Publication 113-SOT

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Overview of Service Occupation Tax (SOT)

About this publication

The focus of this publication is for persons who transfer tangible personal property (TPP) incident to a sale of service (Servicepersons) and who have a physical presence in Illinois or meet the $100,000 Tax Remittance Threshold. These servicepersons are required to register with the Illinois Department of Revenue (IDOR), collect Service Occupation Tax (SOT), file returns, and remit the tax to IDOR.

Note: The service component of a sale of service remains nontaxable. The only part of a sale of service that is taxable is the transfer of TPP as part of that sale of service. This publication gives an overview of basic SOT and Service Use Tax (SUT) matters but does not discuss detailed requirements.

Illinois **statutes** and **regulations** related to these topics are available on the Illinois General Assembly website at **ilga.gov**.

Knowing how Illinois tax laws apply to your business can save you time, trouble, and money. The information included in this publication will supply you with the general information most servicepersons need to collect the proper amount of tax due and to file returns correctly.

A Serviceperson is responsible for

- collecting the correct amount of tax on transfers of TPP by sale, lease, or rental incident to a sale of service;
- documenting any tax-exempt transfers of TPP;
- paying use tax on items the Serviceperson purchased tax-exempt and used in its business or removed from inventory and did not sell or transfer incident to a sale of service;
- filing a completed Form ST-1, Sales and Use Tax and E911 Surcharge Return, either electronically or on paper by the due date; and
- keeping complete and accurate records for all TPP transferred incident to a sale of service.

Publications that cover other sales taxes and fees and specific sales tax applications are available on IDOR's website on the **Tax Publications** webpage.

Taxpayer Bill of Rights

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to Department notices by asking questions, paying the amount due, or providing proof to refute the Department's findings.

You have the right to appeal Department decisions, in many instances, within specified time periods, by asking for Department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right, within specified time periods, to file for a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other Department procedures, you may write us at the following address:

Problems Resolution Office
Illinois Department of Revenue
PO Box 19014
Springfield, IL 62794-9014

Legal References

Statutes

Service Occupation Tax Act (SOTA) - 35 ILCS 115/
Service Use Tax Act (SUTA) - 35 ILCS 110/
Retailers' Occupation Tax Act (ROTA) - 35 ILCS 120/
Use Tax Act (UTA) - 35 ILCS 105/
Leveling the Playing Field for Illinois Retail Act - 35 ILCS 185/

Regulations

Service Occupation Tax (SOT) - 86 Ill. Adm. Code Part 140
Service Use Tax (SUT) - 86 Ill. Adm. Code Part 160
Retailers' Occupation Tax (ROT) - 86 Ill. Adm. Code Part 130
Use Tax (UT) - 86 Ill. Adm. Code Part 150
Leveling the Playing Field for Illinois Retail Act - 86 Ill. Adm. Code Part 131

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Definitions

Cost Ratio **-** A measure of the amount of TPP transferred with a service. It is calculated by comparing the total annual cost of TPP transferred incident to all the Serviceperson's sales of service to their total annual income from all sales of service. See 86 Ill. Adm. Code 140.105 for more detail.

De Minimis Serviceperson **-** A De Minimis Serviceperson is a Serviceperson whose annual aggregate Cost Ratio is less than 35% (75% in the case of Servicepersons transferring prescription drugs or engaged in graphic arts production). See 86 Ill. Adm. Code 140.201(c) for more detail.

Marketplace **-** A physical or electronic place, forum, platform, application, or other method by which a Marketplace Serviceperson makes or offers to make sales of service.

Marketplace Facilitator **-** A Marketplace Facilitator is a person who, pursuant to an agreement with an unrelated third-party Marketplace Serviceperson, directly (or indirectly through one or more affiliates) facilitates sales of service by the unrelated third-party Marketplace Serviceperson by performing the following services, regardless of whether it receives compensation or other consideration in exchange for the services:

- listing or advertising in a Marketplace offers for sales of service by Marketplace Servicepersons that are subject to tax under the SOTA; and
- either itself or through agreements or arrangements with third parties, collecting payment from the customer and transmitting that payment to the Marketplace Serviceperson.

Marketplace Serviceperson **-** A Marketplace Serviceperson is a person who makes or offers to make a sale of service through a Marketplace operated by an unrelated third-party Marketplace Facilitator.

Remote Serviceperson **-** A Serviceperson that makes sales of service to Illinois customers, but does not maintain a place of business in this State.

Sale of Service **-** A Sale of Service is generally any transaction that is not a sale of property. See 86 Ill. Adm. Code 140.201(g)(1)-(8) for more detail.

Selling Price **-** The Selling Price is the separately-stated charge made by a Serviceperson for the TPP transferred incident to a sale of service, without any deduction on account of the Serviceperson's cost of the property sold, the cost of materials used, labor or service cost, or any other expense whatsoever and without including any separately stated interest, finance charges, or any charges added by the Serviceperson on account of its duty to collect SOT from the purchaser. If no charge is separately stated in the Serviceperson's billing, the Selling Price is 50% of the entire amount billed to the customer. In no circumstance can the selling price be less than the cost price.

Service **-** The portion of a sale of service transaction which does not represent the transfer of TPP, intangible personal property, or real property.

Service Occupation Tax (SOT) **-** The SOT is a tax imposed upon persons engaged in the business of making sales of service who transfer TPP as an incident of a sale of service.

Service Use Tax (SUT) **-** The SUT is a tax imposed on the privilege of using, in this State, TPP that is received anywhere as an incident to a purchase of service from a Serviceperson. However, if the Serviceperson would not be taxable under SOT despite all elements of the sale of service occurring in Illinois, then the tax imposed by the SUTA does not apply to the use of such property in this State. If property is sold and delivered to a person who lives or does business in this State, that sale counts as evidence that the property was meant to be used in this State.

Serviceperson **-** A Serviceperson is any person who is engaged in the occupation of making sales of service. SOT is only imposed if a Serviceperson transfers TPP as part of a sale of service.

Serviceperson Maintaining a Place of Business in this State **-** A Serviceperson who has a physical or economic presence in Illinois which requires them to collect and remit State and local SOT and SUT on sales of service to Illinois customers. See "Who must register as a Serviceperson?" below for additional information and definitions related to Servicepersons Maintaining a Place of Business in this State.

Tangible Personal Property (TPP) **-** All property other than intangible personal property (such as stocks, bonds, and CDs) or real property (such as land and buildings).

Tax Remittance Threshold **-** Cumulative gross receipts of $100,000 from sales of service to purchasers in Illinois for the preceding 12-month period as determined on a quarterly basis, ending on the last day of March, June, September, and December. For more information, refer to the **PIO-127, Determining Service Occupation and Use Tax Liability in Illinois**.

Transfer **-** Any transfer of the title to TPP or the ownership of TPP or any transfer of the possession or control of, the right to possess or control, or a license to use TPP when neither ownership nor title is transferred.

Registering Your Business

Who must register as a Serviceperson?

A Serviceperson must first determine whether they must register for SOT with IDOR.

1. Are you a Serviceperson Maintaining a Place of Business in this State?

Only Servicepersons Maintaining a Place of Business in this State and making sales of service to Illinois purchasers are required to register for SOT with IDOR. If you meet any of the following activities, you are considered a Serviceperson Maintaining a Place of Business in this State:

a) you have or maintain within this State, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of business, or any agent or other representative operating within this State under your authority or a subsidiary of yours, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily, or whether you or your subsidiary is licensed to do business in this State;

b) you have a contract with a person located in this State under which the person, for a commission or other consideration, based a sale of service by you, directly or indirectly refers potential customers to you by providing to the potential customers a promotional code or other mechanism that allows you to track purchases referred by such persons. Examples of mechanisms that allow you to track purchases referred by such persons include but are not limited to the use of a link on the person's internet website, promotional codes distributed through the person's hand-delivered or mailed material, and promotional codes distributed by the person through radio or other broadcast media. The provisions of this paragraph apply only if the cumulative gross receipts from sales of service by you to customers who are referred to you by all persons in this State under such contracts exceed $10,000 in the last 12 months; or

c) you have a contract with a person located in this State under which:

1. you sell the same or substantially similar line of services as the person located in this State and do so using an identical or substantially similar name, trade name, or trademark as the person located in this State; and
2. you provide a commission or other consideration to the person located in this State based upon the sales of service by you;

Note: The provisions of paragraph (c) apply only if the cumulative gross receipts from transfers of TPP incident to sales of service by you to customers in this State under all such contracts exceed $10,000 in the last 12 months.

d) you make sales of service to purchasers in Illinois only from outside of Illinois and you have cumulative gross receipts from sales of service to purchasers in Illinois of $100,000 or more over the preceding 12-month period; or

e) you are a Marketplace Facilitator making sales of service over the Marketplace to purchasers in Illinois and you have cumulative gross receipts from sales of service by yourself and by your Marketplace Servicepersons to purchasers in Illinois of $100,000 or more over the preceding 12-month period.

The Serviceperson or Marketplace Facilitator shall determine on a quarterly basis, ending on the last day of March, June, September, and December, whether it meets the $100,000 gross receipts from sales of service to Illinois purchasers threshold for the preceding 12-month period. If the Serviceperson or Marketplace Facilitator meets the threshold for a 12-month period, it is considered a Serviceperson Maintaining a Place of Business in this State and is required to collect and remit tax and file returns for one year.

A Remote Serviceperson that has not met the $100,000 Tax Remittance Threshold is not a Serviceperson Maintaining a Place of Business in this State and does not need to register with the Department to remit SOT. These Remote Servicepersons may register with IDOR as voluntary SUT collectors as a courtesy to their Illinois customers who still have an obligation to remit SUT on their purchases.

2. Are you a De Minimis Serviceperson?

Servicepersons Maintaining a Place of Business in this State must review their fiscal year Cost Ratio to determine if they are a "De Minimis" Serviceperson. If the cost of TPP transferred in the prior fiscal year is less than 35% of the total gross receipts from all Illinois sales of service (75% in the case of Servicepersons transferring prescription drugs or engaged in graphic arts production), the Serviceperson is de minimis. If the total cost of TPP exceeds 35% of the total gross receipts (or 75%, if applicable), the Serviceperson is not de minimis. Servicepersons maintaining a place of business in this State who are not de minimis must register for and remit SOT to IDOR on all sales of service as an incident of which TPP is transferred to Illinois purchasers.

3. Do you make retail sales subject to the ROTA?

If a De Minimis Serviceperson maintaining a place of business in this State also makes sales at retail to Illinois purchasers, the Serviceperson must register as a retailer under Section 2a of the ROTA and pay ROT on those sales at retail. Such a Serviceperson must also register for and remit SOT to IDOR on the TPP transferred incident to sales of service to Illinois purchasers. However, Remote Servicepersons must determine if they have met a separate tax remittance threshold for their sales at retail to Illinois customers before registering under Section 2a of the ROTA.

De Minimis Servicepersons that are not registered as a retailer under Section 2a of the ROTA and Remote Servicepersons that do not make any retail sales to Illinois customers are only required to pay UT on the cost of TPP transferred to customers during sales of service. See 86 Ill. Adm. Code 140.108 for more detail.

De Minimis Servicepersons who incur UT on their cost price should pay UT to their suppliers but must register to remit UT if their suppliers are not registered to collect it from them. See 86 Ill. Adm. Code 140.108(a)(1) for more detail. A De Minimis Serviceperson maintaining a place of business in this State may choose to register for SOT with IDOR, in which case the Serviceperson should give its suppliers a resale certificate and remit UT to IDOR.
Note: The Illinois UT rate is 6.25 (.0625) percent for general merchandise. If you paid the correct tax to another state but the tax you paid is lower than the Illinois rate, you must pay IDOR the difference.

A De Minimis Serviceperson not maintaining a place of business in this State and not making any retail sales into this State would only owe UT to its supplier out of State and not to Illinois. However, this Serviceperson's Illinois customer would owe SUT on the TPP transferred as an incident to the sale of service. As a courtesy to its Illinois customers, the Serviceperson may voluntarily register for, collect, and remit SUT.

Examples of sales of service subject to SOT.

You are engaged in the business of making sales of service in Illinois and must remit SOT and any applicable local service occupation taxes* administered by IDOR on TPP transferred incident to sales of service if:

a) you transfer TPP incident to a sale of service in Illinois from a location in this State to purchasers located in this State;
b) you are an out-of-State Serviceperson that maintains inventory in this State and fulfills from that inventory a transfer of TPP to a sale of service in Illinois to a purchaser located in this State;
c) you transfer TPP incident to a sale of service in Illinois at craft shows, fairs, seminars, or conventions in this State;
d) you are a Marketplace Facilitator who meets the Tax Remittance Threshold of $100,000 or more in cumulative gross receipts from sales of service to Illinois purchasers, for the preceding four calendar quarters making sales of service on behalf of marketplace sellers through the Marketplace and as an incident of these sales of service, TPP is transferred; or
e) you are a Serviceperson Maintaining a Place of Business in this State, and you transfer TPP incident to a sale of service to Illinois customers from locations outside of Illinois and the property is shipped or delivered into Illinois.

*Applicable to Servicepersons who are not de minimis and Servicepersons, including De Minimis Servicepersons, who are registered under Section 2a of the ROTA. De Minimis Servicepersons who are not registered under ROTA may opt to pay UT to their suppliers.

Can a De Minimis Serviceperson maintaining a place of business voluntarily register to remit SOT?

Yes. Instead of remitting UT to their suppliers, De Minimis Servicepersons who are not registered under Section 2a of the ROTA may elect to register for SOT. This SOT would be applied to either the separately stated Selling Price of TPP transferred as incident to sales of service or 50% of the entire billing. However, a De Minimis Serviceperson may **not** choose to pay service occupation tax on some transactions and UT on others during their fiscal year. See 86 Ill. Adm. Code 140.108(a)(4) for more detail. See below for discussion on SOT tax base.

If I am just starting my business, what do I do to register?

Register with IDOR electronically using **MyTax Illinois**. If you are not already registered, select "Register a New Business (Form REG-1)" and complete the registration application.

If you choose to register using the paper application, complete and sign Form REG-1, Illinois Business Registration Application, allow 6-8 weeks for processing, and submit it via email, fax, or mail to:

CENTRAL REGISTRATION DIVISION 3-222
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030
Fax: 217 785-6013
Email: rev.crd@illinois.gov

How do I activate a MyTax Illinois logon?

Once your business is registered, you can activate your MyTax Illinois logon. Please allow 24 hours from your registration confirmation email before activating a logon for MyTax Illinois. To activate a logon for a business, go to **mytax.illinois.gov**, select the “Sign Up” link, and then select the taxpayer ID type. You can use one of the following options to validate the activation:

- Owner/Officer or Responsible Party Social Security Number,
- PIN previously issued by IDOR (used for certain electronic filing methods, such as Webfile and third-party tax software, separate from MyTax Illinois), or
- Account Activity validation.

This activation process is to help ensure only individuals who are authorized by their organization are allowed to gain access to a business’s tax information.

Once you have activated your MyTax Illinois logon, if you are a Corporation, S-Corp, Partnership, or LLC organization type and are registered for other tax accounts, you can register for new tax types through your existing MyTax Illinois logon account, by selecting “More…” and then selecting “Register for New Tax Accounts.”

Sole proprietorships can only register for new tax accounts by selecting “Register a New Business (Form REG-1)” and completing Form REG-1 on the MyTax Illinois home screen.

How will I know that I have successfully registered?

IDOR will electronically issue you a Certificate of Registration (Certificate). You are required to have this Certificate if you engage in the business of transferring TPP incident to a sale of service. The Certificate lists your Sales and Use Tax Account ID, your business name, address, the effective date, the tax type for which you are registered, and the date the Certificate will expire.

MyTax Illinois is the primary method you should use to obtain and print or download a copy of your Certificate. From your MyTax Illinois logon, the Certificate is located by selecting “View more account options” in the ST-1 Sales/ Use Tax panel and then “View Account Letters” in the “Letters and Messages” panel. The Certificate is on the second page of the Business Authorization letter. If you are unable to print or download a copy of your business’s Certificate, you can also contact our Central Registration Division (CRD) by email at **rev.crd@illinois.gov** or phone at 217 785-3707 to request a paper copy be mailed to you.

What if I make transfers of TPP incident to sales of service at more than one location?

If you are liable for SOT, you must register all locations and local tax jurisdictions (*e.g.*, city or county) at which you make sales of service. IDOR will supply a certificate for each permanent location you register. Certificates for each permanent location will display the individual location address. Certificates for changing locations will display the local tax jurisdiction.

How do I add, change, or discontinue one of my tax sites?

If you change the location of your business or, if you are a multiple location filer and one of your locations changes, you can update your registered locations using MyTax Illinois with the “Maintain Locations” request. It is important for you to keep this information up to date to ensure you are filing using the correct tax rate. This is also important to IDOR to ensure that the tax you collected is allocated to the proper jurisdiction.

Will I need to renew my Certificate?

If you are registered as a Serviceperson and are required to file sales tax returns, your Certificate will expire after one year. Your Certificate will be renewed automatically as long as you are complying with all filing and payment requirements.

A hold will be placed on your Certificate if you are in Collections or the account is incomplete (missing information). IDOR will notify you that a hold has been placed and will provide the filing and/or payment requirements to correct your account. If you do not comply, your Certificate will not be renewed. IDOR will notify you if your Certificate will not be renewed 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. You can also contact CRD to request a new Certificate.

What if I discontinue my business, close one of my locations, or change my business structure?

If you discontinue your business or close one of your locations you must update your registration information with IDOR. In addition, you must destroy all Certificates related to that business or location(s).

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;
- destroy all Certificates related to that business; and
- register the new business entity by completing a new Form REG-1.

Note: Certificates cannot be transferred.

In addition, you must update your registration information with IDOR. MyTax Illinois allows you to close your existing business and register a new one or to maintain your registered locations. You also can contact CRD or send a completed paper **registration form** depending on the change or update needed. It is important that you update your registration information with us when you go out of business or discontinue a location.

If in connection with a change in structure of your business, you sell or purchase all or a substantial portion of an existing business, you may have a special reporting requirement. You must complete and file **Form CBS-1**, Notice of Sale, Purchase, or Transfer of Business Assets, if you purchase from a person subject to Illinois tax outside the usual course of its business;

- the major part of the stock of goods that the seller is in the business of selling or transferring incident to sales of service;
- the furniture or fixtures of the seller's business;
- the machinery and equipment of the business; or
- the real property of the business;

Form CBS-1 must be filed with IDOR at least ten (10) days prior to the sale or transfer date or it will not be processed. If you fail to properly complete and file this form, you may be liable for any unpaid tax of the seller, up to the value of the assets you purchase. If you are the seller, you may file this form on behalf of the purchaser, and some purchasers request that a seller assist them in completing this form or filing it for them. See 86 Ill. Adm Code 130.1701 for more information.

What if I need to update my business registration information?

Most general maintenance can be completed electronically using MyTax Illinois. MyTax Illinois allows you to change legal and mailing address information, update responsible party, update owners/officers and members/managers (for Limited Liability Companies), update contact information, register for new tax accounts, and request to close or reopen closed tax accounts. MyTax Illinois also allows you to add and cease locations by using the "Maintain Locations" link in your Sales and Use Tax (ST-1) account in MyTax Illinois. Marketplace Facilitators and Remote Servicepersons liable for State and local SOT are no longer required to add or remove sales locations before filing; instead, all sales locations are available on one screen when the user files Forms ST-1 and ST-2 using MyTax Illinois.

Who do I contact if I have questions about registration?

For registration questions, see our Taxpayer Answer Center at **tax.illinois.gov**. If you cannot find an answer, you can email IDOR from the Taxpayer Answer Center. You can also contact CRD at **rev.crd@illinois.gov** or **217 785-3707.**

Requirements for Servicepersons Who File Form ST-1

How do Servicepersons calculate their tax liability?

The service component of a sale of service remains nontaxable. The only part of a sale of service that is taxable is the transfer of TPP as part of that sale of service. Except in the case of sales made through a Marketplace Facilitator who meets the Tax Remittance Threshold, a Serviceperson's liability may be calculated in one of four ways:

1. SOT on separately stated Selling Price of TPP transferred as an incident of a sale of service;
2. SOT on 50%, but not less than the cost price, of the Serviceperson's entire bill;
3. SOT on the Serviceperson's cost price if they are a De Minimis Serviceperson who is registered or otherwise required to be registered under Section 2a of the ROTA; or,
4. UT on the Serviceperson's cost price if they are a De Minimis Serviceperson not otherwise required to be registered under Section 2a of the ROTA.

Notes:

1. Any Serviceperson whose only Illinois presence as a result of meeting the $100,000 in gross receipts from sales of service threshold cannot elect the fourth calculation option above if the Serviceperson makes any retail sales to purchasers in this State.
2. SOT shall be imposed at 50%, but not less than the cost price, of the entire billing to the Illinois purchaser for all sales of service as a part of which TPP is transferred through a Marketplace that has met the tax remittance threshold to Illinois purchasers.

On what transfers of TPP incident to sales of service must I collect and pay SOT?

A Serviceperson who is registered for SOT or required to be registered for SOT with IDOR must collect SUT from its customers and pay the SOT to IDOR on all transfers of TPP incident to sales of service unless the transaction is exempt from SOT by law. A De Minimis Serviceperson who is required to pay UT on the cost of TPP transferred incident to sales of service must pay UT to IDOR on all transactions that are not exempt from SOT by law unless the UT was collected from the Serviceperson by the supplier who sold it the TPP. The Serviceperson who pays UT does not collect SOT or UT from its customers.

You must keep documentation in your records to support every exempt transfer of TPP incident to a sale of service you make.

What are some common types of transfers of TPP incident to sales of service that are exempt from SOT?

Listed below are some of the most common transfers of TPP incident to sales of service that are exempt from SOT:

- sales for resale;
- interstate commerce;
- enterprise zone;
- high impact business;
- river edge redevelopment zone building materials; and
- exempt organizations (*e.g.*, exclusively charitable, religious or educational);

For more information on exempt transactions, see **PIO-101, Illinois Sales & Use Tax Matrix**.

What factors determine the rate that applies to the transfers of TPP incident to a sale of service?

Generally, it is the location of the selling activity where you make the sale of service that determines the rate of tax. The rate of tax that applies to transfers of TPP incident to a sale of service made within Illinois varies based on the selling activities. For sales of service for which selling activities occur in Illinois, State and local SOT are incurred at the tax rate in effect at the location of the selling activities (origin rate). See 86 Ill. Adm. Code 270.115 for more detail.

For sales of service that are fulfilled from inventory located in Illinois and for which selling activities do not otherwise occur in Illinois, State and local SOT are incurred at the tax rate in effect at the location of the Illinois inventory (origin rate).

For sales of service that are not fulfilled from inventory located in Illinois and for which selling activities do not otherwise occur in Illinois, State and local SOT are incurred at the tax rate in effect at the location to which the TPP is shipped or delivered or at which possession is taken by the purchaser (destination rate).

Marketplace Facilitators that meet the Tax Remittance Threshold are deemed to be Servicepersons engaged in the business of making sales of service on behalf of their identified marketplace sellers at the destination rate. SOT shall be imposed at 50%, but not less than the cost price, of the entire billing to the Illinois purchaser for all sales of service as a part of which TPP is transferred through the Marketplace to Illinois purchasers.

Marketplace Facilitators will still be required to remit SOT for their own transfers of TPP incident to a sale of service at:

- the origin rate for transfers of TPP incident to a sale of service that is sourced in Illinois or for sales of service that are not sourced in Illinois, but the inventory is in Illinois (at the time of the sale of service); and/or
- the destination rate for transfers of TPP incident to a sale of service that are sourced outside of Illinois.

Leases or rentals with periodic payments and delivery to the customer will be sourced using the destination rate. For all other leases or rentals, including a lease or rental that does not require recurring periodic payments and any lease or rental in which the customer takes possession of the property at the lessor's place of business, the payment is sourced as otherwise provided for sales of service.

See our **Destination-Based Sales Tax Assistance** page at **tax.illinois.gov** for more information.

How do I know what rate to charge?

Taxpayers electronically filing Form ST-1, and, if applicable, Form ST-2, using MyTax Illinois will have the rates populated for them.

If you receive a paper return, the rate will be preprinted, and if you make taxable sales of service from more than one location, the rate for each location will be printed on your Form ST-2.

If the rate is not shown, refer to the Tax Rate Database at **tax.illinois.gov** to verify your rate.

What taxes are included in the tax rate?

If you transfer TPP incident to a sale of service, your tax rate consists of:

- the statewide general merchandise tax rate of 6.25 percent (.0625); plus
- any locally imposed taxes collected by IDOR on general merchandise.

Depending on the location of your sales of service, the following additional locally imposed taxes collected by IDOR may be included in your tax rate:

- Regional Transportation Authority (RTA)* tax rate - sales of service in Cook, DuPage, Kane, Lake, McHenry, and Will counties.
- Metro-East Mass Transit District tax rate - sales of service in Madison and St. Clair counties.
- Home-rule, non-home rule, County School Facility, County Public Safety/Public Facilities/Transportation Sales Tax, Metro-East Park and Recreation District Tax rate - sales of service within certain units of government.
  - Home-rule, non-home-rule, County School Facility/County Public Safety/Public Facilities/Mental Health/Substance Abuse/Transportation Sales Tax, and Metro-East Park and Recreation District taxes do not apply to sales of drugs or groceries, or sales, leases, or rentals of medical appliances or items that must be titled and/or registered.

Local governments may also impose taxes that they administer themselves using a form of their own.

*__Note__: **Beginning June 1, 2026**, the RTA will be known as the Northern Illinois Transit Authority (NITA).

Where can I get a list of tax rates?

For a complete list of all tax rates, go to the **Tax Rate Database** at **tax.Illinois.gov**.

When does an Illinois Serviceperson owe UT on its purchases and how is it reported?

For Form ST-1 filers, Illinois law requires you to pay Illinois UT on purchases of TPP you made for use or consumption in Illinois and on which you did not pay Illinois UT to the seller. De Minimis Servicepersons are also required to pay UT on the cost price of purchases of TPP transferred incident to a sale of service, unless their supplier collected UT from them. You must report UT on your Form ST-1.

Businesses that owe UT on items purchased for their own use or consumption by the business and not transferred incident to sales of service in Illinois should pay UT using Form ST-1 for the reporting period in which the items were purchased.

Businesses that purchase items tax free for resale to transfer as an incident of sales of service and later remove these items from inventory for the business's own use or consumption in Illinois should pay UT using the Form ST-1 for the reporting period in which the item was removed from inventory. The Illinois UT rate is 6.25 (.0625) percent for general merchandise and 1 percent (.01) for drugs and medical appliances. If you paid the correct tax to another state but the tax you paid is lower than the Illinois rate, you must pay IDOR the difference.

How do I file if I have transfers of TPP incident to sales of service at more than one location?

A Serviceperson who is liable for SOT and transfers TPP incident to sales of service at more than one location (site) or local tax jurisdiction (*e.g.*, city or county) where the customer is located for destination-based sourcing must collect and remit taxes according to the rates of each selling activity. The Serviceperson will be registered as a multiple location filer and must complete and attach Form ST-2 to your Form ST-1 to show the breakdown of taxes collected and paid from each site. See **Sales & Use Tax Form Instructions** for more information.

For destination-based transactions, if the taxpayer fails to provide the information, schedules, or supporting documents necessary to determine the destination location, IDOR shall assess tax on the gross receipts of such sales at the rate of 15%. Taxpayer records must support figures filed on Form ST-1 and Form ST-2.

For more information, see **FY Bulletin FY 2026-13, Service Occupation Tax Changes**.

Must I file Form ST-1 even if I have no sales of service or purchases to report?

Yes, if you are required to be registered or are voluntarily registered with IDOR. You must file a processable (signed) Form ST-1 for each reporting period regardless of whether there are receipts or purchases to report. If you have no receipts to report, you must file a "zero" return.

When is my return and payment due?

You must file your Form ST-1 and pay any tax, E911 Surcharge, and ITAC Assessment on or before the 20th day of the month following the end of the reporting period. Due dates that fall on Saturdays, Sundays, and State of Illinois holidays are moved to the next business day.

For most taxpayers, the reporting period is over at the end of the month and the return is due on or before the 20th day of the month following the end of the reporting period.

Some taxpayers qualify to file only four times a year (quarterly). These taxpayers' returns are due on the 20th day of the month following the end of the calendar quarter. Still other taxpayers qualify to file only once a year (annually). These taxpayers' returns are due on the 20th day of January following the end of the calendar year.

Upon registration, you will be required to file either monthly or quarterly. IDOR reviews accounts annually and will notify you if your filing status changes.

Taxpayers whose average tax due on Form ST-1 is at least $20,000 a month must make four tax payments each month and must make them electronically. Payments are due on the 7th, 15th, 22nd, and last day of the month. IDOR will notify you if you meet this requirement. At the time of notification, IDOR will send you information explaining specific filing requirements.

Is there an incentive for paying the tax I have collected on time?

Yes. A Serviceperson that files its own returns and makes payment of tax shall be entitled to a discount for all sales that it timely files returns and makes payment of tax as required by Section 9 of SOTA. However, the Serviceperson is not entitled to the discount for sales reported on returns filed by a Certified Service Provider with whom it has a Tax Remittance Agreement or sales made over a Marketplace.

A Marketplace Facilitator shall be entitled to a discount as provided in Section 9 of the SOTA on all Marketplace sales made to Illinois purchasers on behalf of marketplace sellers or Servicepersons.

The discount amount, including any local tax administered by IDOR and reported on the same return, is capped at $1,000 per month. For more information on the applicable discount rate, see Form ST-1 Instructions.

How do I file my return?

You can file Form ST-1, and, if applicable, Form ST-2, electronically with special attachments using MyTax Illinois.

Forms ST-1 and ST-2 also can be electronically filed using software you write or that you buy or use from an accepted vendor (third party). Visit **tax.Illinois.gov** for a list of **approved third party software vendors** to electronically submit these forms. These vendors may charge a transaction fee. If you electronically file using your own software, you must first obtain IDOR approval.

For paper forms, mail your return to the address on the form. If no address is available, mail your Form ST-1 to:

ILLINOIS DEPARTMENT OF REVENUE
RETAILERS' OCCUPATION TAX
SPRINGFIELD IL 62796-0001

If you are required to file other tax returns than Form ST-1, do not mail these returns to the same address you use for your Form ST-1. Instead, you can file using MyTax Illinois or mail your other return separately, sending it to the appropriate address on the form. IDOR also provides a list of mailing addresses at **tax.Illinois.gov**.

Note: You will be mandated to file Form ST-1 electronically if your annual gross receipts average $20,000 or more. IDOR will notify you by mail if your filing status changes.

What if I do not file and pay by the due date?

If you do not file your return and pay tax by the due date, you will be assessed for any tax due (including any portion of the discount for timely filing that IDOR has disallowed) plus penalty and interest. For detailed information about the penalties and interest that may apply, see **Publication 103, Penalties and Interest for Illinois Taxes**.

Note: IDOR uses the U.S. Postal Service postmark date to determine whether a return and payment have been timely filed on items sent through the U.S. mail to IDOR. Private postage meters are not used to establish the date of receipt.

Note: The United States Postal Service (USPS) has announced changes to postmarks. For more information, see **FY 2026-17, Changes to United States Postal Service on Postmarks Could Impact Illinois Tax Filings**.

Can I pay electronically?

You can use MyTax Illinois or ACH Credit to make electronic payments. Taxpayers whose average tax due on Form ST-1 is at least $20,000 annually must make payments electronically. IDOR will notify you by mail prior to August 1 if you are required to make your payments electronically. At the time of notification, IDOR will send you information explaining specific payment requirements. This notification will further explain the requirements and outline the payment options you may use.

What if I collect tax at a higher rate than I am required to collect?

If you do not refund the over-collected tax to your customer before you file Form ST-1, you will need to report and pay any over-collected tax on the excess tax line of Form ST-1. If you refund the over-collected tax after you have filed your return, you will need to file Form ST-1-X, Amended Sales and Use Tax and E911 Surcharge Return, to receive your credit.

What if I make a mistake on my return?

If, after you file your Form ST-1, you find you made a mistake that resulted in an overpayment or an underpayment, or you forgot to send any necessary attachments, you must file Form ST-1-X. If you filed Form ST-1 electronically using MyTax Illinois, you can use that system to also file your Form ST-1-X. Otherwise, you must file a paper Form ST-1-X. Forms are available at **tax.Illinois.gov**.

For help**,** visit **tax.Illinois.gov** or call weekdays between 8:00 a.m. and 5:00 p.m. at **800 732-8866**, **217 782-3336**, or **800 544-5304** (TTY).

If you have a specific question about an amended return you have already filed, call us at **217 782-5906**.

Where can I find additional information on SOT, Marketplace Facilitators, destination-based sales tax, and proper SOT filing practices?

For more information about SOT, Marketplace Facilitators, destination-based sales tax, and filing requirements, refer to the following pages, available at **tax.illinois.gov**:

- **Sales & Use Taxes information page**
- **Out-of-State Sales Resource Page**
- **Destination-Based Sales Tax Assistance**
- **Sales and Use Tax Definitions**
- **PIO-125, Determining Physical Presence and Where a Sale is Sourced Help Guide**

Keeping Complete and Accurate Records

What records must I keep?

For a complete list of requirements see 86 Ill. Adm. Code Subpart H: Books and Records, 130.801-825.
As a Serviceperson, you must keep:

- records of all transfers of TPP incident to a sale of service and purchases you make;
- documents about inventory changes, shipments, or other transactions;
- accounts receivable records;
- accounts payable records;
- summaries or ledger accounts;
- records or working papers that are used in the preparation of your tax returns; and
- a copy of the tax returns you file.

What records must I keep about transfers of TPP incident to a sale of service and purchases I make?

At minimum, you must keep:

- the cash register tapes and other data that provide a daily record of the amount of transfers of TPP incident to a sale of service;
- a record of the merchandise purchased, such as the vendor's invoices or purchase orders; and
- a yearly inventory of the stock on hand.

These records must distinguish taxable from nontaxable transfers of TPP incident to sales of service. You must keep these records for all transfers of TPP incident to a sale of service, regardless of whether you believe they are taxable.

For destination-based transfers of TPP incident to sales of service, you must maintain records that include:

- the name and address of the customer to whom the bill was issued;
- the customer's name and exact address (street number, street address, city, county, state, zip code) to which the TPP is shipped or delivered or at which possession is taken by the purchaser; and
- documentation to support the location from which the TPP was shipped.

Failure to maintain proper books and records may cause delays in processing your returns and may result in IDOR assessing penalties and interest.

What records are required to support a deduction taken on my return for an exempt transfer of TPP incident to a sale of service?

In general, in order to support each deduction, your records must include:

- the purchaser's name and address;
- the character of each transaction (*e.g.*, a sale for resale or to an exempt organization);
- the date of each transaction;
- the amount of receipts from each transaction; and
- any other information that establishes the nontaxable nature of the transaction.

Information about the most common exemptions and specific record keeping requirements that apply to them is provided in **PIO-101, Illinois Sales & Use Tax Matrix**.

Must I maintain my records on paper?

No. You may also maintain records electronically. Your system must include a method to produce legible and readable records necessary to verify liability. For more information, see 86 Ill. Adm. Code 130.805.

How long must I keep records?

In general, you must keep records that document receipts for the reporting period covered by your return for three and one-half years after you have filed your last original or amended return.

If IDOR has issued you a Notice of Tax Liability or Final Notice of Tax Due, you must keep records that document receipts for the reporting period for which the notice was issued. Keep these records until the liability has been finalized or discharged.

Are there any other requirements?

Your records must:

- be available for inspection by IDOR during normal business hours;
- be kept in the English language;
- be kept in Illinois unless you have received written permission from us to keep them in another location; and
- contain information regarding the deductions you claim.

Are there any penalties for failing to keep books and records?

Yes, any person who fails to keep books and records is liable to pay IDOR a penalty of $1,000 for the first failure to keep books and records and a penalty of $3,000 for each subsequent failure to keep books and records. See 86 Ill. Adm. Code 130.801(i) for more detail. Any person who, or any officer or director of any corporation, partner or member of any partnership, or manager or member of a limited liability company, that fails to keep books and records as required by 86 Ill. Adm. Code 130.801 is guilty of a Class A misdemeanor.

Contact Information:

Visit **tax.illinois.gov** or scan the QR code provided.
For specific phone number and email contacts see our **Contact Us** page.
Call us at **800 732-8866**, **217 782-3336**, or **800 544-5304** (TTY).
Write us at Illinois Department of Revenue, PO Box 19001, Springfield, IL 62794-9001.
Call our 24-hour Forms Order Line at **800 356-6302**.

Sign up for IDOR's email and SMS text subscription service to receive the latest news and updates.
Visit **tax.illinois.gov** to learn more.