



# Publication 106

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## Allowable Deductions for IDOR-Collected Hotel Taxes

### About this publication

PUB-106 explains to hotel operators the deductions that are allowable under the hotel taxes collected by the Illinois Department of Revenue (IDOR) and the proper reporting of the hotel tax.

Throughout this publication, the term “hotel tax” refers to all IDOR-collected hotel taxes to which you are subject.

This publication provides information to:

- identify the hotel taxes that are collected by IDOR
- identify who is responsible for paying the hotel taxes
- identify allowable deductions under the hotel taxes
- answer frequently asked questions regarding hotel tax deductions

The information in this publication is current as of the date of the publication. Please visit IDOR’s website at [tax.illinois.gov](http://tax.illinois.gov) to verify you have the most current revision.

The contents of this publication are informational only and do not take the place of statutes, administrative rules, and court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Illinois Administrative Code.

## Taxpayer Bill of Rights

You have the right to call the Illinois Department of Revenue (IDOR) for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to IDOR notices by asking questions, paying the amount due, or providing proof to refute IDOR’s findings.

You have the right to appeal IDOR decisions, in many instances, within specified time periods, by asking for department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other IDOR procedures, you may write us at the following address:

**Problems Resolution Division**  
**Illinois Department of Revenue**  
**PO Box 19014**  
**Springfield, IL 62794-9014**

For information or forms, visit IDOR’s website at: [tax.illinois.gov](http://tax.illinois.gov)

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# Legal References

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## Statutory

Statutory - [35 ILCS 145/1 to 145/10](#)

## Regulations

Regulations - [86 Ill. Adm. Code 480](#)

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## What hotel taxes does IDOR collect?

IDOR collects the following state and Chicago area hotel taxes on Form RHM-1, Hotel Operators' Occupation Tax Return:

### State tax

- Illinois Hotel Operators' Occupation Tax (HOOT)

### Chicago area taxes

- Metropolitan Pier and Exposition Authority (MPEA) Hotel Tax
- Chicago Municipal Hotel Tax (CMHT)
- Illinois Sports Facilities Tax (ISFT)

IDOR does not collect any local hotel taxes other than the Chicago area taxes listed above. All other local taxes are paid directly to the local taxing authority.

## Upon whom are these taxes imposed?

The state and Chicago area hotel taxes collected by IDOR are imposed on persons in the occupation of renting, leasing, or letting rooms to the public for living quarters for periods of less than 30 days (*i.e.*, hotel operators).

- HOOT is imposed on all hotel operators whose businesses are located in Illinois.
- CMHT and ISFT are imposed on hotel operators whose businesses are located in the city of Chicago.
- MPEA Hotel Tax is imposed on hotel operators whose businesses are located within the MPEA boundaries.

Depending on the location of your business, you may be subject to one or more of these hotel taxes.

## Can a third-party platform collect and remit the hotel tax on behalf of the hotel operator?

The Hotel Operators' Occupation Tax Act does not specifically require third-party platforms to collect and remit hotel tax on behalf of the hotel operator, but there are situations where such an arrangement is permissible. Specifically, the third-party platform must have entered into an agreement with IDOR where the third-party platform agrees to remit taxes imposed on the rentals on its platform. Based on the agreement with the third-party platform, the platform would be responsible for any Hotel Operators' Occupation Tax liability. Those renting on a third-party platform should contact that platform to determine if that platform has entered into such an agreement with IDOR.

## What deductions are allowable under these taxes?

You may take the following deductions on Form RHM-1:

- local hotel tax paid directly to a local jurisdiction and not collected by IDOR
- receipts from permanent residents
- receipts from foreign diplomats

- receipts from student housing not applicable to hotels
- receipts associated with display rooms, public rooms, sampler rooms, meeting rooms, dressing rooms for swimming pools, offices, and private dining rooms
- receipts from the sale of food and beverages
- receipts from the use of a telephone
- receipts associated with barber shops, laundry services, vending services, ticket sales, valet parking, garage rent, promotions, photos, magazines, and sundries
- receipts from rooms rented or leased to qualified organizations chartered by the United States Congress for the purpose of providing disaster relief and that possesses an active Illinois Exemption Identification Number issued by IDOR (e.g., the American National Red Cross)
- room adjustment charges, allowances, and discounts
- bad debts and uncollectables
- intracompany sales
- refunds
- complimentary nights received through the redemption of reward points (See General Information Letter Ruling **ST 13-0043-GIL** for more information.)

Each of these items is deductible under all IDOR-collected state and Chicago area hotel taxes.

If an item is not listed above, it most likely is not an allowable deduction on Form RHM-1.

**Note:** Receipts from the sale of food and beverages, prepaid phone cards, barber shop services, laundry services, vending services, promotions, photos, magazines, and sundries may be subject to Illinois sales tax.

## Where can I find more information about qualifying organizations that are exempt from hotel tax?

See **FY 2024-01, Hotel Operators' Occupation Tax Exemption for Qualifying Organizations**, and the **Resource Page for New Hotel Occupation Tax Exemption** for additional information.

## Are receipts from “no shows” deductible on Form RHM-1?

No. When a guest becomes liable for paying a charge to rent a room, the receipts from the rental are subject to hotel tax, regardless of whether the person actually occupies the room.

## Do I include all hotel taxes I collected on Form RHM-1, Line 1, Total receipts?

Yes. You must include all state, Chicago area, and local hotel taxes you collected in your total receipts on Form RHM-1, Line 1.

If you collected a local hotel tax, you may deduct that tax on Line 2, Local tax deduction, because you pay it directly to the local jurisdiction. You may not deduct the amount you collected for the MPEA Hotel Tax, CMHT, or ISFT on Line 2.

## Who is a “permanent resident?”

A permanent resident is a person who has the right to occupy any room in a hotel for at least 30 consecutive days.

## If I have a contract with a permanent resident, do I owe hotel tax for the first 30 days of that guest's stay?

When you have a binding contract with a permanent resident for at least 30 days, no hotel tax is due. However, if the contract is terminated before the end of the first 30 days, you owe hotel tax for the period up to the time when the contract was terminated.

## **If a guest stays for 30 consecutive days or more, has paid hotel tax, and later asks for a refund, what do I do?**

In this situation, your guest has a legal right to request a refund of hotel tax paid. Therefore, you should refund the amount of tax paid to your guest. If you do not refund the amount of tax paid, you are liable to pay that amount to us. We do not refund hotel tax to hotel guests.

## **If I am unsure whether or not a guest is “permanent” at the end of the reporting period, should I report and pay hotel tax on that guest’s stay?**

When you do not know whether a guest is a permanent resident at the end of the period for which you are filing Form RHM-1 because the guest’s first 30 days have not ended, you owe hotel tax on receipts from that rental. If the guest later stays for 30 days, the receipts from that rental for the first 30 days, or portion thereof, upon which you have already paid tax should be deducted on Form RHM-1, Step 1, Line 3, for the next month. Be sure to include a breakdown with that month’s RHM-1 explaining the deduction.

## **Who is a “foreign diplomat?”**

A foreign diplomat is an official from a foreign country who is stationed in the United States while working as a diplomat, consular officer, or staff member at a foreign mission. This individual has been issued a tax exemption card. Each card contains the individual’s picture and either a blue, a green, a yellow, or a red stripe. A blue-striped card exempts the individual from paying hotel tax. A red-striped card exempts the individual from paying hotel tax over a minimum purchase amount listed on the face of the card. A yellow-striped or green-striped card exempts the individual from paying hotel tax unless hotels are listed as a restricted category on the face of the card, (e.g., exempt on purchases, except hotels).

## **What type of tax exemption cards does the United States Department of State, Office of Foreign Missions issue?**

The United States Department of State, Office of Foreign Missions, issues two types:

- A personal tax exemption card is for use only by the individual named on the card.
- A mission tax exemption card is for official use only.

In order to receive the exemption, your guest must provide you with proper identification.

## **If a foreign diplomat is accompanied by visitors, are receipts from rentals to those visitors also exempt from hotel tax?**

If a foreign diplomat has a

- blue-striped mission card,
- red-striped mission card and is spending above the minimum purchase amount listed on the card, or
- yellow-striped or green-striped mission card that does not specifically restrict hotels,

he or she may rent rooms on behalf of the mission and obtain tax-exempt lodging for visitors or nonaccredited persons. The individual using the card does not need to stay at the hotel. He or she may pay the hotel bill with a mission credit card or a mission check, but may not use a personal credit card, check, or cash.

The foreign diplomat may not use his or her personal tax exemption card to pay for hotel rooms of those outside his or her immediate family.

## **Where can I get more information about foreign diplomats and tax exemption cards?**

If you would like more information about foreign diplomats and their exemption from hotel tax, request a copy of Diplomatic Tax Exemption Program by contacting:

**U.S. DEPARTMENT OF STATE  
OFFICE OF FOREIGN MISSIONS  
77 WEST JACKSON BLVD., SUITE 2122  
CHICAGO, IL 60604**

Phone: 312 353-5762

Fax: 312 353-5768

or writing to:

**OFFICE OF LEGAL SERVICES (5-500)  
ILLINOIS DEPARTMENT OF REVENUE  
101 WEST JEFFERSON STREET  
SPRINGFIELD, IL 62702**

## **Are receipts from rentals to federal, state, and local government employees exempt from hotel tax?**

No. Receipts from rooms rented to federal, state, and local government employees are not exempt from hotel tax. Being government employees does not exempt these individuals from paying hotel tax.

## **Are receipts from rentals to persons affiliated with schools or charitable, religious, or other not-for-profit organizations exempt from hotel tax?**

No. Receipts from rooms rented to individuals associated with these groups are not exempt from hotel tax. Being associated with a school or not-for-profit organization does not exempt these individuals from paying hotel tax.

## **If a person or not-for-profit organization presents a tax exemption certificate issued by IDOR to me, are receipts from that rental exempt from hotel tax?**

No. A tax exemption certificate issued by IDOR exempts certain entities from Illinois sales tax, not hotel tax.

## **I operate a private club and rent rooms only to club members and their guests. Am I exempt from paying hotel tax?**

Since hotel tax is limited to the renting of rooms to the public and your club restricts its renting of rooms to members and their guests, you are not liable for hotel tax on your rental receipts from such rooms.

## **Are schools that rent rooms to students as living quarters subject to hotel tax?**

A school is not subject to hotel tax on receipts from renting rooms to its students for use as living quarters, or for sleeping or housekeeping accommodations, because these are not rentals to the public. If the school rents rooms for such purposes to persons who are not enrolled with the school in courses of study for credit, such renting is being made to the public. Therefore, the school owes hotel tax on receipts from such rentals, as long as the person does not qualify as a permanent resident.

## **If a guest requests a roll-away bed, are receipts from the rental of the bed subject to hotel tax?**

Yes. Receipts from the rental of the roll-away bed are subject to hotel tax. If you make a separate and specific charge for the use of bedding or other facilities furnished in connection with the use of a room as living quarters or for sleeping or housekeeping accommodations, the receipts from this source are subject to hotel tax.



## **Are receipts from meeting or banquet rooms subject to hotel tax?**

No. Since hotel tax is imposed on receipts from renting rooms for living quarters or for sleeping or housekeeping accommodations, the tax does not apply to receipts from the renting of rooms for other purposes (e.g., for use as display rooms, sample rooms, meeting rooms, offices, or private dining rooms). If food or beverages are provided or sold in conjunction with the rental, the room rental charges may be subject to Illinois sales tax. See **CA 2012-11**, Compliance Alert - Vendors of Meals, for more information.

## **If I operate a bed and breakfast and do not include the breakfast in the room rate, are receipts from the breakfast subject to hotel tax?**

No. The receipts you receive from selling food, beverages, or other tangible personal property are not subject to hotel tax.

If you provide complimentary food to your guests and do not operate a restaurant that is open to the public, you incur a use tax liability on the cost of the food. This tax is generally paid to a grocer upon purchase. If you sell food to your guests and operate a restaurant that is open to the public, your receipts are likely subject to Illinois sales tax. You must be registered separately with us to report and pay sales tax on these items.

## **Are “in-room movies” subject to hotel tax?**

Receipts for movie rentals are not subject to hotel tax if you

- are not the entity that actually provides the movie,
- authorize a movie vendor to install equipment in the rooms and sell movies to your guests, and
- merely collect the money for the movie vendor.

However, if you actually provide movies to your guests, these receipts are subject to hotel tax.

## **What if a person or organization refuses to pay hotel tax?**

As a hotel operator, the liability for paying hotel tax falls upon you, not your guests. You may, however, pass hotel taxes to which you are subject on to your guests as separately stated items on your guests' bills. If you do not pay the tax liability on Form RHM-1, you will be assessed for the tax due, plus penalty and interest.

## **Will I be penalized if I fail to properly identify a deduction I claim on Form RHM-1?**

If you do not properly identify a deduction you claim on Form RHM-1, we will automatically assess you for the tax due, plus penalty and interest. If the deduction is allowable, you must file Form RHM-1-X, Amended Hotel Operators' Occupation Tax Return, identifying the allowable deduction you are claiming. If, after reviewing your return, we determine the deduction is allowed, we will withdraw the assessment in full. If we determine the deduction is not allowed, you will owe the full assessment.

## **How can I correct an error I made on my return?**

If you made an error on your Form RHM-1 (e.g., failed to claim an allowable deduction), you must file Form RHM-1-X to correct the error. You must pay any additional tax due. Penalty and interest will be due on the additional tax if you do not file the amended return and pay the additional tax due by the due date of the original return. If your amended return shows that you have overpaid tax, you must indicate this fact and request a refund or credit.

## Office Locations

Maine North Regional Building  
9511 Harrison Street FA 203  
Des Plaines, Illinois 60016-1563  
800 732-8866  
217 782-3336

200 South Wyman Street  
Rockford, Illinois 61101-1237  
800 732-8866  
217 782-3336

555 West Monroe Street  
Suite 1100  
Chicago, Illinois 60661-3605  
800 732-8866  
217 782-3336

Willard Ice Building  
101 West Jefferson  
Springfield, Illinois 62702  
800 732-8866  
217 782-3336

15 Executive Drive  
Business Center One, Suite 2  
Fairview Heights, Illinois 62208-1331  
800 732-8866  
217 782-3336

2309 W. Main  
Suite 114  
Marion, Illinois 62959-1196  
800 732-8866  
217 782-3336

### For Information

Visit our website at [tax.illinois.gov](http://tax.illinois.gov).  
Call us at 217 782-5906 or 1 800 544-5304 (TTY).  
Write us at:  
Sales Tax Processing Division  
Illinois Department of Revenue  
PO Box 19013, Springfield, IL 62794-9013.