

**Illinois Department of Revenue
Regulations**

Title 86 Part 130 Section 130.401 Meaning of Gross Receipts

TITLE 86: REVENUE

**PART 130
RETAILERS' OCCUPATION TAX**

SUBPART D: GROSS RECEIPTS

Section 130.401 Meaning of Gross Receipts

"Gross receipts" means all the consideration actually received by the seller, except traded-in tangible personal property.

a) **Filing Returns on Gross Sales Basis**

Deferred payments made by purchasers are not required to be included in gross receipts until actually received by the seller. The preferred method of reporting receipts from sales is to report them when payment is actually received (i.e., gross receipts basis). However, if a seller keeps his books on a gross sales basis, rather than on a gross receipt basis, and desires to file returns on a gross sales basis, he shall notify the Department, in writing, of his intention to change reporting methods. When a seller makes this change, it should use the "wash-out" procedure to reduce reporting problems when receipts on account are received in a month subsequent to the month of sale when a reporting change basis has been made.

EXAMPLE: Assume a seller wishes to make a change effective with the reporting month of August 1990. Under the "wash-out" procedure, it should calculate the unpaid taxable accounts receivable on its books as of the end of the last business day (July 31, 1990) prior to the first of the month (August 1, 1990) change-over from the accrual to the receipts basis. The taxpayer should then consider all taxable receipts on account to be receipts on which the tax has already been paid (on a sales basis prior to the change-over) until such time as those receipts equal the total of the taxable accounts receivable that it had previously calculated on July 31, 1990 (the day prior to the change-over). Once that point is reached, all subsequent receipts, even those from sales prior to the change-over, should be reported as taxable receipts.

b) **Returned Merchandise and Cancellations**

Any seller may deduct from his gross receipts any refunds made by him during the preceding return period to purchasers, on account of tangible personal property returned to the seller, in case the seller had theretofore included the receipts from the sale of such tangible personal property in a return made by him, and had paid the tax imposed by the Retailers' Occupation Tax Act with respect to such receipts. However, if the seller collected the Use Tax on such a sale, he should refund such tax to his customer to whom he makes a refund of the selling price. When the seller makes a charge for restocking or reshelving returned merchandise, the receipts retained by the

seller to cover the restocking or reshelving fee are not considered taxable gross receipts. When customers return merchandise, sellers should refund all of the sales tax to the customer, even though they will not be refunding all of the purchase price because of the restocking or reshelving policy. Cancellation fees should be handled in the same manner.

c) Reward Credits

Reward credits, sometimes referred to as hostess dollars, awarded to a host or hostess for sponsoring a party for friends at which sellers may show and solicit orders for their merchandise, and which are awarded based upon the amount of sales generated at the party, are included in gross receipts subject to tax when applied toward purchases of the seller's merchandise. The value of the reward credit equals the dollar amount credited when the reward credit is applied.

d) Membership Fees

Membership fees are not gross receipts from the sale of tangible personal property. Membership fees are gross receipts received in exchange for an intangible. For example, when membership fees "buy" purchasers the right to purchase products at wholesale, but are not applied to the purchase price of tangible personal property, they are not subject to sales tax. However, when membership fees represent the sale of tangible personal property, they are subject to tax. For example, if a country club charges a member \$100 each month as a "minimum charge" for food services at the club, but the member only consumes \$75 worth of food in a particular month, tax is due on \$75.

e) Accounts Receivable Assigned to a Wholly Owned Subsidiary

With regard to receipts or other consideration received by a seller from the sale, transfer or assignment of accounts receivable to a wholly owned subsidiary, such receipts are not considered to be gross receipts subject to tax until the purchaser makes payment on such accounts.

(Source: Amended at 24 Ill. Reg. 15104, effective October 2, 2000)