
Compliance Alert - Penalty for Dealers

Who Fail to File Form ST-556 or Form ST-556-LSE

When Making Sales for Which No Tax Is Due



November 2016

Compliance Problem

The Illinois Department of Revenue is aware that some taxpayers are neglecting to timely report nontaxable sales of motor vehicles and other items that must be titled or registered by an agency of Illinois state government (e.g., automobiles, watercraft, aircraft, trailers, and mobile homes). These transactions include, but are not limited to, dealer trades and exempt sales. A \$100 penalty will be assessed for failure to properly report these nontaxable transactions on or before the date the return is required to be filed (i.e., within 20 days of the date of delivery).

Background

The Uniform Penalty and Interest Act, as amended by P.A. 98-425 (effective August 16, 2013), imposed a \$100 penalty for failure to file a transaction reporting return on or before the due date as required by Section 3 of the Retailers' Occupation Tax Act (35 ILCS 120/3) and Section 9 of the Use Tax Act (35 ILCS 105/9). This penalty was imposed regardless of whether the return reported any tax due.

P.A. 99-335 (effective August 10, 2015) amended the provisions of P.A. 98-425 to impose the \$100 penalty for failure to file a transaction reporting return on or before the due date as required by Section 3 of the Retailers' Occupation Tax Act and Section 9 of the Use Tax Act only if there is no tax due. 35 ILCS 735/3-3(a-15).

This provision requires the Department to impose this \$100 penalty for each instance in which a dealer makes a sale for which no tax is due but fails to properly report that sale to the Department using Form ST-556, Sales Tax Transaction Return or Form ST-556-LSE, Transaction Return for Leases (with regard to sales for lease).

Solution

The Department is allowing an automatic abatement of the \$100 penalty for failure to file a reporting return for transactions with a date of delivery beginning August 16, 2013, through August 9, 2015. Returns for sales for which no tax is due are not required to be filed with the Department for this period. For transactions with a date of delivery beginning August 10, 2015, through November 10, 2016, taxpayers will be granted abatement of the \$100 penalty by filing the required returns by January 31, 2017. All returns for transactions with a date of delivery after November 10, 2016, must be filed by the due date, which is within 20 days of the date of delivery, to avoid being subjected to the \$100 penalty going forward.

Forms ST-556 and ST-556-LSE can be filed electronically using MyTax Illinois, available on our website at tax.illinois.gov. If you cannot file electronically, mail returns to the following address:

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

Note: Claims to recover any penalty already paid under P.A. 98-425 or P.A. 99-335 are not authorized.