

Compliance Alert - Improper Reporting of Grocery Tax Suspension Sales on Form ST-1



September 2022

Compliance Problem

Some retailers are not properly reporting their receipts for sales that qualify for the suspension of the low rate (1%) of state sales and use tax on retail sales of groceries. The Illinois Department of Revenue (IDOR) is noticing the following common, significant errors that need to be corrected immediately:

- Retailers are excluding sales of groceries from their gross receipts reported on Line 1 of Form ST-1, rather than including those receipts and then claiming credit for their retail sales of groceries on Schedule GT.
- Retailers are including sales of groceries in their taxable receipts on Form ST-1 but then deducting the entirety of those receipts on Line 16 of Schedule A on Form ST-1, rather than claiming credit for their retail sales of groceries on Schedule GT.
- Retailers that sell both groceries and other low-rate items, such as medicine and medical appliances, are claiming credit on Schedule GT for retail sales of all low-rate items, which means these retailers are erroneously claiming credit for non-qualifying low-rate items.

Furthermore, consumers are reporting to IDOR that some retailers are erroneously collecting tax on retail sales of groceries.

Solution

Retailers must include on Lines 4a, 5a, 6a, 7a, 12a, and 13a of Form ST-1 all receipts from sales of grocery tax suspension items (as well as items that qualify for the back-to-school sales tax holiday, effective August 5, 2022, through August 14, 2022), and retailers must report the tax that would have been owed on these items on Form ST-1, Lines 4b, 5b, 6b, 7b, 12b, and 13b. Retailers then must complete Schedule GT and submit it with Form ST-1 to calculate and claim credit on Line 23 of Form ST-1 against the tax reported on Lines 4b, 5b, 6b, 7b, 12b, and 13b on these items. Do *not* exclude your receipts from sales of grocery tax suspension items (or from sales of back-to-school sales tax holiday items) from the amounts reported on Line 1 of Form ST-1 or attempt to deduct these on Line 16 of Schedule A of Form ST-1.

Schedule GT is used only for sales that qualify for the suspension of the low rate (1%) of state sales and use tax on retail sales of groceries (and also for sales of items that qualify for the back-to-school state sales tax holiday). Only use Lines 6a, 7a, and 8a of Schedule GT to report retail sales of grocery items. Do not include retail sales of other low-rate items, such as medicine and medical appliances, on these lines. Sales of these other low-rate items are still taxable during the grocery tax suspension period. Groceries taxed at the low rate include food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, food consisting of or infused with adult use cannabis, soft drinks, candy, and food that has been prepared for immediate consumption). See the [Instructions to Form ST-1](#) and the [Instructions to Schedule GT](#).

A retailer that erroneously collects excess tax on retail sales must remit this overcollected tax to IDOR unless the retailer refunds the tax to the customers from whom it was collected. You must include any excess grocery tax you collected and did not refund in your gross receipts on Line 1 of Form ST-1 and Form ST-1, Lines 5a, 7a, and 13a. You also must include these excess grocery receipts in your figures for Schedule GT, Lines 6, 7, and 8, and you must report any amounts of excess tax that were actually collected and not refunded on Line 22 of Form ST-1.

Retailers should review their sales and filing records to ensure they are meeting their tax collection, remittance, and reporting requirements. Retailers that do not comply with the proper tax collection and remittance requirements may face additional penalties and interest.

Retailers that are not collecting and filing properly must correct their actions immediately.

For any return previously filed incorrectly, an amended return must be filed to correct any errors and discrepancies. You must file Form ST-1-X, Amended Sales and Use Tax and E911 Surcharge Return, including Schedule GT-X, Amended Sales and Use Tax Holiday and Grocery Tax Suspension Schedule, even if no additional tax is due. You can find information on filing amended returns on our website at tax.illinois.gov. If you file Form ST-1 using MyTax Illinois, amend your return using MyTax Illinois. Retailers that file electronically outside of MyTax Illinois using third-party software vendors may resubmit an original Form ST-1 and Schedule GT electronically, rather than send paper amended forms. If choosing this option, you must then notify us by email at REV.ST-1Amended@illinois.gov that the corrected return has been submitted. Include in your email the business name, Account ID number, and the reporting period of the resubmitted electronic Form ST-1. You also must include a statement indicating that you intend for IDOR to treat the resubmitted Form ST-1 and any supporting schedules as amendments to your original return, and we ask that you provide us with the best email and phone number for IDOR to contact you should we have any questions.

It is critical that retailers properly report their receipts on sales of groceries and on items that qualify for the back-to-school state sales tax holiday to ensure two results:

- Retailers that are entitled to claim the retailers' discount on Form ST-1 for timely filing their return and paying the tax due will be able to claim the full amount of that discount by completing Form ST-1 and Schedule GT as directed.
- Illinois local governments will continue to receive their share of revenues from these sales.

Note that some of the above described reporting errors also could impact the reporting of sales of items that qualify for the back-to-school state sales tax holiday, effective August 5, 2022, through August 14, 2022.

Questions

See the following resources if you have questions about the suspension of the low rate of state sales and use tax on retail sales of groceries or about the back-to-school state sales tax holiday:

- [FY 2022-23, Grocery Tax Suspension from July 1, 2022, through June 30, 2023](#)
- [PIO-115, Illinois Grocery Tax Suspension Information](#)
- [FY 2022-24, Back-to-School State Sales Tax Holiday August 5, 2022, through August 14, 2022](#)

You can also email us at REV.TA-Sales@illinois.gov or call us at **1 800 732-8866** or **217 782-3336**, or call our TDD-telecommunications device for the deaf at **1 800 544-5304**.

IDOR is developing additional guidance related to the suspension of the low rate of state sales and use tax on retail sales of groceries and the back-to-school state sales tax holiday. We encourage you to check our website at tax.illinois.gov to review this information as it is developed.



Illinois Department of Revenue

Examples of Correct Filing on Form ST-1 and Schedule GT for Grocery Tax Suspension and Back-to-School State Sales Tax Holiday Returns

[Compliance Alert \(C.A. 2023-01\), Improper Reporting of Grocery Tax Suspension Sales on Form ST-1](#), addresses a compliance problem related to retailers not properly reporting their receipts for sales that qualify for the suspension of the low rate (1%) of state sales and use tax on retail sales of groceries. These examples are designed to help retailers correctly report their sales of low-rate items on both qualifying and non-qualifying purchases for the grocery tax suspension and also the back-to-school state sales tax holiday.

If you have additional questions, you can email us at REV.TA-Sales@illinois.gov or call us at 1 800 732-8866 or 217 782-3336, or call our TDD-telecommunications device for the deaf at 1 800 544-5304.

See the [Instructions to Form ST-1](#) and the [Instructions to Schedule GT](#) for additional filing guidance. Also see [FY 2022-23, Grocery Tax Suspension from July 1, 2022, through June 30, 2023, PIO-115, Illinois Grocery Tax Suspension Information](#), and [FY 2022-24 Back-to-School State Sales Tax Holiday August 5, 2022, through August 14, 2022](#) for more information.

Grocery Tax Suspension Examples	Line-by-Line
<p>Example 1: Business Location with 1% State Tax on Grocery Items</p> <ul style="list-style-type: none"> • Albers, Illinois (Clinton County) • Total qualifying food and drugs rate of 1.00% State Tax • Sold \$10,000 worth of low-rate grocery items that qualify for the 1.00% State Tax suspension • Sold \$5,000 worth of low-rate drugs and medical appliances not qualified for the grocery tax suspension • No general merchandise sales 	<ul style="list-style-type: none"> • ST-1 Line 5a, Food, drugs and medical appliances: 5a. $\\$15,000 \times .01 =$ 5b. $\\$150$ Note: <i>Include both the qualifying and non-qualifying low-rate receipts.</i> • ST-1 Line 10, Retailer's Discount: 10. $\\$150 \times .0175 =$ $\\$3$ • ST-1 Line 11, Net tax due on receipts: 11. $\\$150 - \\$3 =$ $\\$147$ • ST-1 Line 20, Net tax due: 20. $=$ $\\$147$ Note: <i>Assuming no other additions or subtractions are reported, enter this amount on Line 1 of Schedule GT.</i> • Schedule GT Line 6a, Qualifying food reported on Line 5a of Form ST-1: 6a. $\\$10,000 \times .01 =$ 6b. $\\$100$ Note: <i>Only include low-rate grocery items that qualify for the grocery tax suspension.</i> • Schedule GT Line 9, Amount of your credit for qualifying food: 9. $=$ $\\$100$ • Schedule GT Line 10, Total credit for tax holiday items and qualifying food: 10. $=$ $\\$100$ • Schedule GT Line 11, Subtract Line 10 from Line 1 of Schedule GT: 11. $\\$147 - \\$100 =$ $\\$47$ Note: <i>Enter this amount, added to the amounts from Form ST-1, Lines 21 and 22, on Line 23 of Form ST-1.</i>

Grocery Tax Suspension Examples	Line-by-Line
<p>Example 2: Business Location With Additional Local Taxes on Grocery Items</p> <ul style="list-style-type: none"> • Chicago, Illinois (Cook County) • Total qualifying food and drugs rate of 2.25% consisting of: <ul style="list-style-type: none"> <input type="checkbox"/> 1.25% Regional Transportation Authority Tax <input type="checkbox"/> 1.00% State Tax • Sold \$10,000 worth of low-rate grocery items that qualify for the 1.00% State Tax suspension • Sold \$5,000 worth of low-rate drugs and medical appliances not qualified for the grocery tax suspension • No general merchandise sales 	<ul style="list-style-type: none"> • ST-1 Line 5a, Food, drugs and medical appliances: 5a. $\\$15,000 \times .0225 =$ 5b. $\\$338$ Note: <i>Include both the qualifying and non-qualifying low-rate receipts.</i> • ST-1 Line 10, Retailer's Discount: 10. $\\$338 \times .0175 =$ \$6 • ST-1 Line 11, Net tax due on receipts: 11. $\\$338 - \\$6 =$ $\\$332$ • ST-1 Line 20, Net tax due: 20. $=$ $\\$332$ Note: <i>Assuming no other additions or subtractions are reported, enter this amount on Line 1 of Schedule GT.</i> • Schedule GT Line 6a, Qualifying food reported on Line 5a of Form ST-1: 6a. $\\$10,000 \times .01 =$ 6b. $\\$100$ Note: <i>Only include low-rate grocery items that qualify for the grocery tax suspension.</i> • Schedule GT Line 9, Amount of your credit for qualifying food: 9. $=$ $\\$100$ • Schedule GT Line 10, Total credit for tax holiday items and qualifying food: 10. $=$ $\\$100$ • Schedule GT Line 11, Subtract Line 10 from Line 1 of Schedule GT: 11. $\\$332 - \\$100 =$ $\\$232$. Note: <i>Enter this amount, added to the amounts from Form ST-1, Lines 21 and 22, on Line 23 of Form ST-1.</i>
<p>Back-to-School State Sales Tax Holiday Example</p>	<p>Line-by-Line</p>
<p>Example 3: Business Location With Additional Local Taxes on General Merchandise</p> <ul style="list-style-type: none"> • Lebanon, Illinois (St. Clair County) • General merchandise rate of 7.85% consisting of <ul style="list-style-type: none"> <input type="checkbox"/> 0.25% County Flood Prevention Tax <input type="checkbox"/> 0.75% Metro East Mass Transit District Tax <input type="checkbox"/> 0.10% Metro East Park and Recreation District Tax <input type="checkbox"/> 0.50% Non-Home Rule Municipal Tax <input type="checkbox"/> 6.25% State Tax • The general merchandise tax due during the back-to-school state sales tax holiday period was 2.85%, consisting of: <ul style="list-style-type: none"> <input type="checkbox"/> the total rate of 7.85% minus the suspended State Tax of 5.00% • Sold \$10,000 worth of qualifying back-to-school state sales tax holiday items • Sold \$5,000 worth of general merchandise items that do not qualify for the back-to-school state sales tax holiday • No low-rate food sales 	<ul style="list-style-type: none"> • ST-1 Line 4a, General Merchandise: 4a. $\\$15,000 \times .0785 =$ 4b. $\\$1,178$ Note: <i>Include both the qualifying and non-qualifying receipts.</i> • ST-1 Line 10, Retailer's Discount: 10. $\\$1,178 \times .0175 =$ $\\$21$ • ST-1 Line 11, Net tax due on receipts: 11. $\\$1,178 - \\$21 =$ $\\$1,157$ • ST-1 Line 20, Net tax due: 20. $=$ $\\$1,157$ Note: <i>Assuming no other additions or subtractions are reported, enter this amount on Line 1 of Schedule GT.</i> • Schedule GT Line 2a, Qualifying tax holiday items reported on Line 4a of Form ST-1: 2a. $\\$10,000 \times .05 =$ 2b. $\\$500$ • Schedule GT Line 5, Amount of your credit for tax holiday items: 5. $=$ $\\$500$ • Schedule GT Line 10, Total credit for tax holiday items and qualifying food: 10. $=$ $\\$500$ • Schedule GT Line 11, Subtract Line 10 from Line 1 of Schedule GT: 11. $\\$1,157 - \\$500 =$ $\\$657$ Note: <i>Enter this amount, added to the amounts from Form ST-1, Lines 21 and 22, on Line 23 of Form ST-1.</i>

Grocery Tax Suspension and Back-to-School State Sales Tax Holiday Example	Line-by-Line
<p>Example 4:</p> <ul style="list-style-type: none"> • Cicero, Illinois (Cook County) • Total qualifying food and drugs rate of 2.25% consisting of: <ul style="list-style-type: none"> <input type="checkbox"/> 1.25% Regional Transportation Authority Tax <input type="checkbox"/> 1.00% State Tax • General merchandise rate of 10.75% consisting of <ul style="list-style-type: none"> <input type="checkbox"/> 1.75% County Home Rule Tax <input type="checkbox"/> 1.75% Home Rule Tax <input type="checkbox"/> 1.00% RTA Tax <input type="checkbox"/> 6.25% State Tax • The general merchandise tax due during the back-to-school state sales tax holiday period was 5.75%, consisting of: <ul style="list-style-type: none"> <input type="checkbox"/> the total rate of 10.75% minus the suspended State Tax of 5.00% • Sold \$12,000 worth of qualifying back-to-school state sales tax holiday items • Sold \$6,000 worth of general merchandise items that do not qualify for the back-to-school state sales tax holiday • Sold \$10,000 worth of low-rate grocery items that qualify for the 1.00% State Tax suspension • Sold \$5,000 worth of low-rate drugs and medical appliances not qualified for the grocery tax suspension 	<ul style="list-style-type: none"> • ST-1 Line 4a, General Merchandise: 4a. $\\$18,000 \times .1075 =$ 4b. $\\$1,935$ Note: <i>Include both the qualifying and non-qualifying receipts.</i> • ST-1 Line 5a, Food, drugs and medical appliances: 5a. $\\$15,000 \times .0225 =$ 5b. $\\$338$ Note: <i>Include both the qualifying and non-qualifying low-rate receipts.</i> • ST-1 Line 9, Tax due on receipts: 9. = $\\$2,273$ • ST-1 Line 10, Retailer's Discount: 10. $\\$2,273 \times .0175 =$ $\\$40$ • ST-1 Line 11, Net tax due on receipts: 11. $\\$2,273 - \\$40 =$ $\\$2,233$ • ST-1 Line 20, Net tax due: 20. = $\\$2,233$ Note: <i>Assuming no other additions or subtractions are reported, enter this amount on Line 1 of Schedule GT.</i> • Schedule GT Line 2a, Qualifying tax holiday items reported on Line 4a of Form ST-1: 2a. $\\$12,000 \times .05 =$ 2b. $\\$600$ • Schedule GT Line 5, Amount of your credit for tax holiday items: 5. = $\\$600$ • Schedule GT Line 6a, Qualifying food reported on Line 5a of Form ST-1: 6a. $\\$10,000 \times .01 =$ 6b. $\\$100$ • Schedule GT Line 9, Total credit for qualifying food: 9. = $\\$100$ • Schedule GT Line 10, Total credit for tax holiday items and qualifying food: 10. = $\\$700$ • Schedule GT Line 11, Subtract Line 10 from Line 1 of Schedule GT: 11. $\\$2,233 - \\$700 =$ $\\$1,533$ Note: <i>Enter this amount, added to the amounts from Form ST-1, Lines 21 and 22, on Line 23 of Form ST-1.</i>
<p>Overcollection of Tax Example</p>	<p>Line-by-Line</p>
<p>Example 5:</p> <ul style="list-style-type: none"> • Chicago, Illinois (Cook County) • Total qualifying food and drugs rate of 2.25% consisting of: <ul style="list-style-type: none"> <input type="checkbox"/> 1.25% Regional Transportation Authority Tax <input type="checkbox"/> 1.00% State Tax • Sold \$15,000 worth of low-rate grocery items that qualify for the 1.00% State Tax suspension but erroneously collected the tax on those items from their customers • Refunded the tax on \$5,000 worth of low rate grocery items to a portion of the affected customers • No general merchandise sales 	<ul style="list-style-type: none"> • ST-1 Line 5a, Food, drugs and medical appliances: 5a. $\\$15,000 \times .0225 =$ 5b. $\\$338$ • ST-1 Line 10, Retailer's Discount: 10. $\\$338 \times .0175 =$ $\\$6$ • ST-1 Line 11, Net tax due on receipts: 11. $\\$338 - \\$6 =$ $\\$332$ • ST-1 Line 20, Net tax due: 20. = $\\$332$ Note: <i>Assuming no other additions or subtractions are reported, enter this amount on Line 1 of Schedule GT.</i> • Schedule GT Line 6a, Qualifying food reported on Line 5a of Form ST-1: 6a. $\\$15,000 \times .01 =$ 6b. $\\$150$ • Schedule GT Line 9, Amount of your credit for qualifying food: 9. = $\\$150$ • Schedule GT Line 10, Total credit for tax holiday items and qualifying food: 10. = $\\$150$ • Schedule GT Line 11, Subtract Line 10 from Line 1 of Schedule GT: 11. $\\$332 - \\$150 =$ $\\$182$ Note: <i>Enter this amount, added to the amounts from Form ST-1, Lines 21 and 22, on Line 23 of Form ST-1.</i> • ST-1 Line 22 Excess tax: 22. $\\$10,000 \times .01 =$ $\\$100$ • ST-1 Line 23 Total tax due: 23. = $\\$282$