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Media Contact: Maura Kownacki
Phone: 312-814-1777

Planning an Out-of-State Car Purchase? Illinois Department of Revenue Reminds Taxpayers that Vehicle Tax is Generally Owed at Registration Location, Not Purchase Location

Chicago – The Illinois Department of Revenue (IDOR) is reminding residents that when purchasing a vehicle from another state, sales or use tax is generally due where the vehicle will be registered and used, not necessarily where it was purchased.

This issue often arises when Illinois residents buy vehicles from out-of-state dealerships that mistakenly charge their own state's sales tax, instead of properly documenting the exemption commonly available for non-resident buyers. As a result, Illinois taxpayers may find themselves having paid tax to another state and still legally responsible for paying vehicle use tax in Illinois.

"Out-of-state dealerships may not always understand Illinois tax laws, and it is important for Illinois buyers who are purchasing a vehicle out-of-state to ensure the dealer knows the vehicle will be titled and registered in Illinois," said **IDOR Director David Harris**. "The buyer should ask about an exemption on any sales taxes levied at time of purchase to ensure they are not being charged tax in error."

Illinois law requires that vehicle use tax be paid in Illinois if the vehicle will be registered and primarily used in the state, regardless of where it was purchased. Most states offer a sales tax exemption for out-of-state buyers, but the proper paperwork must be completed at the time of sale to qualify. If this paperwork is not completed, the dealership may incorrectly collect their own state's sales tax, and the buyer may still owe use tax in Illinois.

To avoid paying double or facing tax complications after your purchase, IDOR offers the following tips:

- Tell the dealership upfront that the vehicle will be registered in Illinois.
- Ask if you qualify for a sales tax exemption as an out-of-state buyer.
- Make sure the proper exemption form is signed and keep a copy for your records.
- When you return to Illinois, file Form RUT-25 to report the purchase and pay any use tax owed. This form is required when registering a vehicle purchased from an out-of-state

dealer. Form RUT-25 is available at IDOR offices, Secretary of State offices, or by calling IDOR's 24-hour Forms Order Hotline at 1-800-356-6302.

"Paying attention to the tax details before you finalize an out-of-state vehicle purchase can save you from unexpected costs later," **Harris said**. "It's always best to clarify tax responsibilities upfront rather than be surprised when it's time to register your vehicle in Illinois."

Taxpayers considering purchasing a vehicle out of state and unsure about the tax implications are encouraged to contact IDOR before finalizing the sale. To receive assistance taxpayers may call 1-800-732-8866 or 217-782-3336 or visit IDOR's website at tax.illinois.gov.