# Compliance Alert - Improper Reporting of Grocery Tax Suspension Sales on Form ST-1

STATE OF Illinois DEPARTMENT OF REVENUE tax.illinois.gov

**September 2022**

## Compliance Problem

Some retailers are not properly reporting their receipts for sales that qualify for the suspension of the low rate (1%) of state sales and use tax on retail sales of groceries. The Illinois Department of Revenue (IDOR) is noticing the following common, significant errors that need to be corrected immediately:

- Retailers are excluding sales of groceries from their gross receipts reported on Line 1 of Form ST-1, rather than including those receipts and then claiming credit for their retail sales of groceries on Schedule GT.
- Retailers are including sales of groceries in their taxable receipts on Form ST-1 but then deducting the entirety of those receipts on Line 16 of Schedule A on Form ST-1, rather than claiming credit for their retail sales of groceries on Schedule GT.
- Retailers that sell both groceries and other low-rate items, such as medicine and medical appliances, are claiming credit on Schedule GT for retail sales of all low-rate items, which means these retailers are erroneously claiming credit for non-qualifying low-rate items.

Furthermore, consumers are reporting to IDOR that some retailers are erroneously collecting tax on retail sales of groceries.

## Solution

Retailers must include on Lines 4a, 5a, 6a, 7a, 12a, and 13a of Form ST-1 all receipts from sales of grocery tax suspension items (as well as items that qualify for the back-to-school sales tax holiday, effective August 5, 2022, through August 14, 2022), and retailers must report the tax that would have been owed on these items on Form ST-1, Lines 4b, 5b, 6b, 7b, 12b, and 13b. Retailers then must complete Schedule GT and submit it with Form ST-1 to calculate and claim credit on Line 23 of Form ST-1 against the tax reported on Lines 4b, 5b, 6b, 7b, 12b, and 13b on these items. Do *not* exclude your receipts from sales of grocery tax suspension items (or from sales of back-to-school sales tax holiday items) from the amounts reported on Line 1 of Form ST-1 or attempt to deduct these on Line 16 of Schedule A of Form ST-1.

Schedule GT is used only for sales that qualify for the suspension of the low rate (1%) of state sales and use tax on retail sales of groceries (and also for sales of items that qualify for the back-to-school state sales tax holiday). Only use Lines 6a, 7a, and 8a of Schedule GT to report retail sales of grocery items. Do not include retail sales of other low-rate items, such as medicine and medical appliances, on these lines. Sales of these other low-rate items are still taxable during the grocery tax suspension period. Groceries taxed at the low rate include food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, food consisting of or infused with adult use cannabis, soft drinks, candy, and food that has been prepared for immediate consumption). See the Instructions to Form ST-1 and the Instructions to Schedule GT.

A retailer that erroneously collects excess tax on retail sales must remit this overcollected tax to IDOR unless the retailer refunds the tax to the customers from whom it was collected. You must include any excess grocery tax you collected and did not refund in your gross receipts on Line 1 of Form ST-1 and Form ST-1, Lines 5a, 7a, and 13a. You also must include these excess grocery receipts in your figures for Schedule GT, Lines 6, 7, and 8, and you must report any amounts of excess tax that were actually collected and not refunded on Line 22 of Form ST-1.

Retailers should review their sales and filing records to ensure they are meeting their tax collection, remittance, and reporting requirements. Retailers that do not comply with the proper tax collection and remittance requirements may face additional penalties and interest.

Retailers that are not collecting and filing properly must correct their actions immediately.

For any return previously filed incorrectly, an amended return must be filed to correct any errors and discrepancies. You must file Form ST-1-X, Amended Sales and Use Tax and E911 Surcharge Return, including Schedule GT-X, Amended Sales and Use Tax Holiday and Grocery Tax Suspension Schedule, even if no additional tax is due. You can find information on filing amended returns on our website at **tax.illinois.gov**. If you file Form ST-1 using MyTax Illinois, amend your return using MyTax Illinois. Retailers that file electronically outside of MyTax Illinois using third-party software vendors may resubmit an original Form ST-1 and Schedule GT electronically, rather than send paper amended forms. If choosing this option, you must then notify us by by email at REV.ST-1Amended@illinois.gov that the corrected return has been submitted. Include in your email the business name, Account ID number, and the reporting period of the resubmitted electronic Form ST-1. You also must include a statement indicating that you intend for IDOR to treat the resubmitted Form ST-1 and any supporting schedules as amendments to your original return, and we ask that you provide us with the best email and phone number for IDOR to contact you should we have any questions.

It is critical that retailers properly report their receipts on sales of groceries and on items that qualify for the back-to-school state sales tax holiday to ensure two results:

- Retailers that are entitled to claim the retailers' discount on Form ST-1 for timely filing their return and paying the tax due will be able to claim the full amount of that discount by completing Form ST-1 and Schedule GT as directed.
- Illinois local governments will continue to receive their share of revenues from these sales.

Note that some of the above described reporting errors also could impact the reporting of sales of items that qualify for the back-to-school state sales tax holiday, effective August 5, 2022, through August 14, 2022.

## Questions

See the following resources if you have questions about the suspension of the low rate of state sales and use tax on retail sales of groceries or about the back-to-school state sales tax holiday:

- FY 2022-23, Grocery Tax Suspension from July 1, 2022, through June 30, 2023
- PIO-115, Illinois Grocery Tax Suspension Information
- FY 2022-24, Back-to-School State Sales Tax Holiday August 5, 2022, through August 14, 2022

You can also email us at REV.TA-Sales@illinois.gov or call us at **1 800 732-8866** or **217 782-3336**, or call our TDD-telecommunications device for the deaf at **1 800 544-5304**.

IDOR is developing additional guidance related to the suspension of the low rate of state sales and use tax on retail sales of groceries and the back-to-school state sales tax holiday. We encourage you to check our website at **tax.illinois.gov** to review this information as it is developed.

The content of this Compliance Alert is informational only and does not take the place of statutes, rules and regulations, and court decisions.