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ATTENTION ILLINOIS RESIDENTS

New for 2010 returns.... Gotcha!

Illinois now requires every taxpayer to report the amount of use tax (6.25% on the amount of the items purchased) due on their forms 1040 each year. This tax is due if:

1. You made purchases on the internet, through mail order catalogs, etc. and did not pay any sales tax. (Use tax due = 6.25% on those purchases.)
2. You purchased something in another state, paid that state's sales tax which is lower than Illinois – for example 4%. (Use tax due = 2.25% on that purchase which is the difference between 6.25% in Illinois and 4% in that state.)
3. You purchased food (i.e. cheeses from Wisconsin) or non-prescription drugs or medical appliances ordered through the internet or a mail order catalog. (Use tax due = 1%).

You now have 3 choices:

1. If you have your receipts, etc. – you can determine the total and use the attached Use Tax Worksheet to compute what is owed. – OR -
2. If you can't remember (or don't want to remember)...you can use the Use Tax Table which is essentially .06% of your Adjusted Gross Income (This would be \$60 on \$100,000 of AGI.) - OR
3. If you bought nothing at all that would be subject to Illinois Use Tax – you would report -0- on the return.

What's important here – is that the line cannot be left blank. By reporting a -0- for Use Tax on the return – if you're audited and they find that the -0- is not true, you will be subject to penalties and interest, etc. Given all of that, it's not clear how the State of Illinois, which is essentially "broke" will have the funds to enforce this provision through the audit process.

In order to prepare your 2010 Illinois return we will need to know the amounts of your internet/out-of-state purchases that fall into each of 3 categories.

1. Fully Use taxable at 6.25% (see #1 above)
2. Partially Use Taxable at X% (Difference between sales tax paid to another state and Illinois tax due)
3. No Use Taxable purchases during 2010.

Remember – Illinois can request a copy of your Use tax worksheet at any time. So – save it with your other tax return documents.