



Transaction Return Changes

Informational Bulletin

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Director of Revenue

For information or forms...

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To:

- 1) Retailers who file Form ST-556, Sales Tax Transaction Return, and
- 2) Individuals who file Form RUT-25, Use Tax Transaction Return, or RUT-50, Vehicle Use Tax Transaction Return

This bulletin addresses the Commercial Distribution Fee sales tax exemption and changes to the Rolling Stock Exemption.

"Commercial Distribution Fee (CDF)" Sales Tax Exemption

Beginning July 1, 2003, certain second division motor vehicle and trailer purchases are exempt from sales tax if the Commercial Distribution Fee administered by the Secretary of State is paid.

This new tax exemption is called the Commercial Distribution Fee (CDF) sales tax exemption.

Which purchases qualify for the CDF sales tax exemption?

A purchase qualifies for the CDF sales tax exemption if

- ◆ it is a second division motor vehicle or trailer with a gross vehicle weight of more than 8,000 pounds; **and**
- ◆ the Commercial Distribution Fee administered by the Illinois Secretary of State is paid because the purchaser will pay either the
 - flat weight tax for a bus, truck, or truck tractor under Section 3-815(a) of the Illinois Vehicle Code; or
 - mileage weight option tax for a bus, truck, truck tractor, or trailer under Section 3-818(a) of the Illinois Vehicle Code.

Note: To help you identify which second division motor vehicles and trailers qualify, the flat weight class schedule and mileage weight option class

schedule by gross weight and class are listed on Page 2 of this bulletin.

Must a purchaser who receives the CDF sales tax exemption continue to pay the Commercial Distribution Fee to continue to qualify for the CDF sales tax exemption?

Yes. The purchaser must continue to pay the Commercial Distribution Fee in subsequent years. Otherwise, the vehicle no longer qualifies for the CDF sales tax exemption and Illinois Use Tax is due on the purchase price.

Does the CDF sales tax exemption also apply to repair and replacement parts?

No. Purchases of repair and replacement parts **do not** qualify for the CDF sales tax exemption. However, these purchases may qualify for the "rolling stock" exemption, which is also addressed in this bulletin.

How is the CDF sales tax exemption reported and documented?

The CDF sales tax exemption is reported on one of the following forms:

- ◆ Form ST-556, Sales Tax Transaction Return (registered dealers only);
- ◆ Form RUT-25, Use Tax Transaction Return (for purchases made from out-of-state dealers or retailers); or
- ◆ Form RUT-50, Vehicle Use Tax Transaction Return (for purchases made between individuals).

We are currently revising these forms to include the CDF sales tax exemp-

tion. Until these new forms are available, you must follow the procedure below that corresponds with the form you are filing.

Note: We will consider your return unprocessable and will issue a notice if you do not follow these procedures.

◆ **Form ST-556 filers**

- Have your customer complete Form CDF-7, Commercial Distribution Fee (CDF) Sales Tax Exemption Certification, and keep a copy of this form in your records.
- When you complete Form ST-556, you **must**
 - 1 check Part 5, Box G, “Other,” and write “CDF sales tax exemption” on the line provided; and
 - 2 complete Part 6, Lines 1 and 2.

◆ **Form RUT-25 filers**

- When you complete Form RUT-25, you **must**
- 1 check the box in Section D, Line 3, “The item is used as rolling stock.”; and write “CDF sales tax exemption” on the line provided for the Certificate of Authority number; and
 - 2 complete Section E, Lines 1 and 2.

◆ **Form RUT-50 filers**

- When you complete Form RUT-50, you **must**
- 1 write the purchase price or fair market value in Step 3, Line 11; and
 - 2 check the box in Step 4, Line c, “the vehicle is used for rolling stock.”; and write “CDF sales tax exemption” on the line provided for the Certificate of Authority number.

Section 815(a) Bus, Truck or Truck Tractor Flat Weight Class Schedule		Section 818(a) Bus, Truck or Truck Tractor Mileage Weight Option Class Schedule	
Gross weight in pounds, including vehicle and maximum load	Class	Gross weight in pounds, including vehicle and maximum load	Class
8,000 or less*	B	12,000 or less **	MD
8,001 - 12,000	D	12,001 - 16,000	MF
12,001 - 16,000	F	16,001 - 20,000	MG
16,001 - 26,000	H	20,001 - 24,000	MH
26,001 - 28,000	J	24,001 - 28,000	MJ
28,001 - 32,000	K	28,001 - 32,000	MK
32,001 - 36,000	L	32,001 - 36,000	ML
36,001 - 40,000	N	36,001 - 40,000	MN
40,001 - 45,000	P	40,001 - 45,000	MP
45,001 - 50,000	Q	45,001 - 54,999	MR
50,001 - 54,999	R	55,000 - 59,500	MS
55,000 - 59,500	S	59,501 - 64,000	MT
59,501 - 64,000	T	64,001 - 73,280	MV
64,001 - 73,280	V	73,281 - 77,000	MX
73,281 - 77,000	X	77,001 - 80,000	MZ
77,001 - 80,000	Z		
*Does not qualify for the CDF sales tax exemption, may qualify for the rolling stock exemption		Section 818(a) Trailer Mileage Weight Option Class Schedule	
		Gross weight in pounds, including vehicle and maximum load	Class
		14,000 or less**	ME
		14,001 - 20,000	MF
		20,001 - 36,000	ML
		36,001 - 40,000	MM
		**Must weigh more than 8,000 pounds to qualify for CDF sales tax exemption	

Rolling Stock Exemption Changes

Beginning July 1, 2003, motor vehicles and trailers must meet new requirements to qualify for the rolling stock exemption. These same new requirements apply to purchases of repair and replacement parts added after the initial purchase of a motor vehicle or trailer.

Note: The rolling stock exemption requirements for purchases of aircraft, watercraft, and rail carrier items (and any subsequent repair and replacement parts) have **not** changed.

Motor vehicles

How is “motor vehicle” defined?

For purposes of the rolling stock exemption, “motor vehicle” is defined in Section 1-146 of the Illinois Vehicle Code.

How is “rolling stock” defined?

For purposes of this bulletin, “rolling stock” includes a motor vehicle of an interstate transportation carrier **for hire**. The term does **not** include motor vehicles that a company uses to transport its own people or its own goods that it is selling or delivering, even if the motor vehicle crosses state lines.

What are the new requirements that must be met for purchases of motor vehicles to qualify for the rolling stock exemption?

To qualify for the rolling stock exemption, at least 51 percent of a motor vehicle’s total trips in each consecutive 12-month period **must**

- ◆ carry persons or property for hire; **and**
- ◆ either cross the Illinois border or occur outside Illinois.

This change especially affects motor vehicles that generally carry persons or property in interstate commerce for hire just between points in Illinois. Purchases of motor vehicles that will be used to carry persons or property for hire but that seldom or never leave Illinois no longer qualify for the rolling stock exemption.

The situations described below are examples of trips that no longer qualify.

- ◆ A truck is hired to deliver grain to a barge docked on the Illinois side of the Ohio River.
- ◆ A taxicab picks up passengers arriving from Florida at a terminal at O’Hare International Airport in Chicago and delivers them to their final destination in Chicago, Illinois.
- ◆ A truck picks up goods as part of the second leg of a journey in the Quad Cities and delivers them to another carrier for hire in Danville, Illinois.

Do the new rolling stock qualifications for motor vehicles also apply to repair and replacement parts?

Yes.

Note: Although qualifying purchases of second division motor vehicles may be exempt from tax under the “CDF sales tax exemption” explained earlier in this bulletin, these motor vehicles must meet the rolling stock exemption qualifications for purchases of repair and replacement parts to be exempt from tax.

When does the 12-month period for a motor vehicle begin?

The first 12-month qualifying period for the use of a motor vehicle begins on the date of registration or titling with an Illinois agency, whichever occurs later. The motor vehicle must continue to be used in a qualifying manner for each consecutive 12-month period.

How are trips counted?

All trips during the 12-month period, including intrastate trips or those that were not for hire, must be documented. At least 51 percent of the total trips **must** be for hire and either cross the Illinois border or occur outside Illinois for the motor vehicle to qualify for the rolling stock exemption. Although the motor vehicle may be moving persons or property in interstate commerce for hire, trips that are only between points in Illinois do not count as interstate trips. But, these trips must be included in the total number of trips taken.

For example, a company hires an interstate carrier trucking company to transport and deliver its property.

The truck leaves Springfield, Illinois, and makes its first delivery in Decatur, Illinois. The truck then continues to Indianapolis, Indiana, where it stops for another delivery. Finally, the truck delivers the remainder of the load in Gary, Indiana.

In Gary, Indiana, the truck is again hired to deliver goods in interstate commerce. The truck makes its only delivery in Springfield, Illinois.

In this example, if these were the only trips that the truck made in the 12-month period, the truck qualifies for the rolling stock exemption. The truck made 4 trips — one intrastate trip (*i.e.*, Springfield, Illinois to Decatur, Illinois); and three that were interstate trips (*i.e.*, Decatur, Illinois, to Indianapolis, Indiana; Indianapolis, Indiana, to Gary, Indiana; and Gary Indiana, to Springfield, Illinois). Since 75 percent of the total trips meet

the rolling stock requirements, the original motor vehicle purchase, along with any repair and replacement parts needed during that 12-month period, are exempt from tax.

Trailers

What are the new requirements that must be met for purchases of trailers to qualify for the rolling stock exemption?

For the purchase to qualify for the rolling stock exemption, the trailer **must** be used by an interstate carrier for hire to carry property in interstate commerce on a regular and frequent basis.

How is “trailer” defined?

For purposes of the rolling stock exemption, “trailer” is defined in Section 1-209 of the Illinois Vehicle Code.

Are trailers required to cross the Illinois border to qualify for the rolling stock exemption?

No. Although the trailer does not have to cross the Illinois border, it must be used by an interstate carrier for hire to carry property in interstate commerce on a regular and frequent basis and the shipment must begin or end outside Illinois on another carrier. The rolling stock exemption does not apply if the interstate carrier uses the trailer solely between points in Illinois where the shipment does not begin or end outside Illinois.

Also, trailers do **not** need to meet the “51 percent test” explained earlier in this bulletin.

Do the new rolling stock qualifications for trailers also apply to repair and replacement parts?

Yes.

Registered dealers

How do I document the rolling stock exemption?

The rolling stock exemption is certified on Form RUT-7, Rolling Stock Certification. We are currently revising this form to accommodate the new rolling stock qualifications for motor vehicles and trailers. Keep this form in your records to support the rolling stock exemption.

Retailers' CDF and Rolling Stock Exemption Summary

CDF sales tax exemption

(second division motor vehicle and trailer purchases only; repair and replacement parts must meet criteria for rolling stock exemption)

Note: All of the qualifications listed below must be met to receive the exemption.

- The second division motor vehicle's or trailer's gross vehicle weight must be more than 8,000 pounds.
- The purchaser must pay the Commercial Distribution Fee administered by the Illinois Secretary of State because the purchaser will pay either the
 - flat weight tax for a bus, truck, or truck tractor (Section 815(a) of the Illinois Vehicle Code), or
 - mileage weight option tax for a bus, truck, truck tractor, or trailer (Section 818(a) of the Illinois Vehicle Code).

Rolling stock exemption

(purchases of motor vehicles and trailers if the CDF sales tax exemption does not apply; and purchases of repair and replacement parts)

First and second division motor vehicles

- At least 51 percent of a motor vehicle's total trips in each consecutive 12-month period must
 - carry persons or property for hire; **and**
 - either cross the Illinois border or occur outside Illinois.

Trailer

- The trailer is used by an interstate carrier for hire to carry property in interstate commerce on a regular and frequent basis.

Aircraft, watercraft, rail carrier items

- The aircraft, watercraft, or rail carrier item is used by an interstate carrier for hire to carry persons or commodities in interstate commerce on a regular and frequent basis.