____ State _____ Zip _____ Phone () _____

SSN _____ - _____ - _____ FEIN _____ - _____
Social Security number Federal employer identification number

1 Write the date of your last purchase.*
(Please see the footnote in the instructions below.) _____ / _____ / _____
Month Day Year

1a Write the total cost of the general merchandise you purchased outside Illinois to use in Illinois. 1a _____

1b Multiply Line 1a by 6.25% (.0625). 1b _____

2a Write the total cost of the food, drugs, and medical appliances you purchased outside Illinois to use in Illinois. 2a _____

2b Multiply Line 2a by 1% (.01). 2b _____

3 Add Lines 1b and 2b. This is your net tax on purchases. 3 _____

4 Write the amount of tax you paid to another state (not to another country). 4 _____

5 If Line 4 is greater than or equal to Line 3, you do not need to file this return. Otherwise, subtract Line 4 from Line 3. This is your total use tax due. 5 _____

6 Penalty (See "What if I do not file or pay on time?") 6 _____

7 Interest (See "What if I do not file or pay on time?") 7 _____

8 Add Lines 5, 6, and 7. This is your total payment due. 8 _____



- DO NOT attach your check OR this form to any other return.
- DO make your check payable to "Illinois Department of Revenue."
- DO write your SSN or FEIN and "ST-44" on your check and attach it to this form.
- DO mail all other returns separately.

Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct, and complete.

Sign here

Taxpayer signature _____

Date _____

Mail this form and your payment to: Illinois Department of Revenue, Retailers' Occupation Tax, Springfield IL 62776-0001

SAMPLE

SAMPLE

SAMPLE