



# Temporary Sales Tax Rate Reduction on Motor Fuel

## Informational Bulletin

June 2000

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Director of Revenue

### For information or forms...

- ◆ Call us at:  
1 800 732-8866 or  
217 782-3336
- ◆ Call our TDD  
(telecommunications device  
for the deaf) at:  
1 800 544-5304
- ◆ Write us at:  
Illinois Department of Revenue  
P.O. Box 19044  
Springfield, IL 62794-9044
- ◆ Visit our Web site at:  
[www.revenue.state.il.us](http://www.revenue.state.il.us)
- ◆ Call  
"Illinois Tax Fax," our  
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217 785-3400
- ◆ Call  
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Forms Order Line at:  
1 800 356-6302

### To:

## All Retailers and Distributors of Motor Fuel

On July 1, 2000, the tax rates on certain sales of motor fuel will be temporarily reduced. These rates apply to the receipts from sales that are made beginning July 1, 2000, and ending December 31, 2000. The rates apply to

- ◆ retail sales reported on Form ST-1, Sales and Use Tax Return, and
- ◆ sales for resale reported on Form PST-1, Prepaid Sales and Use Tax Return.

It will be necessary to adjust your cash registers and any computer programs you use so that, beginning July 1, you will be collecting and paying the correct amounts.

**Note:** For retailers located in DuPage, Kane, and McHenry counties, there are no changes to the tax rates for receipts reported on Form CMFT-1, County Motor Fuel Tax Return.

The definition of motor fuel has not changed as a result of this tax rate reduction. For your convenience, we have provided the definition at the end of this bulletin.

The following two sections, one for retailers and one for distributors, explain the temporary tax rates for each and describe how to collect and report the appropriate sales tax or prepaid sales tax.

### To: Retailers

#### How do I figure the temporary tax rate for retail sales of motor fuel?

The temporary tax rate for retail sales of motor fuel will vary based on each business location. To figure the temporary rate, subtract 5 percent (.05) from the general merchandise rate shown on Line 4a of your preprinted Form ST-1 or ST-2. The rate that remains is the temporary tax rate that is applicable for that business location.

For example, if the preprinted tax rate on Line 4a is 7.25 percent, subtract 5 percent from that rate. You should collect and pay tax of 2.25 percent on the retail sales of motor fuel you make at that location.

**Do not** change the preprinted rate on Line 4a of your return. You will continue to use the preprinted rate for all other sales of general merchandise.

If you need help determining the appropriate rate for any location, please call us at one of the numbers listed on this bulletin.

#### How does this change the way I report my sales on Form ST-1 or ST-2?

Beginning on July 1, 2000, you will need to keep track of your sales of motor fuel separately from your other sales of general merchandise and qualifying food, drugs, and medical appliances.

You must report the taxable receipts from sales of motor fuel that are made during the period from July 1, 2000 through December 31, 2000, on Line 8a of your Form ST-1 or ST-2. Multiply that figure by the temporary tax rate, determined as explained above, and write the result on Line 8b. Lines 8a and 8b are normally used only to report sales that were made at prior rates. During this temporary time period, you should use these lines to report both the taxable receipts from

- ◆ sales made at rates prior to the preprinted rates, and
- ◆ sales of motor fuel and gasohol made at the temporary rate.

**Note:** Do not use these lines for any other purpose.

Continue to report your receipts from other sales of general merchandise on Line 4a and of food, drugs, and medical appliances on Line 5a.

**Could I have motor fuel receipts to report on Lines 4a and 4b during the period beginning July 1, 2000 and ending December 31, 2000?**

Yes. If you report sales of motor fuel made prior to July 1, 2000, which were subject to the Line 4a tax rate, report those taxable receipts on Lines 4a and calculate the tax due on Line 4b using the preprinted rate.

**What if I collect more tax than is due?**

If you collect more tax than is due, report and pay the excess tax collection on Line 25 of Form ST-1.

**What prepaid sales tax rate do I owe my supplier?**

For purchases of motor fuel delivered and paid for on or after July 1, 2000 through December 31, 2000, or delivered during this time period but paid after December 31, 2000, the temporary prepaid sales tax rate for purchases of

- ◆ gasohol is 1 cent per gallon (reduced from 3 cents).
- ◆ gasoline and special fuel is 1 cent per gallon (reduced from 4 cents).

We have instructed your supplier to write in the applicable, temporary rates on Form PST-2.

**Will I receive any additional information?**

Before your July return is due, we will send you additional information containing examples of how to complete your Form ST-1.

**To: Distributors**

**What is the temporary tax rate for the sales for resale that I report on Form PST-1?**

For deliveries of motor fuel that are made and paid for on or after July 1, 2000 through December 31, 2000, or delivered during this time period and paid after December 31, 2000, the temporary prepaid sales tax rate is

- ◆ 1 cent per gallon for sales of gasohol (reduced from 3 cents), and
- ◆ 1 cent per gallon for sales of gasoline and special fuel (reduced from 4 cents).

**Will the temporary tax rate be preprinted on Form PST-1 or Form PST-2?**

No. During the six-month period these temporary rates are in effect, both of these forms will continue to show the previously established rates. When you complete these forms, please cross through the preprinted rate and write in the temporary rate.

**Motor fuel definition:**

Motor fuel is defined in Section 1.1 of the Motor Fuel Tax Law as all volatile and inflammable liquids produced, blended or compounded for the purpose of, or which are suitable or practicable for, operating motor vehicles. Among other things, "Motor Fuel" includes "Special Fuel." "Special Fuel" means all volatile and inflammable liquids capable of being used for the generation of power in an internal combustion engine except that it does not include gasoline or combustible gases. "Special Fuel" includes diesel fuel.

Gasohol is defined in the Use Tax Act as motor fuel that is no more than 90 percent gasoline and at least 10 percent denatured ethanol that contains no more than 1.25 percent water by weight.