The information in this guide will help you — as a retailer — to determine whether the receipts from your sales are subject to Illinois Sales Tax. This guide will also help you to properly document and report both taxable and exempt sales.

The sales that are discussed in this guide are the sales of those items that are normally required to be titled or registered by an agency of Illinois state government (vehicles, watercraft, aircraft, trailers, and mobile homes) and whose sales are required to be reported on Form ST-556, Sales Tax Transaction Return.

We have arranged the information in this guide in a question-and-answer format by topic. Use this guide for reference by locating the question that matches your own. You may find that some of the material is discussed in more than one location, depending upon how it relates to each question. We have included an index, which provides page references for each topic.

If you are unsure whether a sale is subject to tax and it is not covered in this guide, please call or write us for help. For more information, see “How do I get help?” in Part 1.

If there are topics that you would like to see addressed in future updates of this guide, please write:

MANAGER
SALES TAX RESEARCH SECTION (5-550)
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

The information in this guide is derived from the Illinois Retailers’ Occupation Tax Act and related tax acts, our rules and regulations as published in the Illinois Administrative Code, and court decisions.

The contents of this publication are informational only and do not take the place of statutes, rules and regulations, or court decisions.
# Table of Contents

## Part 1
General Information ................................................. 5

## Part 2
Specific Topics .......................................................... 13
- Reporting “other” items on Form ST-556 ......................... 13
- Watercraft .................................................................. 13
- Mobile homes ................................................................ 14
- Courtesy deliveries .................................................... 15
- Factory deliveries ....................................................... 16
- Items as gifts or prizes ............................................... 16
- Repossessed items ...................................................... 17
- Returned items .......................................................... 17
- Off-site sales ................................................................ 18
- Trade-ins ..................................................................... 19
- Leasing ...................................................................... 22
- Chicago Home Rule Use Tax .......................................... 25
- Other home rule use taxes ........................................... 25
- Collecting local use taxes ............................................ 26
- Total price ................................................................... 27
- Foreign customers and foreign commerce ....................... 27
- Dealers’ insurance settlements ....................................... 28

## Part 3
Tax-Exempt Sales ............................................................ 29
- Box A: Sold to an out-of-state purchaser ......................... 29
- Box B: Sold for resale .................................................. 31
- Box C: Sold to an exempt organization ......................... 33
- Box D: Sold to an interstate carrier (for use as rolling stock) .. 35
- Box E: Sold for rental use ............................................ 37
- Box F: Other ............................................................. 38

## Part 4
Step-by-Step Instructions .................................................. 45
- Section 1: Write the buyer’s name and address ................. 45
- Section 2: Describe the item sold .................................... 45
- Section 3: Write the date of delivery ............................... 46
- Section 4: Describe the trade-in, if any .......................... 46
- Section 5: Is the sale exempt from tax? ......................... 46
- Section 6: Write the price, and figure the tax ................. 47
- Sign the return .......................................................... 51
Part 5
Appendix ................................................................. 53
Index ................................................................. 55
Part 1: General Information

This section provides a general overview of the registration and filing requirements for Form ST-556. Included are addresses and telephone numbers so that you can contact our office for specific assistance.

Who must register with the Illinois Department of Revenue?

You must register with the Illinois Department of Revenue if you conduct business in Illinois, or with Illinois customers. This includes corporations, partnerships, sole proprietors (individual or husband/wife), exempt organizations, or government agencies witholding for Illinois employees.

When should I register with the Illinois Department of Revenue?

You must register with the Illinois Department of Revenue before you make any sales or when you hire an employee. For those businesses that have sales or use tax liability in Illinois, you will receive a Certificate of Registration that must be displayed in a prominent location in the place of business to which it applies.

How do I register with the Illinois Department of Revenue?

To register your business and receive your Certificate of Registration and Account ID (i.e., your “tax” number), you have these options:

- Register electronically with on-line Business Registration application (1-2 days)
- Complete and mail Form REG-1, Illinois Business Registration Application (6-8 weeks)
- Visit a Regional Office where your application will be processed in 1 to 2 business days.

Note: Certain tax types may have additional registration or bonding requirements. If additional information is required for your particular registration, the department will contact you.

It is recommended that you contact other federal and state agencies and your units of local government (county, municipal, mass transit districts, etc.) to learn if you must register your business with them.

How will I know that I have successfully registered?

We will send you a Certificate of Registration. This certificate is your permit to engage in the business of selling tangible personal property. It lists your account number, business name, address, effective date, the taxes you are registered for, and the date the certificate will expire. You must display your certificate in the place of business for which it was issued and where it can be easily viewed by the public.

What if I have one business but have more than one business location (site)?

If you sell items at more than one location (site), we will supply a Certificate of Registration for each site you list on Form REG-1. We will print each individual site address on these certificates.
If you change the location of your business, or for multiple site filers, one of your sites, you must contact the Central Registration Division to update the location information. It is important for us to update this information so the correct tax rate is preprinted on your returns or shown on your account when you are electronically filing.

If you are required to file sales tax returns, your Certificate of Registration will expire in five years. In most cases, we will automatically renew your Certificate of Registration. However, if you have an outstanding liability, we may not. We will notify you if this happens.

If your certificate is lost, damaged, or destroyed, you must contact the Central Registration Division and request a new certificate.

If you discontinue your business, you must destroy all certificates related to that business. If you discontinue one of your sites, you must destroy the certificate for that site. In addition, you must contact the Central Registration Division to discontinue the business or site. It is important for us to update your registration information when you go out of business or discontinue a location.

If you are registering as a retailer, you will not need to separately register for other sales taxes and fees; however, you may need to complete additional information on Form REG-1 depending on the nature and location of your business.

You must register for this tax if you rent automobiles, motor-driven cycles, qualifying recreational vehicles, or qualifying vans for a period of one year or less.

NOTE: See Pub-114, Automobile Renting Occupation and Use Tax, for more information.

You can find answers to frequently asked tax questions and more using our Taxpayer Answer Center located on our web site at tax.illinois.gov. If you are unable to find your answer after searching the Taxpayer Answer Center, you will be able to email us through this system by clicking the “Send an Email” Tab at the top of the screen.

In addition, you may call our Central Registration Division at 217 785-3707 or write to us at

CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62706-9030
Who must file Form ST-556?

If you sell items that are normally required to be titled or registered by an agency of Illinois state government — vehicles, watercraft, aircraft, trailers, and mobile homes (house trailers) — at retail in Illinois, you must report these sales on Form ST-556, Sales Tax Transaction Return.

If you are an out-of-state lessor selling used motor vehicles with passenger plates and the vehicles are located in Illinois at the time of the sale, you must be registered with us and report these sales on Form ST-556. This situation will occur most often when you sell a motor vehicle to an Illinois lessee at the end of a lease.

If you sell items that are normally required to be titled or registered by an agency of Illinois state government but will not be titled or registered as a result of a particular sale, for example, a sale for resale or a sale to a purchaser who will title the item in another state, you are still required to report these sales on Form ST-556.

What items must be reported on Form ST-556?

Items that must be reported on Form ST-556 include cars, trucks, vans, motorcycles, ATVs, buses, watercraft, aircraft, motor homes, trailers, snowmobiles, and mobile homes sold at retail.

Note: When a retailer permanently affixes or incorporates a mobile home into real estate, that retailer is acting as a construction contractor and owes sales tax on his or her cost of the mobile home and other items that become part of real estate. Receipts and tax, when due, must be reported on Form ST-1, Sales and Use Tax Return. For information on what taxes are due, see the Illinois Administrative Code, Title 86, Sections 130.1940 and 130.2075.

When is my ST-556 return due?

Form ST-556 and any tax payment are due within 20 days of the date of delivery of the item. Tax is due on the sale of an item in Illinois regardless of whether you submit an application for registration.

How does the Department of Revenue determine if Form ST-556 is filed within 20 days of the date of delivery?

The titling agency that originally receives the return will record the date received. The Department of Revenue will compare this received date to the delivery date to determine timely filing. If the due date falls on a weekend or state-recognized holiday, the due date will be the next business day.
What is the normal process for filing Form ST-556?

When an item is required to be titled or registered in Illinois, Form ST-556 must accompany the application for title or registration with the appropriate agency of Illinois state government (motor vehicles, trailers, and mobile homes: Office of the Secretary of State; watercraft: Department of Natural Resources; aircraft: Department of Transportation). The appropriate agency places the date the agency received Form ST-556 on the return and forwards it, along with any tax payment, to the Illinois Department of Revenue. If the item will not be titled or registered in Illinois, then you must send Form ST-556 directly to the Illinois Department of Revenue.

Send Copy 1 of Form ST-556 to the correct address from the list below:

- If title to a vehicle, trailer, or mobile home is being applied for in Illinois, send the return and the title application to:

  OFFICE OF THE SECRETARY OF STATE
  VEHICLE SERVICES DEPARTMENT
  HOWLETT BUILDING
  SPRINGFIELD IL  62756-7000

  If you need assistance, call
  1 800 252-8980 (general information)
  217 782-6387 (registration information)
  217 782-6306 (title information)

- If title to a watercraft or snowmobile is being applied for in Illinois, send the return and the title application to:

  ILLINOIS DEPARTMENT OF NATURAL RESOURCES
  PO BOX 19226
  SPRINGFIELD IL  62794-9226

  If you need assistance, call
  1 800 382-1696
  217 557-0180

- If registration for an aircraft is being applied for in Illinois, send the return and the registration application to:

  ILLINOIS DEPARTMENT OF TRANSPORTATION
  DIVISION OF AERONAUTICS
  ABRAHAM LINCOLN CAPITAL AIRPORT
  1 LANGHORNE BOND DRIVE
  SPRINGFIELD IL  62707-8415

  If you need assistance, call
  1 800 554-0247
  217 785-8223
If the item will not be titled or registered in Illinois as a result of a particular sale, send the return directly to:

RETAILERS’ OCCUPATION TAX
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19042
SPRINGFIELD IL  62794-9042

Do I have to use a separate return for each item I sell?

A separate Form ST-556 is normally required for each item you sell. For example, the sale of a boat and a trailer must be reported on separate ST-556 returns.

You may report more than one item on a single ST-556 return only when you sell items for resale or for use as rolling stock to the same buyer on the same day. When reporting multiple sales of items for resale on one ST-556 return, attach Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule.

If I run out of ST-556 returns, may I photocopy one of my preprinted returns or use a preprinted return from one of my other business sites?

No, you may not photocopy or otherwise duplicate ST-556 returns in order to increase the number of returns you have on hand for the purpose of reporting sales transactions. On each return is printed a unique transaction number, which we use for identifying each specific transaction. Filing a photocopied return may cause delays in processing the return and may result in our assessing you for penalties and interest.

You may not use a preprinted return from one of your other business sites. The ST-556 returns we issue are preprinted with information specific to each business site and may not be exchanged among sites. We use this information to allocate taxes collected to local governments.

These forms may not be used by any other business, nor may they be used by your business if you should change ownership, even if the principal owners are the same (for example, when you incorporate an existing partnership). Do not change or alter any of the preprinted information on the return unless required to do so when selling from an “off-site” location. For more information, see “How do I report off-site sales?” in Part 2. If the information is incorrect or you need to report changes in ownership, in corporate officers, or in business or mailing addresses, or if you need to add or discontinue a site, please write:

CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL  62794-9030

or call:

217 785-3707.
When and how do I amend my ST-556 return?

Occasionally, it is necessary to amend an ST-556 return you previously filed. This situation occurs when

- the sale was cancelled, and the item was returned; or
- the information you originally reported was incorrect; or
- the tax you paid on the original return was more than the tax due; or
- the tax you paid on the original return was less than the tax due.

To amend your original ST-556 return, you must file Form ST-556-X, Amended Sales Tax Transaction Return. To obtain these forms with instructions, see “How do I get forms?” in Part 1.

When will I need a receipted copy of Form ST-556?

When you are unable to complete an item’s title or registration requirement before the tax is due and you want to avoid filing the tax return late and being assessed late penalties and interest, you will need to request a receipted copy of Form ST-556. We will receipt your copy at no charge by attaching an orange-colored label to the upper right-hand corner of your copy. Then you may use the receipted copy for satisfying the titling or registration agencies’ tax verification requirements.

How do I obtain a receipted copy of Form ST-556?

You may only request a receipted copy with an original return.

You may request a receipted copy of your tax form either by mail or by visiting one of the offices specified on Page 11.

To request your receipted copy by mail, you must send directly to us Copy 1 of each original tax return and a separate remittance for each tax amount due, along with the following:

- a photocopy of each tax form you want us to receipt,
- a cover letter requesting us to receipt your photocopy, and
- a postage-paid envelope with the address indicating where you want the receipted copy mailed.

We will receipt the photocopy of your tax form at no charge when your original return is filed. We will attach an orange-colored label to the upper right-hand corner of your photocopy and return it to you in the postage-paid envelope that you provided.

Mail your request for a receipted copy, along with your tax form and payment, to

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19042
SPRINGFIELD IL 62794-9042

To request your receipted copy in person, bring a cover letter requesting us to receipt your photocopy along with Copy 1 of each original tax return, a separate remittance for each tax amount due, and a photocopy of each tax form you want us to receipt. The Department of Revenue personnel at the following locations will receipt and return to you the photocopy of your tax form.
**In Chicago**

Illinois Department of Revenue  
Concourse Level (Secretary of State area)  
100 W Randolph Street  
Office of the Secretary of State  
(Department of Revenue area)  
5301 W Lexington Avenue

Office of the Secretary of State  
(Department of Revenue area)  
5401 N Elston Avenue

**In Springfield**

Illinois Department of Revenue  
101 W Jefferson Street

**Note:** This receipted copy process was established as a special service when circumstances prevent you from following the normal process of submitting your original tax form with the application for title and registration. **Do not request a receipted copy of your tax form as a general practice when filing your tax forms.**

**Can I obtain a copy of my return through some other method?**

Yes. If you need a copy of your tax form, you must complete and file Form IL-4506, Request for Copy of a Tax Return. We will send you a copy of your tax form. There is a charge for each copy you request. If you would like a certified copy, there is an additional charge for each copy. Please see Form IL-4506 for instructions and charges due.

**Note:** If you are requesting a copy of your tax form for the purpose of applying for title and registration, a copy alone will not be accepted in the place of an original or receipted copy. You must also provide a copy of the front and back of the canceled check which paid the tax due on the return.

**How do I get forms?**

Form ST-556, Sales Tax Transaction Return, is preprinted for each of your business locations. You can obtain this form by calling our Central Registration Division at **217 785-3707**.

Other related forms are not preprinted with information specific to your business. A list of these forms follows:

- Form ST-556 Instructions (ST-556(1) Instructions for Sales from Illinois Locations)
- Form ST-556 Instructions (ST-556(2) Instructions for Out-of-State Lessors)
- Form ST-9, A Guide for Reporting Sales Using Form ST-556, Sales Tax Transaction Return
- Form ST-13, Buyer’s Rate Chart (how to find your buyer’s tax rate if you collect mass transit and water commission use tax as a courtesy to your customers)
- Form ST-23, How to Report Off-Site Sales on Form ST-556
- Form ST-556-R, Resale Fleet and Rolling Stock Exemption Schedule
- Form ST-556-X, Amended Sales Tax Transaction Return
- Form ST-557, Claim for Credit for Repossession of Motor Vehicles, Watercraft, Aircraft, Trailers, and Mobile Homes
- Form RUT-7, Rolling Stock Certification
You can obtain the non-preprinted forms listed by

☐ calling our 24-hour Forms Order Line at 1 800 356-6302

☐ writing to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19010
SPRINGFIELD IL  62794-9010

☐ visiting our web site at www.tax.illinois.gov

You may request a Credit Activity Statement or Detailed Liability Statement by visiting our web site at www.tax.illinois.gov. You must complete all the required information and click the submit button.

How do I get help?

You can get help by

☐ calling our Taxpayer Assistance Division at 1 800 732-8866 or 217 782-3336

☐ calling our TDD (telecommunications device for the deaf) at 1 800 544-5304

☐ visiting our web site at www.tax.illinois.gov

☐ writing to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19041
SPRINGFIELD IL  62794-9041
Part 2: Specific Topics

This section covers a variety of situations about which you may have questions in determining whether you are liable for Illinois Sales Tax. Each of the topics in this section is discussed in a question-and-answer format. To use this section, locate the question that describes your own situation. If your particular situation is not covered or you are otherwise unsure of your tax obligations, please call or write us. For more information, see “How do I get help?” in Part 1.

Reporting “other” items on Form ST-556

May I report an item on Form ST-556 that is normally reported on Form ST-1?

If you sell accessories for an item that are included in the sales transaction for that item, you may report these sales together on Form ST-556. If you do so, you must include the price of these items in the total price in Section 6, Line 1. For example, when you sell an outboard motor with a boat, you may include the sale of the motor in the total price.

Watercraft

What “watercraft” must I report on Form ST-556?

You must report on Form ST-556 the sale of

- vessels 16 feet in length or longer; or
- jet skis or other similar “personal watercraft”; or
- any vessels having inboard motors, regardless of length.

How do I report the sales of accessories I sell along with titled watercraft?

If you sell accessories such as depth finders, anchors, boat covers, trolling motors, and outboard engines at the same time you sell a titled watercraft, you may report these sales on Form ST-556. If you do so, include the price of these items in the total price in Section 6, Line 1, of the return.

If you sell accessories separately, you must report the receipts from these sales on Form ST-1, Sales and Use Tax Return.

May I combine the sale of a boat and a trailer on Form ST-556?

No. If you sell a trailer along with a boat, you must report the sale of each item on a separate ST-556 return. A separate tax return must accompany each application for title or registration that will be sent to the appropriate agency of Illinois state government.
If you have watercraft or aircraft that you have purchased for resale in your sales inventory and you use these items for demonstration, business, or personal purposes, you must pay Illinois Use Tax on your cost price of these items if you hold them for more than 18 months.

If you need to pay Illinois Use Tax, call our Taxpayer Assistance Division. For more information, see “How do I get help?” in Part 1.

If you later sell the items and collect Illinois Sales Tax, you will not receive credit for any Illinois Use Tax you may have paid.

**Mobile homes**

**What determines how the sales of mobile homes are taxed?**

As a retailer of mobile homes, you will have occasion to sell a mobile home either **without installation** (the purchaser may or may not install the mobile home or incorporate it into real estate) or **with installation** (when you install a mobile home or incorporate it into real estate). The way in which the sale of a mobile home is taxed depends upon which of these two situations applies.

The sale of a mobile home to someone who will subsequently install or incorporate the mobile home into real estate in Illinois (for example, a contractor) or to a buyer who will subcontract the installation or incorporation of the mobile home into real estate in Illinois is a taxable sale. An exception to this rule is any sale of a mobile home to a contractor who will install or incorporate the mobile home into real estate in Illinois owned by an exempt organization.

A mobile home is considered to be installed or incorporated into real estate when it is placed on a permanent foundation with its wheels, tongue, and hitch removed.

When a retailer of mobile homes installs or incorporates a mobile home into real estate, the retailer is acting as a construction contractor. In Illinois, construction contractors are the end-user rather than the person for whom the construction is being performed. Special rules apply to how these transactions are reported. **Do not** report the sale of such a mobile home on Form ST-556.

When you sell a mobile home without installing it or incorporating it into real estate, you must report the sale on Form ST-556. The sale is taxable unless the sale qualifies for one of the following specific exemptions in Section 5 of your ST-556 return:

- a sale for resale (Box B); or
- a sale to an exempt organization with an active Illinois Sales Tax exemption “E” number (Box C); or
- when you deliver the mobile home or cause it to be delivered outside Illinois (Box F).
For more information on how to report exempt sales, see Part 3.

The sale of a mobile home to a person who is not a resident of Illinois and who will take possession of the mobile home in Illinois and remove it to another state is a taxable sale. Do not claim these types of sales as exempt in Section 5, Box A.

Retailers of mobile homes owe sales tax on their cost of mobile homes and other items that become part of real estate when they act as contractors performing installation or incorporation of mobile homes into real estate. Receipts and tax, when due, must be reported on Form ST-1, Sales and Use Tax Return. For information on what taxes are due, see the 86 Illinois Administrative Code, Section 130.1940, “Construction Contractors and Real Estate Developers,” and Section 130.2075, “Sales to Construction Contractors, Real Estate Developers and Speculative Builders.”

**How do I report sales of mobile homes that I install?**

Retailers of mobile homes owe sales tax on their cost of mobile homes and other items that become part of real estate when they act as contractors performing installation or incorporation of mobile homes into real estate. Receipts and tax, when due, must be reported on Form ST-1, Sales and Use Tax Return. For information on what taxes are due, see the 86 Illinois Administrative Code, Section 130.1940, “Construction Contractors and Real Estate Developers,” and Section 130.2075, “Sales to Construction Contractors, Real Estate Developers and Speculative Builders.”

**Courtesy deliveries**

**What is a courtesy delivery?**

A courtesy delivery is not a sale. A courtesy delivery occurs when an item is delivered to a buyer by a dealer other than the selling dealer. The delivering dealer delivers the item as a courtesy to the buyer. To be a courtesy delivery, the item that is delivered must originate from the selling dealer’s inventory.

- If you are a selling dealer located in Illinois and the buyer’s address for titling and registration purposes is in Illinois, you are responsible for filing the ST-556 return and paying any sales tax due. The delivering dealer making the courtesy delivery is not responsible for reporting the sale.

- If you are an Illinois dealer making a courtesy delivery on behalf of an out-of-state selling dealer, you are not responsible for reporting the sale on your ST-556 return. In this case, the buyer must file Form RUT-25, Use Tax Transaction Return, and pay any use tax due.

**Who is responsible for reporting the sales tax?**

- The selling dealer may be billed for tax, penalty, and interest for not reporting the transaction on an ST-556 return even though the tax is reported and paid on the delivering dealer’s ST-556 return.

- The delivering dealer will have to file a claim for credit to recover the tax paid.

- The customer may pay too much or too little sales tax because sales tax rates may differ between the selling dealer’s location and the delivering dealer’s location.

- The local government where the selling dealer is located will not receive its tax allocation, while the local government where the delivering dealer is located will receive more allocation than is due. Adjustments to these payments will have to be made.
Factory deliveries

Who is responsible for reporting the tax when the manufacturer delivers an item directly to the customer?

When you sell an item to a customer (whether the item is already in your sales inventory or factory-ordered from the manufacturer), you are responsible for reporting the sale on Form ST-556. You must report the sale as the seller even if the manufacturer delivers the item directly to your customer.

☐ If the delivery is made to an Illinois customer, the transaction must be reported as a taxable sale, and tax must be collected on the gross receipts from the sale.

☐ If the delivery is made outside Illinois to an out-of-state customer, the transaction must be reported by checking Section 5, Box F, and writing “Delivered Out-of-State”. For more information on how to report tax-exempt sales, see Part 3.

If the item is a mobile home, there may be other tax considerations, depending upon whether or not it is installed by the dealer. For more information, see “Mobile homes” in Part 2.

Items as gifts or prizes

You may be involved in a transaction in which you give away an item to someone or you are the delivering dealer or facilitator for providing an item to someone who has won it in a contest (such as a raffle).

Generally, the rule determining who owes tax places the liability upon the donor who purchases the item and gives it away as a gift or prize.

The following examples will help you determine who owes tax in a few different situations, but these examples are not intended to be all inclusive. If you are in a situation that involves gifts or prizes that is not covered by these examples, see “How do I get help?” in Part 1.

Who owes tax when I give away an item as a gift or prize and I do not receive compensation for the item?

When you give away an item as a gift or prize, you owe use tax on your cost price of the item. If you acquired the item you are giving away as a trade-in, you owe use tax on the value of or credit given for the item when you acquired it as a trade-in.

Dealers may sponsor a contest in which a participant can win an item based on some accomplishment. For example, a dealer may sponsor a golf tournament in which the first contestant to make a hole-in-one on the ninth green wins a vehicle. These sponsorships are often underwritten with an insurance policy or some other similar type of financial guarantee to compensate the dealer if someone wins the item.

When you sponsor such a contest and you receive compensation from any of these types of sources for awarding an item as a prize, you owe use tax on your cost price of the item.
**Do I owe tax if I deliver an item to a winner as a prize on behalf of a prize-awarding organization?**

As a dealer, you may be involved in delivering an item to someone who won the item on a game show or in a contest (such as a raffle) sponsored by a business.

If you are merely delivering the item to the winner, you are not responsible for reporting this transaction on your Form ST-556. Such deliveries are commonly referred to as “courtesy deliveries.” For more information, see “Courtesy deliveries” in Part 2.

**Repossessed items**

When you repossess an item that you originally financed, you are entitled to a repossession credit for the tax on the unpaid balance of the finance contract. You may claim this credit only when you have financed the item under a “with-recourse” agreement. A “with-recourse” agreement is one under which you have guaranteed total repayment to the finance company.

To apply for this credit, you must file Form ST-557, Claim for Credit for Repossession of Motor Vehicles, Watercraft, Aircraft, Trailers, and Mobile Homes. To obtain this form, see “How do I get forms?” in Part 1.

How should the tax be reported when a bank or other lending agency sells a repossessed item?

When a bank or other type of lending institution sells an item that it has repossessed, the transaction is a retail sale, and the gross receipts received from the sale are subject to sales tax. These institutions must report the sale of these items on Form ST-556.

If the bank or lending agency applies for title to the repossessed item in their name and then sells the item to a new buyer, a sale occurs and tax is due either on Form ST-556 (if registered) or Form RUT-25. However, if the original owner, co-owner, or co-signer (of the loan) redeems (resumes) possession of the item, the transaction is not regarded as a sale and is not subject to tax.

Check Box F in Section 5 on Form ST-556 and write in “Redemption” or check Box g in Step 4 on Form RUT-25.

If the bank or lending agency does not apply for title to the repossessed item in their name and reassigns the title to the new buyer, then tax is due on the applicable Form RUT-50 or Form RUT-75 as a private transaction between the previous owner of the repossessed item and the new buyer.

If you are a lending institution that sells repossessed items and you are not currently registered to receive Form ST-556, call our Central Registration Division at 217 785-3707.

**Returned items**

When your customer returns an item to you from a previous sale and requests a refund of the purchase price plus taxes (as opposed to the case in which your customer brings an item to you as a trade-in), you may file a claim for credit to recover the amount of sales tax you paid on the initial sale of the
item, provided that you first refund the full amount of tax to your customer. For more information about filing a claim for credit, see “When and how do I amend my ST-556 return?” in Part 1.

For example, your customer may, for a variety of reasons, return an item to you and cancel a sale, or your customer may return to you a vehicle deemed to be defective under the provisions of the New Vehicle Buyer Protection Act, commonly referred to as the “Lemon Law.”

What is the “Lemon Law”?

The Lemon Law provides that if, after a reasonable number of attempts, the seller is unable to conform the returned new vehicle to any of its applicable express warranties, the manufacturer must either provide the consumer with a comparable replacement vehicle or accept the return of the new vehicle and refund all costs paid by the consumer minus any allowance for its use.

How do I report the transaction if my customer receives a replacement vehicle for the returned new vehicle?

If the manufacturer provides a replacement for the returned new vehicle to your customer, a second sale takes place between you, the dealer, and your customer. This second sale is subject to sales tax. However, when you use the returned new vehicle as a trade-in towards the sale of the replacement vehicle, you may reduce the amount subject to tax by the value you assign the trade-in. You should report the transaction in the same manner as you would any other sale that involves use of a qualified trade-in. For more information on using a qualified trade-in, see “Trade-ins” in Part 2.

In this case, you may not file a claim for credit to recover the amount of tax paid on the initial sale of the returned new vehicle because you have not refunded the tax to your customer.

How do I report the transaction if my customer receives a refund for the returned new vehicle and purchases another vehicle from me?

The manufacturer may provide your customer with a refund of the purchase price (not including tax) for the returned new vehicle. If, after having received the refund, your customer chooses to purchase another vehicle from you, a completely separate sale takes place for which tax is due based upon the total price of the vehicle. The cash value of the refund may not be used to reduce the amount subject to tax on this sale.

You, the dealer, may file a claim for credit to recover the amount of sales tax you paid on the initial sale of the item, provided that you first refund the full amount of tax to your customer. If, however, the manufacturer includes the tax in the refund to the customer, you may not file a claim for credit.

Off-site sales

How do I report off-site sales (“tent” sales)?

Occasionally you may hold a sales event, sometimes called a “tent” sale, at locations other than your normal place of business. Because your ST-556 returns are pre-coded with information specific to your place of business, and because the off-site location may be in another taxing jurisdiction that may impose tax at a rate different from the rate for your business location, it is important that you comply with the instructions provided in our Form ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return. By complying with these instructions, you will assist us and your local
governments in properly allocating the taxes you collect. For dealers of vehicles, trailers, and mobile homes, Form ST-23 will be provided to you when you apply to the Office of the Secretary of State for your off-site sale permit. For dealers of all other items, see “How do I get forms?” in Part 1.

**Trade-ins**

**What is a qualified trade-in?**

A qualified trade-in is an item

- that you accept to reduce the selling price (in part or in full) of the item sold; and

- that you are in the business of selling; and

- that, if sold at retail in Illinois, would be required to be reported on Form ST-556.

You are “in the business of selling” a particular kind of item if you hold yourself out to the public as being engaged in (or habitually engage in) selling such items. For example, if you are in the business of selling both automobiles and motorcycles, you may claim a motorcycle as a trade-in on the sale of an automobile. However, if you are in the business of selling only automobiles, you may not claim a motorcycle as a trade-in on the sale of an automobile.

**What situations prevent a trade-in from being qualified?**

A trade-in is not qualified if

- you, as a dealer, are not in the business of selling the item offered in trade; or

- the item, if sold at retail in Illinois, would not be required to be reported on Form ST-556; or

- you, as a dealer, are the owner of the item traded in; or

- the item traded in was used in a sales transaction that occurred before the trade was offered but was not identified by written contract as an advance trade-in (for more information, see “What is an advance trade-in?” on the following page); or

- the owner (third party) offering an item as a trade-in on behalf of a buyer is in the business of selling such items at retail.

**May I accept a trade-in of an item that is not considered a qualified trade-in?**

Yes. You may choose to accept any item as a trade-in, even one that is not considered a qualified trade-in (see above question), to reduce the buyer’s cost of the item sold. However, you may not use the value of or credit given for a trade-in to reduce the amount subject to tax.
For example, you may accept the trade-in of a bicycle to which you have assigned a value of $100 in order to reduce the buyer’s cost of an automobile whose price is $15,000; however, you may not subtract the assigned value of the bicycle used as a trade-in from the total price of the automobile to reduce the amount subject to tax because the bicycle is not a qualified trade-in.

Instead, you must charge the buyer tax on the total price of $15,000. You should not report a trade-in in Section 4 or a trade-in credit in Section 6, Line 2, of Form ST-556.

**What is the “value” of a qualified trade-in?**

The value of a qualified trade-in is the amount of value assigned to the item without regard for any debt currently owed on the item. The value assigned is referred to as the “trade-in credit.”

For example, if a buyer offers you an automobile as a qualified trade-in that you appraise at $2,000 and the buyer still owes $500 on the automobile, the actual value or trade-in credit that you may use to reduce the amount subject to tax is $2,000.

**What is the “credit given” for a qualified trade-in?**

The amount of credit given for a qualified trade-in is the value assigned to the item minus any cash payments you make to the buyer. The credit given is referred to as the “trade-in credit.”

For example, if a buyer offers you an automobile as a qualified trade-in that you appraise at $2,000 and you give the buyer a $500 cash-back payment, the actual credit given or trade-in credit that you may use to reduce the amount subject to tax is $1,500.

**How do I use a trade-in credit?**

In a transaction involving a qualified trade-in, you may use the amount of trade-in credit you have assigned to the item traded in to reduce your gross receipts on the sale of a new or used item. You determine the amount subject to tax by subtracting the amount of trade-in credit in Section 6, Line 2, of Form ST-556 from the total price of the item sold in Section 6, Line 1, of Form ST-556.

If you report a trade-in credit, you also must describe the actual qualified trade-in you used in Section 4 of Form ST-556.

**What is an advance trade-in?**

An advance trade-in is a transaction in which a buyer trades in an item to you prior to the actual purchase of an item and is given an advance trade-in credit to use on a future purchase — provided the buyer by written contract agrees to purchase one or more items from you within nine months of the date the advance trade-in is established. The written contract needs only to specify the buyer’s obligation to purchase within a nine-month period — not the make, model, or price of the item to be purchased.

**How do I use an advance trade-in credit?**

You use an advance trade-in credit in the same way as a regular trade-in credit by subtracting the amount of the advance trade-in credit from the total
price of the item sold on Form ST-556 in Section 6, Lines 1 and 2, and describing the trade-in in Section 4.

The documentation you are required to keep in support of an advance trade-in transaction must include the written contract specifying the obligation to purchase within nine months, the expiration date of the advance trade-in credit, the amount of the advance trade-in credit, the bill of sale for the item traded in, and your copy of Form ST-556 showing the sale of an item and use of the advance trade-in credit.

You may issue the advance trade-in credit to the buyer in the form of either cash or credit. If the buyer does not use the advance trade-in credit towards the purchase of an item from you within the nine-month period, the advance trade-in credit expires.

Advance trade-in credits are not transferable to another buyer. They are not permitted when the buyer of an item is not the owner of the trade-in. In other words, you may not use advance trade-in credits in conjunction with third-party trade-ins.

You must retain in your books and records all of the supporting documentation that shows the details of how you applied each trade-in credit and make this documentation available to us for inspection or audit.

For documentation purposes, when an owner (third party) offers the item for trade on behalf of a buyer, you also must obtain and keep in your books and records written authorization from the owner (third party). The written authorization must specify the buyer on whose behalf the trade-in is offered, the item traded, and the item purchased.

Yes — provided the owner (third party) provides proof of ownership of the item offered as trade, assigns the item directly to you, and provides you with written authorization for the trade, specifying the item traded in, the item purchased, and the buyer on whose behalf the trade-in is offered. Such third-party trade-in authorizations, however, may not be used in conjunction with advance trade-in transactions. In addition, dealers, leasing companies, and other retailers of such items may not offer an item as a trade-in in a third-party transaction.

No. You may not file an amended return (Form ST-556-X) in order to report a trade-in and claim the trade-in credit to reduce the amount subject to tax when a trade-in was not offered or accepted at the time of the original sales transaction.

Yes — provided you have documentation showing that a trade-in was actually offered at the time of the original sales transaction. In this case, you may file an amended return (Form ST-556-X) in order to report a trade-in and claim the trade-in credit to reduce the amount subject to tax.
May I “split” the trade-in credit given for one item towards the sale of more than one item?

Yes. You may use the trade-in credit given for one item traded in towards the sale of more than one item so long as the trade-in and sales are recorded as a single sales transaction. You must file a separate Form ST-556 for each item sold. To apply the split trade-in credit, you may use as much of the trade-in credit as you want on each ST-556 return, as long as the sum of the amounts reported in Section 6, Line 2, of both returns does not exceed the total amount of trade-in credit given.

You must also describe the trade-in in Section 4 that corresponds to the trade-in credit you used in Section 6, Line 2, of each ST-556 return. You must cross-reference the trade-in by writing the ST-556 transaction number of each return on which you used the same trade-in in the space after the heading of Section 4 of each return.

For example, you may use the trade-in credit of an automobile that you have assigned a value of $15,000 towards the sale of two automobiles with total prices of $10,000 and $7,000 each. You might apply $10,000 of the $15,000 trade-in credit on the ST-556 return of the automobile with the total price of $10,000 and then the remaining $5,000 of the trade-in credit on the other ST-556 return of the automobile with the total price of $7,000.

May I accumulate “multiple” trade-in credits given for more than one item towards the sale of only one item?

Yes. You may use multiple trade-in credits given for more than one item traded in towards the sale of only one item so long as the trade-ins and sale are recorded as a single sales transaction. To apply the trade-in credits, you must report the sum of the values assigned to each trade-in you are using in Section 6, Line 2, of Form ST-556.

You also must describe the trade-ins in Section 4 that correspond to the trade-in credit you used in Section 6, Line 2, of each ST-556 return. You may attach a separate sheet to list the descriptions of additional trade-ins.

For example, you may use the $12,000 sum of trade-in credits given for two automobiles to which you have assigned values of $5,000 and $7,000 each towards the sale of an automobile with a total price of $15,000.

May I combine “split” or “multiple” trade-in transactions with an advance trade-in?

Yes — provided that all of the items traded in and sold are recorded as a single sales transaction, the purchaser is contractually obligated to purchase an item from you within nine months, and the ST-556 returns are properly completed and filed.

Leasing

What does “leasing” mean?

“Leasing of motor vehicles” means the transfer of possession or right to possession of an item to a person for a “valuable consideration” for a period of more than one year.

How are the parties involved in leasing defined?

For the purposes of this guide, the term “lessor” refers to the business that is engaged in leasing. The term “lessee” refers to the party that takes temporary possession of the item leased.
**What does “renting” mean?**


“Renting of motor vehicles” means the transfer of possession or right to possession of a motor vehicle subject to the provisions of the Automobile Renting Occupation and Use Tax Act to a person for a “valuable consideration” for a period of **one year or less**.

For more information on renting involving dealers, see “Tax-Exempt Sales” in Part 3.

**How are lease transactions taxed?**

In Illinois, items sold to a lessor or removed from inventory for leasing purposes are subject to either sales or use tax. This is true because the lessor is the “user” of the item rather than the lessee, even if the lessee is exempt from tax. However, there are several circumstances in which sales or use tax is not due. For more information, see “Under what circumstances is sales or use tax not due on a leased item?” below.

**Under what circumstances is sales tax due on a leased item?**

Generally, when you sell items to a lessor for leasing purposes, the sale is taxable to the lessor on the total price of the item. For specific circumstances in which sales tax is not due, see “Under what circumstances is sales or use tax not due on a leased item?” below.

**Under what circumstances is use tax due on a leased item?**

If you, the dealer, are also the lessor and you remove an item from your inventory for leasing purposes, you owe use tax on your cost price of the item. When this situation occurs, complete the ST-556 return by reporting in Section 6, Line 1, the cost price of the item you are leasing. Since this transaction is not a sale, you are **not** entitled to claim the 1.75 percent retailer’s discount taken in Section 6, Line 7. For specific circumstances in which use tax is not due, see “Under what circumstances is sales or use tax not due on a leased item?” below.

**Caution:** If you use computer software to complete the ST-556 return, you should make sure the retailer’s discount, discussed above, is not automatically calculated in the above situation.

**Under what circumstances is sales or use tax not due on a leased item?**

There are several circumstances in which you do not have to charge sales tax or you do not owe use tax on an item used by a lessor. These transactions are exempt from tax when

- the lessee will title or register the item in another state.

  When this situation occurs, the name of the lessor and lessee, along with the non-Illinois address, must appear on Form ST-556, Section 1. Also, Section 5, Box F, must be completed. For more information on how to report tax-exempt sales, see Part 3.

- the lessor will lease the item to a governmental body.
When this situation occurs, the name of the lessor and the governmental body, along with the Illinois address for titling or registration purposes, must appear on Form ST-556, Section 1. Also, Section 5, Box C, must be completed. For more information on how to report tax-exempt sales, see Part 3. To qualify, all of the following conditions must be met:

- the lessee must be a governmental body (federal, state, or local) and must have been issued an active Illinois Sales Tax exemption “E” number by us; and

- the lease must be for one year or more; and

- the lease must be executed or in effect at the time the lessor purchases the item from you or you remove the item from inventory for lease.

**Caution**: The sale of an item to a lessor who will lease the item to any exempt organization other than a governmental body is taxable.

the lessor will lease the item to a lessee who will use the item as rolling stock.

When this situation occurs, the name of the lessor, along with the Illinois address for titling or registration purposes, must appear on Form ST-556, Section 1. Also, Section 5, Box D, must be completed with the required certificate of authority number. For more information on how to report tax-exempt sales, see Part 3.

**Note**: You do not need to attach Form RUT-7 when filing Form ST-556, but you must keep in your books and records all information required to qualify your purchase as exempt from tax.

Yes — provided the owner (third party) provides proof of ownership of the item offered as a trade-in, assigns the item directly to you, and provides you with written authorization for the trade, specifying the item traded in, the item purchased, and the lessor on whose behalf the trade-in is offered. Such third-party trade-in authorizations may not be used in conjunction with advance trade-in transactions. In addition, dealers, leasing companies, and other retailers of such items may not offer an item as a trade-in in a third-party transaction.

For example, you may claim a trade-in of an automobile provided by a prospective lessee or a prospective lessee’s friend or relative on the sale of an automobile to a lessor.

Yes. You may use the trade-in credit given for one item traded in towards the sale of more than one item so long as the trade-in and sales are recorded as a single sales transaction. You must file a separate Form ST-556 for each item sold. To apply the split trade-in credit, you may use as much of the trade-in credit as you want on each ST-556 return as long as the sum of the amounts reported in Section 6, Line 2, of both returns does not exceed the total amount of trade-in credit given.
You also must describe the trade-in in Section 4 that corresponds to the trade-in credit you used in Section 6, Line 2, of each ST-556 return. You must cross-reference the trade-in by writing the ST-556 transaction number of each return that you used the same trade-in on in the space after the heading of Section 4 of each return.

For example, you may use the trade-in credit of an automobile that you have assigned a value of $15,000 towards the sale of two automobiles with total prices of $10,000 and $7,000 each. You might apply $10,000 of the $15,000 trade-in credit on the ST-556 return of the automobile with the total price of $10,000 and then the remaining $5,000 of the trade-in credit on the other ST-556 return of the automobile with the total price of $7,000.

Yes. You may use multiple trade-in credits given for more than one item traded in towards the sale of only one item so long as the trade-ins and sale are recorded as a single sales transaction. To apply the trade-in credits, you must report the sum of the values assigned to each trade-in you are using in Section 6, Line 2, of Form ST-556.

You also must describe the trade-ins in Section 4 that correspond to the trade-in credit you used in Section 6, Line 2, of each ST-556 return. You may attach a separate sheet to list the descriptions of additional trade-ins.

For example, you may use the $12,000 sum of trade-in credits given for two automobiles to which you have assigned values of $5,000 and $7,000 towards the sale of an automobile with a total price of $15,000.

Yes — provided that all of the advance trade-in requirements are met and all of the items traded in and sold are recorded as a single sales transaction and the ST-556 returns are properly completed and filed.

**Chicago Home Rule Use Tax**

If the business location of the dealer is in Cook, DuPage, Kane, Lake, McHenry, or Will County and your customer’s address on Form ST-556, Section 1, is within the corporate limits of the city of Chicago, your customer owes an additional home rule use (sales) tax. This combined tax rate is preprinted below Line 4 and must be reported on Line 4, not Line 5.

**Note:** Do not report the Cook County Home Rule Use Tax on Form ST-556. This tax is administered and collected directly by the Cook County Department of Revenue.

**Other home rule use taxes**

No. You must not report on Form ST-556 the use tax you collect for home rule units of local government other than Chicago.
However, if you are required to be registered with a home rule unit of local
government to collect its home rule use tax, you should report the tax using
whatever form the home rule unit provides. If you are not required to be so
registered, the home rule unit may bill your customer directly. You should
contact the appropriate home rule unit of local government for instructions
on how the tax is administered.

Collecting local use taxes

Your customer may be liable for additional local use taxes, such as Regional
Transportation Authority (RTA), DuPage County Water Commission (CWC),
and Metro-East Mass Transit District (MED) Use Taxes, which are not in-
cluded in the rate at which you are required to collect tax because your busi-
ness is not located in one of these districts. If you are not required to collect
these taxes but choose to do so, you will need to determine your customer’s
tax rate.

For additional information on the Regional Transportation Authority, the Du-
Page County Water Commission area, a list of the Metro-East Mass Transit
District townships in Madison and St. Clair counties, and additional assis-
tance in determining which customers owe these taxes, see “How do I get
help?” in Part 1.

If you sell an item from a location outside Cook, DuPage, Kane, Lake,
McHenry, or Will County and your customer’s address on Form ST-556, Sec-
tion 1, is within any of these counties, your customer owes an additional Re-
gional Transportation Authority (RTA) Use Tax. To collect this tax from your
customer, you should multiply the amount in Section 6, Line 3, by the RTA
Use Tax, and write the result in Line 5 along with the name of the county in
which the item will be titled or registered in Line 5a.

If you sell an item from a location within Cook, DuPage, Kane, Lake,
McHenry, or Will County and your customer’s address on Form ST-556,
Section 1, is within any of these counties, your customer does not owe an ad-
ditional RTA Use Tax. Your customer’s obligation to pay this tax is satis

If your customer’s address on Form ST-556, Section 1, is within the DuPage
County Water Commission area and you are making a sale from a location
outside the area, your customer owes an additional County Water Commis-
sion Use Tax. To collect this tax from your customer, you should multiply the
amount in Section 6, Line 3, by the DuPage County Water Commission Use
Tax and write the result in Line 5. Also, write the county in which the item
will be titled or registered in Line 5a, and the city in Line 5b.

How do I collect and report Regional Transportation Authority Use Tax?

How do I collect and report DuPage County Water Commission Use Tax?

How do I collect and report Metro-East Mass Transit District Use Tax?

Page 26
The total price includes accessories, dealer preparation, federal excise taxes (except as described below), freight, labor, rebates or incentives for which a dealer will be reimbursed, and documentary fees. It does not include federal luxury tax.

Generally, federal excise taxes must be included in the total price and are subject to tax. Exceptions are the federal excise taxes on:

- trucks weighing 33,000 pounds or more; or
- trailers or semitrailer chassis weighing 26,000 pounds or more.

The federal excise taxes on the items above are not subject to Illinois Sales or Use Tax and, therefore, should not be included in the total price in Section 6, Line 1, of Form ST-556.

A rebate for which a dealer will be reimbursed (for example, in a manufacturer’s rebate program) must be included in the total price and is subject to tax. A rebate offered by a dealer that will not be reimbursed should not be included in the total price and will not be subject to tax. If you are unsure about whether receipts from your manufacturer or dealer rebate program are subject to tax, see “How do I get help?” in Part 1.

Receipts from the sale of extended warranty contracts or the deductibles of extended warranty contracts are not subject to tax if separately stated from the selling price of the item. However, Use Tax on the dealer’s cost price is due from the dealer on all parts transferred under the contract.

The sale of an item to any customer who claims he or she will arrange to have it transported out of the country and who takes possession of it in Illinois is a taxable sale; however, there are three types of sales to foreign customers that may qualify as tax exempt.

The sale of an item to a foreign customer qualifies as tax exempt if:

- the sale is to a foreign consulate, diplomat, consular officer, or staff member who provides you with an active tax exemption card issued by the U.S. Department of State;
- the sale is one in which you, the dealer, actually deliver, or cause to be delivered, the item to a freight forwarder who arranges for the item to be transported out of the country; or
the vehicle is not to be titled in Illinois and a drive-away permit is properly issued. This includes Mexico, Canada, and any other location where the drive-away permit may be issued.

For more information on tax-exempt sales, see Part 3.

Dealers’ insurance settlements

Do I owe sales tax if my insurance company provides settlement for items that are totaled or stolen while in my sales inventory?

When your insurance company provides settlement for items that are totaled or stolen, Illinois Sales Tax is not incurred on the settlement amount. The reimbursement received by the dealer is not considered gross receipts because a retail sale has not occurred.

Does it matter if title to the item is transferred to the insurance company?

In many cases, the insurance company handles the disposal of the totaled item (to be salvaged or junked) and, therefore, requests the title to be transferred. Transfer of the title to the insurance company for the purpose of disposing of the item does not imply that a retail sale has occurred (see above). A sales or use tax return is not required when application is made for a salvage or junking certificate with the Office of the Secretary of State.
Part 3: Tax-Exempt Sales

This section provides a detailed description of each of the exemption categories shown on Form ST-556 in Section 5, “Is the sale exempt from tax?” It is especially important for you to understand and properly document exempt sales. If you report a sale as exempt from Illinois Sales Tax and we then determine this sale to be taxable, we will assess either you or the purchaser for tax, penalty, and interest.

Box A: Sold to an out-of-state purchaser

What sales qualify for this exemption?

You must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.

You may claim this exemption if you sold a vehicle or trailer to a nonresident buyer, other than a nonresident buyer from a nonreciprocal state described below, who took possession of the item in Illinois and

☐ you issued a drive-away permit for the item sold; or

☐ the buyer transferred out-of-state license plates to the item sold.

Effective February 1, 2005, certain nonresidents are not entitled to the out-of-state buyer exemption on purchases of motor vehicles or trailers.

Nonresidents are not entitled to the “out-of-state buyer” exemption if the motor vehicle or trailer will be titled in a state that does not give Illinois residents an “out-of-state buyer” exemption on their purchases in that state of motor vehicles or trailers that will be titled in Illinois (i.e., there is no reciprocal exemption). For a complete listing of states and the tax rate or tax amount you are required to collect, see ST-58, Reciprocal - Non-Reciprocal Vehicle Tax Rate Chart, on our web site at tax.illinois.gov.

If you issued a drive-away permit, write the drive-away permit number in the space provided.

5 Exempt or sale to a nonresident

If so, check the correct box below, and see instructions for Section 6.

☐ A Nonresident buyer (NOT an out-of-state dealer) See instructions.

drive-away permit no./lic. plate no. DA603074 state WI

If the buyer transferred current out-of-state license plates to the item sold, write the license plate number. You must also retain in your books and records a photocopy of the vehicle registration for which the out-of-state plates are issued.
5 Exempt or sale to a nonresident
If so, check the correct box below, and see instructions for Section 6.

A  Nonresident buyer (NOT an out-of-state dealer) See instructions.

- drive-away permit no./lic. plate no. 1064 state WI

In either case, write the two-letter state abbreviation in the space provided.

**Note to retailers of watercraft, aircraft, and mobile homes:** Illinois law does not provide for the use of an out-of-state license plate or registration or the use of a drive-away permit as authority to exempt from tax the receipts from sales of watercraft, aircraft, or mobile homes when an out-of-state purchaser takes possession or delivery of these items in Illinois. Unless the purchaser is an out-of-state retailer of these items making a purchase for resale, these sales are always taxable.

**Note:** Do not use Section 5, Box A, to report sales of items to non-Illinois dealers who take possession or delivery of these items in Illinois. See the instructions for Section 5, Box B, Sales for resale, on how to report these transactions.

**Note:** Do not use Section 5, Box A, to report sales of items that you delivered or caused to be delivered to your customer outside Illinois. See the instructions for Section 5, Box F, Other, on how to report these transactions.

**What sales do not qualify for this exemption?**

The following sales do not qualify for this exemption:

- sales made to customers not otherwise exempt who will title and/or register the item in Illinois; or

- sales of watercraft (even when sold as part of a boat/trailer package), aircraft, and mobile homes to non-Illinois resident customers not otherwise exempt when delivery is made to the customer in Illinois; or

- sales of motor vehicles to out-of-state residents who take delivery in Illinois in which the drive-away permit number or transfer license plate number is not reported in the space provided in Section 5, Box A; or

  **Note:** This also applies if a person takes possession of the motor vehicle on the out-of-state customer’s behalf.

- sales made to nonresident purchasers who do not qualify for drive-away permits and do not have out-of-state license plates to transfer to the item sold when delivery of the item is made to the purchaser in Illinois.
You must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.

When you sell an item to a customer who is registered or licensed as a retailer or reseller of these items or as a retailer or reseller of parts for these items and who is purchasing the items for resale, receipts from these sales are exempt from tax provided you obtain a certificate of resale from your customer.

**Note:** When Form ST-556 is completed with the required information in Sections 1 through 6, the form serves as a certificate of resale.

- Sales of items are exempt from tax as a sale for resale when the Illinois buyer is registered in Illinois as a retailer or reseller of these items.

To properly claim this exemption, you must check Section 5, Box B, and write in the space provided the buyer’s active Illinois registration or reseller number (Account ID). Without this information, the form does not serve as a certificate of resale.

### 5 Exempt or sale to a nonresident

If so, check the correct box below, and see instructions for Section 6.

- **B Sold for resale to a DEALER** 1234-5678
  (write either the Illinois dealer's Account ID or “Out-of-state dealer”)

- Sales of items for junking or salvage or as parts are exempt as a sale for resale when the buyer is registered in Illinois either as a retailer or reseller of salvaged items or junked items as parts or as a retailer of parts for these items.

To properly claim this exemption, you must check Section 5, Box B, and write in the space provided the buyer’s active Illinois registration or reseller number (Account ID) followed by any of the applicable designations: “Junked,” “Salvage,” or “Parts Only.” Without this information, the form does not serve as a certificate of resale.

### 5 Exempt or sale to a nonresident

If so, check the correct box below, and see instructions for Section 6.

- **B Sold for resale to a DEALER** 1234-5678 Salvage
  (write either the Illinois dealer’s Account ID or “Out-of-state dealer”)

---

Page 31
Sales of items are exempt from tax as a sale for resale when the buyer is registered or licensed as an out-of-state retailer or reseller of the item purchased and the items are purchased for resale.

To properly claim this exemption, you must check Section 5, Box B, and write the statement “Out-of-State Dealer” in the space provided for the active Illinois registration or reseller number (Account ID). You must also retain in your books and records a statement from your customer that he or she is an out-of-state retailer or reseller of the item purchased and, if applicable, your customer’s registration or license number with that state.

<table>
<thead>
<tr>
<th>5 Exempt or sale to a nonresident</th>
</tr>
</thead>
<tbody>
<tr>
<td>If so, check the correct box below, and see instructions for Section 6.</td>
</tr>
<tr>
<td>X  B Sold for resale to a DEALER   Out-of-state dealer</td>
</tr>
<tr>
<td>(write either the Illinois dealer’s Account ID or “Out-of-state dealer”)</td>
</tr>
</tbody>
</table>

Sales of items to auctioneers or by auctioneers on your behalf are exempt from tax as a sale for resale only when the following conditions are met:

- Sales to a person who will auction items are exempt as a sale for resale only when the item is actually sold to the auctioneer and the auctioneer provides you with an active Illinois registration or reseller number (Account ID) as described above. The title must be transferred to the auctioneer.

- Sales by auctioneers on your behalf are exempt as a sale for resale only when the Form ST-556 contains the actual buyer’s name and address information along with the buyer’s active Illinois registration or reseller number (Account ID). Without this information, the form does not serve as a certificate of resale. If the buyer is an out-of-state dealer, follow the instructions for Section 5, Box B, for reporting sales to out-of-state dealers.

Note: Multiple sales for resale to the same buyer may be reported on one Form ST-556. To do so, complete the return as you would for a single sale. In Section 2, Describe the item sold, write “See attached list.” On our Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule, complete for each item sold: the identification number, the make, the model, and the year. In the space provided on the schedule, write the Form ST-556 transaction number. You may use a separate sheet of paper rather than Form ST-556-R as long as it contains the same required information.
The following sales do not qualify for this exemption:

☐ sales to registered retailers, resellers, or out-of-state dealers by auctioneers acting as your agent in which the auctioneer’s name and address are listed in Section 1 of Form ST-556 as the buyer rather than the name and address of the registered retailer, reseller, or out-of-state dealer; or

☐ sales to registered retailers or resellers who are not in the business of retailing or reselling the items or parts for those items being purchased; or

☐ sales to non-retailers or non-resellers; or

☐ sales to registered retailers or resellers of items or parts for those items in which the purchaser’s active Illinois registration or reseller number (Account ID) is not reported in the space provided in Section 5, Box B.

**Box C: Sold to an exempt organization**

You must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.

**What sales qualify for this exemption?**

When you sell items to tax-exempt organizations, receipts from these sales are exempt from tax provided you properly document and report the sales as required.

The categories for these organizations are

☐ government (federal, state, or local) organizations

☐ educational (elementary, secondary, college, public, private) organizations

☐ religious (church, synagogue, mosque, or other) organizations

☐ charitable organizations

In order for a sale to qualify for this exemption, your customer must provide you with a copy of the organization’s active Illinois Sales Tax exemption “E” number that we issued. This number will begin with the letter “E,” followed by 8 digits (for example, E-99999999).

To properly claim this exemption, you must check Section 5, Box C, and write in the space provided the buyer’s active Illinois Sales Tax exemption “E” number. You should retain in your books and records a copy of the letter to the exempt organization in which we issued the exemption number.
5 Exempt or sale to a nonresident

If so, check the correct box below, and see instructions for Section 6.

- C Exempt organization (government, school, religious, or charitable)
  tax-exempt no. E- 99999999

**Caution:** The buyer’s name on Form ST-556 and the applicant’s name on the application for title and/or registration to the appropriate agency of Illinois state government must be the same as the name of the organization to which our tax exemption number was issued.

When you sell items to a lessor who will lease items to a tax-exempt governmental organization, receipts from these sales are exempt from tax provided you properly document and report the sales as required.

When reporting a sale to a lessor who will lease the item to a tax-exempt governmental organization, you must provide the name of the lessor and lessee in Section 1 and the lessee’s active Illinois Sales Tax exemption “E” number in Section 5, Box C.

In order for a sale to qualify, the following conditions must be met:

- the governmental organization (lessee) must have an active Illinois Sales Tax exemption “E” number that we issued (our letter to the lessee issuing or renewing the exemption number will specifically identify the organization as “governmental”); and

- the lease must be for a period of more than one year; and

- the lease must be in effect or executed at the time of the sale by you to the lessor or at the time of removal from inventory if you are both the dealer and the lessor.

**What sales do not qualify for this exemption?**

- sales to foreign consuls (diplomats) and foreign consulates (missions) (these sales are not considered sales to exempt organizations; they qualify as exempt but should be reported in Section 5, Box F, Other); or

- sales to any organization claiming to be tax exempt for which the active Illinois Sales Tax exemption “E” number is not reported in the space provided in Section 5, Box C; or

- sales to any individual claiming to be tax exempt using an organization’s exemption number; or
sales to co-owners, one of which is tax exempt and the other of which is not tax exempt, for example, a tax-exempt organization and an individual; or

sales to a lessee who will lease an item to a tax-exempt organization other than a tax-exempt governmental organization.

**Box D: Sold to an interstate carrier (for use as rolling stock)**

You must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.

**What sales qualify for this exemption?**

Items purchased to haul persons or commodities for hire in interstate commerce qualify for the rolling stock exemption. You must provide the certificate of authority number of the interstate carrier.

**Note:** The certificate of authority number must be in effect at the time of purchase.

**Note:** Limousines do not receive a certificate of authority number. Write “limousine” in the space provided instead of the certificate of authority number.

To qualify for this exemption the motor vehicle (other than a limousine) must have a GVWR of more than 16,000 pounds.

A motor vehicle (including a limousine) or trailer must carry persons or property for hire in interstate commerce each consecutive 12-month period for more than 50 percent of the motor vehicle’s total trips or miles. Any motor vehicle that carries persons or property for hire but seldom or never leaves Illinois may qualify for the rolling stock exemption only when its trips or miles are a continuation of interstate commerce. For these trips or miles to count as a continuation of interstate commerce the person’s journey or property’s shipment must begin or end outside of Illinois.

To qualify for this exemption a trailer will follow the same test as the motor vehicle. In lieu of documenting each and every trailer, you may determine if the trailer meets one of the following tests and provide us that information.

- If the trailer is dedicated to a motor vehicle that qualified for the rolling stock exemption, the trailer also qualifies.

- If the trailer is dedicated to a group of motor vehicles that all qualify for the rolling stock exemption, then the trailer qualifies.

- If one or more trailers are dedicated to a group of motor vehicles of which some qualify and some do not qualify for the rolling stock exemption, only the percentage of motor vehicles that qualify for the rolling stock exemption will be applied to the trailers. No partial trailer will be allowed the exemption.
Note: At the time the motor vehicle (including a limousine) or trailer is purchased, the purchaser must indicate the “trips” or “miles” method on Form RUT-7, Rolling Stock Certification, to account for the rolling stock exemption. If the purchaser does not indicate “trips” or “miles,” we will consider the purchaser to have chosen the mileage method. For additional information on the rolling stock exemption, please see the Illinois Administrative Code, Title 86, Section 130.340.

Note: You do not need to attach Form RUT-7 when filing Form ST-556 but you must keep in your books and records all information required to qualify your purchase as exempt from tax.

To qualify for the exemption, items other than motor vehicles or trailers (including but not limited to aircraft or watercraft) must be used to carry persons or property for hire in interstate commerce on a regular and frequent basis.

If you make a sale to a lessor who will lease the item, the lessor may claim the exemption if:

- the lessee is recognized by the appropriate federal or state regulatory agency as an interstate carrier for hire and has received a Certificate of Authority to engage in interstate commerce; and
- the lessee will use the item in a qualifying manner; and
- the lease is in effect or executed at the time of the purchase for use as rolling stock.

To properly claim this exemption, you must check Section 5, Box D, and write the certificate of authority number. For sales to lessors, you must provide the names of the lessor and the lessee.

5 Exempt or sale to a nonresident
If so, check the correct box below, and see instructions for Section 6.

**X** D Sold to an interstate carrier for hire for use as rolling stock
Certificate of authority no. 12345647890

What sales do not qualify for this exemption?

It is not the type of item that determines whether or not it qualifies for use as rolling stock, but rather how the item is used by a qualifying interstate carrier. You should make your customers aware that only those items specifically used as rolling stock will qualify for this exemption.

Items do not qualify as rolling stock when they are used only

- to transport company officers, employees, customers, or others not for hire (even if the items cross state lines); or
- to transport property that a business owns or is selling and delivering to customers (even if the items cross state lines); or
☐ as support vehicles (other than those specifically used for “escort” service) when the vehicles do not haul persons or commodities for hire in interstate commerce.

The following sales also do not qualify for this exemption:

☐ sales for which the purchaser or lessee does not have the required Certificate of Authority from the appropriate federal or state regulatory agency; or

☐ sales for which the purchaser or lessee does not provide a Certificate of Authority.

Box E: Sold for rental use

You must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.

What sales qualify for this exemption?

When you sell a motor vehicle as defined in the following paragraph to someone in the business of renting motor vehicles for one year or less, receipts from these sales are exempt from tax provided you properly document and report the sale as required.

Only the following types of motor vehicles may be sold tax exempt for rental purposes:

☐ first division, passenger automobiles designed to carry not more than 10 persons; or

☐ passenger vans designed for the transportation of not fewer than seven or more than 16 persons; or

☐ second division, self-contained motor vehicles designed or permanently converted to provide living quarters for recreational, camping, or travel use, with direct walk-through access to the living quarters from the driver’s seat; or

☐ motorcycles or motor driven cycles

To properly claim this exemption, you must check Section 5, Box E, and write in the space provided the buyer’s active Illinois Automobile Renting Occupation and Use Tax (ART) registration number (Account ID).

Note: Sport Utility Vehicles (SUVs) may be registered either as a first division or second division vehicle. When registered as a first division vehicle, the rental of an SUV is subject to ART. When registered as a second division vehicle, the rental of an SUV is not subject to ART.

Note: If you are moving a motor vehicle from sales inventory to rental inventory, follow the same instructions as if you were selling the motor vehicle to another rental company.
What sales do not qualify for this exemption?

The following sales do not qualify for this exemption:

- sales to businesses not registered to rent motor vehicles, even if they are registered as retailers or resellers; or

- sales of any item that does not qualify as a motor vehicle sold or used for renting, including but not limited to:
  - aircraft
  - pickup trucks
  - camping trailers
  - trailers
  - farm machinery
  - trucks
  - mobile homes
  - watercraft

  or

- sales of vans other than passenger vans designed for the transportation of not fewer than seven or more than 16 persons; or

- sales to businesses registered to rent motor vehicles in which the purchaser’s active Illinois Automobile Renting Occupation and Use Tax registration number (Account ID) is not reported in the space provided in Section 5, Box E.

Box F: Other

Mark this box, if you sell an item that qualifies as tax exempt but does not fit any other category. Describe your exempt transaction. Some examples of other exempt transactions that qualify are sales

- to foreign missions or diplomats;
- for interim use or demonstration purposes;
- of ready mix concrete trucks;
- of aircraft fly away;
- of motor vehicles that you deliver in interstate commerce;
- of motor vehicles that you deliver in foreign commerce;
- of motor vehicles as farm machinery and equipment;
- for warranty replacements; or
- to a lessor who leased and delivered the vehicle in Illinois to a lessee from a nonreciprocal state

Note: ATVs may qualify for the farm machinery and equipment exemption if they are used primarily (more than 50% of the time) in production agriculture activities such as pulling sprayers while they apply chemicals to fields or collecting and mapping soil samples. The use of ATVs for farm transporta-
tion or recreation purposes does not constitute production agriculture. The farm machinery and equipment exemption may be documented using Form ST-587, Equipment Exemption Certificate. Certification should be maintained in the dealer’s books and records.

**How do I mark an ST-556 return as “void”?**

If it is necessary to void a Form ST-556, you should write the word “Void” across the front of the return and keep all three pages of the voided form.

**What are my record-keeping requirements?**

You should retain copies of any Form ST-556 that you mark as “void” with your books and records for 42 months after the date you voided the return.

We inventory and monitor all ST-556 returns issued to your business. You are accountable for the use of each form.

**What sales qualify for this exemption?**

- sales to foreign consulates, diplomats, consular officers, or staff members
- sales to foreign embassies and consulates
- sales to foreign missions

Under the authority of the Foreign Missions Act, the United States Department of State, Office of Foreign Missions, issues tax exemption cards to certain official personnel from foreign countries who are stationed in the United States while working as diplomats, consular officers, or staff members at foreign embassies and consulates. Two types of cards are issued:

1) a tax exemption card issued specifically to an individual allowing the individual to make tax-exempt purchases, or

2) a mission tax exemption card issued to an individual allowing the individual to make tax-exempt purchases on behalf of the mission.

Each card will provide a photo identification of the bearer, the name of the country for whose mission the card is issued, a tax exemption number, a card expiration date, and a color-coded stripe identifying the terms of the exemption. Blue-striped cards allow either the individual or the mission to make tax-exempt purchases without any restrictions. Cards with stripes of other colors have the restrictions for the exemption printed on the colored stripe.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “Foreign Consul” if the buyer is an individual using a U.S. State Department tax exemption card or “Foreign Mission” if the buyer is purchasing on behalf of a foreign mission using a U.S. State Department mission tax exemption card. You must document this exemption. You should retain in your books and records the mission name, the cardholder’s name, the exemption number, the expiration date, and the color of the stripe on the card; or you should retain a photocopy of the card (front and back). The name on the tax exemption card must be the same as the buyer’s name reported in Section 1 of Form ST-556.
5 Exempt or sale to a nonresident
If so, check the correct box below, and see instructions for Section 6.

☐  F  Other (describe)  Foreign Consul

☐  F  Other (describe)  Foreign Mission

Note: If you would like more information about this program, please request a copy of the leaflet Diplomatic Tax Exemption Program published by the U.S. Department of State, Office of Foreign Missions, by writing to either the Office of Foreign Missions (Tax Program), U.S. Department of State, 3507 International Place, N.W., Washington, D.C. 20008-3034, or the Office of Legal Services (5-500), Illinois Department of Revenue, 101 West Jefferson Street, Springfield, Illinois 62702.

☐ interim use

If you are primarily a retailer of such items, use of a vehicle, trailer, or mobile home under the interim use exemption requires that the titled item will remain in your inventory for sale and will be available for sale at all times.

Retailers of aircraft or watercraft who have purchased these items for resale and who use these items for demonstration, business, or personal purposes must pay Illinois Use Tax on their cost price of these items if they hold these items for more than 18 months. For more information, see “When am I required to pay use tax on watercraft and aircraft” in Part 2.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “Interim Use.”
sales of concrete ready-mix trucks

Sales of concrete ready-mix trucks and truck chassis that are to be converted to concrete ready-mix trucks are exempt from tax as manufacturing machinery and equipment (MM&E). Your customer must either have an active Illinois registration or reseller number (Account ID) that we issued or, in the absence of an Account ID, provide you with a certification stating that the item purchased will be used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “MM&E” along with your customer’s active Illinois registration or reseller number (Account ID). If your customer does not have an Account ID, write only “MM&E,” and retain in your books and records the customer’s signed and dated certification statement.

Note: Only concrete ready-mix trucks qualify. No other type of item, including concrete pumper trucks, qualifies for the MM&E exemption.

aircraft fly away

To properly claim this exemption, you must check Section 5, Box F, and write “Aircraft fly away”.

sales of items for interstate commerce (out-of-state)

Sales of items that you deliver or cause to be delivered to a customer in another state are exempt from tax as sales in interstate commerce.

When you deliver an item to your customer in another state, for example, driving your customer’s automobile to him or her, you must retain in your books and records a statement signed and dated by the recipient showing the out-of-state customer’s name and the address at which the delivery was accepted.
When you hire a common or contract carrier to deliver the item to your customer in another state, you must retain in your books and records a bill of lading documenting the transportation of that item outside Illinois.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “Delivered Out of State.”

5 Exempt or sale to a nonresident
If so, check the correct box below, and see instructions for Section 6.

☐ F Other (describe) Delivered out of state

☐ sales of items for foreign commerce (out-of-country)

Sales of items you deliver to a freight forwarder who will arrange for the item to be delivered outside the United States are exempt from tax as sales in foreign commerce. When this type of sale is made, you must retain in your books and records documentation to support the delivery of the item to the freight forwarder.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “Delivered to Freight Forwarder.”

5 Exempt or sale to a nonresident
If so, check the correct box below, and see instructions for Section 6.

☐ F Other (describe) Delivered to Freight Forwarder

☐ sales of farm machinery and equipment

Sales of farm machinery and equipment (FM&E) qualify only if the item (to be used as farm machinery or equipment) will not be titled and registered for highway use; or if the item will be registered for exempt plates only. Your customer must provide you with a certification stating that the item purchased will be used primarily in production agriculture or in state or federal agricultural programs.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “FM&E Exempt,” and retain in your books and records the customer’s signed and dated certification statement.
warranty replacements

The replacement of a titled or registered item as a condition of a warranty agreement is exempt from tax because no additional sale takes place.

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided “Warranty Replacement.”

out-of-state lease transactions

To properly claim this exemption, you must check Section 5, Box F, and write in the space provided the two-letter state abbreviation of the lessee’s state of residence and “Lease Transaction”.

What sales do not qualify for this exemption?

Following are some examples of sales that have been commonly claimed as tax exempt under Section 5, Box F, but do not qualify for this exemption:

sales to certain individuals based on race, religion, creed, political preference, or military status

No individual is eligible to make tax-exempt purchases of items except those who qualify under the Foreign Missions Act with a U.S. State Department tax exemption card.

Note: The Soldiers and Sailors Civil Relief Act does not grant tax-exempt status to military personnel.
☐ sales to customers claiming authorization under a “direct pay” registration

While some states may have a form of “direct pay” registration that allows a person to make tax-exempt purchases of items that are required to be titled or registered and pay the tax directly to the appropriate taxing agency, Illinois does not have a registration of this type.

☐ sales of items as even trades or trade-downs

An even trade or trade-down does not qualify as tax exempt. When you claim a qualified trade-in and the value of or credit given for the trade-in is equal to (even trade) or greater than (trade-down) the total price of the item sold, the transaction is taxable, even if the amount subject to tax is zero.
Part 4: Step-by-Step Instructions

This section provides a detailed review of how to record your sales transactions on Form ST-556. If you use a computer or typewriter to print on the return, you must make sure that your entries line up correctly with the spaces and boxes provided. If you do not complete Form ST-556 in its entirety by checking any appropriate boxes and providing any required information, you may cause unnecessary delays in the processing of your returns, which may result in our assessing you for additional tax, penalty, and interest.

Section 1: Write the buyer’s name and address

Write the complete name and address of your customer. If the sale is to more than one party, write the names of all parties involved in the transaction.

If the sale is to an Illinois buyer, this information must be the same as that which is written on the application for title or registration with the appropriate agency of Illinois state government.

If the sale is to a leasing company, you must write the leasing company’s name and address. You also may include the name of the lessee.

If the sale is to an exempt organization, the name of the organization must be the same as the name to which the active Illinois Sales Tax exemption “E” number is issued.

Section 2: Describe the item sold

Type of item — Check the box that identifies the item sold.

New or used — Check the box indicating that the item is either new or used. We consider a “new” item to be one that has never been previously titled or registered.

Identification number — You must provide either the vehicle identification number (V.I.N.) for motor vehicles, trailers, and mobile homes; the hull identification number (H.I.N.) for watercraft; or the (N) number for aircraft.

Year, make, body style, and model — You must provide all of the information that describes the item sold.
Section 3: Write the date of delivery

You must provide the month, day, and year your customer took possession of the item. If the item is being purchased at the end of a lease, use the date shown on the bill of sale as the delivery date.

Note: At the beginning of each new year, please take special care in reporting the correct year so that the sale does not appear to be reported one year late.

Form ST-556 must be filed within 20 days of the date of delivery. If you are submitting Form ST-556 to the agency of Illinois state government that processes applications for title or registration, Form ST-556 must be received by that agency within the 20-day period.

Section 4: Describe the trade-in, if any

If you claimed a qualified trade-in, write the type of item traded in (for example, automobile, truck, airplane, boat, trailer). Next, write the appropriate identification number, year, make, body style, and model of the trade-in.

A qualified trade-in is an item

☐ that you accept to reduce the selling price (in part or in full) of the item sold; and

☐ that you are in the business of selling; and

☐ that you are allowed to subtract from the total price.

You are in “the business of selling” a particular kind of item if you hold yourself out to the public as being engaged in (or habitually engage in) selling such items.

If you are claiming more than one trade-in, you may attach a separate sheet containing the required information outlined in this section for all trade-ins that are not described on the return itself.

Section 5: Exempt or sale to a nonresident

When you sell an item that qualifies as exempt from sales tax, you must check one of the boxes (A through F) that specifically applies to the type of transaction. For more information on how to report tax-exempt sales, see Part 3.

After you have checked the appropriate box and provided any required information to report your exempt sale, you must provide the total price in Section 6, Line 1, and the trade-in amount, if any, in Section 6, Line 2, for every sale.
Section 6: Write the price, and figure the tax

Round to the nearest dollar by dropping amounts of less than 50 cents and increasing amounts of 50 cents or more to the next higher dollar.

**Line 1 — Total price**

For every sale, write the total price, including accessories, dealer preparation, federal excise tax, freight, labor, rebates or incentives for which a dealer will be reimbursed, and documentary fees. Do not subtract the value of any rebate made directly to the customer. In general, any cost passed on to the customer as part of the sale of an item and for which gross receipts are received should be included in the total price. In addition, any taxable dealer incentives must be included in the total price reported. For more information on dealer incentives, See 86 Ill. Adm. Code 130.2125(e).

When reporting the sale of a new truck whose gross vehicle weight is 33,000 pounds or more (or, in the case of trailers or semitrailers, 26,000 pounds or more), you may exclude the federal excise tax from the amount in Line 1.

For more information on costs that must be included in the total price, see “Total price” in Part 2.

**Line 2 — Total trade-in credit or value**

If you accepted a qualified trade-in and reported it in Section 4, write the credit or value given for the trade-in on the line provided. If you are claiming more than one trade-in, write the total of the trade-in amounts you are claiming on the line provided. For each trade-in amount you report on this line, you must describe the trade-in in Section 4. For more information, see “Trade-ins” in Part 2.

If the sale is exempt from tax and you checked one of the boxes in Section 5, do not complete Lines 3 through 16.

**Note:** If you checked Box 5A and the buyer is from a “nonreciprocal” state, you must complete the return in full. For more information, see “Box A: Sold to an out-of-state purchaser” in Part 3.

**Line 3 — Amount subject to tax**

Subtract Line 2 from Line 1, and write the amount here. This is the amount on which tax is due.

If Line 1 and Line 2 are the same amount or if Line 2 is greater than Line 1, write “0” on Lines 3 through 16.

**Line 4 — Tax**

The tax rate the dealer is required to collect is preprinted in Section 6, Line 4. This rate is based on the registered business location of the dealer that is preprinted in the upper left portion of Form ST-556.
Non-Reciprocal rates: For nonresidents who are not entitled to the “out-of-state buyer” exemption, the tax rate that must be used to compute the tax due may be different from the rate that is preprinted on your Form ST-556. In general, the tax rate is the nonresident’s state sales tax rate, but is limited to 6.25 percent if the nonresident’s state sales tax rate is higher than 6.25 percent. Certain exceptions apply. For a complete listing of states and the tax rate or tax amount you are required to collect see Form ST-58, Reciprocal-Non-Reciprocal Vehicle Tax Rate Chart, on our web site at [tax.illinois.gov](http://tax.illinois.gov). Cross through the preprinted rate on Line 4 and write the appropriate rate.

Note for business locations in Cook, DuPage, Kane, Lake, McHenry, or Will County when the customer’s address is in Chicago: If your customer’s address on Form ST-556, Section 1, is within the corporate limits of the city of Chicago, your customer owes an additional home rule use (sales) tax, known as “Chicago Home Rule Use Tax”. To help you calculate the tax due on one of these sales, we preprint a combined rate on your ST-556 below Line 4. This combined rate includes your tax rate plus the additional home rule use (sales) tax. To figure the correct tax due, multiply the amount subject to tax on Line 3 by the combined rate.

Note: Do not report the Cook County Home Rule Use Tax on Form ST-556. This tax is administered and collected directly by the Cook County Department of Revenue.

Line 5 — Use tax - optional

Read these instructions if your buyer’s address is in Cook, DuPage, Kane, Lake, McHenry, Will, Madison, or St. Clair county.

Your buyer may owe tax at a higher rate than the rate at which you are required to collect tax. This applies to a buyer that is located in a portion of one of the above counties in which tax has been imposed by the Regional Transportation Authority, Metro-East Transit District, or DuPage Water Commission. In these cases, you may do your buyer the courtesy of collecting the additional tax (called “use” tax) so that he or she will not be billed for it later. Once you have determined whether your buyer is subject to a higher rate than your rate, you should multiply the amount on Line 3 by any difference in rates (expressed as a decimal), and write the result on Line 5. Finally, write the name of the buyer’s county, the buyer’s city or village, if any, and the buyer’s township if in Madison or St. Clair County.

For more information, see “Collecting local use taxes” in Part 2.

Line 6 — Total tax

Add Lines 4 and 5, and write the amount here.
**Line 7 — Retailer’s allowance**

If you file your return and pay the tax due within 20 days of the date of delivery, you are entitled to a discount from the amount of tax due. Multiply the amount in Line 6 by the discount rate printed on your return and write the result here.

Your return is considered to be filed and your tax to be paid on time if the return and payment are received by the appropriate agency of Illinois state government responsible for titling or registration — or received directly by us when titling or registration is not required — within 20 days of the date of delivery.

**Note:** You may not claim this discount if you are paying use tax on your cost price because you are removing an item from inventory for your use or if your customer wants to pay the tax directly rather than through you.

**Line 7a — MED fee**

If you are a dealer located in the Metro-East Mass Transit District (MED) of St. Clair County, you are required to collect the MED fee on sales of items you make from your business location, even if the item will be titled or registered outside the MED portion of St. Clair County. If the transaction is exempt from sales tax, no fee is owed.

The fee rate is 0.5 percent (0.005) of the total price minus any trade-in, or $20, whichever is less.

**Note:** This fee also applies to sales made by registered out-of-state lessors who, at the end of the lease, sell an item that is located in the MED portion of St. Clair County.

**Note:** The retailers’ timely-filed discount does not apply to this fee.

For affected dealers, Form ST-556 will have Line 7a printed immediately below Line 7. The instructions for Line 8, Net tax due, have also been changed. Write the amount of fee owed on Line 7a and also include it in the computation on Line 8.

**Line 8 — Tax due**

Subtract Line 7 from Line 6. If you wrote an amount on Line 7a (pre-printed), subtract Line 7 from Line 6 then add the amount on Line 7a and write the amount here.
Line 9 — Prior overpayment

If you have a prior overpayment credit and you want to use all or any part of that amount to pay the tax due on your ST-556 return, write the amount in this line.

When using the prior overpayment credit, make sure the total amount you write on your ST-556 return does not exceed the total amount you have available. You may request a Credit Activity Statement at any time to verify any prior overpayment credit you may have. For more information, see “How do I request a Credit Activity Statement or a Detailed Liability Statement?” in Part 1.

Do not claim in this line any credit available to you from having filed amended sales tax returns.

Line 10 — Credit from previously paid tax

If you are a leasing company and you are making a retail sale of an item you previously purchased for leasing purposes, you may take credit on Line 10 of Form ST-556 for the tax that you previously paid, provided that

☐ you either paid the tax to an Illinois retailer on Form ST-556 or directly to the department on Form RUT-25 when you purchased the item;

☐ the amount of credit you take for tax previously paid is equal to or less than the amount of the tax due on the Form ST-556 on which you are now reporting the retail sale of this same previously leased item; and

☐ on the line provided below Line 10, you write the tax return number of the Form ST-556 filed by the Illinois retailer to whom you previously paid the tax or the tax return number of the Form RUT-25 you filed directly with the department.

Line 11 — Excess tax collected

If the amount of tax you actually collect is greater than the amount of tax shown due on Line 6, write the amount of tax you overcollected. Generally, this situation should not occur, and you should recheck your figures before completing the return.

Line 12 — Total tax due

Subtract Line 9 and Line 10 from Line 8. Add Line 11 to the result.

Line 13 — Credit memorandum

If you filed an amended return that resulted in a credit for which we issued you a credit memorandum and you want to use any or all of the credit in
your credit memorandum to pay the tax due on your ST-556 return, write the amount in this line.

When using this credit, make sure the total amount you write on your ST-556 return does not exceed the total amount available. In addition, do not use an amount that exceeds the amount on Line 12. You may request a Credit Activity Statement at any time to verify your available credit balance. For more information, see “How do I request a Credit Activity Statement or a Detailed Liability Statement?” in Part 1.

**Do not** claim in this line any credit available to you from prior overpayments.

**Line 14 — Amount due**

Subtract Line 13 from Line 12, and write the amount here.

**Dealer’s check number**

In the space provided, write the number of the check you used to pay the tax due on your return. You should submit a separate check for each return to ensure proper processing of your payment.

---

**Sign the return**

Both the seller and all buyers must sign and date the return.

If the seller does not sign the return, we will handle the return as an unprocessable return, and the seller may be assessed an additional penalty.

If you claimed a qualified trade-in on the item sold, the signatures also declare that the title of the item traded in has been properly assigned and surrendered to the seller.

If you are using Form ST-556 to report an exempt transaction (for example, a sale for resale), the buyer must sign the return in order for it to serve as an exemption certificate.
Part 5: Appendix
Index

A

Accessories
   included in total price, 27
   reporting on Form ST-556, 13
   selling with watercraft, 13
   writing price and figuring tax (Section 6, Line 1), 47
Address of buyer, instructions, 45
Advance trade-ins, 20
Aircraft
   fly-away exemption, 41
   use tax, when to pay on use of aircraft, 14
All-terrain vehicles (ATVs)
   not qualifying as farm machinery and equipment, 38, 39
Amending Form ST-556, 10
Amount due, instructions (Section 6, Line 14), 51
Amount subject to tax, instructions (Section 6, Line 3), 47
Assistance
   obtaining, 12
Auctioneers, 32

B

Banks
   reporting sale of repossessed items, 17
Boats (see watercraft)
Body style, instructions, 45
Buyer’s name and address, 45
Buyer’s tax rate
   Collecting local use taxes, 26, 27
   Form ST-13, Buyer’s Rate Chart, 11

C

Certificate of Registration
   as proof of registration, 5
   for multiple sites, 5
   lost, damaged, or destroyed, 6
Changes in business account information
  address changes, 6, 9
  ownership changes, 9
  site changes (adding or discontinuing), 6, 9
Charitable organizations
  exemption, 33, 34
Chicago buyers, 48
Chicago Home Rule Use Tax, 25
Claim for credit
  Form ST-557, Claim for Credit for Repossession, 11
  repossessed items, 17
Collecting local use taxes, 26, 27
Concrete ready-mix trucks, 41
Consulates
  exemption, 27, 28, 39, 40
Contests, 16, 17
Contractors
  mobile homes, 14, 15
Correcting Form ST-556 (see amending Form ST-556), 10
County Water Commission (CWC) Tax, 26
Courtesy deliveries (drop shipments), 15
Credit Activity Statement, 12
Credit memorandum, instructions (Section 6, Line 13), 50, 51

D

Date of delivery, instructions, 46
Dealer preparation
  included in total price, 27
Dealer’s check number, instructions, 51
Dealers’ insurance settlements, 28
Defective vehicles
  return of, 17, 18
Demonstration use
  for watercraft and aircraft, 13, 14, 40
Description of item sold, 45
Detailed Liability Statement, 12
Diplomats, foreign, 27, 28, 39, 40
Direct pay registration, 44
Discount, 49
Documentary fees
  included in total price, 27
Drive-away permits, 29
Drop shipments (courtesy deliveries), 15
Due date of Form ST-556, 7
DuPage County Water Commission Use Tax (CWCT)
  collecting, 26
E

Educational organizations
  exemption, 33, 34
Even trades, 44
Excess tax collected, instructions (Section 6, Line 11), 50
Exempt sales
  sold to an out-of-state purchaser (Section 5, Box A), 29, 30, 46
  sold for resale (Section 5, Box B), 31-33
  sold to an exempt organization (Section 5, Box C), 33-35
  sold to an interstate carrier (Section 5, Box D), 35-37
  sold for rental use (Section 5, Box E), 37, 38
  other exempt sales (Section 5, Box F), 38-44
Extended warranty contracts
  taxability of, 27

F

Factory deliveries, 16
Farm machinery and equipment exemption (FM&E), 42
Federal excise tax
  usually included in total price, 27
Federal luxury tax
  not included in total price, 27
Filers of Form ST-556
  who must file, 7
Foreign consuls and foreign missions, 39
Foreign customers and foreign commerce, 42
Forms
  obtaining, 11, 12
Freight
  included in total price, 27

G

Gifts or prizes
  tax liability incurred, 16, 17
Government agencies, 33, 34

H

Help
  obtaining, 12
I

Identification number, instructions, 45
Inboard motors, vessels, 13
Individuals not exempt, 43
Insurance settlements to dealers, 28
“Interim use” exemption, 40
Interstate carrier exemption, 35, 36
Interstate commerce, 41, 42
Items as gifts or prizes, 16, 17
Items normally reported on Form ST-1, 13
Items required to be reported on Form ST-556, 7

J

Jet skis, 13
Junking, sales for, 31

K

No entry

L

Labor
  included in total price, 27
Leasing
  definition of, 22
  sales tax due on sale to lessor, 23
  use tax due on use by lessor, 23
  trade-ins and leasing
    “multiple” trade-ins and lease transactions, 25
    combined with advance trade-ins, 25
    “split” trade-ins and lease transactions, 24, 25
    combined with advance trade-ins, 25
    when the lessor does not own the item traded in, 24
  “Lemon Law,” 18
Lending institutions
  reporting sale of repossessed items, 17
Lessors, out-of-state
  Form ST-556 filing requirements, 7
Local use taxes
  collecting, 26, 27
M

Maintenance agreements
taxability of (see extended warranty contracts), 27
Make (description of item or trade-in), instructions, 45
Manufacturer
    refund from, 18
    replacement vehicle from, 18
Manufacturing machinery and equipment exemption (MM&E), 41
Metro-East Mass Transit District (MED) fee (Section 6, Line 7a)
    instructions, 49
Metro-East Mass Transit District (MED) Use Tax
collecting, 26, 27
Military personnel, 43
Mobile homes
    reporting non-installed mobile homes, 14
    reporting installed mobile homes, 15
Model (description of item or trade-in), instructions, 45
Multiple items
    reporting on one Form ST-556, 9

N

Name of buyer, instructions, 45
New or used, instructions, 45
New Vehicle Buyer Protection Act (see “Lemon Law”), 18
Nonresident buyer, 29

O

Off-site sales (“tent” sales), 18, 19
Ordering forms, 11, 12
Other home rule use taxes, 25, 26
Out-of-state lease transactions, 43
Out-of-state lessors
    Form ST-556 filing requirements, 7
Out-of-state dealer, 32
Out-of-state purchaser, 29, 30
P

Parts, sales as, 33
Photocopying Form ST-556, 9
Prior overpayment, instructions (Section 6, Line 9), 50
Price, total, 27
Prizes or gifts
tax liability incurred, 16

Q

Qualified trade-in, 19

R

Raffles, 16
Rebates
taxability of, 27
Receipted copy of Form ST-556
obtaining, 10, 11
Regional Transportation Authority (RTA) Use Tax
collecting, 26
Registering
for forms, 11, 12
how to register, 5
questions, 6
to conduct business, 5
when to register, 5
Religious organizations, 33, 34
Renting and leasing, 22-25, 37, 38
Reporting “other” items on Form ST-556, 13
Repossessed items
filing a claim for credit for tax paid, 17
reporting sale of, by lending institutions, 17
Resale Fleet Exemption Schedule (Form ST-556-R)
use of, 9
Resale, sold for, 31
Retailer’s allowance, instructions (Section 6, Line 7)
when not eligible, 49
Returned items, 17, 18
“Rolling stock” exemption, 35, 36
S

Salvage, sales for, 31
Separate return, 9
Sign the return, instructions, 51

T

Tax due, instructions (Section 6, Line 8), 49
Tax (amount subject to), instructions (Section 6, Line 4), 47, 48
“Tent” sales (off-site sales), 18, 19
Titling or registering agencies, 8, 9
Total price, instructions (Section 6, Line 1), 47
Total price
what is included in, 27
Total tax, instructions (Section 6, Line 6), 48
Total tax due, instructions (Section 6, Line 12), 50
Total trade-in credit or value, instructions (Section 6, Line 2), 47
Trade-in, instructions, 46
Trade-ins
accepting non-qualified trade-ins, 19, 20
advance trade-ins, 20
amending Form ST-556 to report a trade-in, 21
credit given for, 20
description, 46
documenting, 21
how to use a trade-in credit, 20
how to use an advance trade-in credit, 20, 21
“multiple” trade-ins
combined with advance trade-ins, 22
“qualified,” definition of, 19
“split” trade-ins
combined with advance trade-ins, 22
third-party trade-ins, 21
value of, 20
when the buyer does not own the item traded in, 21
when the transaction is already complete, 21
Type of item, instructions, 45

U

Use taxes, collecting local, 26
DuPage County Water Commission Use Tax (CWCT), 26
Metro-East Mass Transit District (MED) Use Tax, 26, 27
Regional Transportation Authority (RTA) Use Tax, 26
Use tax, instructions (Section 6, Line 5), 48
V
Vessels, 13
Voiding forms (Section 5, Box F), 39

W
“Warranty replacement” exemption, 43
Watercraft
  accessories, selling with watercraft, 13
  definition of, 13
  use tax, when to pay on use of watercraft, 14

X
No entry

Y
Year (description of item or trade-in), instructions, 45

Z
No entry