Compliance Alert

STATE OF Illinois
DEPARTMENT OF REVENUE

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tax.illinois.gov
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Compliance Problems

Problem 1 — Retailers are buying tobacco products from persons who do not have a Tobacco Products Distributor's license and Tobacco Products Tax is not being paid.

Problem 2 — Distributors are not using or attaching the correct forms or using formats that have been approved by us.

Problem 3 — Improper deductions are being claimed on Form TP-1, Tobacco Products Return, particularly for products sold in interstate commerce and Tobacco Products Tax is not being paid.

Problem 4 — Complete books and records are not being maintained.

Solution

Problem 1 solution:
When a retailer buys tobacco products from

- a **licensed** distributor, the retailer should make sure the distributor puts his Tobacco Products Distributor License number on the invoice and separately states the tax the distributor has paid on the invoice. If there is no distributor's license number and no separately stated tax, we will consider the tax **unpaid**.
- an ***unlicensed*** distributor, the retailer must obtain a Tobacco Products Distributor's License and remit the tax to us on each purchase from unlicensed distributors.

Problem 2 solution:
Distributors who take deductions on form TP-1 must complete and attach:

Form TP-7, Schedule of Returned Tobacco Products
Form TP 11, Products Sold in Interstate Commerce
Form TP-12, Products Sold to Other Distributors/Wholesalers
Form TP-13, Other Deductions for Tobacco Products.

You must use our forms, our WebFile application, or receive prior approval to use another format.

Problem 3 solution:
The interstate commerce deduction can only be taken when tobacco products are sold and shipped outside Illinois. The deduction does not apply to non-residents who purchase and take possession of the product in Illinois. All interstate commerce deductions are reported between the states.

Problem 4 solution:
All taxpayers must maintain complete books and records. Sale and purchase invoices must be kept and contain a name, address, quantity and price for each transaction.

Background

During the department's routine compliance inspections, we have found taxpayers failing to accurately report Tobacco Products Tax.

Did you know?

The federal government requires anyone not located in Illinois to registerer with Illinois if they sell smokeless tobacco to Illinois customers. See the PACT Act.

Where can I get more information?

In the past 30 years, the Illinois Department of Revenue has published several resources to assist taxpayers. Some suggestions of items you might wish to research or read include:

- General Inquiry Letters,
- Legal Letter Rulings,
- Informational Bulletins, and
- Publications.

To view this information, visit our web site at **tax.illinois.gov.**