



**ST-9**  
**A Guide for**  
**Reporting Sales Using**  
**Form ST-556,**  
**Sales Tax Transaction Return**



# Preface

The information in this guide will help you, as a retailer, to determine whether the receipts from your sales are subject to Illinois sales tax. This guide will also help you to document and report properly both taxable and exempt sales.

The sales discussed in this guide are sales of items that are required to be titled or registered by an agency of Illinois state government (e.g., vehicles, watercraft, aircraft, trailers, and manufactured (mobile) homes) and reported on Form ST-556, Sales Tax Transaction Return.

This guide is arranged in a question-and-answer format by topic. You may find that some of the material is discussed in more than one section, depending upon how it relates to each question.

If you are unsure whether a sale is subject to tax and you cannot find the answer in this guide, contact the Illinois Department of Revenue using the information under “How do I get help?” on Page 12.

If you have other topics that you would like to see addressed in future updates of this guide, please email:

[Rev.TA-Sales@illinois.gov](mailto:Rev.TA-Sales@illinois.gov)

The information in this guide is derived from the Retailers' Occupation Tax Act and related tax acts, the rules and regulations of the Illinois Department of Revenue as published in the Illinois Administrative Code, and court decisions.

The contents of this publication are informational only and do not take the place of statutes, rules and regulations, or court decisions.



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# Part 1: General Information

Part 1 provides a general overview of the registration and filing requirements for retailers filing Form ST-556.

Effective January 1, 2023, [Public Act \(P.A.\) 102-1019](#) requires retailers to electronically file Form ST-556 and any related attachments if the retailer's annual gross receipts average \$20,000 or more. If you are required to file electronically and do not, the retailer's discount, or retailer's allowance, for timely filed and paid returns will be disallowed.

**Note:** Amended returns filed after January 1, 2023, will not cause a previously allowed retailer's discount to be removed. See [FY 2023-06, Electronic Filing Requirements for Retailers of Motor Vehicles, Watercraft, Aircraft, and Trailers, Effective January 1, 2023](#) for more information.

P.A. 102-1019 includes a provision for a waiver of the electronic filing requirement if you do not have internet access or demonstrate hardship in filing electronically. Contact Taxpayer Assistance at 1 800 732-8866 or 217 782-3336 to request a waiver form. Complete the waiver form, and mail it to the address listed on the form. The Department will notify you if the waiver request is approved or denied.

## Who must register to file Form ST-556?

If you sell at retail in Illinois items that must be titled or registered by an agency of Illinois state government (e.g., vehicles, watercraft, aircraft, trailers, and manufactured (mobile) homes), you must register with the Illinois Department of Revenue to report these sales on Form ST-556, Sales Tax Transaction Return.

If you sell at retail in Illinois items that must be titled or registered and the item is simultaneously being leased as part of that transaction, you must register with the Illinois Department of Revenue to report these sales on Form ST-556-LSE, Transaction Return for Leases.

If you are a lessor leasing an item that must be titled or registered and if you sell that item in Illinois at the end of the lease, you must report the sale on Form ST-556.

**Note:** Under Illinois law, when a leasing company sells an item coming off a lease in Illinois and that item must be titled or registered by an agency of Illinois state government (e.g., vehicles, watercraft, aircraft, trailers, and manufactured (mobile) homes), the leasing company is considered to be selling such items at retail in Illinois and is obligated to collect Illinois sales tax on that transaction. If you are a leasing company engaged in the business of selling such previously leased items to Illinois purchasers and the items are located in Illinois at the time of the sale, you must report these sales on Form ST-556.

If you sell items that normally are required to be titled or registered by an agency of Illinois state government but an item will not be titled or registered as a result of that particular sale (e.g., a sale for resale or a sale to a purchaser who will title the item in another state) or is not titled or registered for some other reason, Illinois law still requires you to report these sales on Form ST-556 (non-lease transactions only) or Form ST-556-LSE (lease transactions only). Note that failure to file a transaction return to report such a sale by the required due date could result in a penalty for each non-filed and late filed return.

If you are in the business of leasing or renting items of the type that must be titled or registered by an agency of Illinois state government (e.g., motor vehicles, watercraft, aircraft, and trailers), and, in connection with such business, at the end of the lease or rental period you sell such items to a retailer for the purpose of resale, you may report these sales for resale on Form ST-556-D, Nontaxable Sales for Resale of Previously Rented or Leased Vehicles. You can report multiple sales for resale on Form ST-556-D, with those sales being to the same or multiple purchasers. If you meet these requirements, you may file this schedule to avoid the additional paperwork involved in filing a separate Form ST-556 or Form ST-556-D for each item.

## How do I get information on registering as a retailer?

You can find information on registering as a retailer in Publication 113, Retailer's Overview of Sales and Use Tax and Prepaid Wireless E911 Surcharge, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

## **I am a remote retailer or marketplace facilitator selling titled or registered items over the internet. What do I need to do?**

This response applies to remote retailers and marketplace facilitators who meet a tax remittance threshold (see Note below). If you meet a tax remittance threshold, you must register with the Illinois Department of Revenue to report these sales on Form ST-556, Sales Tax Transaction Return. Effective February 1, 2022, sales of tangible personal property that is required to be titled or registered with an agency of the State of Illinois, including motor vehicles, watercraft, aircraft, and trailers, that are made by a remote retailer or over a marketplace to purchasers in Illinois are sourced the same as all other sales made by a remote retailer or over a marketplace to purchasers in Illinois. See 86 Ill. Adm. Code 131.110(e) and 131.130(c). For sales made by a remote retailer or by a marketplace facilitator on behalf of marketplace sellers, taxes apply at the location in Illinois to which the titled or registered item is shipped or delivered, or the location in Illinois where the purchaser takes possession of the titled or registered item. For sales made by marketplace facilitators of their own items, the marketplace facilitator incurs State and local retailers' occupation tax at the rate in effect at either the location of the inventory or the location in Illinois at which the selling activities otherwise occur (as determined by applying the provisions of 86 Ill. Adm. Code 270.115(c) and (d)). For sales made by marketplace facilitators of their own items that are not fulfilled from inventory in Illinois and for which selling is not engaged in at any location in Illinois, taxes apply at the location in Illinois to which the titled or registered item is shipped or delivered or the location in Illinois where the purchaser takes possession of the titled or registered item.

If an Illinois purchaser travels to an out-of-state location to take possession of an item that is required to be titled or registered with an agency of the State of Illinois, the sale is sourced out of state and only Use Tax is incurred. The purchaser is responsible for filing the RUT-25, Vehicle Use Tax Transaction Return, and paying the tax. You do not need to file Form ST-556 or collect tax.

**Note:** Remote retailers and marketplace facilitators should see the [Leveling the Playing Field for Illinois Retail Act Resource Page](#) for additional information.

## **How do I get answers to my registration questions?**

You can find answers to frequently asked tax questions and more using the Taxpayer Answer Center, available on our website at [tax.illinois.gov](http://tax.illinois.gov). If you cannot find an answer, you can email the Department through the Taxpayer Answer Center.

You can also call our Central Registration Division at **217 785-3707** or write to the following address:

CENTRAL REGISTRATION DIVISION  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19030  
SPRINGFIELD IL 62794-9030

## **What if I have one business but have more than one business site?**

If you register to sell items at more than one site, we will issue a certificate of registration for each site you list on Form REG-1, Illinois Business Registration Application, and its schedules.

## **What if I change the location of my business or one of my sites?**

If you change the location of your business or, for multiple site filers, one or more of your sites, you can update your registered locations using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov). You can also contact the Central Registration Division to have them update your site information for you. It is important for us to keep this information up to date to ensure that you are filing using the correct tax rate. This is also important to the Department to ensure that we allocate the tax you collected to the proper jurisdiction.

## **Will I need to renew my certificate?**

If you are registered as a retailer and are required to file sales tax returns, your certificate of registration expires after one year. Unless we notify you otherwise, we will renew your certificate of registration automatically.



### **What if my certificate is lost, damaged, or destroyed?**

If your certificate is lost, damaged, or destroyed, you can print a replacement using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov). You can also contact our Central Registration Division and request a new certificate.

### **What if I discontinue my business or one of my sites?**

If you discontinue your business, your certificate is invalid as of that date. You must update your registration information with the Department. MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov), allows you to close your existing business and register a new one or to maintain your registered locations.

You can also contact our Central Registration Division so that we can update our records. It is important that you update your registration information with us when you go out of business or discontinue a location.

If you change the structure of your business, (e.g., changing from a sole proprietorship to a corporation) you must tell us to discontinue the old business entity, and register the new business entity by completing a new Form REG-1, Illinois Business Registration Application.

**Note:** Certificates of registration cannot be transferred.

### **Are there other types of sales taxes or fees for which I may need to register?**

Depending on the nature of your business activities as well as your business location, you may need to register for other related sales taxes and fees. In particular, to register to file Forms ST-556 and ST-556-LSE, you must be registered to file Form ST-1, Sales and Use Tax and E911 Surcharge Return. You do not need to complete a separate registration application for additional taxes. Form REG-1 inquires about a wide range of business activities, and based on your responses, we will register you for the appropriate taxes.

### **Who must register for the Automobile Renting Occupation and Use Tax?**

You must register for automobile renting occupation and use tax if you rent automobiles, motor-driven cycles, qualifying recreational vehicles, or qualifying vans for periods of one year or less.

See Publication 114, Automobile Renting Occupation and Use Tax, for more information.

### **What items must be reported on Form ST-556?**

Items that must be reported on Form ST-556 when sold at retail include cars, trucks, vans, motorcycles, ATVs, buses, watercraft, aircraft, motor homes, trailers, snowmobiles, and manufactured (mobile) homes. Do not use Form ST-556 to report lease transactions. All lease transactions for these items are reported on Form ST-556-LSE.

**Note:** When a retailer permanently affixes or incorporates a manufactured (mobile) home into real estate, that retailer is acting as a construction contractor and owes use tax on his or her cost of the manufactured (mobile) home and other items that become part of real estate. Receipts and tax, when due, must be reported on Form ST-1, Sales and Use Tax and E911 Surcharge Return. See 86 Ill. Adm. Code 130.1940 and 130.2075.

### **When is my ST-556 return due?**

Form ST-556 and any tax payment are due within 20 days after the date of delivery of the item. Tax is due on the sale of an item in Illinois regardless of whether you submit an application for registration.

### **How does the Department of Revenue determine if Form ST-556 is filed within 20 days of the date of delivery?**

When you file Form ST-556 electronically, the submission date is automatically recorded. If you use MyTax Illinois to file your return electronically and print a paper copy of your submitted return, the copy displays the submission date.

When you submit a paper Form ST-556, the titling agency that originally receives the return will record the date received. The Department of Revenue will compare this received date to the delivery date to determine timely filing. If the due date falls on a weekend or state holiday, the due date will be the next business day.

## What is the normal process for filing Form ST-556?

When you sell an item at retail that is required to be titled or registered in Illinois, the appropriate titling agency of Illinois state government needs to see documentation verifying that all appropriate taxes have been paid. You can file Form ST-556 electronically using MyTax Illinois at [mytax.illinois.gov](https://mytax.illinois.gov), or using a direct file service through an outside vendor. Effective January 1, 2023, retailers are required to electronically file Form ST-556 and any related attachments if the retailer's annual gross receipts average \$20,000 or more. If you file using MyTax Illinois, a copy of the confirmation page of your filed Form ST-556 from MyTax Illinois must be submitted with the purchaser's application for title or registration to the titling agency. This will serve as sufficient proof that the return has been filed and the tax has been paid. If you did not print this confirmation page, you can print a copy of your return from MyTax Illinois. This print copy displays the confirmation number of your filed return and also will be accepted as proof of filing.

**Note:** If you file electronically using a direct file service, the electronic submission likely will include both the necessary return and the titling and registration paperwork. If you are unsure what will be sent, contact your direct file service provider.

Paper Form ST-556 may be filed by retailers that have an approved waiver request from the electronic filing mandate on file with the Department or that do not meet the requirements to file electronically. With a paper Form ST-556, you must submit an original completed return with your titling and registration paperwork to the appropriate agency. The titling agency records the date it received Form ST-556 on the return and forwards it, along with any tax payment, to the Illinois Department of Revenue. If your customer will not be titling or registering the item in Illinois, then you must send Form ST-556 directly to the Illinois Department of Revenue.

If the item will not be titled or registered in Illinois as a result of a particular sale, send your return directly to:

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

If you need assistance, call  
**1 800 732-8866**

If your customer will be titling or registering the item in Illinois, send Form ST-556 to the correct address from the list below:

- For a vehicle, trailer, or manufactured (mobile) home, send the return and the title application to:

OFFICE OF THE SECRETARY OF STATE  
VEHICLE SERVICES DEPARTMENT  
HOWLETT BUILDING  
SPRINGFIELD IL 62756-7000

If you need assistance, call  
**1 800 252-8980** (general information)  
**217 782-6387** (registration information)  
**217 782-6306** (title information)

- For a watercraft or snowmobile, send the return and the title application to:

ILLINOIS DEPARTMENT OF NATURAL RESOURCES  
PO BOX 19226  
SPRINGFIELD IL 62794-9226

If you need assistance, call  
**1 800 382-1696** (general information)  
**217 557-0180** (registration information)

- For an aircraft, send the return and the registration application to:

ILLINOIS DEPARTMENT OF TRANSPORTATION  
DIVISION OF AERONAUTICS  
ABRAHAM LINCOLN CAPITAL AIRPORT  
1 LANGHORNE BOND DRIVE  
SPRINGFIELD IL 62707-8415

If you need assistance, call

**1 800 554-0247** (general information)

**217 785-8223** (registration information)

### **Do I have to file a separate return for each item I sell?**

A separate Form ST-556 normally is required for each item you sell. For example, the sale of both a boat and a trailer must be reported on separate Form ST-556 returns.

You may report more than one item on a single return only when you have sales to a single purchaser of more than one motor vehicle, watercraft, aircraft, trailer, or manufactured (mobile) home and these sales are exempt as sales for resale or sales or leases for use as qualifying rolling stock. To report multiple sales of items for resale or for use as rolling stock on a single Form ST-556, you must attach Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule.

The multiple sales that you report on Form ST-556-R must be either sales for resale to a single retailer or sales for use as qualifying rolling stock made to the same purchaser or lessor, must be the same kind of item, and must have the same delivery date. Otherwise, you must report each sale on a separate Form ST-556 or Form ST-556-LSE.

### **If a sale is exempt from tax, do I still need to file a return?**

Yes. You must file a transaction return for every sale made in Illinois of the kinds of items that are required to be titled or registered with an agency of Illinois State government, even if no tax is owed. Exempt sales still must be reported on Form ST-556, Form ST-556-LSE, or Form ST-556-D.

### **Is there a penalty for not filing a return to report an exempt transaction?**

If you are a retailer required to file a transaction return (ST-556 or ST-556-LSE), you owe a nonfiling of a transaction return penalty for each instance in which you make a sale for which no tax is due but you fail to properly report that sale on or before the due date to the Department using Form ST-556, Form ST-556-LSE (with regard to sales for lease), or Form ST-556-D. See CA 2017-17, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

### **If I run out of paper Form ST-556 returns, may I photocopy one of my preprinted returns or use a preprinted return from one of my other business sites?**

No. You may *not* photocopy or otherwise duplicate a paper Form ST-556 in order to increase the number of returns you have on hand. Each return is printed with a unique transaction number that we use to identify each specific transaction. Filing a photocopied return may cause delays in processing the return and may result in our assessing you for penalties and interest.

You may not use a preprinted return from another business site. The paper Form ST-556 returns we issue are preprinted with information specific to each business site and may not be exchanged. We use this information to allocate taxes collected to local governments.

A paper Form ST-556 issued to one business may not be used by any other business. Neither you nor your business should continue to use the paper returns issued to you if you reorganize the business or change ownership, even if the principal owners remain the same (e.g., when you incorporate an existing partnership). Do not change or alter any of the preprinted information on the return unless required to do so when selling from an off-site location. For more information, see "How do I report off-site sales ("tent" sales)?" on Page 17. See also ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

If the information on your preprinted Form ST-556 is incorrect; if you need to report changes in ownership, in corporate officer; or in business or mailing addresses, or if you need to add or discontinue a site; contact us by writing to:

CENTRAL REGISTRATION DIVISION  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19030  
SPRINGFIELD IL 62794-9030

You can also update your sites using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov), or by calling us at **217 785-3707**. You can request single preprinted Form ST-556 using MyTax Illinois.

### **How do I amend my Form ST-556 return?**

To amend your Form ST-556, you must file Form ST-556-X, Amended Sales Tax Transaction Return. If you filed your original return electronically using MyTax Illinois, you can use that system to file your amended return as well.

### **What if I need to void an ST-556 return?**

To void a preprinted Form ST-556, write "VOID" across the front of the return. You should retain in your records copies of any returns that you mark as void for 42 months after the date you voided the return.

**Note:** We inventory and monitor all paper Form ST-556 and ST-556-LSE returns issued to your business. You are accountable for the use of each return.

### **When will I need a receipted copy of Form ST-556?**

Traditionally, the tax you owe on a vehicle transaction is paid at the time that you title that vehicle. However, there may be times when you do not have all the documentation in order to title the vehicle, yet you must pay the tax to avoid late filing penalty and interest. In those cases, if you are filing a paper Form ST-556, you can file your tax return and make your tax payment directly with the Department of Revenue on or before the due date and request a receipted copy of your tax form. You may submit this receipted copy of your tax form to the titling agency in place of the original tax return to satisfy the titling agency's requirement to verify that the proper tax return has been filed and the tax has been paid.

If you filed Form ST-556 electronically using MyTax Illinois, you should not request a receipted copy of your return. The Illinois Secretary of State or other state government titling agency will accept a copy of the confirmation page from MyTax Illinois as sufficient proof that the form has been filed and the tax has been paid. If you did not print this confirmation page, you can print your return from MyTax Illinois. This print copy displays the confirmation number of your filed return and will be accepted as an alternative to the confirmation page as proof of filing.

### **Important note for out-of state dealers, leasing companies, lending institutions, or other retailers**

If you file a paper Form ST-556 or Form ST-556-LSE and make the tax payment directly with the Illinois Department of Revenue on behalf of your Illinois customer, you will need to provide a receipted copy of the return and payment to your customer. Your Illinois customers will not be able to obtain title and registration in Illinois without proof that the tax return already has been filed and the tax has been paid.

If you are filing the tax return and making the payment directly with us and would like to request a receipted copy at the same time, you can do so either by mail or by visiting one of our offices in person.

### **How do I obtain a receipted copy of Form ST-556?**

If you are filing and paying by mail, send us the original tax return and a separate remittance for each tax amount due for each return you are filing, along with the following:

- a photocopy of each tax return you want us to receipt,
- a cover letter requesting us to receipt your photocopy, and
- a postage-paid envelope with the address indicating where you want the receipted copy mailed.

We will receipt the photocopy of your tax return at no charge by attaching an orange-colored label to the upper right-hand corner of your photocopy and return it to you in the postage-paid envelope that you provided.

Mail your request for a receipted copy, along with your tax return and payment, to:

ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19042  
SPRINGFIELD IL 62794-9042

If you prefer, you can visit one of our offices and request your receipted copy in person. You must bring an original tax return and a separate remittance for each tax amount due, along with a photocopy of each tax return you want us to receipt. The Department of Revenue personnel at the following locations will receipt and return to you the photocopy of your tax form.

### In Chicago

Office of the Secretary of State  
(Department of Revenue area)  
5401 N. Elston Avenue

Office of the Secretary of State  
(Department of Revenue area)  
5301 W. Lexington Avenue

Office of the Secretary of State  
(Department of Revenue area)  
9901 S. Martin Luther King Drive

### In Springfield

Illinois Department of Revenue  
101 W. Jefferson Street

**Note:** This receipted copy process was established as a special service when circumstances prevent you from following the normal process of submitting your original tax return with the application for title and registration. Do not request a receipted copy of your tax return as a general practice to satisfy the requirements of the titling agency.

### If I do not have my original return, can I obtain a copy through some other method?

Yes. If you do not have your original tax return or a copy, you must submit Form IL-4506, Request for Copy of a Tax Return, to request a copy. There is a charge for each copy you request and an additional charge if you would like to have that copy receipted. See Form IL-4506 for instructions and charges due.

If you are requesting a copy of your tax return for the purpose of applying for title and registration, a standard copy alone will not be accepted in the place of an original return or receipted copy. The Illinois Secretary of State or other state government titling agency also will require that you provide a copy of the front and back of the canceled check you used to pay the tax due on the return.

You can submit your Form IL-4506 request in person at our Springfield office, but please be aware that our personnel may not be able to provide you with a copy of your return at that time. If we cannot provide you with an immediate copy, we will complete your request by mailing the copy to the address you enter on the request form.

**Note:** Form IL-4506 requests are accepted in person only in our Springfield office. If you attempt to submit Form IL-4506 at any other regional office, you will be instructed to submit your request by mail.

### How do I get forms?

You can request single paper preprinted Form ST-556 using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov). Paper preprinted Form ST-556 returns also are issued by the Illinois Department of Revenue in limited quantities by calling our Central Registration Division at **217 785-3707**. Each preprinted form displays information for each of your business locations.

The following related sales and use tax forms and publications are available on our website at [tax.illinois.gov](http://tax.illinois.gov):

- Form ST-556 Instructions
- Form ST-556-LSE Instructions
- Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule
- Form ST-556-X, Amended Sales Tax Transaction Return
- Form ST-556-LSE-X, Amended Transaction Return for Leases
- Form ST-557, Claim for Credit for Repossession of Motor Vehicles, Watercraft, Aircraft, Trailers, and Mobile Homes

- Form ST-587, Equipment Exemption Certificate
- Form ST-588, Nonresidency Exemption Certification for Sales and Leases of Motor Vehicles and Trailers
- Form ST-589, Certificate of Eligibility for Sales and Use Tax Exemption — Community Water Supply
- Form RUT-7, Rolling Stock Certification
- Form ST-556-WS, Worksheet and Signature Document for ST-556
- Form ST-556-LSE-WS, Worksheet and Signature Document for ST-556-LSE
- RUT-76, Transaction Return Chart
- ST-9, A Guide for Reporting Sales Using Form ST-556, Sales Tax Transaction Return
- ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases
- ST-58, Reciprocal - Non-Reciprocal Vehicle Tax Rate Chart
- Form ST-556-D Tax-Exempt Sales for Resale of Previously Rented or Leased Vehicles Instructions
- Form ST-556-D-X Amended Tax-Exempt Sales for Resale of Previously Rented or Leased Vehicles Instructions

### **How do I request a Credit Activity Statement or a Detailed Liability Statement?**

You can request a Credit Activity Statement or Detailed Liability Statement using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov).

### **How do I get help?**

If you need help, call us at **1 800 732-8866** or **217 782-3336**, call our TDD-telecommunications device for the deaf at **1 800 544-5304**, or visit our website at [tax.illinois.gov](http://tax.illinois.gov).



# Part 2: Specific Topics

Part 2 covers a variety of situations about which you may have questions in determining whether you are liable for Illinois sales tax. The topics are discussed in a question-and-answer format. If your particular situation is not covered or you are otherwise unsure of your tax obligations, contact the Illinois Department of Revenue using the information in “How do I get help?” on Page 12.

## Reporting “other” items on Form ST-556

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### **Must I include on Form ST-556 sales of accessories that are normally reported on Form ST-1?**

If you sell an item that must be reported on Form ST-556 and the sale includes additional accessories for that item, you may report the total combined sale on Form ST-556. If you do so, you must include the price of these items in the selling price in Section 6, Line 1, of the return. For example, when you sell an outboard motor with a boat, you may include the sale of the motor in the selling price.

If you sell accessories separately, you must report the receipts from these sales on Form ST-1.

## Watercraft

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### **What “watercraft” must I report on Form ST-556?**

You must report on Form ST-556 the sale of

- vessels 16 feet in length or longer;
- jet skis or other similar “personal watercraft”; or
- any vessels having inboard motors, regardless of length.

Sales of Class A or Class 1 watercraft from a retailer generally are reported on Form ST-1 and not reported on a transaction return (used for titled or registered property). However, a Class 1 watercraft that is a personal watercraft or that is equipped with an inboard motor and sold by an Illinois retailer, must be reported on Form ST-556.

### **May I combine the sale of a boat and a trailer on Form ST-556?**

No. If you sell items together, such as a boat and a trailer, you must report the sale of each item as a transaction on a separate Form ST-556. The appropriate tax return must accompany each separate application for title or registration that will be sent to the appropriate titling agency of Illinois state government.

### **When am I required to pay use tax on watercraft and aircraft?**

If you have watercraft or aircraft that you have purchased for resale in your sales inventory and you use these items for demonstration, business, or personal purposes, you must pay Illinois use tax on your cost price of these items if you hold them for more than 18 months.

For more information, contact our Taxpayer Assistance Division using the information in “How do I get help?” on Page 12. See also the discussion of the retailer’s interim use exemption on Page 33.

If you later sell the items and collect Illinois sales tax, you will not receive credit for any Illinois use tax you may have paid.

## **Manufactured homes (formerly known as mobile homes)**

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### **What determines how the sales of manufactured (mobile) homes are taxed?**

Retailers of manufactured (mobile) homes sell those items either **with installation** (e.g., the retailer installs the manufactured (mobile) home or incorporates the manufactured (mobile) home into real estate) or **without installation** (e.g., the retailer does not install or incorporate the manufactured (mobile) home into real estate). The way in which the sale of a manufactured (mobile) home is taxed depends upon which of these two situations applies.

A manufactured (mobile) home is considered to be installed or incorporated into real estate when it is placed on a permanent foundation with its wheels, tongue, and hitch removed.

When you sell a manufactured (mobile) home **without installation** to someone who will subsequently install or incorporate the manufactured (mobile) home into real estate in Illinois (e.g., a contractor) or to a purchaser who will subcontract the installation or incorporation of the manufactured (mobile) home into real estate in Illinois, you would report the sale on Form ST-556.

When you sell a manufactured (mobile) home **with installation** or incorporate it into real estate, you are acting as a construction contractor, and you would report the sale on Form ST-1, based on your cost price. In Illinois, construction contractors are considered the end user of an item, rather than the person for whom the construction is being performed.

### **How do I report sales of manufactured (mobile) homes that I do not install?**

When you sell a manufactured (mobile) home without installing it or incorporating it into real estate, you must report the sale on Form ST-556. The transaction is taxable unless it qualifies for one of the following specific exemptions in Section 5 of Form ST-556:

- a sale for resale (Box B of Form ST-556); or
- a sale to an exempt organization with an active Illinois sales tax exemption "E" number (Box C of Form ST-556); or
- a sale in which you deliver the manufactured (mobile) home or cause it to be delivered outside Illinois (Box F of Form ST-556).

For more information on how to report exempt sales, see Part 3.

The sale of a manufactured (mobile) home to a person who is not a resident of Illinois and who will take possession of the manufactured (mobile) home in Illinois and remove it to another state is a taxable sale.

**Do not** claim these types of sale as exempt in Section 5, Box A, of Form ST-556. See Part 3 for more information on nonresident purchases.

### **How do I report sales of manufactured (mobile) homes that I install?**

A retailer of manufactured (mobile) homes owes tax on the cost price of the manufactured (mobile) home and other items that become part of real estate when the retailer acts as a contractor by performing the installation or incorporation of the manufactured (mobile) home into real estate. Receipts and tax, when due, must be reported on Form ST-1. For information on what taxes are due, see 86 Ill. Adm. Code 130.1940, "Construction Contractors and Real Estate Developers," and Section 130.2075, "Sales to Construction Contractors, Real Estate Developers and Speculative Builders."

**Note:** The discussion above applies only to manufactured (mobile) homes. A manufactured home (formerly known as a mobile home) is built to the Manufactured Home Construction and Safety Standards (HUD Code; 24 C.F.R. pt 3280) and displays a red certification label on the exterior of each transportable section. Manufactured (mobile) homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis. Manufactured (mobile) homes are not the same as modular homes. Modular homes are constructed to the same state, local or regional building codes as site-built homes. (Source: U. S. Department of Housing and Urban Development).



## **Courtesy deliveries**

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### **What is a courtesy delivery?**

A courtesy delivery occurs when an item is delivered to a purchaser by a dealer other than the selling dealer. A courtesy delivery is not a sale. The delivering dealer simply delivers the item as a courtesy to the purchaser. To be a courtesy delivery, the item that is delivered must originate from the selling dealer's inventory, not the delivering dealer's inventory.

### **Who is responsible for reporting the sales tax when there is a courtesy delivery?**

If you are a selling dealer located in Illinois and the purchaser's address for titling and registration purposes is in Illinois, you are responsible for filing Form ST-556 and collecting and paying any sales tax due. The delivering dealer making the courtesy delivery is not responsible for reporting the sale.

If you are an Illinois dealer making a courtesy delivery on behalf of an out-of-state selling dealer, you are not responsible for reporting the sale. In this case, if the selling dealer is registered with the Illinois Department of Revenue, the selling dealer is responsible for filing Form ST-556 and collecting and paying any sales tax due. If the selling dealer is not registered with the Department, the purchaser must file Form RUT-25, Vehicle Use Tax Transaction Return, or Form RUT-25-LSE, Use Tax Return for Lease Transactions, as appropriate, and pay any use tax due.

### **What can happen when the delivering dealer reports the tax?**

If the tax was not properly reported and paid by the selling dealer, the selling dealer may be billed for tax, penalty, and interest. The Illinois Department of Revenue will bill the selling dealer for not reporting the transaction on Form ST-556 even if the tax was reported and paid on time but in error by the delivering dealer.

The delivering dealer must file Form ST-556-X, Amended Sales Tax Transaction Return to establish a claim for credit for the tax paid in error.

The customer may pay an incorrect amount of sales tax if the sales tax rate differs between the selling dealer's location and the delivering dealer's location.

## **Factory deliveries**

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### **Who is responsible for reporting the tax when the manufacturer delivers an item directly to the customer?**

When you sell an item to a customer (whether the item is already in your sales inventory or is factory ordered from the manufacturer), you are responsible for reporting the transaction on Form ST-556. You must report the transaction as the seller even if the manufacturer delivers the item directly to your customer.

If the delivery is made to an Illinois customer, you must report the transaction as a taxable sale and collect tax on the gross receipts from the sale.

If the delivery is made outside Illinois to an out-of-state customer, report the transaction as an exempt sale by checking Section 5, Box F, on Form ST-556 and writing "Delivered Out-of-State." For more information on how to report tax-exempt sales, see Part 3.

If the item is a manufactured (mobile) home, you may have other tax considerations, depending upon whether the manufactured (mobile) home also is installed by the dealer. See "Manufactured (mobile) homes" on Page 14.

## **Items as gifts or prizes**

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You may be involved in a transaction in which you give away an item to someone or you are the delivering dealer or facilitator for providing an item to someone who has won it in a contest, such as a raffle.

Generally, the rule for determining who is responsible for the tax places the liability upon the donor who purchases the item and gives it away as a gift or prize.

The following questions and answers will help you determine who owes tax in a few given scenarios, but this information is not intended to be all-inclusive. If your situation involving gifts or prizes is not covered here, contact the Department using the information in "How do I get help?" on Page 12.

## **Who owes tax when I give away an item as a gift or prize and I did not receive compensation for the item?**

When you give away an item as a gift or prize, you owe use tax on your cost price of the item. If you acquired the item you are giving away as a trade-in, you owe use tax on the value of or credit given for the item when you acquired it as a trade-in.

## **Who owes tax when I give away an item as a prize and I receive compensation for the item from an insurance company or other similar source?**

Dealers may sponsor a contest in which a participant can win an item based on some accomplishment. For example, a dealer may sponsor a golf tournament in which the first contestant to make a hole-in-one on the ninth green wins a vehicle. These sponsorships are often underwritten with an insurance policy or some other similar type of financial guarantee to compensate the dealer if someone wins the item.

When you sponsor such a contest and you receive compensation from any of these types of sources for awarding an item as a prize, you owe use tax on your cost price of the item.

## **Do I owe tax if I deliver an item to a winner as a prize on behalf of a prize-awarding organization?**

As a dealer, you may be involved in delivering an item to someone who won the item on a game show or in a contest, such as a raffle, sponsored by a business.

If you are merely delivering the item to the winner, you are not responsible for reporting this transaction on your Form ST-556. Such deliveries are commonly referred to as "courtesy deliveries." For more information, see "Courtesy deliveries" on Page 15.

## **Repossessed items**

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### **If I repossess an item that I originally financed, how do I file a claim for credit for the tax I paid on the unpaid portion of the amount financed?**

A retailer is relieved from liability for any tax that becomes due and payable if the tax is represented by amounts that are found to be worthless or uncollectible, have been charged off as bad debt on the retailer's books and records in accordance with generally accepted accounting principles, and have been claimed as a deduction pursuant to section 166 of the Internal Revenue Code on the income tax return filed by the retailer. A retailer that has previously paid such a tax may, under rules and regulations adopted by the Department, take as a deduction the amount charged off by the retailer. If these accounts are thereafter, in whole or in part, collected by the retailer, the amount collected shall be included in the first return filed after the collection, and the tax shall be paid with the return.

To apply for this credit, you must file Form ST-557, Claim for Credit for Repossession of Motor Vehicles, Watercraft, Aircraft, Trailers, and Mobile Homes, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

### **How should the tax be reported when a bank or other lending agency sells a repossessed item?**

When a bank or other type of lending institution sells an item that it has repossessed, the transaction is a retail sale, and the gross receipts received from the sale are subject to sales tax. These institutions must report the sale of these items on Form ST-556.

If the bank or lending agency applies for title to the repossessed item in its name and then sells the item to a new purchaser, a sale has occurred, and tax is due on Form ST-556.

If the bank or lending agency does not apply for title to the repossessed item in its name but does reassign the title to a new purchaser, then the new purchaser is responsible for reporting the tax due as a private transaction between the previous owner of the repossessed item and the new purchaser. The tax is reported and paid using either Form RUT-50, Private Party Vehicle Use Tax Transaction, or Form RUT-75, Aircraft/Watercraft Use Tax Transaction Return.

However, if the original owner, co-owner, or cosigner of the loan redeems (e.g., resumes) possession of the item, the transaction is not regarded as a sale and is not subject to tax. Check Box F in Section 5 on Form ST-556 and enter “Redemption” in the space provided. If using Form RUT-25, check Box g in Step 4 on the return.

If you are a lending institution that sells repossessed items and you are not currently registered to file Form ST-556, call our Central Registration Division at **217 785-3707**.

## **Returned items**

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When your customer returns an item to you from a previous sale and requests a refund of the purchase price plus taxes (as opposed to a customer bringing an item to you as a trade-in), you may file a claim for credit to recover the amount of sales tax paid on the initial sale of the item, provided that you first refund the full amount of tax to your customer. For more information about filing a claim for credit, see “How do I amend my Form ST-556 return?” on Page 10.

For example, your customer may, for a variety of reasons, return an item to you and cancel a sale, or your customer may return to you a vehicle deemed to be defective under the provisions of the New Vehicle Buyer Protection Act, commonly referred to as the “Lemon Law.”

### **What is the “Lemon Law”?**

The Lemon Law provides that if, after a reasonable number of attempts, the seller is unable to conform the returned new vehicle to any of its applicable express warranties, the manufacturer must either provide the consumer with a comparable replacement vehicle or accept the return of the new vehicle and refund all costs paid by the consumer minus any allowance for its use.

### **How do I report the transaction if my customer receives a replacement vehicle for the returned new vehicle?**

If the manufacturer provides a replacement for the returned new vehicle to the customer, a second sale takes place between the dealer and customer. This second sale is subject to sales tax. However, if you report the returned new vehicle as a trade-in and apply the trade-in credit toward the sale of the replacement vehicle, you may reduce the amount subject to tax by the value you assign the trade-in. You should report the transaction in the same manner as you would any other sale that involves use of a qualified trade-in.

In this case, you may not file a claim for credit to recover the amount of tax paid on the initial sale of the returned new vehicle because you have not refunded the tax to your customer.

### **How do I report the transaction if my customer receives a refund for the returned new vehicle and purchases another vehicle from me?**

The manufacturer may provide your customer with a refund of the purchase price (not including tax) for the returned new vehicle. If, after having received the refund, your customer chooses to purchase another vehicle from you, an entirely separate sale takes place, on which tax is due based on the selling price of the vehicle. The cash value of the refund may not be used to reduce the amount subject to tax on this sale.

You, the dealer, may file a claim for credit to recover the amount of sales tax paid on the initial sale of the item, provided that you first refund the full amount of tax to your customer. If, however, the manufacturer includes the tax in the refund to the customer, you may not file a claim for credit.

## **Off-site sales**

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### **How do I report off-site sales (“tent” sales)?**

Occasionally you may hold a sales event, sometimes called a “tent” sale, at locations other than your normal place of business. Because your paper Form ST-556 returns are preprinted with information specific to your place of business, and because the off-site location may be in a separate taxing jurisdiction (possibly with a sales tax rate different from the rate for your business location), it is important

that you report off-site sales using the instructions provided in ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases, available on our website at [tax.illinois.gov](http://tax.illinois.gov). Complying with these instructions allows us to allocate the taxes you collect to the proper local government.

## Trade-ins

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**Note:** For all sales and purchases occurring on or after January 1, 2020 up to and including December 31, 2021, the credit you could claim for a first division motor vehicle being traded in could not exceed \$10,000. Public Act (P.A.) 102-0353 removed the \$10,000 trade-in credit limit for sales and purchases made on or after January 1, 2022.

### What is a qualified trade-in?

A qualified trade-in is an item

- that you accept to reduce the selling price (in part or in full) of the item sold;
- that you are in the business of selling; and
- that, if sold at retail in Illinois, would be required to be reported on Form ST-556.

You are “in the business of selling” a particular kind of item if you hold yourself out to the public as being engaged in (or habitually engage in) selling such items. For example, if you are in the business of selling both automobiles and watercraft, you may claim a boat as a trade-in on the sale of an automobile. However, if you are in the business of selling only automobiles, you may not claim a boat as a trade-in on the sale of an automobile.

### What situations prevent a trade-in from being qualified?

A trade-in is not qualified in the following instances:

- if you, as a dealer, are not in the business of selling the item offered in trade;
- if the item, if sold at retail in Illinois, would not be required to be reported on Form ST-556;
- if you, as a dealer, are the owner of the item traded in;
- if the item traded in was used in a transaction that occurred before the trade was offered but was not identified by written contract as an advance trade-in (for more information, see “What is an advance trade-in?” below); or
- if a third-party owner offers the item as a trade-in on behalf of the purchaser, but the third-party owner is in the business of selling such items at retail.

### May I accept a trade-in of an item that is not considered a qualified trade-in?

Yes. You may choose to accept any item as a trade-in, even one that is not considered a qualified trade-in, to reduce the purchaser’s cost of the item sold. However, you may not use the value of or credit given for a non-qualified trade-in to reduce the amount subject to tax.

For example, you may accept the trade-in of a bicycle to which you have assigned a value of \$100 in order to reduce the purchaser’s cost of an automobile with a price of \$15,000, but you may not subtract the assigned value of the bicycle used as a trade-in from the selling price of the automobile to reduce the amount subject to tax because the bicycle is not a qualified trade-in.

Instead, you must charge the purchaser tax on the selling price of \$15,000. You should not report a trade-in in Section 4 or claim a trade-in credit in Section 6, Line 2, of Form ST-556.

### What is the “value” of a qualified trade-in?

The value of a qualified trade-in is the amount of value assigned to the item without regard for any debt currently owed on the item. The value assigned is referred to as the “trade-in credit.”

For example, if a purchaser offers you an automobile as a qualified trade-in that you appraise at \$2,000 and the purchaser still owes \$500 on the automobile, the actual value or trade-in credit that you may use to reduce the amount subject to tax is \$2,000.

### **What is the “credit given” for a qualified trade-in?**

The amount of credit given for a qualified trade-in is the value assigned to the item minus any cash payments you make to the purchaser. The credit given is referred to as the “trade-in credit.”

For example, if a purchaser offers you an automobile as a qualified trade-in that you appraise at \$2,000 and you give the purchaser a \$500 cash-back payment, the actual credit given or trade-in credit that you may use to reduce the amount subject to tax is \$1,500.

**Note:** Trade-in credit is not allowed on many transactions reported on Forms ST-556-LSE and RUT-25-LSE. Before you claim a trade-in credit on Form ST-556-LSE or Form RUT-25-LSE, you must be certain that you are allowed to claim this trade-in credit. See the applicable instructions for the return you are filing to determine when a trade-in credit is allowed.

### **How do I use a qualified trade-in credit?**

In a transaction involving a qualified trade-in, you may use the amount of trade-in credit you have assigned to the item traded in to reduce your gross receipts on the sale of a new or used item. You determine the amount subject to tax by subtracting the amount of trade-in credit in Section 6, Line 2, of Form ST-556 from the selling price of the item in Section 6, Line 1, of Form ST-556.

If you report a trade-in credit, you must also describe the actual qualified trade-in you used in Section 4 of Form ST-556.

### **May I claim a trade-in of an item owned by someone (third party) other than the purchaser?**

You may claim a trade-in credit on an item owned by someone other than the purchaser, provided the third-party owner shows proof of ownership of the item offered as trade, assigns the item directly to you, and provides you with written authorization for the trade, specifying the item traded in, the item purchased, and the purchaser on whose behalf the trade-in is offered. Third-party trade-in authorizations, however, may not be used in conjunction with advance trade-in transactions. In addition, dealers, leasing companies, and other retailers of such items may not offer an item as a trade-in in a third-party transaction.

### **What trade-in credit documents am I required to keep?**

You must retain in your records all of the supporting documentation that shows the details of how you applied each trade-in credit and, upon request, make this documentation available to the Department for inspection or audit.

For documentation purposes, when a third-party owner offers the item for trade on behalf of a purchaser, you must also obtain and keep in your records written authorization from the third-party owner. The written authorization must specify the purchaser on whose behalf the trade-in is offered, the item traded, and the item purchased.

### **May I claim a trade-in after a transaction is complete and I have filed Form ST-556?**

No. In order to claim a trade-in credit and reduce the amount subject to tax, the trade-in must have been offered or accepted at the time of the original transaction. You may not file Form ST-556-X, Amended Sales Tax Transaction Return, to claim a trade-in credit if the trade-in was not offered or accepted at the time of the original transaction.

### **May I claim a trade-in after I have filed Form ST-556 but have erroneously failed to report the trade-in on the return?**

Yes. If you failed to claim a trade-in credit on your original Form ST-556, you may file Form ST-556-X, provided you have documentation showing that a trade-in was actually offered at the time of the original transaction. In this case, you may file an amended return to report the trade-in and claim the trade-in credit to reduce the amount subject to tax.



## **May I “split” the trade-in credit given for one item towards the sale of more than one item?**

Yes. You may use a trade-in credit given for one item traded in toward the sale of more than one item as long as the trade-in and sales are recorded as a single transaction.

You must file a separate Form ST-556 for each item sold. To apply the split trade-in credit, you may use as much of the trade-in credit as you want on each return, as long as the sum of the amounts reported as trade-in credit on both returns does not exceed the total amount of trade-in credit given.

You must also describe the trade-in in the appropriate section of each return on which the trade-in credit is being claimed (e.g., Section 4 of Form ST-556). You must cross-reference the trade-in by writing in the space after the heading of Section 4 of each Form ST-556 the transaction number of each other Form ST-556 on which you used the same trade-in.

### **Example:**

You may use the trade-in credit of an automobile that you accept as a trade-in and that you have assigned a value of \$15,000 towards the sale of two automobiles with total prices of \$10,000 and \$7,000 each. You might apply \$10,000 of the \$15,000 trade-in credit on the ST-556 return of the automobile with the total price of \$10,000 and then the remaining \$5,000 of the trade-in credit on the other ST-556 return of the automobile with the total price of \$7,000.

## **May I accumulate “multiple” trade-in credits given for more than one item towards the sale of only one item?**

Yes. You may use multiple trade-in credits given for more than one item traded in toward the sale of only one item as long as the trade-ins and sale are recorded as a single transaction. To apply the trade-in credits, you must report in Section 6, Line 2, of Form ST-556 the sum of the values assigned to each trade-in you are using.

Taxpayers filing Form RUT-25 or Form RUT-25-LSE also are able to combine credit from multiple first division motor vehicles being traded in for a single transaction. See the instructions for Form RUT-25-LSE for when trade-in credit is allowed.

### **Example:**

You may use the \$12,000 sum of trade-in credits given when you accept two automobiles as trade-ins to which you have assigned values of \$5,000 and \$7,000 each towards the sale of an automobile with a total price of \$15,000.

**Note:** Certain electronic filing methods may prevent you from entering multiple trade-ins on a single transaction, and you may be limited to filing a paper return to report multiple trade-ins.

You must also describe the trade-ins in Section 4 of Form ST-556. Attach a separate sheet to list the description of the additional trade-in when required to file a paper return.

## **What is an advance trade-in?**

An advance trade-in is a transaction in which a purchaser trades in an item to you prior to the actual purchase of an item and is given an advance trade-in credit to use on a future purchase — provided the purchaser by written contract agrees to purchase one or more items from you within nine months of the date the advance trade-in is established. The written contract needs only to specify the purchaser’s obligation to purchase within a nine-month period, not the make, model, or price of the item to be purchased.

## **How do I use an advance trade-in credit?**

You use an advance trade-in credit in the same way as a regular trade-in credit by subtracting the amount of the advance trade-in credit from the selling price of the item sold on Form ST-556 in Section 6, Lines 1 and 2, and describing the trade-in in Section 4.

You may issue the advance trade-in credit to the purchaser in the form of either cash or credit. If the purchaser does not use the advance trade-in credit toward the purchase of an item from you within the nine-month period, the advance trade-in credit expires.

### **What documents am I required to keep for an advance trade-in?**

The documentation you are required to keep in support of an advance trade-in transaction includes the written contract specifying the obligation to purchase within nine months and the expiration date and amount of the advance trade-in credit, a bill of sale for the item traded in, and a copy of the filed Form ST-556 showing the sale of an item and use of the advance trade-in credit.

### **Can a purchaser transfer advance trade-in credit to another purchaser?**

No. Advance trade-in credits are not transferable to another purchaser. They are not permitted when the purchaser of an item is not the owner of the trade-in. In other words, you may not use advance trade-in credits in conjunction with third-party trade-ins.

### **May I combine “split” or “multiple” trade-in transactions with an advance trade-in?**

Yes. As with standard trade-in credit, you may split or combine advance trade-in credit as needed, provided that all of the items traded in and sold are recorded as a single transaction, the purchaser is contractually obligated to purchase any items from you within nine months, and all applicable Form ST-556 returns are properly completed and filed.

## **Leasing**

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### **What does “leasing” mean?**

“Leasing” means the transfer of possession or right to possession of an item to a person for “valuable consideration.” For motor vehicles, the lease must be for a period of **more than one year**.

Illinois law distinguishes “renting” of motor vehicles from “leasing” of motor vehicles for tax reporting purposes.

### **What does “renting” mean?**

“Renting of motor vehicles” means the transfer of possession or right to possession of a motor vehicle subject to the provisions of the Automobile Renting Occupation and Use Tax Act to a person for “valuable consideration” for a period of **one year or less**.

For more information on sales of items for rental purposes, see “Tax-Exempt Sales” in Part 3.

### **How are lease transactions reported?**

Use Form ST-556-LSE, Transaction Return for Leases, to report all lease transactions occurring on or after January 1, 2015.

## **Chicago Home Rule Use Tax**

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### **What if I am selling an item from a business location in Cook County or the collar counties and my customer’s address is in Chicago?**

If your business location is in Cook, DuPage, Kane, Lake, McHenry, or Will County and your customer’s address, as reported in Section 1 of Form ST-556, is within the corporate limits of the city of Chicago, you must collect and pay an additional home rule use tax. This combined tax rate is preprinted in Section 6 of Form ST-556 below Line 4 and must be reported on Line 4, not Line 5.

**Note:** Do not report the Cook County Home Rule Use Tax on Form ST-556. This tax is administered and collected directly by the Cook County Department of Revenue.

## **Other home rule use taxes**

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### **Should I report the use tax I collect for home rule units of local government other than Chicago on Form ST-556?**

No. Do **not** report on Form ST-556 the use tax you collect for home rule units of local government other than the city of Chicago.

However, if you are required to be registered with a home rule unit of local government to collect its home rule use tax, you should report the tax using whatever form the home rule unit provides. If you are not required to be so registered, the home rule unit may bill your customer directly. You should contact the appropriate home rule unit of local government for instructions on how the tax is administered.

## Collecting other local use taxes

If the item reported on Form ST-556 will be titled or registered in an area where tax has been imposed by the Regional Transportation Authority (RTA) or Metro-East Transit District (MED), the purchaser may owe additional tax. If your sales location is in the boundaries of one of these areas, the additional tax is already included in your combined tax rate. If, however, your sales location falls outside these boundaries, you are not required to collect any additional use tax, but you may do your customer the courtesy of collecting the additional tax so that the customer will not be billed for it later.

To determine the correct tax rate for a purchaser located in one of these tax districts, see our Tax Rate Finder, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

## How do I collect and report Regional Transportation Authority (RTA) Use Tax?

If your sales location is in Cook, DuPage, Kane, Lake, McHenry, or Will County, the RTA tax is already included in your combined tax rate. If you sell an item from a location outside Cook, DuPage, Kane, Lake, McHenry, or Will County but your customer's address, as reported in Section 1 on Form ST-556, is within any of these counties, your customer will owe an additional RTA Use Tax. You are *not* required to collect and pay this tax. However, if you choose to collect and pay this tax on your customer's behalf, you should multiply the amount in Section 6, Line 3, on Form ST-556 by the applicable RTA Use Tax rate, and enter the result in Line 5 of the respective form. Also, enter the name of the county where the item will be titled or registered in Line 5a.

## How do I collect and report Metro-East Mass Transit District (MED) Use Tax?

If your sales location is within any of the MED townships in Madison or St. Clair County, the MED tax is already included in your combined tax rate. If your sales location is not within any of the MED townships in Madison or St. Clair County but your customer's address, as reported in Section 1 on Form ST-556, is within one of these MED townships in Madison or St. Clair County, your customer will owe an additional MED Use Tax. You are *not* required to collect and pay this tax. However, if you choose to collect and pay this tax on your customer's behalf, you should multiply the amount in Section 6, Line 3, on Form ST-556 by the MED Use Tax rate and enter the result in Line 5. Enter the appropriate county ("Madison County" or "St. Clair County") in Line 5a and the name of the city and township in which the item will be titled or registered in Lines 5b and 5c.

## Selling price

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### What is included in the selling price on Form ST-556?

Selling price is computed differently depending on whether the transaction being reported is a sale reported on Form ST-556 or a lease reported on Form ST-556-LSE.

For a transaction reported on Form ST-556, "selling price" includes accessories, dealer preparation, federal excise taxes (except as described below), freight, labor, rebates or incentives for which a dealer will be reimbursed, and documentary fees. Selling price does not include federal luxury tax. In general, any cost passed on to the customer as part of the sale of an item and for which gross receipts are received should be included in the selling price.

Generally, federal excise taxes must be included in the selling price and are subject to tax. Exceptions are the federal excise taxes on

- trucks weighing 33,000 pounds or more; or
- trailers or semitrailer chassis weighing 26,000 pounds or more.



## **Are federal excise taxes always included in the selling price on Form ST-556?**

The federal excise taxes on the above items are not subject to Illinois Sales or Use Tax and, therefore, should not be included in the selling price in Section 6, Line 1, on Form ST-556.

## **When is a rebate taxable on Form ST-556?**

A rebate for which a dealer will be reimbursed, such as in a manufacturer's rebate program, must be included in the selling price and is subject to tax. A rebate offered by a dealer for which the dealer will not be reimbursed should not be included in the selling price and will not be subject to tax. If you are unsure about whether receipts from your manufacturer or dealer rebate program are subject to tax, contact the Illinois Department of Revenue using the information in "How do I get help?" on Page 12.

## **Is the sale of an extended warranty contract taxable on Form ST-556?**

Receipts from the sale of extended warranty contracts or the deductibles of extended warranty contracts are not subject to tax if separately stated from the selling price of the item. However, use tax on the dealer's cost price is due from the dealer on all parts transferred under the contract.

## **Foreign customers and foreign commerce**

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### **Is sales tax due when I sell an item to a foreign customer who will ship it out of the country?**

The sale of an item to any customer who claims he or she will arrange to have it transported out of the country and who takes possession of it in Illinois is a taxable sale, unless it otherwise qualifies as tax exempt.

### **When does the sale of an item in Illinois to a foreign customer qualify as tax exempt?**

The sale of an item to a foreign customer qualifies as tax exempt if

- the sale is to a foreign consulate, diplomat, consular officer, or staff member who provides you with an active Diplomatic Tax Exemption Card issued by the U.S. State Department, Office of Foreign Missions, and you obtain an authorization letter from the Office of Foreign Missions (see 86 Ill. Adm. Code 130.2080);
- the sale is to the holder of an active Taipei economic and cultural representative office card issued by the American Institute in Taiwan/Washington (AIT/W) and you obtain an authorization letter from the AIT/W;
- the sale is one in which you, the dealer, actually deliver the item, or cause the item to be delivered, to a freight forwarder who arranges for the item to be transported out of the country; or
- the vehicle is not to be titled in Illinois and a drive-away permit is properly issued. This includes Mexico, Canada, and any other location where the drive-away permit may be issued.

For more information on tax-exempt sales, see Part 3.

## **Dealers' insurance settlements**

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### **Do I owe sales tax if I receive an insurance settlement for stolen or totaled items?**

When your insurance company provides settlement for items that are totaled or stolen, Illinois sales tax is not incurred on the settlement amount. The reimbursement received by the dealer is not considered gross receipts because a retail sale has not occurred.

### **Does it matter if title to the item is transferred to the insurance company?**

In many cases, the insurance company handles the disposal of the totaled item (to be salvaged or junked) and, therefore, requests the title to be transferred. Transfer of the title to the insurance company for the purpose of disposing of the item does not imply that a retail sale has occurred (see above). A sales or use tax return is not required when application is made for a salvage or junking certificate with the Office of the Secretary of State.



# Part 3: Tax-Exempt Sales

This part provides a detailed description of each of the exemption categories shown in Section 5 on Form ST-556. It is important for you to understand and properly document exempt sales. If you report a sale as exempt from Illinois sales tax and we then determine this sale to be taxable, we will assess either you or the purchaser for tax, penalty, and interest.

## Do I still need to file a return if the transaction is exempt and no tax is due?

Yes. You must file a return for every transaction you make, even exempt sales with no tax due.

## Is there a penalty for not filing a return to report an exempt transaction?

Yes. If you are a retailer required to file a transaction return (ST-556 or ST-556-LSE), you owe a penalty for the nonfiling of a transaction return for each instance in which you make a sale for which no tax is due but you fail to properly report that sale on or before the due date to the Department using Form ST-556, Form ST-556-LSE, (with regard to sales for lease), or Form ST-556-D. See CA 2017-17, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

## Form ST-556 Box A: Sale to a nonresident purchaser

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### What qualifies for this exemption?

You may be able to claim an exemption if you sold a motor vehicle or trailer to a nonresident purchaser if the nonresident purchaser took possession of the item in Illinois and

- you issued a drive-away permit for the item sold; or
- the purchaser transferred out-of-state license plates to the item sold.

**Note:** Watercraft, aircraft, manufactured (mobile) homes, and all-terrain vehicles (ATVs) cannot be issued drive away permits and are not exempt when a nonresident takes possession in Illinois.

### How do I report this exemption on Form ST-556?

To properly claim this exemption, you must mark Section 5, Box A, of Form ST-556. When you claim this exemption on Form ST-556, you still must provide the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

Your customer is not entitled to the nonresident purchaser exemption if the motor vehicle or trailer will be titled in a state that does not give Illinois residents a nonresident purchaser exemption on their purchases in that state of motor vehicles or trailers that will be titled in Illinois (e.g., there is no reciprocal exemption). For a complete listing of states and the tax rate or tax amount you are required to collect, see ST-58, Reciprocal - Non-Reciprocal Vehicle Tax Rate Chart, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

If you issued a drive-away permit or if the purchaser transferred current out-of-state license plates to the item sold, you must enter the drive-away permit number or the license plate number and the two-letter state abbreviation in the spaces provided in order for this exemption to be allowed by the Department.

### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

A Nonresident purchaser (**NOT** an out-of-state dealer) **See instructions.**

Drive-away permit no./Lic. plate no. DA123456 State WI

**Note:** The rules about whether a nonresident purchaser exemption can be claimed do not apply in a lease transaction reported on Form ST-556-LSE. Rather, all drive-away leases to non-Illinois residents are exempt from Illinois sales tax.

## Are there any special considerations for this exemption?

**Note to retailers of watercraft, aircraft, and manufactured (mobile) homes:** Illinois law does not provide for the use of an out-of-state license plate or registration or the use of a drive-away permit as authority to exempt from tax the receipts from sales of watercraft, aircraft, or manufactured (mobile) homes when a nonresident purchaser takes possession or delivery of these items in Illinois. Sales of watercraft are taxable, even when sold as part of a boat/trailer package.

Out-of-state sales of aircraft are allowed a fly-away exemption, but do not use Section 5, Box A, of Form ST-556 to report tax-exempt sales of aircraft that will not be registered or based in Illinois. See Page 34 below on how to properly claim the aircraft fly-away exemption.

Do not use Section 5, Box A, of Form ST-556 to report sales of items to non-Illinois dealers who take possession or delivery of these items in Illinois. See the instructions for Section 5, Box B, Sale for resale, on how to report these transactions.

Do not use Section 5, Box A, of Form ST-556 to report sales of items that you delivered or caused to be delivered to a purchaser outside Illinois. See the instructions for Section 5, Box F, Other, on how to report these transactions.

## What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. If the purchaser transferred current out-of-state license plates to the item sold, also retain a copy of the vehicle registration for which the out-of-state plates are issued. You must also obtain from the purchaser a signed certification documenting the purchaser's eligibility for the nonresident purchaser exemption. As a condition of claiming the nonresident purchaser exemption, your customers must certify that they are not residents of Illinois and, at your request, must provide the information required to complete this certification. See ST-588, Nonresidency Exemption Certification for Sales and Leases of Motor Vehicles and Trailers, available on our website at [tax.illinois.gov](http://tax.illinois.gov). You are responsible for obtaining this certification and must retain it in your records as proof that no tax was due on the sale of the specified item.

In addition to this certification, you must retain in your records evidence to support the purchaser's claim of nonresidency (e.g., out-of-state driver's license). In a lease transaction, retain this information for the nonresident lessee.

## Form ST-556 Box B: Sale for resale

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### What sales qualify for this exemption?

You may claim the sale for resale exemption if you sold an item to a customer who is registered or licensed as a retailer or reseller of the item or as a retailer or reseller of parts for the item and who is purchasing the items for resale, provided you obtain a certificate of resale from your customer.

**Note:** When Form ST-556 is completed with the required information in Sections 1 through 6, the form serves as a certificate of resale.

The sale for resale exemption is allowed when a purchaser is registered in Illinois as a retailer or reseller of the item, including a remote retailer or marketplace facilitator registered in Illinois.

### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you must still provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box B, of Form ST-556 and enter in the space provided the purchaser's active Illinois retailer or reseller Account ID number. Without this information, the form does not serve as a certificate of resale.

### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

B Sold for resale to a **DEALER** 1234-5678  
(Write either the Illinois dealer's Account ID or "Out-of-state dealer")

Sales of items for junking or salvage or as parts are exempt as a sale for resale when the purchaser is registered in Illinois either as a retailer or reseller of salvaged items or junked items as parts or as a retailer of parts for these items, but this exemption is claimed by checking Section 5, Box F. For more information, see Page 31.

The sale for resale exemption is allowed when the purchaser is not registered in Illinois as a retailer or reseller but is registered or licensed in another state as a retailer or reseller of the item purchased and the item is purchased for resale.

To properly claim this exemption, you must check Section 5, Box B, and enter the statement "Out-of-State Dealer" in the space provided for the active Illinois retailer or reseller Account ID number. If you are filing an electronic Form ST-556 on MyTax Illinois and need to claim the exemption for an out-of-state dealer, you must check the "Out-of-State Dealer" checkbox.

### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

B Sold for resale to a **DEALER** Out-of-state dealer  
(Write either the Illinois dealer's Account ID or "Out-of-state dealer")

### Are there any special considerations for this exemption?

With regard to a sale to a person who then will auction the item, an exempt sale for resale occurs when the item is actually sold to an auctioneer and the auctioneer provides you with an active Illinois retailer or reseller Account ID number. The title must be transferred to the auctioneer.

Sales by auctioneers on your behalf are exempt as a sale for resale only when the purchaser is either an out-of-state dealer or has an active Illinois retailer or reseller Account ID number. These sales are reported on Form ST-556 the same as any other sale for resale transaction.

**Note:** To report multiple sales for resale to the same purchaser on a single Form ST-556, complete Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule, and submit it with your Form ST-556. The sales must be of the same type of vehicle to the same purchaser with the same date of delivery. In Section 2 of Form ST-556, enter "See attached list." On Form ST-556-R, for each item sold, enter the identification number, the make, the model, and the year. In the space provided on the schedule, enter the Form ST-556 transaction number. You may use a separate sheet of paper rather than Form ST-556-R, as long as it contains the same required information. If you are filing an electronic Form ST-556 on MyTax Illinois, you must check the "ST-556-R" checkbox and then enter the vehicle information on the ST-556-R Exemption Schedule.

### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale, and Form ST-556-R, if applicable. Also, if the purchaser is an out-of-state retailer or reseller, retain in your records a statement from the purchaser that the purchaser is an out-of-state retailer or reseller of the item purchased. Include, if applicable, the purchaser's registration or license number with that state.

## Form ST-556 Box C: Sale to an exempt organization

### What qualifies for this exemption?

You may claim an exemption if you sold an item to a tax-exempt organization, provided you properly document and report the sale as required. You may claim this exemption on a lease transaction only when the item is leased by a tax-exempt governmental body.

The following organizations are allowed to apply for an Illinois Sales Tax exemption "E" number:

- government (federal, state, or local) organizations
- exclusively educational (elementary, secondary, college, public, private) organizations
- exclusively religious organizations
- exclusively charitable organizations

To qualify for this exemption, the purchaser must have an active Sales Tax exemption "E" number issued by the Illinois Department of Revenue. This number will begin with the letter "E," followed by 8 digits (e.g., E-99999999).

### How do I report this exemption on Form ST-556?

When you claim an exemption for a sale to an exempt organization on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box C, of Form ST-556 and enter in the space provided the purchaser's active Illinois Sales Tax exemption "E" number.

#### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

- C Exempt organization (government, school, religious, or charitable)  
tax-exempt no. E- 9999-9999

### Are there any special considerations for this exemption?

You must verify that the purchaser's name on Form ST-556 and the applicant's name on the application for title or registration to the appropriate agency of Illinois state government is the same as the name of the organization to which our tax exemption number was issued.

Sales to foreign consuls or foreign consulates do not qualify for an exemption as a sale to an exempt organization. Sales to foreign consuls or foreign consulates that qualify as exempt should be reported in Section 5, Box F, Other.

An exemption is **not** allowed for sales in which one co-owner is tax exempt and the other co-owner is not tax exempt (e.g., the co-owners are a tax-exempt charitable organization and an individual).

### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. To document the exemption, you must request from the purchaser and retain in your records either

- a copy of the purchaser's exemption certificate issued by the Department; or
- the purchaser's "E" number. (In this case, before completing the transaction, you should verify this number using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov). Go to MyTax Illinois, select "Businesses," and then select "Sales Tax Exemption Number Validation.")

## Form ST-556 Box D: Sale to an interstate carrier (for use as rolling stock)

### How does the purchase of a motor vehicle or trailer qualify for a rolling stock exemption?

To qualify for the rolling stock exemption,

- the motor vehicle or trailer must be used to transport persons or property for hire,
- the purchaser must certify that the motor vehicle or trailer will be utilized by an interstate carrier for hire who holds an active USDOT number with the company operation listed as “interstate” and the operation classification listed as “authorized for hire,” “exempt for hire,” or both “authorized for hire” and “exempt for hire,” \* and
- for motor vehicles, the gross vehicle weight rating must exceed 16,000 pounds.

\* The second item above does not apply to a motor vehicle or trailer used at an airport to support the operation of an aircraft moving in interstate commerce, as long as the motor vehicle or trailer otherwise qualifies under the above criteria.

### Who may claim a rolling stock exemption?

To claim a rolling stock exemption, you must be an owner, lessor, or shipper purchasing tangible personal property that will be utilized by interstate carriers for hire for use as rolling stock moving in interstate commerce.

### How do I report this exemption on Form ST-556?

When you claim an exemption for a sale of a motor vehicle or trailer to an interstate carrier for use as rolling stock, you still must provide for every sale the selling price in Section 6, Line 1, of Form ST-556 and the trade-in amount, if any, in Section 6, Line 2. To properly claim this exemption, you must check Section 5, Box D, and enter the certificate of authority number (also known as the Federal Motor Carrier Safety Administration Interstate Operating Authority number, starting with “MC” or “MX”).

#### 5 Exempt or sale to a nonresident

If so, check the correct box below, and see instructions for Section 6.

D Sold to an interstate carrier for hire for use as rolling stock  
Certificate of authority no. 12345647890

Purchasers of motor vehicles (other than limousines) and trailers must certify their eligibility for the rolling stock exemption using Form RUT-7 Rolling Stock Certification for Motor Vehicles and Trailers (and Repair and Replacement Parts) Purchased on or after August 24, 2017. Form RUT-7 may also be used to claim a rolling stock exemption on repair and replacement parts for qualifying motor vehicles (other than limousines) and trailers.

### How do I report sales of limousines on Form ST-556?

For sales of qualifying limousines operated by carriers who do not require a certificate of authority number, you should enter instead “limousine” in the space provided. Only limousines that are first division motor vehicles may qualify for the rolling stock exemption.

To claim a rolling stock exemption on aircraft, watercraft, limousines, and rail carrier items, the purchaser must indicate the method by which the item purchased qualifies for the exemption. Purchasers claiming the rolling stock exemption on aircraft, watercraft, limousines, and rail carrier items must qualify for the exemption using specific usage tests (generally, trips or miles), and at the time of purchase, they must identify which method of qualifying will be used:

- Aircraft and watercraft must carry persons or property for hire in interstate commerce for more than 50 percent of their total trips or miles/hours in each 12-month period.
- Limousines must carry persons or property for hire in interstate commerce for more than 50 percent of their total trips or miles in each 12-month period.
- Rail carrier items must be used as rolling stock to haul persons or property for hire in interstate commerce on a regular and frequent basis.



## **How do purchases of other vehicle types, such as aircraft or watercraft, qualify for a rolling stock exemption?**

Purchasers of aircraft, watercraft, limousines, and rail carrier items must certify their eligibility for the rolling stock exemption using Form RUT-7-A Rolling Stock Certification for Aircraft, Watercraft, Limousines, and Rail Carrier Items. At the time the item is purchased, the purchaser must indicate the “trips” or “mileage” method (except for rail carrier items). If the purchaser does not indicate the method of qualification, we will consider the purchaser to have chosen the mileage method. Form RUT-7-A may also be used to claim a rolling stock exemption on repair and replacement parts for qualifying aircraft, watercraft, limousines, and rail carrier items.

For additional information on the rolling stock exemption, see 86 Ill. Adm. Code 130.340.

## **Are there any special considerations for this exemption?**

If you wish to report sales for use as rolling stock of more than one of the same type of item to the same purchaser with the same date of delivery, you may file Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule, with a single Form ST-556.

It is not only the item's type that determines whether the item qualifies for use as rolling stock, but also how the item is used by a qualifying interstate carrier. You should make your customers aware that only those qualifying items specifically used as rolling stock will qualify for this exemption.

Items do not qualify as rolling stock when they are used only

- to transport company officers, employees, customers, or others not for hire (even if these persons cross state lines);
- to transport property that a business owns or is selling and delivering to customers (even if the items cross state lines); or
- as support vehicles (other than those specifically used for “escort” service) when the vehicles do not haul persons or commodities for hire in interstate commerce.

## **What do I retain in my records to document this exemption?**

Retain in your records a copy of the Form ST-556 reporting the exempt sale, and Form ST-556-R, if applicable. You do not need to attach Form RUT-7 or RUT-7-A to your Form ST-556 when you file the return, but you must keep a properly completed Form RUT-7 or RUT-7-A in your records to document that the sale or lease qualifies as tax exempt. Unless requested, do not send Form RUT-7 or Form RUT-7-A directly to the Department.

## **Form ST-556 Box E: Sale for rental use**

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### **What sales qualify for this exemption?**

When you sell a qualifying motor vehicle to someone in the business of renting motor vehicles for one year or less and the item will be used for rental purposes, receipts from the sale are exempt from tax provided you properly document and report the sale as required.

Only the following types of motor vehicles may be sold tax exempt for rental purposes:

- first division passenger automobiles designed to carry not more than 10 persons;
- passenger vans designed for the transportation of not fewer than seven or more than 16 persons;
- second division, self-contained motor vehicles designed or permanently converted to provide living quarters for recreational, camping, or travel use, with direct walk-through access to the living quarters from the driver's seat;
- second division motor vehicles with a gross vehicle weight rating of 8,000 pounds or less; or
- motorcycles or motor driven cycles

### **How do I report this exemption on Form ST-556?**

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.



To properly claim this exemption, you must check Section 5, Box E, and enter in the space provided the purchaser's active Illinois Automobile Renting Occupation and Use Tax Account ID number.

<p><b>5 Exempt or sale to a nonresident</b> If so, check the correct box below, <b>and</b> see instructions for Section 6.</p> <p><input checked="" type="checkbox"/> E Sold for rental use Purchaser's Account ID _____ <b>1234-5678</b></p>
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**Note:** If you are moving a motor vehicle from your sales inventory to your rental inventory, follow the same instructions as if you were selling the motor vehicle to another rental company.

## Form ST-556 Box F: Other

### What sales qualify for this exemption?

Mark this box if you sell an item that qualifies as tax exempt but does not fit any other category. Describe your exempt transaction. Some examples of other exempt transactions that may qualify are the following:

- sales for resale as junk or salvage;
- sales to foreign missions or diplomats;
- sales for interim use or demonstration purposes;
- sales of ready-mix concrete trucks;
- sales of aircraft fly away;
- sales of motor vehicles that you deliver in interstate commerce;
- sales of motor vehicles that you deliver in foreign commerce;
- sales of motor vehicles as farm machinery and equipment; or
- sales for warranty replacements.

### Sales for Resale as Junk or Salvage

Sales of items for junking or salvage or as parts are exempt as a sale for resale when the purchaser is registered in Illinois either as a retailer or reseller of salvaged items or junked items as parts or as a retailer of parts for these items.

To properly claim this exemption in this situation, you must check Section 5, Box F, and enter in the space provided the purchaser's active Illinois retailer or reseller Account ID number, followed by any of the applicable designations: "Junked," "Salvage," or "Parts Only." Without this information, the form does not serve as a certificate of resale.

**Note:** The Account ID is only required for Illinois retailers or resellers.

<p><b>5 Exempt or sale to a nonresident</b> If so, check the correct box below, <b>and</b> see instructions for Section 6.</p> <p><input checked="" type="checkbox"/> F Other (describe) _____ <b>1234-5678 Salvage</b></p>
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### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. Also, if the purchaser is an out-of-state retailer or reseller, retain in your records a statement from the purchaser that the purchaser is an out-of-state retailer or reseller of the item purchased. Include, if applicable, the purchaser's registration or license number with that state.

## Sales to Foreign Diplomats and Consular Personnel

### What sales qualify for this exemption?

- **Diplomatic Tax Exemption Cards.** The U.S. State Department, Office of Foreign Missions (“OFM”), issues Diplomatic Tax Exemption Cards to accredited foreign diplomatic and consular officials. Under the authority of the federal Foreign Missions Act (22 USC 4301 through 4316), various tax exemptions are granted to foreign diplomatic and consular officials on their purchases. Diplomatic Tax Exemption Cards, alone, do not provide an exemption from Illinois occupation or use taxes on vehicles. OFM administers the exemption when a foreign mission or official buys a vehicle from a retailer. The purchaser must first present a Diplomatic Tax Exemption Card to the retailer. The retailer must retain a copy of this card and contact OFM at (202) 895-3500. OFM will determine the tax-exempt status of the purchaser. If the purchaser qualifies for an exemption, OFM will provide a letter to the retailer that states that the purchaser is eligible for a tax exemption on the sale of the vehicle. Only authorization letters provided directly from OFM to the retailer, along with a copy of the Tax Exemption Card, will be accepted by the Department as documentation for the exemption.
- **Taipei Economic and Cultural Representative Office Cards.** The American Institute in Taiwan/ Washington (AIT/W), pursuant to the provisions of 22 USC 3301 et seq., the Taiwan Relations Act (P.L. 96-8), and Executive Order 13014, with the authority of the Secretary of State, U.S. Department of State, issues Mission Tax Exemption Cards and Personal Tax Exemption Cards to officials of the Taipei Economic and Cultural Representative Office (TECRO). Under the authority of the Taiwan Relations Act, various tax exemptions are granted to officials on their purchases. Tax Exemption Cards, alone, do not provide an exemption from Illinois occupation or use taxes on vehicles. AIT/W administers the exemption when an official buys a vehicle from a retailer. The purchaser must first present a Tax Exemption Card to the retailer. The retailer must retain a copy of this card and contact AIT/W at (703) 525-8474. AIT/W will determine the tax-exempt status of the purchaser. If the purchaser qualifies for an exemption, AIT/W will provide a letter to the retailer that states that the purchaser is eligible for a tax exemption on the purchase of the vehicle. Only authorization letters provided directly from AIT/W to the retailer, along with a copy of the Tax Exemption Card, will be accepted by the Department as documentation for the exemption. AIT/W requires that dealers do all title work for the sale of a vehicle.

### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, of Form ST-556 and enter in the space provided “Office of Foreign Missions letter provided” if the purchaser is a foreign diplomat or consular official who has provided a diplomatic tax exemption card and the retailer has obtained an authorization letter from the Office of Foreign Missions or “AIT/W (Taiwan) letter provided” if the purchaser is a Taiwanese diplomat or consular official who has provided a diplomatic tax exemption card and the retailer has obtained an authorization letter from the American Institute in Taiwan/Washington.

#### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) Office of Foreign Missions letter provided

#### 5 Exempt or sale to a nonresident

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) AIT/W (Taiwan) letter provided

For more information about the Diplomatic Tax Exemption Program, contact the U.S. Department of State, Office of Foreign Missions. See 86 Ill. Adm. Code 130.2080.

## What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. You should also retain in your books and records the mission name, the cardholder's name, the exemption number, and the expiration date on the card; or you should retain a photocopy of the card (front and back).

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### Interim Use

#### What qualifies for this exemption?

If you are primarily a retailer of vehicles, trailers, or manufactured (mobile) homes, use of such items under the interim use exemption requires that the titled item will remain in your inventory for sale and will be available for sale at all times. See 86 Ill. Adm. Code 150.306.

Retailers of aircraft or watercraft who have purchased these items for resale and who use these items for demonstration, business, or personal purposes must pay Illinois Use Tax on their cost price of these items if they hold the items for more than 18 months. For more information, see "When am I required to pay use tax on watercraft and aircraft?" on Page 13.

#### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, and enter in the space provided "Interim Use."

<p><b>5 Exempt or sale to a nonresident</b> If so, check the correct box below, <b>and</b> see instructions for Section 6.</p> <p><input checked="" type="checkbox"/> F Other (describe) _____ <b>Interim Use</b> _____</p>
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### Sales of Ready-Mix Concrete Trucks

#### What sales qualify for this exemption?

Sales of ready-mix concrete trucks and truck chassis that are to be converted to ready-mix concrete trucks are exempt from tax as manufacturing machinery and equipment (MM&E) when used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. Your customer must either have an active Illinois retailer or reseller Account ID number issued or, in the absence of an Account ID, provide you with a certification stating that the item purchased will be used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

#### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption for a sale of a ready-mix concrete truck, you must check Section 5, Box F, of Form ST-556 and enter in the space provided "MM&E," along with your customer's active Illinois retailer or reseller Account ID number. If your customer does not have an Account ID, enter only "MM&E," and retain in your records the customer's signed and dated certification statement.

<p><b>5 Exempt or sale to a nonresident</b> If so, check the correct box below, <b>and</b> see instructions for Section 6.</p> <p><input checked="" type="checkbox"/> F Other (describe) _____ <b>MM&amp;E</b> _____</p>
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### Are there any special considerations for this exemption?

Only ready-mix concrete trucks used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease qualify for the MM&E exemption. No other type of item, including concrete pumper trucks, qualifies, and primary use of a ready-mix concrete truck for something other than the manufacture of tangible personal property to be sold at retail will disqualify the ready-mix concrete truck.

### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. Also retain in your records a properly completed Form ST-587, Equipment Exemption Certificate, or a certification by the lessee stating that the item will be used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease, as appropriate.

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### Aircraft Fly Away

#### What sales qualify for this exemption?

Sales of aircraft that will not be registered or based in Illinois after the sale are exempt from tax, provided the aircraft leaves this State within 15 days after the later of either the final billing for the sale of the aircraft or the approval for return to service, completion of the maintenance record entry, and completion of the test flight and ground test for inspection.

#### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, of Form ST-556 and enter "Aircraft fly away" in the space provided.

**5 Exempt or sale to a nonresident**

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) Aircraft fly away

### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale and Form RUT-60, Certification For Aircraft Exemption. You must also retain in your records documentation to verify that the aircraft sale qualifies for a tax exemption.

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### Sales of Items for Interstate Commerce

#### What sales qualify for this exemption?

Sales of items that you deliver or cause to be delivered to a customer in another state are exempt from tax as sales in interstate commerce.

#### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, and enter in the space provided "Delivered Out of State."

**5 Exempt or sale to a nonresident**

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) Delivered out of state

## What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. When you deliver an item to your customer in another state (e.g., driving your customer's automobile to him or her) you must retain in your records a statement signed and dated by the recipient showing the out-of-state customer's name and the address at which the delivery was accepted.

When you hire a common or contract carrier to deliver the item to your customer in another state, you must retain in your records a bill of lading documenting the transportation of that item outside Illinois.

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## Sales of Items for Foreign Commerce

### What sales qualify for this exemption?

Sales of items you deliver to a freight forwarder who will arrange for the item to be delivered outside the United States are exempt from tax as sales in foreign commerce.

### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, of Form ST-556 and enter in the space provided "Delivered to Freight Forwarder."

**5 Exempt or sale to a nonresident**

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) Delivered to Freight Forwarder

## What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. Also retain in your records documentation, such as a bill of lading, to support the delivery of the item to the freight forwarder.

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## Sales of Farm Machinery and Equipment

### What sales qualify for this exemption?

You may claim a farm machinery and equipment (FM&E) exemption if you sell an item to be used primarily in production agriculture.

### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption on a sale, you must check Section 5, Box F, of Form ST-556 and enter in the space provided "FM&E Exempt."

**5 Exempt or sale to a nonresident**

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) FM&E Exempt

## Are there any special considerations for this exemption?

Sales of farm machinery and equipment qualify only if the item is used primarily (e.g., more than 50% of the time) in production agriculture and will not be titled and registered for highway use, or if the item will be registered for exempt plates only.

The farm machinery and equipment exemption applies only to items of farm machinery and equipment, either new or used, certified by the purchaser to be used primarily for production agriculture. The exemption excludes most motor vehicles required to be registered pursuant to the Illinois Vehicle Code.

Registered vehicles other than motor vehicles may qualify for the exemption if they are used primarily in production agriculture rather than used in transportation (e.g., transporting livestock to slaughter or crops) or other nonexempt activities.

Production agriculture is the raising of or the propagation of livestock, crops for sale for human consumption, crops for livestock consumption, and production seed stock grown for the propagation of feed grains and the husbandry of animals or for the purpose of providing a food product. The transport of crops and animal food products and the transport of animals (e.g., for slaughter and processing) are not considered to be production agriculture. Specifically, trailers used in these activities do not qualify for the farm machinery and equipment exemption. See CA 2016-16, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

**Note:** ATVs may qualify for the farm machinery and equipment exemption if they are used primarily (more than 50% of the time) in production agriculture activities, such as pulling sprayers while they apply chemicals to fields or collecting and mapping soil samples. The use of ATVs for farm transportation or recreation purposes does not constitute production agriculture.

### What do I retain in my records to document this exemption?

Retain in your records a copy of the Form ST-556 reporting the exempt sale. Also retain in your records a properly completed Form ST-587, Equipment Exemption Certificate, or a certification by the purchaser stating that the item will be used primarily in production agriculture or in state or federal agricultural programs.

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### Warranty Replacements

#### What qualifies for this exemption?

The replacement of a titled or registered item as a condition of a warranty agreement is exempt from tax because no additional sale has taken place.

#### How do I report this exemption on Form ST-556?

When you claim this exemption on Form ST-556, you still must provide for every sale the selling price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2.

To properly claim this exemption, you must check Section 5, Box F, of Form ST-556 and enter in the space provided "Warranty Replacement."

**5 Exempt or sale to a nonresident**

If so, check the correct box below, **and** see instructions for Section 6.

F Other (describe) Warranty Replacement

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### Examples of Sales that Do Not Qualify as Exempt

#### What sales are commonly claimed as tax exempt but actually do not qualify for an exemption?

Following are some examples of sales that have been commonly claimed as tax exempt under Section 5, Box F, of Form ST-556 but do not qualify for a sales tax exemption:

- sales to certain individuals based on race, religion, creed, political preference, or military status  
**Note:** The Soldiers and Sailors Civil Relief Act does not grant tax-exempt status to military personnel.
- sales to customers claiming authorization under a "direct pay" registration  
While some states may have a form of "direct pay" registration that allows a person to make tax-exempt purchases of items that are required to be titled or registered and pay the tax directly to the appropriate taxing agency, Illinois does not have a registration of this type.
- sales of items as even trades or trade-downs

An even trade or trade-down does not qualify as tax exempt. When you claim a qualified trade-in and the value of or credit given for the trade-in is equal to (even trade) or greater than (trade-down) the selling price of the item sold, the transaction is taxable, even if the amount subject to tax is zero. Do not report such a transaction as tax exempt.

# Part 4: Step-by-Step Instructions for Form ST-556

For step-by-step instructions for Form ST-556, please refer to the [ST-556, Sales Tax Transaction Return Instructions](#).





# Part 4: ST-556-D

## **Who may file Form ST-556-D?**

If you are in the business of leasing or renting items of the type that must be titled or registered by an agency of Illinois state government (e.g., motor vehicles, watercraft, aircraft, and trailers), and, in connection with such business, at the end of the lease or rental period you sell such items to a retailer for the purpose of resale, you may report these sales for resale on Form ST-556-D, Nontaxable Sales for Resale of Previously Rented or Leased Vehicles. You can report multiple sales for resale on Form ST-556-D, with those sales being to the same or multiple purchasers. If you meet these requirements, you may file this schedule to avoid the additional paperwork involved in filing a separate Form ST-556 or Form ST-556-LSE for each item.

## **Am I required to file Form ST-556-D?**

No. Form ST-556-D is an optional bulk filing method to report exempt sales for resale of previously rented or leased vehicles. Taxpayers still have the option of reporting these same sales singly using Form ST-556, Sales Tax Transaction Return.

## **When is Form ST-556-D due?**

Form ST-556-D is due on or before the 20th day of the month following the end of your reporting period. The return for any given monthly reporting period should contain all items the purchaser took possession of during that calendar month. If the purchaser has been leasing the item and, therefore, already has possession of it, use the date you applied for a change in the title to determine the reporting period. Form ST-556-D must be filed electronically using MyTax Illinois at [mytax.illinois.gov](http://mytax.illinois.gov).

## **What records should I retain to support the information reported on Form ST-556-D?**

You should retain any records that verify each sale for resale, such as a copy of the rental agreement, sales log, deal jackets, copy of the sales invoice, Form CRT-61, Certificate of Resale, and any other pertinent documentation.



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