
ILLINOIS RETAILERS' OCCUPATION TAX (SALES TAX) FACT SHEET FOR ILLINOIS VOLUNTARY DISCLOSURE PROGRAM



Does my business owe Illinois Sales Tax?

If you answer "yes" to **any** of these questions, you owe Illinois Sales Tax.

Do you

- sell general merchandise, food, drugs, or medical appliances in Illinois?
- have a business site in Illinois such as a store in which retail sales are made?
- have an office, agent or other representative selling general merchandise, food, drugs, or medical appliances in the state, even if it is occasionally, or a place (*e.g.*, a warehouse) from which you deliver or produce a product?
- sell items at craft shows, fairs, seminars, or conventions in Illinois?

What are some common examples of sales that a business may make and owe Illinois Sales Tax?

- A landscaper sells and delivers five oak trees to a customer but does not plant the trees. The landscaper owes sales tax and must collect tax from the customer on the sale of the trees at the applicable rate for the landscapers' office location (including local taxes). If the landscaper sells and plants the oak trees for the customer, the landscaper owes use tax on the purchase of the trees. If the landscaper's supplier does not charge him tax, the landscaper owes use tax. Reference the Illinois Use Tax Fact Sheet.
- A construction contractor sells kitchen cabinets to a customer and provides no installation. The construction contractor owes sales tax on the cabinets and must collect tax from the customer on the sale of the cabinets at the applicable rate for the construction contractor's office location (including local taxes). If the construction contractor sells and installs the cabinets for the customer, the construction contractor owes use tax. If the construction contractor's suppliers do not charge him tax, the construction contractor owes use tax on the cost of material. Reference the Illinois Use Tax Fact Sheet.
- An auto repair shop sells parts (wiper blades, fuel pump, etc.) to a customer and provides no installation of the parts. The auto repair shop owes sales tax on the parts and must collect tax from the customer on the sales of the parts at the applicable rate for the auto repair shop's location (including local taxes). If the auto repair business sells and installs the parts for the customer, the auto repair shop is acting as a serviceperson and incurs tax under the Service Occupation Tax Act.

What are the Illinois Sales Tax rates?

The sales tax rate varies based on the location of the sale. Generally, it is the location of your Illinois business or, if a multiple location filer, your Illinois sites, that will determine the tax rate. Illinois has a state rate of 6.25 percent of the selling price of general merchandise and 1.00 percent of the selling price of qualifying food, drugs, and medical appliances.

The 1.00 percent applies to

- food that has not been prepared for immediate consumption (such as most food sold in grocery stores, but excluding hot foods, alcoholic beverages, and soft drinks),
- prescription medicines and nonprescription items claimed to have medicinal value (such as aspirin), and
- certain prescription and nonprescription medical appliances (such as wheelchairs and hearing aids).

Many local governments impose additional taxes that are administered by the department. To verify your sales tax rate, refer to our **Tax Rate Finder** on our web site at tax.illinois.gov.