



Illinois Department of Revenue

ST-47 Information for Direct Payment Program Participants

What is the Direct Payment Program?

The Direct Payment Program is an arrangement between the Illinois Department of Revenue (IDOR) and taxpayers which represents a cost-saving alternative to traditional sales and use tax compliance methods. Direct Pay is a term often used interchangeably with Managed Compliance Agreement (MCA) or Single Use Tax Compliance Agreement (SUTCA). These similar arrangements are utilized by other states to simplify a taxpayer's use tax calculation and remittance. In Illinois, approval for a Direct Pay Permit involves a thorough review process, typical of a sales and use tax audit. The Direct Payment Program applies only to retailers' occupation tax, applicable local taxes, and use tax. IDOR's Audit Bureau administers the program and addresses all related inquiries.

Under this program, approved taxpayers receive a Direct Pay Permit (Form ST-46). Through established guidelines, a taxpayer is then allowed to purchase items without initially paying tax to their supplier(s) on these transactions. Instead, the permit holder performs a monthly determination of appropriate state and local taxes due on the cumulative transactions and remits directly to the Department on their own sales tax return.

You must request Form ST-45, Direct Payment Program Application, from IDOR's Audit Bureau, to apply. Once you are approved as a participant, you are considered a direct payment permit holder. When you make qualifying purchases* using the direct payment method, you must provide each vendor with a copy of your approved Form ST-46, Direct Payment Permit. Only the entity identified on the permit is authorized to use the permit. Form ST-46 cannot be assigned or transferred. By presenting the signed permit to the vendor, you voluntarily certify that you will pay tax, directly to IDOR, on all purchases you make from this vendor. You cannot request your vendor collect tax on some items and not on other items.

*Form ST-46 is only valid for qualifying purchases. You cannot use the direct payment method for purchases of

- food or beverages;
- tangible personal property required to be titled or registered by an agency of state government (e.g., vehicles, boats, airplanes, etc.);
- any transactions subject to the Service Occupation Tax Act or Service Use Tax Act; or
- telecommunications and other utility taxes.

Your vendor must inform you if they meet a tax remittance threshold (\$100,000 in receipts or 200 transaction in the previous 12 months) and are therefore a marketplace facilitator or remote retailer. They must also inform you if they are registered with IDOR. See the [Resource Page for the "Leveling the Playing Field for Illinois Retail Act"](#) for more information about marketplace facilitators and remote retailers.

If you have questions regarding the Direct Payment Program, please contact IDOR's Audit Bureau at REV.IllinoisDirectPaymentProgram@Illinois.gov.

How do I report my Direct Pay Permit purchases?

To report purchases from one or more locations, you must complete the following forms:

- Form ST-1, Sales and Use Tax and E911 Surcharge Return;
- Form ST-2, Multiple Site Form; and
- Form ST-2-DP, Direct Pay Multiple Site Form.

Even if you are registered as a single site filer, you must file Form ST-2 and Form ST-2-DP with your Form ST-1 to distinguish between the sales you make and your direct payment purchases. Report your sales on Form ST-2 and your direct payment purchases on Form ST-2-DP. See Form ST-2-DP Instructions for more information.

Beginning on and after January 1, 2021, Direct Pay permit holders must determine if any of their vendors are marketplace facilitators or remote retailers. If the vendor is a marketplace facilitator or remote retailer, the tax due on the direct pay purchase is based on the location in Illinois to which the purchased item was shipped or delivered or at which possession was taken by you (destination-based sourcing). Depending upon the location of the sale, the actual sales tax rate may be higher than the state rate of 6.25 percent because of home rule, non-home rule, mass transit, park district, flood prevention district, county public safety, public facilities or transportation, county school facility, and municipal business district tax. Direct Pay permit holders must report purchases based on location of the sale using the applicable tax rate. It is your responsibility to determine if your vendor is a marketplace facilitator or remote retailer. You may ask the vendor for this information.

Failure to follow the rules and regulations established for Direct Payment Program participants may result in revocation of your Direct Pay Permit.