

Recreational vehicles and cargo trailers meeting certain requirements that are sold in Illinois to Indiana residents are eligible for the drive-away permit exemption of the Retailers' Occupation Tax. (This is a GIL).

January 27, 2026

COMPANY
ADDRESS

Dear COMPANY:

This letter is in response to your letter postmarked December 15, 2025, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings and other types of information relevant to your inquiry.

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

I am asking about the taxes on vehicles for the State of Indiana. I read that there is a tax charge of 6.25% except for RV's and Cargo Trailers (see attachment). My question is, does that include all trailers? I currently sell utility and car hauler trailers (flatbed), do I need to charge tax for the trailers I sell to someone in Indiana or are they exempt?

DEPARTMENT'S RESPONSE:

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales tax" in Illinois.

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Item (25) of Section 2-5 of the Retailers' Occupation Tax Act provides an exemption from the tax for "... a motor vehicle sold in this State to a nonresident even though the motor vehicle is delivered to the nonresident in this State, if the motor vehicle is not to be titled in this State, and if a drive-away permit is issued to the motor vehicle as provided in Section 3-603 of the Illinois Vehicle Code or if the nonresident purchaser has vehicle registration plates to transfer to the motor vehicle upon returning to his or her home state." (35 ILCS 120/2-5(25))

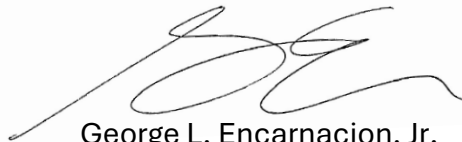
Item (25-5) of Section 2-5 of the Retailers' Occupation Tax Act provides in part that "[t]he exemption under item (25) does not apply if the state in which the motor vehicle will be titled does not allow a reciprocal exemption for a motor vehicle sold and delivered in that state to an Illinois resident but titled in Illinois." (35 ILCS 120/2-5(25-5))

However, based on a 2006 change in Indiana law, the Department released Informational Bulletin FY 2006-11 which notified retailers who file Form ST-556, Sales Tax Transaction Returns, that effective July 1, 2006 recreational vehicles and cargo trailers meeting certain requirements that are sold by Illinois dealers, with delivery in Illinois but titling and registration in Indiana, are exempt from Retailers' Occupation Tax if a drive-away permit is issued to the Indiana purchaser or the Indiana purchaser has vehicle registration plates to transfer to the vehicle upon returning to Indiana.

Informational Bulletin FY 2006-11 defines a "cargo trailer" as "a vehicle without motive power; designed for carrying property; designed for being drawn by a motor vehicle; and having a gross vehicle weight rating of at least 2,200 pounds." See also Indiana Code 6-2.5-5-39(a).

I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at 800-732-8866.

Very truly yours,

A handwritten signature in black ink, appearing to read "GE", is written over a light gray rectangular background.

George L. Encarnacion, Jr.
Associate Counsel

GLE:sce