

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

INFORMATIONAL BULLETIN FY86-19

TO: All Retailers of Gasohol

SUBJECT: Sales of Gasohol
Senate Bill 254

If you do not sell gasohol, please disregard this bulletin.

It is expected that Senate Bill 254 will be signed on September 1, 1985. Since the law will become effective immediately, we are providing you some preliminary information as to how the taxation of gasohol will change. We will furnish detailed instructions in sufficient time for you to complete your September RR-1-A tax return. This law redefines gasohol, changes the tax rate, and limits what gasohol qualifies for a reduced state sales tax rate.

Gasohol will be redefined as "motor fuel which is no more than 90% gasoline and at least 10% denatured ethanol which contains no more than 1.25% water by weight and is obtained from cereal grains or food processed by-products essentially derived from cereal grain." Gasohol will qualify for the lower state tax rate if the denatured ethanol is made from corn, wheat, barley, etc. Ethanol made from coal, wood, sugar cane, and other non-cereal products will not qualify. Gasohol that does not qualify for a reduced sales tax rate is subject to the full 5% state sales tax.

The state tax rate on gasohol which DOES qualify depends on where the denatured ethanol is distilled. If it is distilled in Illinois, the state sales tax rate is 2% (up from 1%). If it is distilled outside of Illinois, the rate will depend on the amount of credit or exemption, if any, accorded to Illinois gasohol sold in the state in question. The exemption in Illinois is extended to the amount of the other state's exemption but may not exceed the Illinois exemption.

For example:

If State A grants a 1% exemption to "Illinois gasohol" (i.e., gasohol which contains Illinois-distilled ethanol) sold in State A, then Illinois will grant a 1% exemption to "State A gasohol" (i.e., gasohol which contains State A-distilled ethanol) sold in Illinois.

If State B grants a 6% exemption to "Illinois gasohol" sold in State B, Illinois will grant a 3% exemption to "State B gasohol" sold in Illinois.

If you don't know where the ethanol you receive is distilled, please contact your gasohol distributor or supplier.

The legislation does NOT EXEMPT gasohol FROM LOCAL and MASS TRANSIT SALES TAXES; i.e., the municipal occupation taxes, county occupation taxes, Regional Transportation Authority occupation taxes, and Metro East Mass Transit District occupation taxes.

If you need more information, call or write. The phone number and address are at the top of this bulletin.

J. Thomas Johnson
Director of Revenue

Issued: August, 1985