

If a sale is made in a jurisdiction that imposes a local retailers' occupation tax, that local jurisdiction's tax will be incurred on that sale. See 86 Ill. Adm. Code 270.115. (This is a GIL.)

April 7, 2017

Dear Xxxxx:

This letter is in response to your letter dated March 14, 2017, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I am looking for direction on the proper way to calculate sales tax at the time of sale in Morgan County Illinois (home rule) where there is a state sales tax rate of 6.25%, county sales tax rate of 1.00%, and city sales tax rate of 0.75% for a 8.00% total tax rate.

It appears as though there may be several ways to calculate the sales tax:

1. Add the individual tax rates ($6.25+1.00+0.75=8.00$) and apply it to the amount of sale,
2. Add the municipal tax rates ($1.00+0.75=1.75$) and apply it the the amount of sale, plus apply the state tax rate (6.25) to the amount of sale, and add up the tax amounts.
3. Apply each tax rate individually to the amount of sale and add up the tax amounts.
4. Individually apply each tax rate ot [sic] every item sold, and add up the tax amounts.

I assume that item #1 is the logical conclusion (tax rates are added and applied), but I could not find it in the sales tax or home rule information in the IDOR website. And, I assume that there are no "special circumstances" where a type of business might be directed to calculate sales tax differently than the general business population.

Your response as to the correct way to calculate sales tax in a home rule area will be appreciated. I have enclosed some examples to clarify my question regarding the calculation.

DEPARTMENT'S RESPONSE:

The Retailers' Occupation Tax rate and Use Tax rate imposed by the State of Illinois are 6.25% and 1%, depending on the type of item being sold. See Sections 130.310 and 130.311. Unlike the state tax rates noted above, local tax rates vary depending on the tax rate imposed by the local government in a particular jurisdiction. For local tax rates, see the Department's Tax Rate Database and the Tax Rate Finder on the Department's website at www.tax.illinois.gov. Once on the website, you will see on the left hand side a box entitled "Quick Links". At the bottom of that box is a link entitled "Tax Rate Database". Click on that link which will take you to a screen entitled "Tax Rate Database". In the middle of the screen click on the link entitled "Sales Tax". Toward the bottom of the middle of that screen you will see a link entitled "Tax Rate Finder". Click on that link which will take you to another screen. At the bottom of that screen click the "Start" button on the bottom right of the screen. At the bottom of the next screen, click on the "Continue" button. On the next screen, click on the "Accept" button, which takes you to the "Search" screen. This screen permits you to find the particular area you are interested in searching to find out the tax rates in that area for specific months.

The State rate of tax on general merchandise is 6.25%. Morgan County imposes an additional County School Facility Tax of 1%. Jacksonville imposes an additional local Home Rule tax at the rate of .75%. As a result, the tax rate in Jacksonville for general merchandise is 8%. Each of the rates are added together to create the total tax rate as you suggest in method number 1 in your letter.

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Cara Bishop
Senior Counsel

CB:bkl