

When an item of tangible personal property is sold at retail and includes a core charge, the full retail selling price of the item, including the core charge, is subject to Retailers' Occupation Tax liability. See 86 Ill. Adm. Code 130.425. (This is a GIL.)

April 28, 2010

Dear Xxxxx:

This letter is in response to your letter dated April 6, 2010, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

The purpose of this letter is to request a ruling from the Illinois Dept of Revenue concerning the taxability of core charges. As a large retailer of automotive parts and accessories, it is imperative that we clarify the sales tax implications concerning retail sales, refunds and exchanges of core charges. Attached is a list of products that have core charges associated with them. In researching this issue, we have discovered that the laws vary state by state. Our questions are as follows:

1. Are core charges subject to sales tax? If so, does this apply to all cores or are some exempt? For example, in some states we have found that only battery cores are taxable while all others are exempt.

The following questions apply only if cores are taxable:

2. In the event of a full refund of a part and its related core charge (i.e., and [sic] undamaged return), is the sales tax refunded on the core charge?
3. In the event of a partial refund of a part (i.e., a prorated battery or damaged return) and its related core charge, is the sales tax refunded on the core charge?
4. In the event of a core charge refund only, is the sales tax refunded? For example, if a customer neglects to bring a core in when purchasing a part but brings it in at a later date and is then refunded for his core, is the sales tax refunded?

5. In the event of a core exchange, is sales tax refunded on the returned core? For example, if a customer purchases an alternator for \$50 plus \$15 core charge and returns a core and receives a \$15 credit, is the taxable amount \$65 (i.e., \$50+15) or \$50 (i.e., \$50+15-\$15).

It would be most beneficial to COMPANY if you would respond in writing on these sales tax issues regarding core charges as it is our intent to comply fully with the law while providing excellent customer service. Please include a copy of the law or regulation # associated with your response.

Your prompt attention to this matter is appreciated.

#### **DEPARTMENT'S RESPONSE:**

In Illinois, the gross receipts received from a retail sale are subject to Retailers' Occupation Tax. Gross receipts are defined as all the consideration actually received by the seller, except traded-in tangible personal property. See 86 Ill. Adm. Code 130.401 and 130.425.

When an item of tangible personal property is sold at retail and includes a core fee, the full retail selling price of the item, including the core fee, is subject to Retailers' Occupation Tax liability. The fact that part of the gross receipts from the sale of an item of tangible personal property is labeled a "core charge" does not change the taxable nature of the transaction. A core charge is merely considered part of the charge for the sale of the new part and is always taxable. For example, if the retailer charged a customer \$50 plus a \$15 core charge for an alternator, the gross receipts from the sale of that alternator would be \$65. See 86 Ill. Adm. Code 130.425(i). The application of Section 130.425(i) applies to all sales of tangible personal property when cores are involved. If a core is returned by a purchaser at a later date for a refund of the core charge, the entire amount of the core charge should be refunded along with any tax paid by the purchaser. See 86 Ill. Adm. Code 130.425(i).

If the item is returned for a refund and the entire selling price is returned to the customer, including the core charge, the retailer should refund all of the sales tax to the customer. See 86 Ill. Adm. Code 130.401(b). If a partial refund is provided (such as for a prorated battery or damaged return) the amount of tax relating to the partial refund amount should be refunded to the purchaser.

Please note that the tax consequences are different if the customer provided the "core" to the retailer at the time of purchase. In that situation, the core would be considered to be a like kind trade-in and no core charge would be made. Using the same example, the \$65 in gross receipts from the sale of the alternator would be reduced by \$15 (the value of like kind trade-in) and the taxable amount would only be \$50.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

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