

Illinois Department of Revenue
101 West Jefferson Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY86-1

TO: All Filers of Illinois Sales Tax Returns

SUBJECT: New Sales Tax Processing System

STEP TWO

A year ago you received your first copies of Illinois' new sales tax return. Your response to the return has been more than favorable and we are happy to say that the period of adjustment has been smoother than we anticipated.

You may remember that the new tax return was announced last year as the first step in a completely new sales tax processing system. We are ready now to take the second step. This one may be less perceptible to many of you because it deals mainly with spotting errors (or what appear to be errors) on returns.

Before we delve into what the changes are, let's first describe some fundamentals in sales tax processing that will not change. You will continue to complete your return in the same way and file it at the same time as always. You will also make your tax payments just as you have in the past. We will still write you a letter when, for example, we have a question about the correctness of a deduction or other entry on your return. We will also write if a tax is clearly not paid in full.

It is these letters to you that will take on a new look as a result of implementing Step Two of the new tax processing system. There will be two main differences between the old letters and the new ones. The new ones will be automatically prepared by a computer (rather than by hand). This will, as we said, result in a new look; but the types of information contained in the letters will be substantially the same. The second major change in the issuance of these letters is that they will be sent to you faster. You will therefore learn much sooner of errors, overpayments, and underpayments. This could mean that some taxpayers will pay substantially less in interest charges (currently figured at 2% a month).

An additional feature of Step Two is that you will get faster answers to your questions about your account, due to the "visibility" of returns on computer terminals. You will no longer have to wait days for an answer while we retrieve a tax return from our files.

Third, those of you who make accelerated tax payments and overpay your tax will get your credit memoranda faster. They will be printed automatically by the computer during the routine processing of your

return. (accelerated payments of sales tax are due from taxpayers whose average monthly liability is at least \$10,000.)

We are excited about "turning on" this second part of the new sales tax processing system. Of course, despite our enthusiasm, we will not be surprised to find a few bugs in the system during its initial weeks and months. If you should happen to notice one, please let us know its size and general description. We are preparing to do a little "exterminating" in the near future and would appreciate your assistance.

A FEW REMINDERS

Following is a brief summary of some items that have accounted for many of the errors we are finding on sales tax returns. Please take a moment to look them over.

GENERAL

- Be sure to enter totals wherever they are called for (lines 15, 16, 18, 23, 26, 30, etc.)

LINE 1

- Do not leave this line blank. Please be sure to enter your gross receipts for the month.

DEDUCTIONS

- Do not cross out a listed deduction and substitute another one. Please enter unlisted deductions on line 14 and be sure to identify them.
- On line 5, enter packages of cigarettes, not cartons, on the line to the left of the tax entry line. Include any home rule cigarette tax in your deduction.
- On lines 6 and 7, enter gallons of motor fuel on the lines to the left of the tax entry lines. Include any home rule motor fuel tax in your deduction.
- If you take a deduction on line 10, be sure to attach Schedule RR-586 or Schedule RR-594, as appropriate.
- Include any home rule tax (except tax on cigarettes and motor fuel) on line 14. Be sure to identify all items you include on this line.
- Line 17 includes only retailers' occupation tax (imposed by the state, most cities and counties, and the RTA and Metro-East mass transit districts). Do not include service occupation tax, service use tax, use tax, or home rule taxes.

PURCHASES TAXABLE AT 5%

- Taxes due on purchases are not eligible for a 2.1% deduction. This deduction is available only from state taxes due on receipts and sales (lines 25 and 38).

RECEIPTS FROM SALES MADE BEFORE JANUARY 1, 1984

- We changed the title of this section on the return because many of you were misled by the old title into entering your local tax on

these lines. These lines are for money (accounts receivable) you receive from sales made prior to January 1, 1984, when the state tax rate was less than 5%. Please enter only state tax in this section. Enter local tax on lines 41 - 45.

- If you are reporting receipts from sales of food, drugs, or medical appliances, be sure to attach Schedule A.

LOCAL TAX

- Line 41 should include line 18 + line 12 + line 13 (less any taxes included in that line) + line 10 (but only if the local government has reimposed its tax).
- Line 43 should include line 21 + line 28 + line 34.

MASS TRANSIT TAX

- Line 46 should include line 18 + line 12 + line 13 (less any taxes included in that line).
- Line 47 should include line 21 + line 28 + line 34.

TOTAL

- Line 51. Be sure to attach the original Copy A of Form PST-2. Also, be sure to enter on this line the exact amount on Copy A.
- Line 52. Enter the total dollar amount of accelerated payments you made during the liability period. No attachment necessary.
- Line 53. If line 51 + line 52 is greater than line 50, enter "0" (zero) on this line. If you enter the negative number instead, your credit memorandum may be delayed.
- Line 57. Be sure to attach the original credit memorandum. Also, be sure to enter on this line the exact amount to be applied.

If you have any questions or need more information on any of these (or other) items in your sales tax return, please contact us, using the address or telephone number on the front of this bulletin.

J. Thomas Johnson
Director of Revenue

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