

# Use Tax and "Local" Use Tax

## Statutory Reference

- [35 ILCS 105/1, et seq.](#)

## What is use tax?

Use tax is a tax imposed on the privilege of using, in Illinois, any item of tangible personal property that is purchased anywhere at retail.

## Who must pay their own use tax?

The tax is imposed on the user of the tangible personal property that is purchased at retail.

## Do consumers pay their own use tax?

In some cases, they do. However, in most instances, registered retailers act as the collectors of this use tax and pay the tax to us when they file their monthly sales tax return.

## What are some examples of use tax liability?

This liability may result when

- out-of-state vendors make retail sales to Illinois businesses or consumers;
- Illinois consumers purchase tangible personal property at retail from out-of-state, unregistered retailers for use in Illinois without paying tax to the retailer; or
- Illinois businesses withdraw tangible personal property from their sales inventories for their own use. In this instance, at the time the item was purchased, the business did not pay tax to the vendor because it purchased the item for resale purposes.

## What is the use tax rate?

The use tax rate is 6.25 percent on purchases of general merchandise including automobiles and other items that must be titled or registered. The use tax rate is 1 percent on purchases of qualifying food, drugs, and medical appliances\*.

## Do you share in this tax?

Yes. Twenty percent of the collections for general merchandise and 100 percent of the collections on qualifying food, drugs, and medical appliances\* is returned to local governments.

## How is use tax distributed?

The law requires specific distribution for specific types of transactions.

Tax on tangible personal property that is purchased outside Illinois but is titled and registered with an Illinois address is allocated to the municipal and/or county governments in which the title address is located.

**Example:** A vehicle is purchased from a retailer outside Illinois but is titled and registered to an Illinois owner who resides within the corporate limits of Dawson, a city located in Sangamon County. The vehicle was purchased for \$10,000. Tax of 6.25 percent, totaling \$625 is due. The entire \$625 tax was collected and paid. Of this amount, the state receives 80 percent (\$500), Dawson receives 16 percent (\$100), and Sangamon County receives 4 percent (\$25).

If the address for titling or registration was in an unincorporated area of the county, the Sangamon County government would have received the 16-percent portion as well as the 4-percent portion.

The 16-percent portion of use tax collected on the sale of items that are titled or registered is included in the municipal or county government's sales tax distribution each month. This warrant is labeled MT CT 1.0%. The 4-percent portion of the use tax on this type of transaction is included in the county government's sales tax distribution each month. It is commonly referred to as the County Supplemental Tax. This warrant is labeled CST.

Use tax on general merchandise transactions is 6.25 percent. It can be paid by registered Illinois retailers, registered out-of-state retailers, or, in certain situations, by individuals on Form ST-44, Illinois Use Tax Return.

**Example:** An out-of-state registered supplier ships office supplies to an Illinois manufacturer and collects and pays \$6,250 tax. Of this amount, 80 percent (\$5,000) is allocated to the state, and 20 percent (\$1,250) is deposited into the State and Local Sales Tax Reform Fund for distribution.

**Example:** An individual vacations in Europe and purchases \$1,000 worth of merchandise on which no tax is paid. Upon returning home, the individual files Form ST-44, Illinois Use Tax return and pays the \$62.50 tax due. Of this amount, 80 percent (\$50.00) is allocated to the state, and 20 percent (\$12.50) is deposited into the State and Local Sales Tax Reform Fund for distribution.

Use tax on qualifying food, drugs, and medical appliances\* is 1 percent.

**Example:** A grocer removes \$1,000 worth of food from his shelves for donation to a local charity. Use tax of 1 percent (which totals \$10.00) is paid. One hundred percent of this amount is deposited into the State and Local Sales Tax Reform Fund for distribution.

Each month, the State and Local Sales Tax Reform Fund is distributed as listed below:

- 20 percent is distributed to Chicago
- 10 percent is distributed to the Regional Transportation Authority (RTA)
- 0.6 percent is distributed to the Metro-East Mass Transit District (MED)

- \$3.15 million is distributed to the Build Illinois Fund

The remaining balance of the State and Local Sales Tax Reform Fund is distributed to municipal and county governments (except Chicago) based on each one's population in proportion to the total state population. The population figures are determined on the basis of the latest census conducted by the United States Bureau of the Census and certified by the Office of the Secretary of State. This portion is commonly referred to as the "local use tax."

## Do you receive interest on this fund?

No, this distribution is a state revenue-sharing fund, and interest is not applicable. Interest is distributed only on those taxes that are locally imposed.

\*(86 Ill. Adm. Code 130.310)