



# Illinois Department of Revenue Informational Bulletin

**Brian Hamer**  
Director of Revenue

## Consumer Assistance to Recycle and Save (CARS) program

### For information or forms...

- Call us at:  
1 800 732-8866 or  
217 782-3336
- Call our TDD  
(telecommunications device  
for the deaf) at:  
1 800 544-5304
- Write us at:  
Illinois Department of Revenue  
P.O. Box 19044  
Springfield, IL 62794-9044
- Visit our web site at:  
[tax.illinois.gov](http://tax.illinois.gov)
- Call our 24-hour  
Forms Order Line at:  
1 800 356-6302

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

The Illinois Department of Revenue has determined the sales tax treatment for new vehicles purchased or leased in conjunction with the federal government's Consumer Assistance to Recycle and Save (CARS) program. The department has determined that for sales tax purposes, the

- A** CARS' payment (\$3,500 or \$4,500) to the dealer is a direct government payment, therefore it is not taxable.
- B** estimated scrap or salvage value (provided by dealer) for the vehicle eligible under CARS is treated as a trade-in if it is used to reduce the selling price of a new vehicle, therefore it is not taxable.

Combine both **A** and **B** amounts and report on Part 6, Line 2 of Form ST-556 (total trade-in credit or value). You must keep the amounts separate in your books and records.

### Example:

\$20,000	Price of eligible <b>new</b> vehicle
— \$ 4,500	CARS payment to dealer
— \$ 350	Negotiated scrap value estimate used to reduce the selling price of a <b>new</b> vehicle (\$400 less \$50 administrative fee) on CARS vehicle
-----	
\$15,150	<b>Amount subject to Illinois sales tax</b>

Using this example, the amount on Part 6, Line 2 is \$4,850. The taxable amount on Line 3 would be \$15,150.

**Note:** Manufacturer or dealer incentives remain taxable as provided in Section 130.2125 of the department's regulations.

### Does CARS apply to leased vehicles?

Yes. CARS includes the lease of a new vehicle, provided the lease period is at least five years.

### Does CARS apply to used vehicles?

No. CARS only applies to the purchase or lease of a new vehicle.