

ILLINOIS REGISTER

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DEPARTMENT OF REVENUE

NOTICE OF PROPOSED AMENDMENTS

- 1) Heading of the Part: Liquor Control Act
- 2) Code Citation: 86 Ill. Adm. Code 420
- 3) 

<u>Section Numbers:</u>	<u>Proposed Actions:</u>
420.5	Amendment
420.10	Amendment
420.15	New Section
420.30	Amendment
420.40	Amendment
420.50	Amendment
420.60	Repealed
420.70	Repealed
420.80	Amendment
420.90	Amendment
420.100	Amendment
420.110	Amendment
420.120	Amendment
420.130	Amendment
420.140	Amendment
- 4) Statutory Authority: Implementing and authorized by Article VIII of the Liquor Control Act of 1934 [235 ILCS 5]
- 5) A Complete Description of the Subjects and Issues Involved:

Section 420.5 updates the definitions in accordance with the Liquor Control Act.

Section 420.10 updates the taxing categories for various liquors in accordance with the Liquor Control Act.

Section 420.15 is created to provide for exemptions from taxation under the Liquor Control Act combining Sections of 420.10, 420.60, and 420.70 into a more readable format. Sections 420.60 and 420.70 are being repealed.

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Sections 420.40, 420.50, and 420.130 are amended by adding statutory language, reorganizing for readability, and updating the processes for non-beverage uses and users.

Section 420.80 is amended to update information needed on each return type and delete outdated form information.

Sections 420.30, 420.90, 420.100, 420.110, 420.120, and 420.140 are all amended to provide general updates.

This rulemaking also contains technical corrections to statutory text and citations.

- 6) Published studies or reports, and sources of underlying data, used to compose this rulemaking: None
- 7) Will this proposed rulemaking replace an emergency rule currently in effect? No
- 8) Does this rulemaking contain an automatic repeal date? No
- 9) Does this proposed rule contain incorporations by reference? No
- 10) Are there any other proposed rulemakings pending on this Part? No
- 11) Statement of Statewide Policy Objectives: These rules do create or enlarge a mandate as described in Section 3(b) of the State Mandates Act.
- 12) Time, Place, and Manner in which interested persons may comment on this proposed rulemaking: Persons who wish to submit comments on this proposed rulemaking may submit them in writing by no later than 45 days after publication of this Notice to:

Kimberly Rossini  
Associate Counsel  
Illinois Department of Revenue  
Legal Services Office

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101 W. Jefferson  
Springfield, IL 62702

(217) 782-7055  
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13) Initial Regulatory Flexibility Analysis:

- A) Description of the type of small business, not for profit corporations or small municipalities subject to the proposed rule: Persons manufacturing, importing, and making sales of alcoholic liquor in Illinois.
- B) Description of the proposed reporting, bookkeeping and other procedures required for compliance with the rule: Basic accounting, recordkeeping, and computer skills.
- C) Description of the types of professional skills necessary for compliance: Basic accounting, recordkeeping, and computer skills.

14) Small Business Economic Impact Analysis:

Determine whether the rulemaking has an adverse impact on small business (fewer than 50 full-time employees or less than \$4,000,000 in gross annual sales). An adverse impact is one that can be reasonably foreseen on small businesses including, but not limited to, a loss of customers, loss of revenue, or increased business expenses. If the proposed rule has an adverse impact on small business, the agency must provide an economic impact analysis including:

A) Types of businesses subject to the proposed rule:

31-33 Manufacturing  
42 Wholesale Trade  
44-45 Retail Trade  
48-49 Transportation and Warehousing  
54 Professional, Scientific, and Technical Services  
61 Educational Services

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- B) Estimated number of small business subject to the proposed rule: There are 5,135 active license accounts that file Liquor Gallonage Tax Returns. While these are the total number of license types impacted, the Department does not have data to determine whether a licensee meets the definition of small business.
- C) Categories that the agency reasonably believes the rulemaking will impact, including:
- ii. regulatory requirements;
  - viii. record keeping
- D) Projected reporting, recordkeeping and other administrative costs for compliance with the proposed rule: No additional costs, this rulemaking is updating the rules and making them easier to read and updating outdated practices. For instance, many of the forms referenced in the rule have been updated and replaced. The objective of this rulemaking is for the rules to accurately reflect the statute.
- E) Type of professional skills necessary for preparation of any report or record required for compliance with the proposed rule: Basic recordkeeping and reporting.
- F) Statement of the probable positive or negative economic effect on small business: The objective of this rulemaking is for the rules to accurately reflect the gallonage rates as provided in the statute. The Liquor Control Act rules have seldom been updated. Many of the terms are archaic and reference outdated forms and procedures. Manufacturers and importers are aware of the requirements for compliance under the statute.
- G) Description of any less intrusive or costly alternative methods of achieving the purposes of the rule: None.
- 15) Regulatory Agenda on which this rulemaking was summarized: January 2026

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- 16) Any other information or justification for the proposed rule that the agency believes would be helpful to the public regarding the proposed rule. For example, a discussion or analysis of the benefits of the proposed rule is projected to have on the Illinois public, consumers, investors or other similar groups: The objective for this rulemaking is for the rules to accurately reflect the gallonage rates as provided in the statute. The Liquor Control Act rules have seldom been updated. Many of the terms are archaic and the forms and procedures referenced are outdated. Manufacturers and importers are aware of the requirements for compliance under the statute.

The full text of the Proposed Amendments begins on the next page:

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TITLE 86: REVENUE  
CHAPTER I: DEPARTMENT OF REVENUE

PART 420  
LIQUOR CONTROL ACT

Section

420.1	Purpose
420.5	Definitions
420.10	Gallonage Taxes
<a href="#">420.15</a>	<a href="#">Nontaxable Transactions</a>
420.20	Claims to Recover Erroneously Paid Tax
420.30	Shipments of Alcoholic Liquors Out of Illinois
420.40	Non-Beverage Alcoholic Preparations and Compounds
420.50	Non-Beverage Users of Alcoholic Liquors
420.60	Act Does Not Apply <a href="#">(Repealed)</a>
420.70	Tax Provisions of Act Do Not Apply <a href="#">(Repealed)</a>
420.80	Monthly Return
420.90	Books and Records
420.100	Carriers
420.110	Sales to Governmental Bodies
420.120	Warehousing of Liquors
420.130	Non-Beverage User's Books and Records
420.140	Tax-Free Sales of Alcoholic Liquor for Use Aboard Ships Operating in Foreign Commerce Outside the Continental Limits of the United States
420.150	Criminal Investigations

AUTHORITY: Implementing and authorized by Article VIII of the Liquor Control Act of 1934 [235 ILCS 5].

SOURCE: Filed and effective June 17, 1958; codified at 8 Ill. Reg. 17910; amended at 14 Ill. Reg. 18083, effective October 18, 1990; amended at 15 Ill. Reg. 3498, effective February 21, 1991; amended at 24 Ill. Reg. 8096, effective May 26, 2000; amended at 24 Ill. Reg. 14763, effective September 25, 2000; amended at 27 Ill. Reg. 830, effective January 3, 2003; amended at 28 Ill. Reg. 11914, effective July 27, 2004; amended at 39 Ill. Reg. 14701,

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effective October 22, 2015; amended at 42 Ill. Reg. 23160, effective November 29, 2018; amended at 44 Ill. Reg. 265, effective December 23, 2019; amended at 46 Ill. Reg. 6759, effective April 12, 2022; amended at 47 Ill. Reg. 5793, effective April 4, 2023, amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_.

**Section 420.5 Definitions**

For purposes of this Part:

"Act" means the Liquor Control Act of 1934 [235 ILCS 5].

"Airplane license" means a license described in Section 5-1(j) of the Act [\[235 ILCS 5/5-1\(j\)\]](#).

*"Alcohol" means the product of distillation of any fermented liquid, whether rectified or diluted, whatever may be the origin thereof, and includes synthetic ethyl alcohol. It does not include denatured alcohol or wood alcohol. [235 ILCS 5/1-3.01]*

*["Alcohol-infused products" means any frozen or unfrozen, solid or semi-solid food in a form other than liquid, including, but not limited to, ice cream, ice pops, whipped cream, gelatin-based products, and other similar products, containing more than 0.5% alcohol by volume. \[235 ILCS 5/1-3.45\]](#)*

*"Alcoholic liquor" includes alcohol, spirits, wine and beer, and every liquid or solid, patented or not, containing alcohol, spirits, wine or beer, and capable of being consumed as a beverage by a human being. ["Alcoholic liquor" also includes alcohol-infused products.](#) The provisions of ~~the~~ Act shall not apply to alcohol used in the manufacture of denatured alcohol produced in accordance with Acts of Congress and regulations promulgated thereunder, nor to any liquid or solid containing [0.5%-5%](#) or less of alcohol by volume. No tax provided for in Article VIII of ~~the~~ Act shall apply to wine intended for use and used by any church or religious organization for sacramental purposes, provided that the sacramental wine shall be purchased from a*

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licensed manufacturer or importing distributor under ~~the~~ Act. [235 ILCS 5/1-3.05]

"Beer" means a beverage obtained by the alcoholic fermentation of an infusion or concoction of barley, or other grain, malt and hops in water, and includes, among other things, beer, ale, stout, lager beer, porter and the like. [235 ILCS 5/1-3.04]

"Brewer" means a person who is engaged in the manufacture of beer. [235 ILCS 5/1-3.09]

"Brew pub" means a person who manufactures no more than 155,000 gallons of beer per year only at a designated licensed premises to make sales to importing distributors, distributors, and to non-licensees for use and consumption only, who stores beer at the designated premises, and who is allowed to sell at retail from the licensed premises, provided that a brew pub licensee shall not sell for off-premises consumption more than 155,000~~50,000~~ gallons per year. [235 ILCS 5/1-3.33]

"Brew pub license" means a license described in Section 5-1(n) of the Act [235 ILCS 5/5-1(n)].

"Commission" or "Liquor Control Commission" means the Illinois Liquor Control Commission created by Section 3-1 of the Act.

"Department" means the Department of Revenue [235 ILCS 5/1-3.20].

"Distributor" means any person, other than a manufacturer or non-resident dealer licensed under ~~the~~ Act, who is engaged in this State in purchasing, storing, possessing or warehousing any alcoholic liquors for resale or reselling at wholesale, whether within or without this State. [235 ILCS 5/1-3.15]

"Foreign importer" means anyone other than a non-resident dealer licensed under ~~the~~ Act who imports into this State, from any point outside the

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*United States, any alcoholic liquors other than in bulk for sale to a licensed importing distributor [235 ILCS 5/1-3.27].*

*"Importing distributor" means any person other than a non-resident dealer licensed under ~~the~~ Act who imports into this State, from any point in the United States outside this State, whether for ~~itself~~ or for another, any alcoholic liquors for sale or resale, or for use in the manufacture, preparation or compounding of products other than alcoholic liquors, or who imports into this State, from any point in the United States outside this State, for consumption in any one calendar year, more than one gallon of such liquors [235 ILCS 5/1-3.16]. "Importing distributor" includes an airplane licensee (see Section 1(j) of the Act).*

~~"Liquor Control Commission" means the commission created by Section 3-1 of the Act.~~

*"Manufacturer" means every brewer, fermenter, distiller, rectifier, wine maker, blender, processor, bottler or person who fills or refills an original package, whether for ~~itself~~ or for another, and others engaged in brewing, fermenting, distilling, rectifying or bottling alcoholic liquors as defined in this Section. [235 ILCS 5/1-3.08]. "Manufacturer" includes a manufacturer's licensee and brew pub licensee.*

~~*"Non-beverage user" means every manufacturer of any of the products as set forth in Section 8-1(a) of the Act, when the same contains alcoholic liquor, and all laboratories, hospitals, and sanatoria using alcoholic liquor for non-beverage purposes. [235 ILCS 5/1-3.10]*~~

*"Non-resident dealer" means any person, firm, partnership, corporation or other legal business entity who or which exports into this State, from any point outside of this State, any alcoholic liquors for sale to Illinois licensed foreign importers or importing distributors. A nonresident dealer's license shall be restricted to the actual manufacturer of such alcoholic liquors or the primary United States importer of such alcoholic liquors, if manufactured outside of the United States, or the duly registered agent of such*

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manufacturer or importer. Registration of ~~such~~the agent with the Liquor Control Commission, in such manner and form as it may prescribe, shall be a prerequisite to the issuance of a nonresident dealer's license to an agent. [235 ILCS 5/1-3.29]

"Retailer" means a person who sells, or offers for sale, alcoholic liquor for use or consumption and not for resale in any form. [235 ILCS 5/1-3.17]

"Sale" means any transfer, exchange or barter in any manner, or by any means whatsoever, including the transfer of alcoholic liquors by and through the transfer or negotiation of warehouse receipts or certificates, and includes and means all sales made by any person, whether principal, proprietor, agent, servant or employee. The term "sale" includes any transfer of alcoholic liquor from a foreign importer's license to an importing distributor's license even if both licenses are held by the same person. [235 ILCS 5/1-3.21]

"Sell at retail" or "sale at retail" refer to and mean sales for use or consumption and not for resale in any form. [235 ILCS 5/1-3.18]

"Spirits" means any beverage ~~that~~that contains alcohol obtained by distillation, mixed with water or other substance in solution, and includes brandy, rum, whiskey, gin or other spirituous liquors, and those liquors when rectified, blended or otherwise mixed with alcohol or other substances. [235 ILCS 5/1-3.02]

"To sell" includes to keep or expose for sale and to keep with intent to sell. [235 ILCS 5/1-3.22]

"Wine" means any alcoholic beverage obtained by the fermentation of the natural contents of fruits, ~~or~~ vegetables, or honey containing sugar, including mead and such~~those~~ beverages when fortified by the addition of alcohol or spirits, as defined in this Section. [235 ILCS 5/1-3.03]

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"Winery shipper's license" means a license described in Section 5-1(r) of the Act [\[235 ILCS 5/5-1\(r\)\]](#).

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.10 Gallonage Taxes**

a) Measure of Tax

- 1) *A tax is imposed upon the privilege of engaging in business as a manufacturer or as an importing distributor of alcoholic liquor at the following rates: Tax Imposed*
  - A) *\$0.231 per gallon for cider containing not less than 0.5% alcohol by volume nor more than 7% alcohol by volume; A tax is imposed upon the privilege of engaging in business as a manufacturer or as an importing distributor of alcoholic liquor. The tax shall be at the following rates:*
    - i) *\$1.39 per gallon for wine containing less than 20% of alcohol by volume other than cider containing less than 7% alcohol by volume;*
    - ii) *23.1¢ per gallon on beer;*
    - iii) *23.1¢ per gallon for cider containing not less than 0.5% alcohol by volume nor more than 7% alcohol by volume; and*
    - iv) *\$8.55 per gallon on alcoholic liquor containing 20% or more of alcohol by volume.*
  - B) *\$0.231 per gallon on all beer, regardless of alcohol by volume;*

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C) \$1.39 per gallon for wine, regardless of alcohol by volume, and cider that is over 7% alcohol by volume; and

D) \$8.55 per gallon on alcohol and spirits. [235 ILCS 5/8-1]

2)B) The tax applies to alcoholic liquor:

Ai) manufactured, imported, or purchased tax-free for sale or use by the manufacturer, or as agent for any other person; or

Bii) imported or purchased tax-free for sale or use by the importing distributor, or as agent for any other person. ~~(See [235 ILCS 5/8-1].)~~

32) For purposes of this Section~~this Section~~, "cider" means any alcoholic beverage obtained by the alcohol fermentation of the juice of apples or pears including, but not limited to, flavored, sparkling, or carbonated cider. [235 ILCS 5/8-1]

4) For purposes of this Section, "beer" means beer, ale, porter, saké, stout, and other similar fermented beverages of any name or description containing 0.5% or more of alcohol by volume, brewed or produced from malt, wholly or in part, or from a substitute for malt. [235 ILCS 5/8-1] Substitutes for malt include, but are not limited to, rice, corn, and other grains.

5) Generally, when a beverage includes the addition of a spirit such beverage will be classified as a "spirit" and taxed accordingly, with an exception for fortified wines. Fortified wines are characterized by a high alcohol content, including but not limited to sherry, vermouth, port, and marsala, and are taxed as wine. For example, a pre-mixed, canned cocktail containing gin, sparkling wine, lemon juice, and simple syrup would be considered a "spirit" for tax purposes. The addition of gin in this instance is not for fortification purposes but to provide a ready-made cocktail for consumption.

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6) Similarly, when adding alcohol or spirits to any other alcoholic liquor, as those terms are defined in Section 420.5, the resulting beverage or product will be taxable as an alcohol or spirit. For example, ice cream infused with bourbon, or any other spirit, will be taxed as a spirit. Alcoholic liquor includes liquids or solids capable of being consumed as a beverage.

b) Persons Liable for Tax

~~1)~~ Sales of alcoholic liquor by an Illinois licensed foreign importer to an Illinois licensed importing distributor of alcoholic liquor are not taxable even if both licenses are held by the same legal entity.

1)~~2)~~ Where one licensed manufacturer or importing distributor sells alcoholic liquor to another licensed manufacturer or importing distributor, the sale may be ~~exempt~~made tax-free to the extent ~~to which the sale of alcoholic liquor by one Illinois licensed manufacturer or importing distributor to another Illinois licensed manufacturer or importing distributor~~ is authorized by the licensing provisions of Article V of the Act. When the sale is ~~exempt~~made tax-free, the purchasing manufacturer or importing distributor is responsible for paying the proper tax unless the purchaser sells ~~such~~the alcoholic liquor ~~that he or she has bought tax-free~~ to another licensed manufacturer or importing distributor under circumstances authorized by the licensing provisions of Article V of the Act and elects not to pay the tax. This ~~process~~procedure may be continued until a licensed manufacturer or importing distributor sells the alcoholic liquor to someone not licensed as a manufacturer or importing distributor, in which event, if the tax liability has not been assumed previously, the manufacturer or importing distributor who makes the sale to a purchaser not licensed as a manufacturer or importing distributor must pay the proper tax when filing ~~his or her~~ return for the month ~~in which he or she makes~~ the taxable sale was made unless there is some other basis for claiming tax exemption, such as

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the fact that the sale is in interstate commerce (see Section 420.30) or that the sale is made to a non-beverage user (see Sections 420.50~~9~~ and 420.110(b)).

- 23) *The application form ~~for a winery shipper's license filed under the Act~~ must include ~~for a winery shipper's license filed under the Act~~ includes an acknowledgement consenting to the jurisdiction of the ~~Liquor Control~~ Commission, the Department, and the courts of this State concerning the enforcement of ~~the~~ Act and any related laws, rules and regulations, including authorizing the Department and the ~~Liquor Control~~ Commission to conduct audits for the purpose of ensuring compliance with ~~the~~ Act. A winery shipper licensee must pay to the Department the State liquor gallonage tax under Section 8-1 of ~~the~~ Act for all wine that is sold by the licensee and shipped to a person in this State. For the purposes of Section 8-1 of ~~the~~ Act, a winery shipper licensee shall be taxed in the same manner as a manufacturer of wine. A winery shipper licensee who is not otherwise required to register under the Retailers' Occupation Tax Act [35 ILCS 120] must register under the Use Tax Act [35 ILCS 105] to collect and remit use tax to the Department for all gallons of wine that are sold by the winery shipper licensee and shipped to persons in this State. If a winery shipper licensee fails to remit the tax imposed under ~~the~~ Act in accordance with the provisions of Article VIII of ~~the~~ Act, the winery shipper's license shall be revoked in accordance with the provisions of Article VII of ~~the~~ Act. If a winery shipper licensee fails to properly register and remit tax under the Use Tax Act or the Retailers' Occupation Tax Act for all wine that is sold by the winery shipper ~~licensee~~ and shipped to persons in this State, the winery shipper's license shall be revoked in accordance with the provisions of Article VII of ~~the~~ Act. A winery shipper licensee must collect, maintain, and submit to the ~~Liquor Control~~ Commission on a semiannual basis the total number of cases per resident of wine shipped to residents of this State. [235 ILCS 5/5-1(r)]*

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- 3) *If any alcoholic liquor manufactured in or imported into this State is sold to a licensed manufacturer or importing distributor by a licensed manufacturer or importing distributor to be used solely as an ingredient in the manufacture of any beverage for human consumption, the tax imposed upon such purchasing manufacturer or importing distributor shall be reduced by the amount of the taxes which have been paid by the selling manufacturer or importing distributor under the Act as to such alcoholic liquor so used to the Department.*
- 4) *If any person received any alcoholic liquors from a manufacturer or importing distributor, with respect to which alcoholic liquors no tax is imposed under Article VIII of the ActArticle VIII of the Act, and suchthat alcoholic liquor shallis thereafter be disposed of in such-a manner or under such circumstances as may cause that alcoholic liquorthat alcoholic liquor to become the base for the tax imposed by Article VIII of the ActArticle VIII of the Act, suchthat person shall make the same reports and returns, pay the same taxes and be subject to all other provisions of Article VIII of the Actthat Article relating to manufacturers and importing distributors. [235 ILCS 5/8-1]*
- c) *The tax imposed under Section 8-1 of the Act shall be in addition to all other occupation or privilege taxes imposed by the State of Illinois or any political subdivision of the State. The tax imposed shall be construed to apply to any importing distributor engaging in business in this State, whether licensed or not. [235 ILCS 5/8-1];*
- d) *Nothing in Article VIII of the Act shall be construed to require the payment of the taxes imposed by Article VIII to be paid more than once with respect to any quantity of alcoholic liquor sold or used within this State. [235 ILCS 5/8-1]*

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.15 Nontaxable Transactions**

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- a) The tax imposed under Section 8-1 of the Act, is not imposed upon any such business as to any alcoholic liquor:
  - 1) shipped outside Illinois by an Illinois licensed manufacturer or importing distributor (see Section 420.30 of this Part);
  - 2) delivered in Illinois by an Illinois licensed manufacturer or importing distributor to a purchaser for immediate transportation by the purchaser to another state into which the purchaser has a legal right, under the laws of such state, to import such alcoholic liquor (see Section 420.30 of this Part);
  - 3) other than beer sold by one Illinois licensed manufacturer or importing distributor to another Illinois licensed manufacturer or importing distributor to the extent to which the sale of alcoholic liquor other than beer by one Illinois licensed manufacturer or importing distributor to another Illinois licensed manufacturer or importing distributor is authorized by the licensing provisions of the Act;
  - 4) whether manufactured in or imported into this State when sold to a "non-beverage user" licensed by the State for use in the manufacture of certain products that are unfit for beverage purposes (see Sections 420.40 and 420.50 of this Part). [235 ILCS 5/8-1]
- b) Tax is not imposed upon the privilege of engaging in any business in interstate commerce. [235 ILCS 5/8-1]
- c) No tax is imposed on sales of alcoholic liquor by Illinois licensed foreign importers to Illinois licensed importing distributors even if both licenses are held by the same legal entity. [235 ILCS 5/8-1]
- d) The requirements of the Act, including the imposition of gallonage taxes, do not apply to the following:

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- 1) denatured alcohol or wood alcohol;
  - 2) alcohol used in the manufacture of denatured alcohol produced in accordance with Acts of Congress and federal regulations;
  - 3) any liquid or solid containing less than 0.5% alcohol by volume; or
  - 4) the making of wine, cider, or other alcoholic liquor by a person from fruits, vegetables, or grains, or the products thereof, by simple fermentation and without distillation, if it is made solely for the use of the maker, the maker's family, or the maker's guests.
- e) The gallonage tax does not apply to wine intended for use and used by any church or religious organization for sacramental purposes, provided that such wine shall be purchased from a licensed manufacturer or importing distributor under the Act, but no exemption from tax is permitted with respect to wine sold to private persons for such purposes. See Section 420.80(c).

(Source: Added at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.30 Shipments of Alcoholic Liquors Out of Illinois**

- a) Pick-Ups in Illinois ~~by~~By Out-of-State Purchasers:
- 1) Manufacturers and importing distributors of alcoholic liquor incur liquor gallonage tax liability when they deliver alcoholic liquor in Illinois to a purchaser from another state, notwithstanding the fact that the purchaser immediately takes or sends the liquor out of Illinois for sale or use outside Illinois, if the liquor is destined for a state into which the purchaser has no legal right, under the laws of such state, to import such alcoholic liquor.
  - 2) Illinois licensed manufacturers and importing distributors of alcoholic liquor are not liable for payment of liquor gallonage taxes when they

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deliver alcoholic liquor in Illinois to purchasers who, in their own transportation equipment, immediately transport such alcoholic liquor to a point outside Illinois for sale or use outside Illinois, provided that the purchaser is authorized by the laws of the state of destination to make such importation of alcoholic liquor into that state.

- A) When claiming tax exemption under subsection (a)(2) this paragraph, the manufacturer or importing distributor shall identify such transaction as a "pick-up" on a separate Schedule "C", "Tax-Free Alcoholic Liquor Sales in Interstate Commerce and Foreign Trade", that which shall accompany the Liquor Revenue Return filed with the Department by such manufacturer or importing distributor, and each such transaction shall be described in detail on each separate Schedule.
- B) To support an exemption in interstate commerce or foreign trade claimed tax exemption in the type of case under discussion, the manufacturer or importing distributor shall retain, among its books and records;
- i) invoices;
  - ii) delivery receipts;
  - iii) copies of reports, (if any,) that are required to be made by purchasers to officials of the states into which the purchasers import such alcoholic liquor; and
  - iv) any other evidence that which will assist in showing that the alcoholic liquor in question was taken out of Illinois by a person who is authorized to make such importation of alcoholic liquor into the state of destination.

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~~The Department reserves the right to make such investigations and to require such additional proof as it may deem necessary to establish the accuracy of claims to tax exemption under this subsection (a)(2).~~

- b) Shipments Out of Illinois by Manufacturers or Importing Distributors:
- 1) Manufacturers or importing distributors are not liable for gallonage taxes with respect to any alcoholic liquors sold by them and shipped by them to points outside Illinois for use outside this State. The burden of proof to sustain deductions claimed on Liquor Revenue Returns and accompanying Schedules is on the manufacturer or importing distributor who claims any such ~~exemption to be deducted~~ deduction.
  - 2) In the event that alcoholic liquors are transported, on order of the purchaser, from a point in this State to a point outside this State by common carrier, the Department ~~of Revenue~~ may request and will regard the original, a ~~photostatic~~ copy of the original, or a certified copy of a waybill, freight bill, or bill of lading issued by such common carrier and showing a destination outside Illinois, and requiring delivery outside this State, as evidence in support of the ~~exemption~~ deduction.
  - 3) The term "common carrier" includes "common carrier by motor vehicle" and for the purposes of this ~~Section~~ regulation "common carrier by motor vehicle" means a carrier of property who acts generally and continuously as a common carrier, ~~and who has obtained a Certificate of Public Convenience and Necessity or a Permit from the Interstate Commerce Commission to engage in the transportation of property between points in different states~~. No waybill, freight bill, or bill of lading issued by any carrier by motor vehicle other than a common carrier, as defined above, will be considered by the Department as satisfactory evidence in support of ~~the exemption~~ deduction.

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- 4) In the event that alcoholic liquors are transported by the seller in ~~the seller's~~ his own transportation equipment, on order of the purchaser, from a point in this State to a point outside this State, the Department may request and will regard the following as acceptable evidence of such delivery outside this State:
- A) If the state ~~where delivery is to be in which such delivery is~~ made by the seller or ~~seller's~~ his agent requires the purchaser in that state to file a report of ~~such~~ his importations into that state, then the Illinois seller must have a copy of such report by the purchaser, relative to the delivery ~~in issue,~~ among ~~the~~ such seller's books and records.
- B) If the ~~state where delivery is to be made by the seller or seller's agent does not require the purchaser in that state~~ purchaser's state ~~does not require him~~ to file a report of the importation ~~into that with officials of such~~ state, the Illinois seller must have, among ~~its~~ his books and records, a copy of ~~his (the seller's)~~ invoice covering the sale and delivery, and an affidavit from the purchaser. ~~Such affidavit shall state stating that~~ the alcoholic liquors covered by such invoice were delivered by the seller or ~~seller's~~ his agent, ~~the date and~~ received, ~~and on a specified date at~~ the designated out-of-State address, ~~the~~ which address must be ~~the address of premises~~ owned, leased, or otherwise legally possessed by the purchaser.
- i) ~~If~~ However, if, upon investigation, the purchaser is found not to be the owner, lessee, or other lawful possessor of the premises designated in the copy of the seller's invoice or other documents required ~~herein~~ at the time of the purported delivery, the transaction will not be regarded as ~~an exempt~~ tax-free sale.

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ii) If the purchaser actually accepts delivery in this State, notwithstanding the possession by the seller of any of the types of evidence referred to above, the transaction will not be regarded as ~~an exempta tax-free~~ sale even though the purchaser transports such alcoholic liquors outside this State, unless the transaction qualifies for exemption under subsection (a)(2) of this Section.

~~ciii)~~ In connection with any claimed exemption from tax on the ground of interstate commerce, the Department reserves the right to require such additional proof as ~~reasonably required~~~~may appear to be necessary~~.

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.40 Non-Beverage Alcoholic Preparations and Compounds**

~~a)~~ ~~Manufacturers who hold non-beverage user's licenses under the Act are not required to pay any gallonage tax when they sell any of the following products which contain alcoholic liquor, but which are unfit for beverage purposes: Patent and proprietary medicines; medicinal, antiseptic, culinary and toilet preparations; flavoring extracts, syrups and food products; scientific, industrial and chemical products.~~

a)~~b)~~ Manufacturers or importing distributors selling alcoholic liquor to licensed "non-beverage users" are exempt from the gallonage tax when such alcoholic liquors are used in the manufacture of any of the following when they are unfit for beverage purposes:

1) patent and proprietary medicines;

2) medicinal, antiseptic, culinary, and toilet preparations;

3) flavoring extracts, syrups, and food products; and

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4) scientific, industrial, and chemical products, excepting denatured alcohol. [235 ILCS 5/8-1]

non-beverage users for use in the manufacture of such products, or for scientific, chemical, experimental or mechanical purposes, are not liable for the gallonage tax on such sales. The words "non-beverage user" include laboratories, hospitals and sanatoria using alcohol for non-beverage purposes:

b) Manufacturers licensed as a "non-beverage user" under the Act are exempt from the gallonage tax when they sell any of the products listed in subsection (a) that contain alcoholic liquor but are unfit for beverage purposes or that are used for scientific, chemical, experimental, or mechanical purposes. [235 ILCS 5/8-1] The term "non-beverage user" includes all laboratories, hospitals, and sanatoria using alcoholic liquor for non-beverage purchases. [235 ILCS 5/1-3.10]

c) Bitters:

1) Bitters not capable of being consumed as a beverage in their original condition as sold are considered ~~to be~~ non-beverage alcoholic preparations and are exempt from themay be sold without payment of gallonage tax ~~thereon~~.

2) In general, the Department will regard exclusion of any bitters from ~~federal~~ Federal liquor tax by ruling of the United States Department of Treasury Alcohol and Tobacco Tax and Trade Bureau as prima facie evidence that such bitters are not capable of being consumed as a beverage, and are therefore exempt from liability under the Act do not carry a liability for State of Illinois tax.

d) Malt Tonics:

Malt tonics, unless medicated, are deemed to be alcoholic liquors, and tax must be paid by manufacturers and importing distributors with respect to the sale or use ~~thereof~~ to the same extent as any other alcoholic liquor.

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(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.50 Non-Beverage Users of Alcoholic Liquors**

a) Alcoholic Liquors Purchased Free of Tax:

- 1) *A non-beverage user's license with a proper permit as provided in subsection (b), shall allow the licensee to purchase alcoholic liquor from a licensed manufacturer or importing distributor, without the imposition of any tax upon the business of such licensed manufacturer or importing distributor as to such alcoholic liquor to be used by such licensee solely for the non-beverage purposes set forth in subsection (a) of Section 8-1 of the Act. Such licenses shall permit the purchase, possession, and use of limited and stated quantities of alcoholic liquor by class as follows: Class 1 not to exceed 500 gallons; Class 2 not to exceed 1,000 gallons; Class 3 not to exceed 5,000 gallons; Class 4 not to exceed 10,000 gallons; and Class 5 not to exceed 50,000. [235 ILCS 5/5-1(h)]*Any person holding a valid uncanceled and unrevoked non-beverage user's license issued by the Illinois Liquor Control Commission, and a proper permit therefor, as provided in Sections (b) and (c) hereof, may purchase alcoholic liquors from licensed manufacturers or importing distributors in a total amount fixed by the class of non-beverage user's license held by him, without the imposition of any tax upon the business of such licensed manufacturer or importing distributor as to alcoholic liquors so sold for use solely for non-beverage purposes.
  
- 2) *A non-beverage user's license shall expire only when the quantity of alcoholic liquor which may be purchased under it has been exhausted. [235 ILCS 5/5-2]*A non-beverage user's license shall expire only when the quantity of alcoholic liquors which may be purchased under it has been exhausted.

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- 3) Holders of non-beverage user's licenses may purchase alcoholic liquors ~~tax exempt~~~~free of tax~~ for non-beverage purposes only from manufacturers or importing distributors licensed as such under the laws of Illinois. They may not manufacture alcoholic liquors, nor import alcoholic liquors into Illinois from outside Illinois.
  
- b) Permit Procedures for~~Procedure to be Followed by~~ Non-Beverage Users  ~~Holding Licenses of Class 1 or 2:~~
  - 1) Every person holding a non-beverage user's license ~~of class 1 or 2~~, for the purpose of purchasing alcoholic liquors ~~free of tax~~ exempt for non-beverage purposes, must make "Application for Permit to Purchase Alcoholic Liquors Tax Free for Non-Beverage Purposes". Such application must be made on forms prescribed and furnished by the Department. The application must include:
    - A) the name, address, and license number of the non-beverage user;
    - B) the exact quantity of the alcoholic liquor intended to be purchased;
    - C) certification the alcoholic liquors will be used solely for a non-beverage purpose; and
    - D) certification the alcoholic liquors will not be sold or otherwise disposed of in the same condition as received.~~will be issued a book of permits. The aggregate gallonage permitted to be purchased on each such book of permits equals the total gallonage that may be purchased under the license of the class held by the non-beverage user.~~
  
  - 2) Upon approval of such application, the Department will issue to the applicant a "Permit to Purchase Alcoholic Liquors Tax Free for Non-Beverage Purposes". Such permit will allow the non-beverage user to

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purchase the stated number of wine gallons of alcoholic liquors tax exempt. The permit will be valid for 15 days from the date of issuance. Permits in the proper amount must be surrendered at the time of purchase by the non-beverage user to the manufacturer or importing distributor from whom alcoholic liquors are purchased. Upon receiving the same, the vendor is then entitled to sell alcoholic liquors to such non-beverage user surrendering such permit without becoming liable for payment of the gallonage taxes thereon.

- 3) Permits must be surrendered at the time of purchase by the non-beverage user to the manufacturer or importing distributor from whom alcoholic liquors are purchased. Upon receipt of the permit, the manufacturer or importing distributor shall make an exempt sale of alcoholic liquors to such non-beverage user surrendering such permit.
- 4) To purchase additional tax-exempt alcoholic liquors, the non-beverage user must submit another application for a new permit from the Department. Multiple permits may be issued to a non-beverage user but such permits in the aggregate cannot exceed the number of gallons specified by the particular class of the non-beverage user's license.
- 5) Manufacturers and importing distributors will be held liable for gallonage taxes with respect to all alcoholic liquors sold in Illinois to holders of non-beverage user's licenses, when such purchasers have not obtained and surrendered the required permit to such manufacturers and importing distributors as provided in this Section.
- 6) For non-beverage users that still have a book of permits, such users will be able to redeem those without submitting an "Application for Permit to Purchase Alcoholic Liquors Tax Free for Non-Beverage Purposes." -The aggregate gallonage permitted to be purchased on each such book of permits equals the total gallonage that may be

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purchased under the license of the class held by the non-beverage user.

- e) ~~Procedures to be Followed by Non-Beverage Users Holding Licenses of Class 3, 4 or 5:~~
- 1) ~~Every person holding a non-beverage user's license of class 3, 4 or 5, for the purpose of purchasing alcoholic liquors free of tax for non-beverage purposes, must make application for a "Permit to Purchase Alcoholic Liquors for Non-Beverage Purposes." Such application must be made on forms prescribed and furnished by the Department, and must set forth a record of alcoholic liquors purchased for non-beverage purposes during the six months preceding the date of making application for such permit. Such application must also set forth the number of gallons of alcoholic liquors which are desired to be purchased at the time the application for permit is made, as well as the number and class of the non-beverage user's license held by the applicant.~~
  - 2) ~~Upon approval of such application, the Department will issue to the applicant a "Permit to Purchase Alcoholic Liquors for Non-Beverage Purposes," which permit will entitle the holder to purchase the number of wine gallons of alcoholic liquors stated thereon free from gallonage tax. Such permit must be surrendered by the non-beverage user at the time of purchase to the manufacturer or importing distributor from whom alcoholic liquors are purchased, and the vendor is then entitled to sell alcoholic liquors to the non-beverage user surrendering such permit without becoming liable for payment of the gallonage taxes imposed by Article VIII of the Act with respect thereto.~~
  - 3) ~~When and as the holder of a non-beverage user's license of class 3, 4 or 5 desires to purchase additional alcoholic liquors free of tax, he must apply for and obtain a new permit from the Department, which he will be required to surrender to the vendor in the manner described~~

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~~above. Any number of permits may be issued to a holder of a non-beverage user's license of class 3, 4 or 5, but such permits in the aggregate will permit the purchase of alcoholic liquors free of tax in a total amount not in excess of the number of gallons specified by the particular class of non-beverage user's license under which such purchases are made.~~

- 4) ~~Manufacturers and importing distributors will be held liable for gallonage taxes with respect to all alcoholic liquors sold in Illinois to holders of non-beverage user's licenses, with respect to which such purchasers have not obtained and surrendered to such manufacturers and importing distributors the required permits as herein prescribed and set forth.~~

- d) ~~Penalty for Violation of Non-Beverage Use:  
No holder of a non-beverage user's license is permitted to sell, give away or otherwise dispose of any alcoholic liquors, purchased under his non-beverage user's license, in any form fit for beverage purposes. Violation of this provision of the law will subject the violator to a penalty of \$1.50 for each gallon of alcoholic liquors so diverted, in addition to all other penalties provided by law, including revocation of license.~~

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.60 Act Does Not Apply (Repealed)**

~~The requirements of the Act including the imposition of gallonage taxes, do not apply in the following cases:~~

- a) ~~To denatured alcohol or wood alcohol.~~
- b) ~~To alcohol used in the manufacture of denatured alcohol produced in accordance with Acts of Congress and regulations promulgated thereunder.~~

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- c) ~~To any liquid or solid containing one-half of one per cent, or less, of alcohol by volume.~~
- d) ~~To the making of wine, cider or other alcoholic liquor by a person from fruits, vegetables or grains, or the products thereof, by simple fermentation and without distillation, if it is made solely for the use of the maker, his family and his guests.~~

(Source: Repealed at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.70 Tax Provisions of Act Do Not Apply (Repealed)**

~~The tax provisions of Article VIII of the Act do not apply to wine intended for use and used by any church or religious organization for sacramental purposes, provided that such wine shall be purchased from a licensed manufacturer or importing distributor under the Act; but no exemption from tax is permitted with respect to wine sold to private persons for such purposes. (See Sections 420.80(b) and 420.10).)~~

(Source: Repealed at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.80 Monthly Return**

- a) Every manufacturer and importing distributor of alcoholic liquor shall, on or before the 15<sup>th</sup> day of each calendar month, file a return, including any supporting schedules, with the Department covering the preceding calendar month. Payment of the tax in the amount disclosed by the return shall accompany the return.
  - 1) For purposes of the Section:
    - A) "manufacturer" includes any brewer, fermenter, distiller, rectifier, winemaker, blender, processor, bottler, or person who fills or refills original packages;

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- B) "importing distributor" includes a person in Illinois who imports or causes to be imported into Illinois any alcoholic liquor;
  - C) "alcoholic liquors" includes alcohol, spirits, wine, beer, and every liquid or solid, patented or not, containing alcohol, spirits, wine, or beer that are more than 0.5% alcohol by volume and are capable of being consumed as a beverage by a person.
- b) Beginning January 1, 2003, taxpayers may elect to file returns electronically pursuant to 86 Ill. Adm. Code 760. A taxpayer that elects to file a return and accompanying schedules electronically must also make payment through electronic funds transfer (EFT) as provided in 86 Ill. Adm. Code 750. Taxpayers who both timely file returns and schedules electronically and pay the tax due by EFT shall be entitled to a discount, such *discount shall be 2% or \$2,000 per return, whichever is less.* [235 ILCS 5/8-2]
- c) The following shall be reported on the monthly return:
- 1) Physical inventory of alcoholic liquor on hand at the beginning of the month.
    - A) Manufacturers report the number of wine gallons of alcoholic liquor on hand, including those in public or bonded warehouses, at the beginning of the month that were bottled or made ready for sale.
    - B) Importing distributors report the number of wine gallons of alcoholic liquor on hand at the close of business on the last day of the preceding month, including all alcoholic liquor, regardless of where it was purchased and where it was housed.

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- 2) Alcoholic liquor manufactured, rectified, blended, or bottled during the month.
  - A) Manufacturers report the number of wine gallons of alcoholic liquor produced and bottled during the month, and any bulk alcoholic liquor for which a deduction is being claimed.
  - B) Purchasers of alcoholic liquor in bulk report purchases on Schedule D, regardless of where or from whom the purchases were made. Even though such alcoholic liquor will not appear on the return until it is used in production or resold in bulk, such information is needed to allow an exemption to the seller.
  - C) Class 1 and Class 2 winemakers shall include all wine (whether immediately bottled or not) produced by the winemaker in Illinois during the month. Wineries that are licensed as manufacturers, but not as Class 1 or Class 2 winemakers, do not need to report anything as manufactured, rectified, blended, or bottled.
- 3) Alcoholic liquor imported into Illinois, purchased in Illinois (tax not paid), and purchased or returned (tax paid).
- 4) Any deduction allowed by law, including the number of wine gallons lost during bottling (RL-26-J; Schedule "J"). For any other deductions necessary to account for alcoholic liquor manufactured or imported that is not subject to tax, complete and attach schedule "Other Illinois Liquor Tax Deductions" (RL-115).
- 5) Any exemptions allowed by law.
  - A) Sales in interstate commerce or foreign trade, include the number of wine gallons shipped from a point in Illinois to a point outside Illinois pursuant to a sale (RL-26-B, C, or N; Schedule "C");

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- B) sales to manufacturers or importing distributors, include the number of wine gallons sold tax-free to other Illinois licensed manufacturers or importing distributors (RL-26-B, C, or N; Schedule "B");
  - C) sales to non-beverage users (RL-26-E; Schedule "E"); and
  - D) sales to authorized U.S. government agencies in Illinois (RL-26-B, C, or N; Schedule "N").
- 6) Physical inventory of all alcoholic liquor on hand and ready for sale at the close of business on the last day of the month for the filing period. This amount will be the starting inventory for the next return period.

a) Requirement for Filing

- 1) ~~Each manufacturer and importing distributor of alcoholic liquor must file a return on the form approved and provided by the Department between the 1<sup>st</sup> and 15<sup>th</sup> day of each calendar month, covering transactions in alcoholic liquors during the preceding calendar month. Payment of the tax in the amount disclosed by the return shall accompany the return.~~
- A) ~~Voluntary Electronic Filing and Payment of Taxes. Beginning January 1, 2003, taxpayers may elect to file returns electronically under 86 Ill. Adm. Code 760. A taxpayer that elects to electronically file a return and accompanying schedules must also make payment through Electronic Funds Transfer as provided in 86 Ill. Adm. Code 750. Taxpayers who both timely pay tax by Electronic Funds Transfer and timely file returns and schedules electronically shall be entitled to a discount of 2% or \$2,000 per return, whichever is less.~~

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B) ~~Mandatory Electronic Payment of Taxes. A taxpayer who has an annual tax liability of \$20,000 or more shall make all payments of that tax to the Department by electronic funds transfer. [20 ILCS 2505/2505-210]~~

2) ~~After a first return has been filed by any manufacturer or importing distributor, a return form will be mailed by the Department on or about the first day of each succeeding month to that manufacturer or importing distributor. However, it is the duty of each manufacturer and importing distributor to obtain forms, and failure to receive forms from the Department will not be an excuse for failing to file returns when and as required by the Act.~~

3) ~~Each manufacturer or importing distributor is required to file a return for each month that his or her license is in full force and effect, irrespective of the fact that he or she may not have any tax liability to pay for that month.~~

4) ~~In any case in which business is permanently discontinued, or when a stock of alcoholic liquors has been sold in bulk and the taxpayer has gone out of business, the taxpayer should immediately notify the Department of this fact, and upon a proper showing by the taxpayer that his or her license has been canceled by the Illinois Liquor Control Commission, he or she will be permitted to discontinue filing monthly returns.~~

5) ~~In completing the Liquor Revenue Return form, the amount of liquor manufactured, rectified, blended or bottled during the month must be included on the return by manufacturers of alcohol and spirits and by first and second class winemakers. In the case of manufacturers of alcohol and spirits, this item shall include bottled alcoholic liquor produced by the manufacturer in Illinois and bulk alcoholic liquor for which a deduction is being claimed on any schedule accompanying the return. In the case of first and second class winemaking, this item shall include all wine (whether immediately bottled or not) produced~~

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~~by the winemaker in Illinois. Wineries that are licensed as manufacturers, but not as first or second class winemakers, do not report anything as manufactured, rectified, blended or bottled.~~

~~db)~~ Schedules Accompanying Return of Manufacturer or Importing Distributor of Alcoholic Liquor

1) ~~Schedule "A" or "F", Alcoholic Liquor Transactions (RL-26-AF). This schedule must be completed and filed monthly by a taxpayer who imported alcoholic liquors into Illinois or purchased alcoholic liquor in Illinois and did not pay the tax. Each of the transactions described corresponds to the specific schedule. As part of the monthly return of a manufacturer or importing distributor of alcoholic liquor, and to be completed and filed supplementary to the return in specified instances, the Department requires the completion and filing of the schedules described in subsection (b)(2). The totals of the several columns on each of the schedules must be carried to the corresponding columns and entered on proper lines according to the schedule designation on the monthly tax return.~~

2) ~~In every instance in which a manufacturer or importing distributor is required, by any particular schedule, to make a report of alcoholic liquors manufactured, imported, stored on hand or held in warehouses, purchased or otherwise acquired, sold or otherwise transferred, used, bottled, blended, fortified or rectified by that person, the person shall, to comply with the provisions of the Act, also include in the appropriate schedule the alcoholic liquors manufactured, imported, stored on hand or held in warehouses, purchased or otherwise acquired, sold or otherwise transferred, used, bottled, blended, fortified or rectified by that person as agent for others.~~

A) ~~Schedule "A" – Alcoholic Liquor Transactions. This schedule must be completed and filed monthly by each importing distributor who imports alcoholic liquors into this State. This~~

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~~schedule~~ consists of a detailed itemization of the importations, and the importing distributor must include ~~in it~~ all importations of alcoholic liquors, regardless of whether the merchandise is imported in bond or out of bond. The mere fact that a warehouse acting as agent for the importing distributor receives the merchandise and issues a warehouse receipt does not relieve the importing distributor from reporting the transaction. All alcoholic liquors imported and stored in public or bonded warehouses, for the account of an importing distributor, must be reported by the importing distributor in this schedule at the time the alcoholic liquors are imported and ~~received, receipt of the alcoholic liquors~~ for the account of the importing distributor, ~~is acknowledged~~ by the warehouse. This information ~~must be reported at the time the alcoholic liquors are received and shall~~ may not be withheld until withdrawals of the alcoholic liquors from the warehouse are made. ~~Items of this nature should be reported as importations into Illinois.~~

- B) Schedule "F" ~~reports—Alcoholic Liquor Transactions. In this schedule, manufacturers of alcohol and spirits report only~~ bottled alcoholic liquors purchased tax-free, including transfers in bond covered by the issuance, transfer, or negotiation of warehouse receipts. All other manufacturers and importing distributors, however, must report tax-free purchases of both bottled and bulk alcoholic liquors in this schedule, including transfers in bond covered by the issuance, transfer, or negotiation of warehouse receipts. Bottled alcoholic liquors purchased tax-free and stored in public or bonded warehouses for the account of a manufacturer of alcohol and spirits and all alcoholic liquors purchased tax-free and stored in public or bonded warehouses for the account of other manufacturers, (such as wineries) and importing distributors, must be reported ~~in this schedule~~ at the time of

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purchase, and the report ~~shall~~may not be withheld until the alcoholic liquors are withdrawn from the warehouse.

- 2E) Schedule "G", ~~—Tax-Paid Inventory (RL-26-G)~~. This schedule must be completed by manufacturers and importing distributors to report purchased or returned~~who purchase tax-paid~~ alcoholic liquors for which the tax was paid from retailers, distributors, or manufacturers.
- 3D) Schedule "B", "C", or "N", ~~=Tax-Free Alcoholic Liquor Sales (RL-26-B, C, or N) in Interstate Commerce and Foreign Trade~~. This schedule must be filed to report tax-exempt alcoholic liquors sold to other Illinois-licensed manufacturers and importing distributors, in interstate commerce and foreign trade, or to authorized U.S. government agencies in Illinois.
- A) File Schedule "B" to report the tax-free sales made to other Illinois licensed manufacturers and importing distributors. This schedule must be filed by Illinois manufacturers or importing distributors that sell alcoholic liquors tax-free to other licensed manufacturers or importing distributors in Illinois. Each manufacturer, who includes tax-free sales of bulk alcoholic liquors, must verify the quantity sold has been included in the Liquor Revenue Return inventory. Manufacturers and importing distributors must include tax-free sales and transfers of alcoholic liquors in bond, including alcoholic liquors covered by original, transferred, or negotiated warehouse receipts.
- B) File Schedule "C" to report sales in interstate commerce and foreign trade, including tax-exempt deliveries~~by manufacturers or importing distributors who claim deductions on the monthly return of gallonage of alcoholic liquors sold by them and shipped tax-free in interstate or foreign commerce, or delivered tax-free~~ to ships for use outside the continental

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limits of the United States in foreign commerce as provided in Section 420.140. Manufacturers and importing distributors must include ~~all in the schedule bulk (as well as all other)~~ alcoholic liquors, ~~including bulk sales,~~ shipped tax-free in interstate or foreign commerce, or delivered tax-free to ships for use outside the continental limits of the United States in foreign commerce as provided in Section 420.140. ~~Each manufacturer who includes tax exempt sales of bulk alcoholic liquor in this schedule must verify that the quantity sold has been included in the Liquor Revenue Return inventory.~~

- ~~i) Each manufacturer who includes tax exempt sales of bulk alcoholic liquor in this schedule must verify that the quantity so sold has been included in the Liquor Revenue Return inventory.~~
- ~~ii) A separate Schedule "C" – Tax-Free Alcoholic Liquor Sales in Interstate Commerce and Foreign Trade must be filed covering shipments into each state.~~

CE) ~~File Schedule "N" to report sales to authorized U.S. government agencies in Illinois. File a separate schedule for each government agency. See also Section 420.110 of this part for sales to government agencies. Schedule "B" – Tax-Free Sales of Alcoholic Liquors to Other Illinois-Licensed Manufacturers and Importing Distributors. This schedule must be filed by Illinois manufacturers or importing distributors, if the product is manufactured outside of Illinois, who sell alcoholic liquors tax-free to other licensed manufacturers or importing distributors in Illinois. Each manufacturer, who includes in this schedule tax-free sales of bulk alcoholic liquors, must verify that the quantity so sold has been included in the Liquor Revenue Return inventory. Manufacturers and importing distributors must include in this schedule tax-free sales and transfers of alcoholic liquors in bond, including~~

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~~alcoholic liquors covered by original, transferred or negotiated warehouse receipts.~~

- 4F) ~~Schedule "E", Sales for Non-Beverage Purposes (RL-26-E), -Tax-Free Alcoholic Liquor Sales for Non-Beverage Purposes. This schedule must be filed by manufacturers and importing distributors to report exempt sales of alcoholic liquor for non-beverage purposes, including sales to the United States or a foreign government, their departments, agencies, or instrumentalities for non-beverage purposes who claim deductions on the monthly return for tax-free sales of alcoholic liquors made to holders of non-beverage user's licenses. Sales may only be made to persons holding a non-beverage user license and permit, such permits~~Original permits or coupons ~~authorizing~~permitting the ~~exempt~~tax-free purchase of alcoholic liquors for non-beverage purposes must ~~be collected from the purchaser and attached to~~accompany this schedule. ~~This schedule must also be filed by manufacturers and importing distributors who claim deductions on the monthly return for tax-free sales of alcoholic liquors to the United States or to a foreign government, their departments, agencies or instrumentalities, for non-beverage purposes.~~ Each manufacturer, who includes in this schedule sales of bulk alcoholic liquors, must verify that the quantity ~~so~~ sold has been included in the Liquor Revenue Return inventory. ~~Sales of wine for sacramental purposes must be reported as sales for non-beverage purposes. The seller should keep in its books and records certifications covering each delivery, and statements signed by the minister, priest or rabbi, showing the quantity of wine in each delivery together with a statement that the wine will be used only for sacramental purposes (see Section 420.70 of this Part). See Section 420.15 of this Part.~~
- 5G) Schedule "J", ~~-~~ Report of Alcoholic Liquors Lost, Destroyed, or Damaged During Production and Bottling (RL-26-J), ~~-~~ to report ~~losses~~Losses incurred during production and bottling alcoholic liquors carried in inventory on the Liquor Revenue Return at the time

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when the bottling loss ~~occurred~~occurs must be listed on this schedule. Bottling losses will not be allowed as ~~a deduction~~tax exempt unless accurate records are maintained and the deduction on the return is supported by ~~the appropriate~~this schedule.

6H) Schedule for "Other Illinois Liquor Tax Deductions" ~~(RL-115)~~. This schedule should be used when manufacturers or importing distributors claim deductions on the monthly return for a gallonage of alcoholic liquors that may not be properly addressed by any of the other schedules supplied by the Department. Other deductions include, but are not limited to, alcohol used in hand sanitizer production, breakage, direct wine sales, denaturation, approved destruction, duty free, sacramental sales, and theft. Deductions claimed should be explained in detail and filed with the monthly return. Claimed ~~deduction~~exemptions from the tax will not be allowed at the time of audit unless supported by competent documentary evidence. For example, if alcoholic liquors are dumped for the purpose of destroying the alcoholic liquors, claimed exemption from the tax will not be allowed unless supported by an affidavit of a Department or ~~Liquor Control~~ Commission representative who either witnessed the destruction of the alcoholic liquors or provided approval prior to destruction of the alcoholic liquors. The licensee should retain a copy of the affidavit. Additionally, the seller should keep in its books and records certifications covering each delivery, and statements signed by the minister, priest, rabbi, or other faith leader showing the quantity of wine in each delivery together with a statement that the wine will be used only for sacramental purposes. Each manufacturer, who includes in this schedule sales of bulk alcoholic liquors, must verify that the quantity so sold has been included in ~~its~~this Liquor Revenue Return inventory.

7I) Schedule "D", ~~—Tax-Free Bulk Purchases Used in Rectification, Bottling, and Blending (RL-26-D),—~~This schedule must be filed by manufacturers to report alcoholic liquors purchased tax free in bulk

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~~for use in rectification, bottling, or blending of alcohol and spirits, and will consist of a detailed itemization of all purchases of alcoholic liquors in bulk only, to be used in rectification, bottling or blending, or for sale in original containers, with respect to which the Illinois Alcoholic Liquor Tax has not been paid.~~ All purchases of bulk alcoholic liquors must be included in this schedule irrespective of the fact that the alcoholic liquors are purchased in bond or imported in bond. The fact that a warehouse, acting as agent for the manufacturer, may receive the alcoholic liquors and issue a warehouse receipt does not relieve the manufacturer from reporting the transaction. All bulk alcoholic liquors purchased ~~tax free~~<sup>tax-free</sup> in Illinois or imported into Illinois by a manufacturer of alcohol and spirits and stored in a public or bonded warehouse for its account must be reported in this schedule at the time the alcoholic liquors are purchased by the manufacturer and received by the warehouse, and this information may not be withheld until the alcoholic liquors are withdrawn from the warehouse. This is an information schedule only and is not to be entered on the monthly return.

- 8) Schedule "L", Out-of-State Sellers' Shipment Report (RL-26-L), must be filed by sellers located outside of Illinois making sales of alcoholic liquors into Illinois, including sellers, who are not licensed in Illinois as foreign importers and Illinois licensed liquor manufacturers. Such sellers are required to file Schedule "L", with the Department, within 15 days after the end of each month, stating the names and addresses of the persons in Illinois to whom alcoholic liquors were sold and shipped or otherwise delivered during the preceding month and the number of wine gallons sold and shipped or otherwise delivered. Licensed Illinois foreign importers need not file this informational return.
- 9) Returned Merchandise. Alcoholic liquors returned by Illinois licensees to vendors from whom the alcoholic liquors were purchased, and who are located outside of the State of Illinois, must be reported the same as a sale in interstate commerce on Schedule

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"C"– Tax-Free ~~Alcoholic Liquor Sales in Interstate Commerce and Foreign Trade.~~

~~Ai)~~ Alcoholic liquors returned to Illinois licensees by their customers located outside of the State of Illinois must be reported the same as an importation on Schedule "A" – Alcoholic Liquor Transactions.

~~Bii)~~ When untaxed alcoholic liquors are returned to a manufacturer or an importing distributor, both parties being Illinois licensees, the person returning the liquors will report the transaction on Schedule "B"– Tax-Free Alcoholic Liquor Sales ~~to Licensed Manufacturers and Importing Distributors,~~ and the one receiving the returned liquors will report on Schedule "F"– Alcoholic Liquor Transactions.

~~Ciii)~~ Tax-paid alcoholic liquors returned to an Illinois manufacturer or importing distributor by someone in Illinois need not be scheduled by the person returning the liquors, but the person receiving the returned liquors must report the transaction on Schedule "G"– Tax-Paid Inventory, the same as a purchase of tax-paid alcoholic liquor.

~~c) Statement By Out-of-State Sellers Other Than Illinois Licensed Foreign Importers  
Out-of-State sellers, who are not licensed in Illinois as foreign importers, and who sell, to Illinois licensed importing distributors, beer, wine, or alcohol and spirits that are located at some place in the United States outside Illinois, and that are shipped or otherwise delivered into Illinois, are required to file with the Department, within 15 days after the end of each month, on forms prescribed and furnished by the Department, a statement setting forth the names and addresses of the persons in Illinois to whom beer, wine or alcohol and spirits were so sold and shipped or otherwise delivered during the preceding month and the respective quantities so sold and shipped or otherwise delivered.~~

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- d) Information Returns From Illinois Licensed Foreign Importers
- 1) The Department has determined it to be necessary, for the proper performance of its functions and duties under the Act, to require licensed foreign importers who are not also licensed in Illinois as importing distributors of alcoholic liquor to file a monthly information return with the Department. The return must be filed by the 15<sup>th</sup> day of the month following the month for which the return is filed. The return shall contain such information as the Department may reasonably require.
  - 2) It is not necessary for the special foreign importer information return to be filed by any foreign importer who is also licensed in Illinois as an importing distributor of alcoholic liquor.
- e) A taxpayer who has an annual tax liability of \$20,000 or more shall make all payments of that tax to the Department by electronic funds transfer as provided in 86 Ill. Adm. Code 750. [20 ILCS 2505/2505-210(b)] For purposes of this subsection, the term "annual tax liability" means, for a taxpayer that incurs a tax liability under the Retailers' Occupation Tax Act, Service Occupation Tax Act, Use Tax Act, Service Use Tax Act, or any other State or local occupation or use tax law that is administered by the Department (which includes the Act), the sum of the taxpayer's liabilities under the Retailers' Occupation Tax Act, Service Occupation Tax Act, Use Tax Act, Service Use Tax Act, and all other State and local occupation and use tax laws administered by the Department for the immediately preceding calendar year. [20 ILCS 2505/2505-210(c)]
- f) Manufacturers and importing distributors are required to file returns for each month their license is active, even if there may not be any tax liability for that month.
- g) When a manufacturer or importing distributor ceases to do business or when a stock of alcoholic liquors has been sold in bulk in conjunction with going

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out of business, the taxpayer should immediately notify the Department, and upon proof that such license has been canceled by the Illinois Liquor Control Commission, the taxpayer may discontinue filing monthly returns.

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.90 Books and Records**

- a) **Manufacturers, Importing Distributors, and Foreign Importers:**  
*It is the duty of each manufacturer, importing distributor and foreign importer to keep, at its licensed address or place of business, complete and accurate records of all sales or other dispositions of alcoholic liquor, and complete and accurate records of all alcoholic liquor produced, manufactured, compounded or imported, whether for itself or for another, together with a physical inventory made as of the close of each period for which a return is required, covering all alcoholic liquors on hand. All books and records, which manufacturers, importing distributors and foreign importers are required by the Act to keep, shall be preserved for a period of 3 years, unless the Department, in writing, authorizes their destruction or disposal at an earlier date. [235 ILCS 5/8-10]*~~It is the duty of each manufacturer, importing distributor and foreign importer to keep, at his licensed address or place of business, complete and accurate records of all sales or other dispositions of alcoholic liquor, and complete and accurate records of all alcoholic liquor produced, manufactured, compounded or imported, whether for himself or for another, together with a physical inventory made as of the close of each period for which a return is required, covering all alcoholic liquors on hand. All books and records, which manufacturers, importing distributors and foreign importers are required by the Act to keep, shall be preserved for a period of 3 years, unless the Department, in writing, authorizes their destruction or disposal at an earlier date.~~
- b) **Shipping Records:**
- 1) Each manufacturer, importing distributor, and foreign importer is required to retain invoices and bills of lading covering purchases and

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invoices and duplicate copies of bills of lading covering sales of alcoholic liquors.

- 2) To support deductions on the ground that deliveries of alcoholic liquors were made outside this State, records shall include satisfactory evidence of delivery to and receipt by out-of-State consignees. ~~(See Section 420.30.)~~

c) Inventories:

- 1) A physical inventory must be taken and a record ~~thereof~~ preserved as of the close of business on the last business day of each calendar month.
- 2) As to alcoholic liquors owned by them, manufacturers of alcohol and spirits shall include as "Inventory on Hand", only bottled alcoholic liquors and not bulk alcoholic liquors in stock. As to alcoholic liquors lawfully held by them as agent for another, manufacturers of alcohol and spirits shall include, as "Inventory on Hand", all alcoholic liquors, ~~(whether bottled or in bulk,)~~ ~~so~~ held by them as agent. Bottled alcoholic liquors owned by a manufacturer of alcohol and spirits and stored in bonded or other warehouses in Illinois, and bottled or bulk alcoholic liquors lawfully held by a manufacturer of alcohol and spirits as agent for another and stored in bonded or other warehouses in Illinois, must be included in inventory.
- 3) Breweries shall include, as "Inventory on Hand", all beer which is on hand when the inventory is required ~~herein~~ to be taken and which has been removed from the Federally bonded premises of the brewery, together with all beer which is on hand when the inventory is taken and which is required to be reported in Schedules "F", ~~Alcoholic Liquor Transactions, and Schedule "G",~~ Tax-Paid Inventory, accompanying the Liquor Revenue Return.

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- 4) Wineries and wine-makers shall include, as "Inventory on Hand", all bottled wine, bulk wine remaining in bottling tanks and all barreled wine whether stored on the licensed premises or elsewhere in Illinois and whether stored in or out of bond, and this is true whether such wine is owned by the winery or lawfully held by the winery as agent for another.
  - 5) Importing distributors shall include, as "Inventory on Hand", both bulk and bottled alcoholic liquors, including those in bond and other warehouses, and this is true whether such alcoholic liquors are owned by the importing distributor or whether such alcoholic liquors are lawfully held by the importing distributor as agent for another.
- d) Invoices of Sale:
- 1) Each manufacturer and importing distributor must at the time of sale of any alcoholic liquors render to the purchaser an invoice describing the alcoholic liquor sold, (including the tax-rate category applicable to the product sold, as described in Section 420.10(a) of this Part), the date of sale, to whom sold, and the quantity sold. Duplicate copies of all such invoices must be made and preserved by such manufacturer or importing distributor for audit purposes.
  - 2) Where a manufacturer or importing distributor sells alcoholic liquors to a licensed retailer or distributor, each original and duplicate invoice pertaining to such sale must be printed, stamped, or bear in writing language substantially as follows:  
  
"Payment of Illinois Liquor Tax made by vendor issuing this invoice."
  - 3) This legend must appear on sales invoices covering tax-paid containers of alcoholic liquors even though the licensed manufacturer or importing distributor purchased the containers of alcoholic liquors covered therein tax-paid.

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- 4) Where a manufacturer or importing distributor sells any alcoholic liquors to another licensed manufacturer or importing distributor and does not assume the tax liability, each such invoice covering such sale must be printed, stamped or bear written language substantially as follows:

"Liquors described herein sold without payment of Illinois tax to holder of Illinois License No. \_\_\_\_\_"

- 5) Where a manufacturer or importing distributor sells alcoholic liquors to a second manufacturer or importing distributor and assumes payment of gallonage tax with respect to such sales, invoices pertaining to such sales should be stamped with the language first set forth in subsection (d)(2).
- 6) Failure of any manufacturer or importing distributor to print, stamp or write upon any invoice covering alcoholic liquors sold in Illinois any statement relating to payment of Illinois gallonage tax will oblige the Department to assume that the alcoholic liquors described therein were sold to persons not licensed as Illinois manufacturers or importing distributors, and the vendor is liable for tax with respect to such sales.

- e) **Bottling Losses:**  
At the time of an audit no deduction for bottling losses will be allowed unless accurate records are kept daily for each month, ~~day by day~~, of the gallonage dumped or tanked for bottling and the number of cases and bottles produced therefrom, together with an inventory of the amount of beer, wine, or alcohol and spirits remaining in the tanks at the end of each month. This deduction is allowable only when it relates to alcoholic liquors which are carried in inventory in the Liquor Revenue Return at the time when such bottling loss occurs.
- f) **License Numbers ~~for~~ Purchasers Must Appear ~~on~~ Sales Records:**

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No manufacturer or importing distributor shall sell or deliver any original package of alcoholic liquor to another person for resale, unless the person to whom such package is sold or delivered is authorized to receive such package in accordance with the provisions of the Act. All manufacturers or importing distributors must place the license number, if any, of the person receiving such liquors for resale on all receipts, bills, invoices, statements, etc., covering such sales or deliveries.

- g) Records Maintained ~~at~~ Licensed Address:  
Books and records of manufacturers and importing distributors must be maintained at the licensed addresses of such manufacturers and importing distributors. *The Department may in its discretion prescribe reasonable and uniform methods for keeping such records by manufacturers, importing distributors, and foreign importers. [235 ILCS 5/8-10]*~~The Department may in its discretion prescribe uniform methods for keeping such records.~~
- h) Breakage Losses:
- 1) At the time of an audit or hearing, no gallonage deduction, on account of breakage ~~that, which~~ occurs on the premises of a manufacturer or importing distributor, will be allowed unless complete and accurate records are kept daily for each month, ~~day by day~~, of the gallonage spilled or wasted by reason of breaking of containers.
  - 2) The entry must be made in the breakage record on the date that the loss through breakage occurs, and entry should include the date, the number of bottles, cases or other containers broken, the gallonage of each class of alcoholic liquors spilled or lost from each type of container, and the total gallonage lost on that particular day. In addition, the claimed loss through breakage will not be allowed unless the entries made in the licensee's breakage record are carried over to and entered in such licensee's general books and records.
  - 3) Likewise, at the time of an audit or hearing, no gallonage deduction on account of breakage ~~that, which~~ occurs off the premises of a

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manufacturer or importing distributor, will be allowed unless supported by competent documentary proof from an independent source.

- 4) ~~Allowance for breakage will only be made for the containers of alcoholic liquors when the tax has not been paid on such alcoholic liquors and the alcoholic liquors are also carried in inventory on the Liquor Revenue Return at the time of breakage. No allowance for breakage will be made unless the containers of alcoholic liquors which are involved have not had tax paid with respect thereto and unless the alcoholic liquors which are involved are carried in inventory in the Liquor Revenue Return at the time when such breakage occurs.~~

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.100 Carriers**

a) Deliveries

- 1) It shall be the duty of every railroad company, express company, common or contract carrier, and of every person, firm or corporation that shall bring, carry, or transport alcoholic liquors into the State of Illinois for delivery in the State or which are delivered in the State, to prepare and file with the Department not later than the 15th day of the month for deliveries made in the preceding month, a report stating:
- A) the name of the company, carrier, person, firm or corporation making the report;
- B) the period of time covered by the report;
- C) the name and business address of each consignor of such alcoholic liquors;

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- D) the name and business address of each consignee of such alcoholic liquors;
  - E) the kind and quantity of alcoholic liquors delivered to each consignee;
  - F) the date or dates of delivery; and
  - G) such other information as the Department may reasonably require.
- 2) Such reports shall be made upon forms prescribed and made available by the Department. [235 ILCS 5/8-12]
- b) Shipments
- 1) Reports shall also be filed for shipments to end consumers in this State. It shall be the duty of every railroad company, express company, common or contract carrier, person, firm, or corporation that brings, carries, or transports alcoholic liquor into Illinois for delivery in Illinois to prepare and file with the Department for each month, not later than the 15th day of the month following the month during which the delivery is made, a report containing:
    - A) the name of the company, carrier, person, firm, or corporation making the report;
    - B) the period of time covered by the report;
    - C) the name and business address of each consignor of the alcoholic liquor;
    - D) the name and address of each consignee, and the date of delivery; and

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E) *such other information as the Department may reasonably require.*

2) ~~a) The reports shall be made upon forms prescribed by the Department. [235 ILCS 5/8-12] It shall be the duty of every railroad company, express company, common or contract carrier, and of every person, firm or corporation that shall bring, carry or transport alcoholic liquors into the State of Illinois for delivery in the State or which are delivered in the State, to prepare and file with the Department of Revenue for each month, not later than the 15th day of the month following that for which it is made, a report stating therein the name of the company, carrier, person, firm or corporation making the report, the period of time covered by the report, the name and business address of each consignor of such alcoholic liquors, the name and business address of each consignee of such alcoholic liquors, the kind and quantity of alcoholic liquors delivered to each consignee, and the date or dates of delivery. Such report shall be made upon forms prescribed and made available by the Department and shall contain such other information as may reasonably be required by the Department. Reports shall also be filed for shipments to end consumers in this State. In furtherance of this requirement, it shall be the duty of every railroad company, express company, common or contract carrier, person, firm, or corporation that brings, carries, or transports alcoholic liquor into Illinois for delivery in Illinois to prepare and file with the Department for each month, not later than the 15th day of the month following the month during which the delivery is made, a report containing the name of the company, carrier, person, firm, or corporation making the report, the period of time covered by the report, the name and business address of each consignor of the alcoholic liquor, the name and address of each consignee, and the date of delivery. The reports shall be made upon forms prescribed by the Department.~~

c) Any reports required by this ~~Section~~ subsection shall be made available to the Illinois Liquor Control Commission upon ~~its~~ the Commission's request.

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- db) *The books, records, supporting papers and documents containing information and data relating to such reports shall be kept and preserved for a period of three years, unless their destruction sooner is authorized, in writing, by the Director, and shall be open and available to inspection by the Director or any duly authorized officer, agent or employee of the Department, at all times during business hours of the day. [235 ILCS 5/8-12]*~~The books, records, supporting papers and documents containing information and data relating to such reports shall be kept and preserved for a period of three years, unless their destruction sooner is authorized, in writing, by the Director, and shall be open and available to inspection by the Director of Revenue or any duly authorized officer, agent or employee of the Department, at all times during business hours of the day.~~
- e) *Every railroad company, express company, common or contract carrier, person, firm, or corporation filing or required to file a report under this Section shall deliver and make available to the Department, upon request, the records, supporting the report, within 30 days of the request. [235 ILCS 5/8-12]*~~Every railroad company, express company, common or contract carrier, person, firm, or corporation filing or required to file reports described in subsection (a) of this Section shall, within 30 days after a request by the Department, deliver and make available to the Department the records supporting the reports.~~
- fe) Common or contract carriers will be required to furnish to the Department information covering specific shipments of alcoholic liquors into Illinois when requested to do so, and will also be required to report to the Department upon request all shipments consigned to specific areas during specified periods.

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.110 Sales to Governmental Bodies**

- a) Sales to Governmental Bodies for Beverage Purposes:

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In general, manufacturers and importing distributors are liable for gallonage taxes with respect to alcoholic liquors sold ~~by them~~ to governmental bodies (foreign, Federal, State, or local), their departments, agencies, and instrumentalities, for beverage purposes, if such alcoholic liquor is delivered in Illinois, ~~(including any Federal area located within the external boundaries of the State of Illinois,)~~ to the purchaser. However, direct sales of beer, wine, alcohol, or spirits to ~~any branch of the United States military Navy, Army or Air Corps~~ may be ~~exempt made by manufacturers and importing distributors tax-free~~, provided that such sales are made to officially recognized agencies physically located at military bases.

b) Sales to Governmental Bodies for Non-Beverage Purposes:

- 1) Manufacturers or importing distributors selling alcoholic liquor to the United States or to a ~~foreign government Foreign Government~~, their departments, agencies, or instrumentalities, for non-beverage purposes, are liable for liquor gallonage taxes in the absence of proper evidence covering such sales. ~~However, when making such sales, manufacturers and importing distributors are not liable for liquor gallonage tax if they comply with the following requirements:~~ To claim ~~an~~ exemption from the tax ~~when selling alcoholic liquor to the United States or to a Foreign Government, their departments, agencies or instrumentalities, for non-beverage purposes,~~ the manufacturer or importing distributor making such sale should obtain a written statement, signed by an authorized officer or employee of the purchaser ~~that contains the following: and showing~~
  - A) the name and address of the seller;;
  - B) the name and address of the purchaser;;
  - C) the date of the purchase; ~~and~~
  - D) the kind and quantity of alcoholic liquor covered by the statement;; and

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- E) ~~certification~~~~certifying~~ that the alcoholic liquor so purchased is purchased by the named ~~federal~~~~Federal~~ or ~~foreign~~~~Foreign~~ governmental body for non-beverage use, ~~(describing the alleged non-beverage use with particularity).~~
- 2) The manufacturer or importing distributor making the sale should obtain such statement in duplicate, forward one of the statements to the Department upon request and retain one among ~~its~~~~his~~ books and records. The manufacturer or importing distributor is further required to show the transaction in ~~its~~~~his~~ monthly return in Schedule "E", ~~=Tax-Free Alcoholic Liquor~~ Sales for Non-beverage Purposes (see Section 420.80(d)(4)(b)(2)(F)).
- 3) Sales of alcoholic liquor to State and local governmental bodies for non-beverage purposes are treated the same as sales to other licensed non-beverage users (see Section 420.50 and Section 420.80(d)(4)(b)(2)(F)).

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.120 Warehousing of Liquors**

- a) Certificate of Registration:
- 1) Every warehouseman in Illinois who stores any alcoholic liquors for compensation shall make application to the Department for a ~~certificate~~~~Certificate~~ of ~~registration~~~~Registration~~ for each location where liquors will be stored. The application shall state:
- A1) ~~The name of the applicant;~~~~The name of the applicant;~~
- B2) ~~the address of the warehouse (if the warehouseman operates more than one such warehouse, the warehouseman shall state the address of each such warehouse)~~ [235 ILCS 5/7A-

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~~2); the address of his warehouse (if he operates more than one such warehouse, he shall state the address of each such warehouse);~~

~~C3)~~ the principal office address if different from the warehouse;

~~D4)~~ the kind of ownership of the business, (*e.g., individual*~~viz: Individual~~, partnership, or corporation);; and

~~E5)~~ *such other information as the Department may reasonably requiresuch other information as the Department may reasonably require.* [235 ILCS 5/7A-2]

2) *Applications shall be made on forms prepared and furnished by the Department*~~Forms for such application shall be obtained from the Department.~~ [235 ILCS 5/7A-2] *The certificate of registration*~~Certificate of Registration shall be framed and conspicuously displayed on the premises for which it is issued.~~

b) Monthly Returns ~~:~~

1) *On or before the 15<sup>th</sup> day of each calendar month, every warehouseman holding a certificate of registration under Article VIIA of the Act shall file a return with the Department covering the preceding month, on forms and in the manner provided by the Department, stating:*

~~On or before the 15<sup>th</sup> day of each calendar month, every warehouseman holding a Certificate of Registration issued by the Department under Article VII-A of the Act shall file a return with the Department covering the preceding calendar month, stating:~~

~~A1)~~ *The name of the warehouseman and the number of the warehouseman's certificate of registration;*~~The name of the warehouseman;~~

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- B2) ~~*the address of the warehouse;*~~the number of his Certificate of Registration;
- C3) ~~*the name and address of each person from whom any alcoholic liquors were actually or constructively received by the warehouseman, including:*~~ the address of the warehouse;
- 4) the name and address of each person from whom any alcoholic liquors were actually or constructively received by him as a warehouseman;
  - i5) ~~*the date or dates on which such alcoholic liquor was so received*~~the date or dates on which such alcoholic liquor was so received;
  - ii6) ~~*the number and size of the containers in which any alcoholic liquors were so received*~~the number and size of the containers in which any alcoholic liquors were so received; and
  - iii7) ~~*the number and size of the containers to the credit of each such person at the end of the preceding calendar month*~~the number and size of the containers to the credit of each such person at the end of the preceding calendar month; and
- D8) ~~*the name and address of each person to whom any alcoholic liquors were actually or constructively delivered by the warehouseman, including:*~~the name and address of each person to whom any alcoholic liquors were actually or constructively delivered by him as a warehouseman;
- i9) ~~*the date or dates on which such alcoholic liquor was so delivered*~~the date or dates on which the same were so delivered;

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~~ii10)~~ *the number and size of the containers in which any alcoholic liquors were so delivered;~~the number and size of the containers in which any alcoholic liquors were so delivered;~~ and*

~~iii11)~~ *from whom any alcoholic liquors so delivered were actually or constructively received*~~from whom any alcoholic liquors so delivered were actually or constructively received.~~ [235 ILCS 5/7A-4]

2) If no liquors were in storage in any month, the return form should so indicate and be executed and filed in the usual way. ~~Forms for the return are furnished by the Department on request.~~

c) Records:

1) *Each warehouseman included in Article VIIA of the Act shall keep or cause to be kept, at the registered address, a record showing:*

A) *all alcoholic liquors actually or constructively received by the warehouseman;*

B) *all alcoholic liquors held, stored or actually or constructively delivered by the warehouseman;*

C) *the name and address of the person depositing same;*

D) *the name and address of the person to whom delivered; and*

E) *any other information necessary to the proper conduct of such warehouse.*

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- 2) Such records shall, at all times during normal business hours, be subject to inspection by the Department or its duly authorized agents and employees.
- 3) Such record shall be preserved for a period of 3 years, unless the Department, in writing, authorizes their destruction or disposal at an earlier date. [235 ILCS 5/7A-5]

~~Each warehouseman included in Article VII-A of the Act shall keep or cause to be kept, at his registered address, a record showing all alcoholic liquors actually or constructively received by him as a warehouseman, held, stored or actually or constructively delivered by him as a warehouseman, the name and address of the person depositing same, the name and address of the person to whom delivered and any other information necessary to the proper conduct of such warehouse. Such records shall, at all times during business hours of the day, be subject to inspection by the Department or its duly authorized agents and employees. Such records shall be preserved for a period of three (3) years, unless the Department, in writing, authorizes their destruction or disposal at an earlier date.~~

- d) Final Return:  
When storage of alcoholic liquors for compensation is discontinued, the ~~certificate of registration~~Certificate of Registration must be sent to the Department for cancellation accompanied by a final return showing the disposition of alcoholic liquors in storage at the date of discontinuation of business.
- e) Definitions:
  - 1) "Warehouse" means any room, house, structure, building, place, yard, or protected enclosure wherein personal property belonging to another is stored for a compensation.

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- 2) *"Warehouseman" means any person, firm, partnership, association, or corporation owning, controlling, operating, managing, or leasing any warehouse within this State.*
- 3) *"For compensation" means any direct or indirect charge for storage. [235 ILCS 5/7A-1]*
- f) *Penalty:  
Any person who violates any of the provisions of Article VIIA of the the Act relating to warehouses, or any of the rulesRules of the Department for the administration and enforcement of Article VIIA thereof, is guilty of a Class B misdemeanor, and upon conviction shall be fined not more than one thousand dollars (\$1,000.00), or imprisoned in the county jail for not more than six (6) months, or both in the discretion of the court. [235 ILCS 5/7A-6]  
A person commits a separate offense on each day that person violates a provision of Article VIIA of the Act or a rule of the Department. Each day's continuation of such violation shall be a separate and distinct offense.*

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.130 Non-Beverage User's Books and Records**

- a) *Every person licensed as a non-beverage user shall keep books and records which shall be available to investigators and auditors of the Department during regular business hours, and shall retain such books and records at the non-beverage user's place of business in Illinois for a period of not less than three years. Such books and records shall be kept correctly to disclose:*
  - 1) *The quantity and kind of alcoholic liquors received, showing the name and address of the party from whom received and the permit number on which purchased;*
  - 2) *the quantity and kind of alcoholic liquors used;*

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- 3) the quantity and kind of alcoholic liquors on hand at the close of each business day; and
- 4) the names of products or purposes for which alcoholic liquors are used.
- b) No non-beverage user shall sell, give away, or otherwise dispose of any alcoholic liquor purchased under the non-beverage user's license in any form fit for beverage purposes. Any non-beverage user who shall violate Section 8-11 of the Act shall pay as a penalty to the Department, the sum of \$1.50 for each gallon of alcoholic liquor so diverted, and in addition thereto shall be subject to the penalties provided in Section 10-1 of the Act, including revocation of license. [235 ILCS 5/8-11]
- a) ~~Every person licensed as a non-beverage user shall keep books and records which shall be available to investigators or auditors of the Department during regular business hours, and shall retain such books and records at his place of business in Illinois for a period of not less than three years. Such books and records shall be so kept as correctly to disclose:~~
  - 1) ~~The quantity and kind of alcoholic liquors received, showing the name and address of the party from whom received and the permit number on which purchased;~~
  - 2) ~~the quantity and kind of alcoholic liquors used;~~
  - 3) ~~the quantity and kind of alcoholic liquors on hand at the close of each business day; and~~
  - 4) ~~the names of products or purposes for which alcoholic liquors are used.~~
- b) ~~No non-beverage user shall sell, give away or otherwise dispose of any alcoholic liquor purchased under his license as such non-beverage user, in any form fit for beverage purposes. Any non-beverage user who violates the~~

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~~provisions of Section 8-11 of the Act shall pay as a penalty to the Department of Revenue the sum of \$1.50 for each gallon of alcoholic liquor so diverted, and, in addition, shall be subject to the penalties provided in Section 10-1 of the Act.~~

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 420.140 Tax-Free Sales of Alcoholic Liquor for Use Aboard Ships Operating in Foreign Commerce Outside the Continental Limits of the United States**

- a) Subject to the conditions stated in this Section, Illinois licensed manufacturers and importing distributors of alcoholic liquor may make ~~exempt~~tax-free sales of alcoholic liquor to operators of ships docked in the Port of Chicago where such liquor will be used aboard those ships operating in foreign commerce outside the continental limits of the United States. However, such sales of alcoholic liquor may not be ~~exempt~~made tax-free for use on ships operating exclusively on the Great Lakes or the St. Lawrence Seaway between the United States and Canadian ports.
- b) In order for the exemption to apply where the alcoholic liquor will be used aboard ships operating in foreign commerce outside the continental limits of the United States, the sale must be made by an Illinois licensed manufacturer or importing distributor. Only alcoholic liquor that is exempt from the ~~federal~~Federal tax can qualify for the exemption provided for in this Section.
- c) In addition, to sustain a claim to such exemption, the manufacturer or importing distributor shall, upon request of the Department, supply a written statement for the month in which the exemption is claimed, showing the following information:
  - 1) The name of the manufacturer or importing distributor making the sale;

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- 2) the name of the ship to which the manufacturer or importing distributor delivers the alcoholic liquor and the name of the shipping line operating such ship;
  - 3) the kind of alcoholic liquor (including the tax rate category applicable to each product, as described in Section 420.10(a)(1) at this Part) delivered to such purchaser, and the quantity of each such kind of alcoholic liquor so delivered;
  - 4) the date and place of such delivery; and
  - 5) a statement that the alcoholic liquor is to be used aboard such ship in foreign commerce outside the continental limits of the United States.
- d) This ~~deduction or~~ claimed exemption must be substantiated by the records the manufacturer or importing distributor keeps to comply with customs' requirements of the ~~federal government~~**Federal Government**, and such records must be made available to the Department on request for examination at any time during the usual business hours of the day.

(Source: Amended at 50 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)