

We were wondering how fellow members are tracking and paying USE tax now that we no longer have exemptions for Graphic Arts Equipment and Machinery?

What do you pay use tax on? Does your A/P department flag invoices subject to use tax?

Any great ideas on how to make sure you are paying Use Tax on items you should be? Do you leave this totally in the hands of your A/P person or do you have a system to double check them?

We have our Accounts Payable clerk making a list of all invoices that do not have IL tax on them. I review this list prior to filing the monthly return to eliminate anything that qualifies for the resale exemption. Then we self-assess. We are primarily paying tax on repair parts and chemicals that used to be exempt.

We have not notified our vendors to charge us tax. We are hoping for a re-instatement of the exemption. We would rather self-assess at 6.25% vs pay 8% - 10% tax. But, if they ask for an exemption certificate, we tell them to charge us.

We pay Use Tax on any and all tangible personal property that is not transferred to the customer.

Our A/P department (me) makes the decision on whether an invoice is taxable, by looking at each one when it comes into the A/P department. If it's a taxable purchase, I make a photocopy of the invoice and calculate the Use Tax that will be due and write that on the copy. That goes into a file folder and I remit the Use Tax quarterly (it doesn't amount to all that much) on the ST-1.

If the invoice is taxable AND from an Illinois vendor, I call the vendor to let them know we are taxable now (it's surprising how many don't know the exemption is gone). Our biggest headache was the credit card bills, but now we have a routine in reviewing these charges and feel we are capturing Use Tax where appropriate.

Since we are on the topic, we also pay Use Tax on our samples that we provide to our customers. This area was trickier than the Use Tax on purchases. We ultimately created a code in our billing software just for samples so we could track the cost more easily. It's a simple process now, and again, we pay IDOR quarterly.

As an internal check, we were looking at our Purchase Journal detail each month and identifying the potentially taxable vendor purchases, then making sure we had decided if the purchase was taxable or not. We did that for three months and have now stopped, as we feel we are CloseEnough with the system as detailed above.

We fill out an IL-CRT with the vendors so that they charge us tax on what they are supposed to. The tax is now included in the price of the material, such as plates, for example. Our paper, ink, & carton purchases are still tax exempt – we track those costs, break them down as taxable materials on invoices, and submit our ST-1 monthly to IL.
