Illinois Department of Revenue

ST-557 Tax Credit for Uncollectible Debt on Motor Vehicles, Watercraft, Aircraft, Trailers, and Manufactured (Mobile) Homes Instructions

General Information

Who must file Form ST-557?

You should file Form ST-557 if you

- are a registered retailer who files Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases,
- have uncollectible debt on an item that you reported on Form ST-556 or Form ST-556-LSE that you financed, including items you have repossessed, and the uncollectible amounts meet the criteria for filing a claim for uncollectible debt as listed below, and
- want a credit for taxes you paid on the remaining unpaid portion of the finance contract.

Do not file Form ST-557 for amounts of less than $1.

“Vehicles” as used in these instructions include motor vehicles, watercraft, aircraft, trailers, and manufactured (mobile) homes.

Note: If you received a notice from us that your original return is not processable, we cannot process a claim for credit until you respond to the notice. Also, if you are requesting a credit, you will not be able to use it until we notify you that your credit has been approved.

A retailer may claim as a deduction for uncollectible debt only those amounts that meet the following three requirements of 86 Ill. Adm. Code 130.1960:

- The amounts must have been found to be worthless or uncollectible.
- The amounts must have been charged off as bad debt in the retailer’s books and records
- Except for retailers that file their federal income tax return on the cash basis, the amounts must have been deducted pursuant to the Internal Revenue Code on the retailer’s federal income tax return.

Can I take a deduction for uncollectible debt if I use the cash basis accounting method for federal income tax?

Ordinarily, a deduction for uncollectible debts is allowed only for a retailer who uses the gross sales (accrual) method of accounting to keep its books and records and to file its federal income tax and sales and use tax returns. However, in the limited situation in which a cash basis retailer has prepaid the tax, such retailer is allowed to claim a bad debt deduction only if the debt would be eligible to be both charged off as bad debt in the retailer’s books and records and claimed as a deduction pursuant to the Internal Revenue Code if the taxpayer had kept accounts on an accrual basis. Likewise, a retailer who uses the gross sales method for filing their sales tax, but who files their income tax on a cash basis is allowed to claim a bad debt deduction only if the debt is worthless or uncollectible, has been charged off in the retailer's books and records, and would have been eligible to be claimed as a deduction pursuant to the Internal Revenue Code if the income tax return had not been filed on the cash basis by the retailer.

What is the deadline for filing this form?

The limitations period for claiming the credit or refund is the same as the limitations period set forth in Section 6 of the Retailers' Occupation Tax Act for filing a claim for credit, and commences on the date that the receivable had been claimed as a bad debt deduction on the federal income tax return filed by the retailer, regardless of the date on which the sale of the tangible personal property actually occurred. For retailers who file their federal income tax return on the cash basis method, the limitations period for filing a claim for credit commences on the date that the return is filed for the year the receivable became worthless or uncollectible. 86 Ill. Adm. Code 130.1960(d).

Note: For any period included in a claim for credit or refund for which the statute of limitations for issuing a notice of tax liability under the Retailers’ Occupation Tax Act will expire less than six months after the date a taxpayer files the claim for credit or refund, the statute of limitations for issuing a notice of tax liability is automatically extended for six months from the date it would have otherwise expired.

Note: We use the U.S. Postal Service postmark date as the filing date of a properly signed claim form.

What do I do if I have more claims than I can fit on this claim form?

If you have more claims than you can enter on this Form ST-557, you may attach additional claim forms to this claim form and submit them as one.

How do I get forms?

If you need additional forms, visit our website at **tax.illinois.gov**.

How do I get help?

If you need help, call our Taxpayer Assistance Division at 1 800 732-8866, 217 782-3336, or 1 800 544-5304 (TTY). You may also visit our website at tax.illinois.gov or scan the QR code provided. Language assistance services are available upon request and are free of charge.

If you have a specific question about a claim you have already filed, call us at **217 785-6606**.

General Information

Where do I send my completed claim form to?

You can submit your completed claim form by emailing rev.salestaxcorrespondence@illinois.gov. Claim forms submitted through email will receive an auto reply confirmation that their documents were received.

You can also mail your completed claim form to

RETAILERS' OCCUPATION TAX
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19042
SPRINGFIELD IL 62794-9042

Specific Instructions

Step 1: Identify your business, accounting method, and provide the date of your federal return filing

Lines 1 through 4 Provide your name, Illinois Account ID, telephone number, and email address.

Line 5 Check the box that describes the accounting method you used to file your federal income tax return.

Line 6 You must indicate whether you are filing this current claim form to amend a previously filed Form ST-557 and, if applicable, provide the date that you filed the prior Form ST-557.

Line 7 You must provide the date that you filed the federal income tax return or amended return on which this claim for uncollectible debt was claimed as a deduction. Taxpayers who file their federal income tax return on the cash basis must provide the date on which the uncollectible debt would have been claimed as a deduction if the taxpayer had filed its federal income tax return on the accrual basis.

Step 2: Total tax credit for uncollectible debt after retailer's allowance

Line 8 Enter the tax credit after retailer's allowance on the uncollectible debt amount. Use the total of all Line 10 amounts from Form ST-557, Table 1.

Step 3: Sign below

This claim form cannot be processed unless it is signed by the owner, officer, or other person authorized to sign the original return, certifying that you meet the requirements to claim the credit.

Table 1 Complete this table to calculate your tax credit for uncollectible debt. Use the information from your original filed Form ST-556 or ST-556-LSE. Each column represents one tax credit. If additional space is needed, complete and attach additional pages of Form ST-557, Table 1.

Note: When applicable, round to the nearest whole dollar.

Line 1 Enter the return number.

Line 2 Enter the name of the purchaser(s).

Line 3 Enter the Identification number (VIN, HIN, etc.).

Line 4 Enter the date of delivery.

Line 5 Enter the amount of tax paid with your original filed Form ST-556 or ST-556-LSE. Do *not* include any penalty and interest you paid to the Department when you filed the original return.

Line 6a Enter the selling price.

Line 6b Enter the amount of trade-in credit.

Line 6c Enter the amount of any cash down payment, if applicable, you received on the original transaction.

Line 6 Enter the taxable amount that was financed as calculated by subtracting Line 6b and Line 6c from Line 6a.

Line 7 Enter the total amount of the finance contract, including the financed amount, taxes, and interest charges, from the original transaction.

Line 8 Enter the unpaid balance remaining on the finance contract at the time you charged off the uncollectible debt.

Line 9 Divide Line 8 by Line 7; and multiply result by Line 6. This is the uncollected taxable amount calculated from the finance contract.

Line 10a Enter the amount from Line 9. This is the credit base.

Line 10b Enter the tax rate. You must enter the rate as a decimal. For example, 6.25 percent would be entered as ".0625," rather than "6.25%."

Line 10c Enter the tax credit before retailer's allowance on the uncollectible amount by multiplying Line 10a by Line 10b.

Line 10d Check the box to indicate whether you claimed the retailer's allowance on your original filed Form ST-556 or ST-556-LSE. If you claimed the retailer's allowance on your original return, you also must complete Line 10e.

Line 10e If you claimed the retailer's allowance on your original filed Form ST-556 or ST-556-LSE, you must multiply the amount on Line 10c by 1.75% (.0175). This is the retailer's allowance adjustment.

Line 10 Subtract Line 10e from Line 10c. This is your tax credit after retailer's allowance on the uncollectible amount.