

Illinois Department of Revenue
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY84-14

TO: All Filers of Uniform Invoice Transaction Reporting Returns
(RR-556)

SUBJECT: Reporting of Vehicles Sold Under Replacement Vehicle Tax Act
Public Act 83-114 (SB-926)

Effective August 19, 1983, a new law, the Replacement Vehicle Tax Act, imposes a state tax of \$200 on any motor vehicle that is purchased by or on behalf of an insurance company to replace a vehicle of an insured person in settlement of a total loss claim.

In addition to the state tax, the local authorities of a municipality or county and the authorities of the Regional Transportation Authority and the Metro-East Transit District may each impose a \$50 replacement vehicle tax. Both the local and the mass transit taxes are assessed based on the POINT OF SALE -- NOT on where the vehicle will eventually be registered. If you wish to know if your locality (or transit district) has imposed a \$50 replacement vehicle tax, contact the appropriate local government.

"Replacement vehicle" means a vehicle, as defined in Section 1-146 of the Illinois Vehicle Code, purchased by or on behalf of an insurance company for an amount not exceeding the fair market value of the total loss vehicle as determined by the insurance company, or the net settlement amount, whichever is less.

Amounts paid by an insured or third party to purchase a vehicle which exceeds that value are subject to retailers' occupation or use tax (sales tax). The amount subject to sales tax includes all deductible amounts under insurance policies, purchase of accessories, and "trade-up" amounts.

The insurance company is responsible for payment of the replacement vehicle tax imposed by this law.

That portion of the sale which is subject to the replacement vehicle tax is exempt from the sales tax.

You, as the seller of a motor vehicle subject to the replacement tax, must report these sales on the transaction reporting return (Form RR-556). Until we revise the return, you should report sales made under the provisions of the Replacement Vehicle Tax Act as follows:

Write "replacement Vehicle Tax" in the space provided for trade-in and related information to indicate that this vehicle was sold under the provisions of P.A. 83-114, the Replacement Vehicle Tax Act.

Deduct on line 2 of the RR-556 the net settlement or fair market value amount determined by the insurance company and set forth on the Replacement Vehicle Certificate (Form RVT-7, see below). From this point, you should calculate the sales tax liability the same as for any sale reported on Form RR-556.

To substantiate the deduction claimed on Line 2 for sales made under the provisions of the Replacement Vehicle Tax Act, you must provide us with a properly executed Replacement Vehicle Certificate (Form RVT-7). This form must be signed by a duly authorized agent of the insurance company. The Replacement Vehicle Certificate must be attached to the transaction reporting return (RR-556). Following is a listing of the information that must be provided by the insurance company on the certificate:

1. Name and address of purchaser (insurance company);
2. make, model, year, and serial number of vehicle;
3. sales price and date of sale (date of sale is the date of delivery);
4. your business name, address, and Illinois Business Tax number (sales tax registration number);
5. the RR-556 transaction number;
6. a statement that the vehicle is purchased by or on behalf of an insurance company to replace a vehicle of an insured person in settlement of a total loss claim and the dollar amount of the net settlement or the fair market value as determined by the insurance company, whichever is less;
7. the name of the insured;
8. the insurance claim number;
9. signature (and date of signature) of a person authorized by the purchaser to sign the certificate.

If you fail to attach an acceptable certificate to your return, we may assess sales tax, penalty, and interest against your account.

You as the dealer should send the regi-title application in the name of the insured, the RR-556 tax return, and the Replacement Vehicle Certificate, to the Secretary of State.

If you do not sell vehicles which might be subject to the replacement vehicle tax, please disregard this bulletin.

Should you have further questions regarding the tax, you may call us at (217) 782-7897 or, if you are in Cook County, at (312) 641-2150.

J. Thomas Johnson
Director of Revenue

Issued: October 1983

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