



ST-556-LSE Transaction Return for Leases Instructions

General Information

Who must file Form ST-556-LSE?

If you sell items for lease at retail in Illinois and those items are of the type that must be titled or registered by an agency of Illinois state government (*i.e.*, vehicles, watercraft, aircraft, trailers, and mobile homes), you must report these sales for lease on Form ST-556-LSE, Transaction Return for Leases.

Note: If you are a leasing company selling such an item at the end of a lease, do not file Form ST-556-LSE. Instead, use Form ST-556, Sales Tax Transaction Return. See the Form ST-556 instructions for sales from Illinois locations (ST-556[1]) or the Form ST-556 instructions for leasing companies selling at retail (ST-556[2]), available on our website at tax.illinois.gov.

How can I file Form ST-556-LSE?

Form ST-556-LSE can be filed electronically using MyTax Illinois, available on our website at tax.illinois.gov. You also can file electronically through a Secretary of State-approved service provider using the Electronic Registration and Title (ERT) program.

You can request paper preprinted forms in limited quantities from the Department by calling our Central Registration Division at **217 785-3707**. You also can request preprinted returns using MyTax Illinois. Preprinted forms display information for each of your business locations. Related sales and use tax forms also are available on our website at tax.illinois.gov.

What if I make a mistake while filling out a preprinted paper form?

If you make a mistake on a preprinted paper Form ST-556-LSE, write "VOID" across the form. Keep the voided return in your records for at least 42 months. Do **not** send any part of the form to us.

Need help?

If you need help, call us at **1 800 732-8866** or **217 782-3336**, call our TDD-telecommunications device for the deaf at **1 800 544-5304**, or visit our website at tax.illinois.gov.

Specific Instructions

1: Enter the name, address, and Federal Employer Identification Number of the leasing company

Enter the name, mailing address, and Federal Employer Identification Number (FEIN) of the leasing company.

2: Enter the name and address of the lessee

Enter the name and address of the lessee exactly as it appears on the application for title or registration. The address must be the actual address of the lessee using the leased item in Illinois. Do *not* use the leasing company's address.

Note: If the item will be registered in the city of Chicago, see the specific instructions for Section 8, Line 4 below.

3: Describe the item leased

Check the correct box (A-E) to show the type of item sold for lease. If the type of item is not identified in boxes A-E, check box F and enter the type of item.

Check the correct box to show whether the item is new or used.

Next, enter the appropriate identification number for the item, such as a vehicle identification number (VIN) for vehicles, trailers, and mobile homes, a hull identification number (HIN) for watercraft, or (N) number for aircraft.

Finally, enter the year, make, body style, and model of the item.

Note: If you sold more than one type of item for lease (*e.g.*, a watercraft and a trailer) or more than one item of the same type (*e.g.*, three motor vehicles) you generally must complete a separate Form ST-556-LSE for each item sold. If, however, you wish to report leases for use as **rolling stock** of more than one of the same type of vehicle to the same customer with the same date of delivery, you may file Form ST-556-R, Resale and Rolling Stock Fleet Exemption Schedule, with a single Form ST-556-LSE.

4: Enter the date of delivery

Enter the date you applied for a change in the title on the sale for lease.

Note: This return is due no later than 20 days after the date of delivery.

5: Describe the trade-in, if any

If you did not claim a qualified trade-in, skip this section and go to Section 6.

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

Note: Trade-in credit is not allowed if the selling price on Section 8, Line 1, is the amount due at signing, plus total lease payments.

What is a qualified trade-in?

A qualified trade-in is an item that

- the buyer gives you to reduce the selling price (in part or in full) of the item sold;
- you are allowed to subtract from the total price; and
- you are in the business of selling.

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, you may claim the trade-in of a boat for an auto if you are in the business of selling **both** boats and autos. However, you may not claim the trade-in of a boat on an auto if you are in the business of selling **only** autos.

6: Exempt or lease to a nonresident

If the sale is for a lease to an Illinois resident and is taxable, skip this section and go to Section 7.

If the sale is exempt, check the correct box (A-E), and complete Section 7 and Section 8, Lines 1 and 2.

If you are not required to submit title or registration paperwork on the item, send the return directly to us at

**ILLINOIS DEPARTMENT OF REVENUE
RETAILERS' OCCUPATION TAX
PO BOX 19042
SPRINGFIELD IL 62794-9042.**

A. Lease to non-Illinois resident

Check this box if you sold a vehicle or trailer for lease to a non-Illinois resident who took possession of the item in Illinois, and either

- you issued a drive-away permit for the item sold for lease; or
- the lessee transferred out-of-state license plates to the item.

If you issued a drive-away permit, enter the drive-away permit number **and the two-letter state abbreviation** of the lessee's state of residence in the space provided. If the lessee transferred current out-of-state license plates to the item, enter the out-of-state license plate number **and the two-letter state abbreviation** in the space provided. Note that the rules about whether a nonresident purchaser exemption can be claimed that apply to sales reported on Form ST-556 (*i.e.*, whether the purchaser's state gives Illinois residents a nonresident purchaser exemption on their sales of motor vehicles or trailers that will be titled in Illinois) do not apply in a lease situation. *All* drive-away leases to non-Illinois residents are exempt from Illinois sales tax.

Note: If you claim the nonresident exemption, keep a copy of the lessee's valid out-of-state driver's license in your records as proof of nonresidency. You also are responsible for obtaining a signed certification documenting the lessee's eligibility for the nonresident purchaser exemption. As a condition of claiming this exemption, nonresident lessees must certify that they are not residents of Illinois. See ST-588, Nonresidency Exemption Certification for Sales and Leases of Motor Vehicles and Trailers, available on our website at tax.illinois.gov. Retain this certification in your records as proof that no tax was due on the sale of the specified item.

B. Lease for use as farm implement or lease of ready-mix concrete truck

Check this box if you sold an item for lease to be used primarily in production agriculture or if you sold a ready-mix concrete truck for lease to be used primarily in the manufacture of tangible personal property to be sold at retail. To claim either exemption, your customer must properly complete Form ST-587, Equipment Exemption Certificate, which you must retain in your records for documentation.

C. Lease to tax-exempt governmental body

Check this box if you sold an item for lease to a governmental body that has an active Illinois Sales Tax exemption "E" number. In the space provided, enter the governmental body's active Illinois Sales Tax exemption "E" number.

D. Lease to an interstate carrier for hire for use as rolling stock

Check this box if you sold an item for lease to be used as rolling stock to haul persons or commodities for hire in interstate commerce. In the space provided, enter the certificate of authority number. Keep a properly completed Form RUT-7, Rolling Stock Certification, in your records for documentation.

E. Other

Check this box if the sale is exempt for a reason not identified in boxes A-D.

7: Indicate how you determined your selling price

Check the appropriate box to indicate whether the amount entered in Section 8, Line 1, is comprised of the amount due at lease signing, plus the total of all regular lease payments, with no deduction for trade-ins, or whether this amount is the actual selling price of the item being leased. Retain a copy of the lease contract in your records for documentation.

Rules of eligibility: Illinois law requires taxpayers to calculate the tax due using the lease signing amount and total lease payments, with no deduction for trade-ins, when selling for lease first division motor vehicles and certain qualifying leased second division motor vehicles. **This requirement regarding the alternate selling price applies only to leases entered into on or after January 1, 2015.** The lease must be a fixed-term lease contract for a period of more than one year. The qualifying leased second division motor vehicles are those with a gross vehicle weight rating of 8,000 pounds or less, those of a van configuration and designed to transport not less than seven or more than 16 passengers, and those which are self-contained and designed or permanently converted to provide living quarters for recreational, camping, or travel use and have direct walk-through access to the living quarters from the driver's seat. For all other leases, you must use the actual selling price. This includes leases of non-qualifying items and leases of qualifying items under a lease contract that is not a defined period, including contracts with a defined initial period with the option to continue the lease on a month-to-month or other basis beyond the defined initial period.

Note: If, however, a qualifying vehicle is leased for a defined period (*e.g.*, 24, 36, or 48 months) but the contract contains a provision regarding the "Return of the Vehicle" or a similar provision that allows for the lease to continue for a short period (*i.e.*, 1 to 6 months) but only after the lessee (customer) fails to meet the original terms of the lease or only with further agreement by the leasing company, then this provision does not disqualify the lease from being eligible for the new alternative definition of "selling price."

8: Enter the price, and figure the tax

Note: When completing Section 8, 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: If you checked **Box A** in **Section 7**, enter the amount of the lease contract, including the amount due at lease signing, plus the total amount of all lease payments. Include any charges factored into the lease contract, including, but not limited to extended warranty, registration fees, title fees, negative equity, rebates, cash down payments, and the first month's lease.

Note: The selling price on which tax is calculated cannot be reduced by the amount of any trade-in. Therefore, if the amount of the lease contract has been reduced because of a trade-in, to figure out the amount to enter on Step 8, line 1, you must add the amount of any trade-in to the amount of the lease contract.

If you checked **Box B** in **Section 7**, enter the actual selling price, including accessories, federal excise taxes, freight and labor, dealer preparation, documentary fees, and any rebates or incentives for which you as a dealer receive reimbursement. 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 selling price.

Note: If you are selling a new truck for lease that weighs 33,000 pounds or more, or a new trailer or semitrailer chassis weighing 26,000 pounds or more, you may exclude the federal excise tax from the total price.

Line 2: If you claimed a qualified trade-in (see Section 5), enter the total trade-in credit or value. You must identify the traded-in item in the spaces provided in Section 5. Trade-in deduction is not allowed if you checked Box A in Section 7. Do not deduct rebates.

Note: If you claimed an exemption in Section 6 and no tax is due, you do not need to complete the remaining Lines 3-12 of Section 8. Remember that you and all buyers must sign the return.

Line 3: Subtract Line 2 from Line 1.

Line 4: Calculate your tax due using the following to determine the appropriate rate:

- If you made this sale for lease at your standard business location (*i.e.*, the location printed on the front of the paper Form ST-556-LSE returns the Department issues to you), multiply Line 3 by the tax rate printed on your return.
- If you made this sale for lease at an off-site location (*e.g.*, a tent sale), follow the instructions on ST-23, How to Report Off-Site Sales on Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases, available on our website at tax.illinois.gov.

Note: If your sales location is in Cook, DuPage, Kane, Lake, McHenry, or Will County and the address of the party registering the item, as shown on Form ST-556-LSE, Section 2, is within the corporate limits of the city of Chicago, you must collect an additional 1.25 percent (.0125) Chicago Home Rule Use Tax. To help you calculate the tax due on one of these sales for lease, we preprint a combined rate below Line 4 on the paper Form ST-556-LSE returns the Department issues to you. This combined rate includes your tax rate, plus the additional 1.25 percent Chicago Home Rule Use Tax. To figure the correct tax due, multiply the amount subject to tax on Line 3 by the combined rate. Enter the result on Line 4.

Line 5: If the item will be titled or registered in an area in which tax has been imposed by the Regional Transportation Authority or Metro-East Transit District, your customer may owe additional tax. If your sales location is within the boundaries of one of these areas, the additional tax is already included in your combined tax rate. If, however, your sales location falls outside these boundaries, you are not required to collect any additional use tax, but as a courtesy, you may collect and remit the additional tax so that your customer will not be billed for it later. If you have determined that the sale is subject to the additional use tax, multiply the amount on Line 3 by any difference in rates (expressed as a decimal), and enter the result on Line 5.

Finally, list the lessee's county and city or village, if any, and, if the lessee's address is in Madison or St. Clair County, the township.

Do **not** report municipal or county home rule use tax on Line 5.

Line 6: Add Lines 4 and 5.

Line 7: If you are filing this return and paying the tax due within 20 days of the date of delivery entered in Section 4, multiply Line 6 by the rate printed on your return.

Line 7a

Note: Line 7a is preprinted only if you have a business location in the Metro-East Mass Transit District portion of St. Clair County. The Illinois Department of Revenue is responsible for collecting and administering the fee imposed by the transit authority on sales of items at retail when those items will be titled or registered by an agency of Illinois state government. Multiply Line 3 by 0.5 percent (0.005).

- If the result is **less than \$20**, enter the result on Line 7a.
- If the result is **\$20 or more**, enter \$20 on Line 7a.

Line 8: Subtract Line 7 from Line 6. If you calculated an amount on Line 7a according to the above instruction, subtract Line 7 from Line 6, and then add to that total the amount on Line 7a.

Line 9: If you collected more tax than is due on this sale, enter the amount you overcollected.

Line 10: Add Lines 8 and 9.

Line 11: If you have a credit memorandum or prior overpayment and you wish to use it towards what you owe, enter the amount you are using on Line 11.

Line 12: Subtract Line 11 from Line 10, and enter the amount due. Also, enter the identifying number from the remittance you are sending to pay the tax due on this return. If you are filing more than one Form ST-556-LSE, enclose a separate remittance for each return.

You owe a **late filing penalty** if you do not file a processable return by the due date, a **late payment penalty** if you do not pay the amount you owe by the original due date of the return, a **bad check penalty** if your remittance is not honored by your financial institution, and a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on a bill that we send you. You owe a **nonfiling penalty for transaction returns** if you do not file a processable transaction return (ST-556, Sales Tax Transaction Return, or ST-556-LSE, Transaction Return for Leases) by the due date, even if no tax is due on the return. We will bill you for any amounts owed. For more information, see Publication 103, Penalties and Interest for Illinois Taxes, available on our website at tax.illinois.gov.

Sign the return

Both the seller and buyer must sign the return.

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