



## Illinois Department of Revenue

Legal Services Office 5-500  
101 W. Jefferson St.  
Springfield, IL 62794

### AGENCY ANALYSIS OF ECONOMIC AND BUDGETARY EFFECTS OF PROPOSED RULEMAKING

Agency: Department of Revenue

Part/Title: 86 Ill. Adm. Code 220, Home Rule County Retailers' Occupation Tax, Section 220.115

Illinois Register Citation: 38 Ill. Reg. 6549, March 21, 2014

Fiscal Note: None

Please attempt to provide as dollar-specific responses as possible and feel free to add any relevant narrative explanation.

1. Anticipated effect on State expenditures and revenues.
  - (a) Current cost to the Agency for this program/activity.  
The costs incurred in administering local option sales taxes (legal, audit, enforcement) are part of the Department's overall tax administration and enforcement costs for the State sales tax. The cost to administer the Home Rule County Retailers' Occupation Tax is not broken out separately.
  - (b) If this rulemaking will result in an increase or decrease in cost, specify the fiscal year in which this change will first occur and the dollar amount of the effect.  
No increase or decrease in cost is anticipated as a result of this rulemaking.
  - (c) Indicate the funding source, including Fund and appropriation lines, for this program/activity.  
The funding to administer and enforce the Home Rule County Retailers' Occupation Tax is the General Revenue Fund.
  - (d) If an increase or decrease in the costs of another State agency is anticipated, specify the fiscal year in which this change will first occur and the estimated dollar amount of the effect.  
No increase or decrease in the cost of another State agency is anticipated as a result of this rulemaking.

- (e) Will this rulemaking have any effect on State revenues or expenditures not already indicated above? Specify effects and amounts.

No effects on State revenues or expenditures are anticipated as a result of this rulemaking.

2. Economic effect on persons affected by the rulemaking.

- (a) Indicate the economic effect and specify the persons affected:

Positive X Negative \_\_\_ No effect \_\_\_

Persons affected: Retailers making sales of tangible personal property that are subject to State and local sales taxes; local jurisdictions that impose local option taxes and that receive the local share of the State 6.25% sales tax.

Dollar amount per person: Unknown; effect depends upon the manner in which retailers structure their selling activities and the tax rate in effect where selling occurs. Nonetheless, the establishment of clear sourcing rules will have a positive economic effect on retailers. Sales tax is unique in that it is collected at the time of sale. If assessments are issued because taxes were not properly calculated, retailers are unable to retroactively recoup taxes from their customers. These rules will assist retailers in properly calculating and collecting taxes up front.

Total Statewide cost: This rulemaking affects local taxing jurisdictions only; the total statewide impact is not known, since it depends upon the manner in which retailers structure their selling activities and the tax rate in effect where selling occurs.

- (b) If an economic effect is predicted, please briefly describe how the effect will occur. (Example: Additional continuing education courses will require an expenditure of approximately \$100 per year for course fees by 10,000 licensed professionals.)

This rulemaking provides retailers with clear guidance for use in determining what local tax rate applies to their selling activities, and responds to the uncertainty left after the *Hartney* decision, in which the Illinois Supreme Court invalidated the Department's sourcing rules. This rulemaking will assist retailers in the collection of the correct amount of sales tax from their customers at the time of sale. Similarly, local taxing jurisdictions can more confidently budget based on revenues anticipated from retailers selling within their jurisdictions. The exact economic effect is impossible to predict, since it depends upon the manner in which retailers will structure their selling activities. It is possible that a retailer might modify his or her selling activities in a manner that would cause revenues to shift from one jurisdiction to another. However, we anticipate that the vast majority of selling activities will not be affected (for instance, over-the-counter sales will generally continue to be sourced as before).

- (c) Will the rulemaking have an indirect effect that may result in increased administrative costs? Will there be any change in requirements such as filing, documentation, reporting or completion of forms. Compare to current requirements.

No increased administrative costs from indirect effects are anticipated. Similarly, there will be no change in filing, reporting or document/forms completion. Retailers will continue to report their sales on the same returns.