



March 4, 2021

TO: MEMBERS OF THE ILLINOIS GENERAL ASSEMBLY

RE: VENDOR COLLECTION ALLOWANCE

I am writing to you on behalf of the Illinois Automobile Dealers Association, which is a statewide trade association representing over 700 Illinois franchised motor vehicle dealers, to respectfully urge you to retain the 1.75% retailers' sales tax collection allowance. There are several legislative proposals, as well as a provision in Governor Pritzker's FY 2022 budget address to cap the retailer's collection allowance. Currently, upon timely collection and remittance of sales tax on behalf of the State, motor vehicle dealers are permitted to retain 1.75% of the tax collected as partial reimbursement for acting as the State's tax collector.

Collectively, Illinois franchised dealers collect \$2.4 Billion in sales tax every year. While many retailers remit sales tax on a weekly basis, motor vehicle dealers are required to submit a separate sales tax form for every vehicle they sell or lease, including for tax-exempt transactions. This is a very labor-intensive endeavor, and the current 1.75% collection allowance does not adequately fund staff required to collect the tax.

Oftentimes, motor vehicle transactions are considerably more complicated than other retail transactions. For example, if a motor vehicle dealer sells a vehicle to an out of state resident, the dealer must determine whether the customer lives in a state for which Illinois recognizes the reciprocal sales tax exemption for out of state purchasers or one of the 8 states that are taxable at one of 5 different rates.

An even more complicated example involves a lease customer who signs a \$20,000 lease contract and is subject to a 6.25% tax rate. If you thought that the dealer was supposed to multiply the \$20,000 lease cost by the 6.25% tax rate and remit \$1,250, you would be in for a rude awakening. According to the Department of Revenue, that \$1,250 in sales tax gets taxed, for another \$78, which gets taxed for another \$5, bring the tax up to \$1,333.

The examples above are just two of the tax compliance calculations dealers hire staff to solve every day. The current vendor collection allowance already falls well short of the expense of being the State's tax collector. In addition, dealers are subject to penalties and interest charges for errors. Capping the vendor collection allowance at \$1,000 will only make it more difficult for dealers to comply with sales tax obligations. In a perfect world, dealers would not be tax collectors and customers would be responsible for paying sales tax on their purchases.

We urge you to retain the current 1.75% retailers' collection allowance.

Cordially,

Peter Sander, President

Joe McMahon, Dir. Gov't Affairs