

+ CHANGES IN SALES TAX

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|TO:| RETAILERS, FOLLOW THESE PROCEDURES IF...
+---+ SERVICE PERSONS, AND IN REPORTING LUXURY TAX
TAX PRACTITIONERS ON YOUR RETURNS - you sell maintenance agreements and

The purpose of this bulletin is to inform you of changes in the law that affect sales tax.
- On Form ST-1, Sales and Use Tax Return, you should include the federal luxury tax in gross receipts on Line 1.
- you have been charging sales tax (Service Occupation Tax) on these agreements,

YOU MUST FIGURE SALES TAX BEFORE YOU ADD LUXURY TAX
On the ST-1 Worksheet for Line 2, you should report Illinois sales tax on Line 1A as usual. You should report federal luxury tax on Line 16, "Other."
you must no longer collect tax on these agreements. You are no longer required to report and pay this tax to us.

Effective January 1, 1991, the U.S. Congress imposed a federal luxury excise tax on
- furs and jewelry with a selling price of more than \$10,000,
- On Form ST-556, Sales Tax Transaction Return, DO NOT include the federal luxury tax in the amount on Line 1.
Instead, you owe sales tax on your purchase price of parts used in the performance of maintenance agreements. You must pay this tax either

- passenger vehicles with a selling price more than \$30,000,
- boats with a selling price of more than \$100,000, and
- aircraft with a selling price of more than \$250,000.
EXTENDED WARRANTY CONTRACTS ARE NOT TAXABLE IN ILLINOIS
Effective January 1, 1991, sales tax (Service Occupation Tax) is no longer imposed on 50 percent of the selling price of maintenance agreements (also known as extended warranty contracts).
- to your supplier at the time of purchase or

- to us as use tax if your supplier is not registered to collect sales tax from you; or if you use a part from your tax-free inventory of parts purchased for resale.

You must figure Illinois sales tax on these items based upon your gross receipts EXCLUDING the federal luxury tax.
Sales tax continues to be due on receipts received on or after January 1, 1991, from maintenance agreements sold in 1990.

For further information about the federal luxury excise tax, see the IRS bulletin, dated January 1991, which explains this tax.

PRINTERS AND OTHERS
ENGAGED IN GRAPHIC ARTS
PRODUCTION HAVE NEW
REGISTRATION STANDARDS

Illinois servicepersons
have been required to
register with us and
collect and pay sales
tax (Service Occupation
Tax) if the average
annual costs of their
materials are equal to
or greater than 35
percent of the average
annual gross receipts
(the amount charged for
materials and service).

A change in the law
effective November 1,
1990, has reset this
threshold from 35 to 75
percent for printers
and other servicepersons
engaged in graphic arts
production.

Out-of-state
servicepersons engaged
in printing and
graphics arts
production who are
required to be
registered to collect
Service Use Tax on
sales to Illinois
customers should
continue to collect and
pay us tax on such
transactions at the
rate of 6.25 percent,
either

- on the separately
stated selling price
of materials apart
from labor or
- on 50 percent of the
total selling price.

However it is computed,
the tax cannot be
charged on an amount
less than the actual
cost of the materials
to the business
collecting the tax.

Illinoisans who
purchase graphics arts
services from out-of-
state servicepersons
who do not collect
sales or use tax owe
Service Use Tax to us
at the rate of 6.25
percent, either

- on the separately
stated selling price
of materials apart
from labor or
- on 50 percent of the
total selling price.

EARLIER BULLETINS HAVE
DISCUSSED THE FOLLOWING
TOPICS:

- Change in the
Threshold for Figuring
Sales Tax on
Prescription Drugs,
FY90-17
- Formula for Figuring
Your New Gasohol
Exemption, FY90-19
- Change in the Motor
Fuel Use Tax Rate,
FY91-1
- Resellers of
Telecommunications
Must Now Pay
Telecommunications Tax,
FY91-3

- Changes in Home Rule
Sales Tax for
Multiple-Site Filers,
FY91-38
- Use of Illinois
Business Tax (IBT)
Numbers, FY91-39
- Changes in the Motor
Fuel Use Tax Rate and
the Filing Period for
Annual Filers,
FY91-43

QUESTIONS?

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

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FOR INFORMATION CALL: 1 800 732-8866 or
1 217 782-3336
WRITE: Illinois Department of Revenue
101 W. Jefferson St., P.O. Box 19044

Springfield, IL 62794-9044
