Illinois Department of Revenue

RUT-25-LSE Instructions for Use Tax Return for Lease Transactions

Form RUT-25-LSE General Information

Who must file Form RUT-25-LSE?

If you are a lessor (*e.g.,* a leasing company) and you purchased a motor vehicle (including all-terrain vehicle (ATV)), trailer, manufactured (mobile) home, watercraft, aircraft, or snowmobile, from an out-of-State retailer that is not registered with the Illinois Department of Revenue (IDOR) to lease it to a lessee who will register it in Illinois, you must file Form RUT-25-LSE to report the transaction and pay the tax. This includes motor vehicles purchased for lease from an unregistered out-of-State dealer for use in Illinois but that are registered under the International Registration Plan (IRP) with a base jurisdiction other than Illinois. Attach a copy of the bill of sale as proof of the selling price and of any tax previously paid. If you cannot obtain the proper documentation, you may submit a letter from the retailer. Please note that the nonresident exemption does not apply to nonresident business entities (e.g., leasing companies) relocating to Illinois. 35 ILCS 105/3-70; 86 Ill. Adm. Code 150.315.

While the legal incidence of tax is on the lessor (leasing company), if you are a lessee (*e.g.,* the lease customer) and you leased a vehicle through an out-of-State retailer (*e.g.,* a leasing company, vehicle dealer, etc.) that is not registered with IDOR, then, if the leasing company does not do so, you must file Form RUT-25-LSE to report the transaction and pay the leasing company's tax. This is because, generally, leases contain contractual provisions stating that the lessees will reimburse the lessors for their tax costs. It is not because of Illinois tax law. When you file Form RUT-25-LSE, attach a copy of the lease contract as proof of the selling price and of any tax previously paid. If you cannot obtain the proper documentation, you may submit a letter from the leasing company. Please note that the nonresident exemption does not apply to lessees relocating to Illinois. 35 ILCS 105/3-70; 86 Ill. Adm. Code 150.305(e).

Note: If you are a lessee and you leased a vehicle from a retailer outside of Illinois and used the vehicle outside of Illinois before bringing it to Illinois for use, the selling price is subject to a reasonable allowance of depreciation for the period of prior out-of-State use. 35 ILCS 105/3-10. Also, if you leased the vehicle outside of Illinois and already paid a tax in another state on the lease of the vehicle, credit is authorized under the Use Tax Act for taxes properly due and paid to the other state. 35 ILCS 105/3-55(d).

Form RUT-25-LSE is generally obtained when you license and title your vehicle at a local driver's license facility or currency exchange. Forms are available at IDOR field offices, SOS Driver Services offices, or by calling the IDOR's 24-hour Forms Order Hotline at 1 800 356-6302. Do not make copies of the form prior to completing. The form has a unique transaction number that should not be duplicated. Doing so could delay processing.

Do ***not*** use Form RUT-25-LSE for non-leased items purchased from an unregistered out-of-State dealer or retailer. Instead, use Form RUT-25, Vehicle Use Tax Transaction Return. Also, do ***not*** use Form RUT-25-LSE if you leased an item through an Illinois dealer. Instead, the dealer must complete Form ST-556-LSE, Transaction Return for Leases.

Out-of-State leasing companies should not use this form to report sales to an Illinois resident at the end of a lease. Instead, you must register with IDOR and file Form ST-556, Sales Tax Transaction Return. For more information, see ST-556, Sales Tax Transaction Return Instructions.

Note: You must file Form RUT-25-LSE and submit proof of tax payment or proof of exemption before your title or registration will be issued.

When is Form RUT-25-LSE due?

You must file Form RUT-25-LSE and pay the tax due within 30 days after the date the item is brought into Illinois.

What if I need help?

If you need help, call our Taxpayer Assistance Division weekdays between 8:00 a.m. and 5:00 p.m. at **800-732-8866**, **217-782-3336**, or **800-544-5304** (TTY).

You may also visit our website at **tax.illinois.gov** or scan the QR code provided.

Language assistance services are available upon request and are free of charge.

Specific Instructions

Step 1: Enter the leasing company's information

Enter the name, address, Federal Employer Identification Number (FEIN), and (if applicable) mailing address of the leasing company.

Step 2: Enter the lessee's information

Lines 1 through 3: Enter the name and address exactly as it will appear on the Illinois registration application. The address must be the actual registered address of the party who will be using the leased item in Illinois. Do not use a post office box number. If the motor vehicle is registered under the IRP with a base jurisdiction other than Illinois, but the vehicle is used in Illinois and therefore you need to report use tax on it, enter the actual physical address where the vehicle will be garaged in Illinois.

Line 4: Check the appropriate box to indicate whether the address on Line 3 is in an unincorporated or rural area of the county.

Line 5: Enter the name of the municipality (*i.e.*, city, village, or town) where the item will be registered if the actual municipality is different from what is entered on Line 3. If the motor vehicle is registered under the IRP with a base jurisdiction other than Illinois, but the vehicle is used in Illinois and therefore you need to report use tax on it, enter "State of Illinois."

Line 6: You must provide the name of the Illinois county where the item will be registered. If the motor vehicle is registered under the IRP with a base jurisdiction other than Illinois, enter the county corresponding to the address in Step 2, Line 3.

Line 7: If you entered St. Clair or Madison County on Line 6, you must provide the name of the lessee's township.

Line 8: Enter the lessee's daytime telephone number.

Line 9: Enter the lessee's Federal Employer Identification Number (FEIN) or Social Security Number (SSN).

Step 3: Describe the item being leased

Line 4: Enter the appropriate identification number for the item being leased. Enter the vehicle identification number (VIN) for motor vehicles. Enter the hull identification number (HIN) for watercraft. Enter the aircraft identification number (N) for aircraft.

Lines 5 and 6: You must enter both the original purchase date of the item being leased ***and*** the date the item was brought into Illinois.

Step 4: Mark the box that best describes your transaction *if* exempt from tax

a Lease to a governmental body with an active Illinois Sales Tax exemption "E" number - Enter the governmental body's active "E" number on the line provided.

Note: The lessee must be the governmental body itself rather than a member or officer of the governmental body. The item must be paid for with the governmental body's funds. The governmental body's exemption number must have been in effect on the day you made the sale, and the lease must have been executed or in effect at the time of purchase.

b Lease of farm machinery or equipment for use primarily in production agriculture or lease of a ready-mix concrete truck for use primarily in manufacturing tangible personal property for sale at retail.

c Lease to an interstate carrier for use as rolling stock for hire to haul persons or commodities in interstate commerce - Keep a properly completed Form RUT-7, Rolling Stock Certification, in your records for documentation.

Step 5: Indicate how you determined your selling price

Check the appropriate box to indicate whether the amount you enter in Step 6, Line 1, is comprised of the amount due at lease signing, plus the total of all regular lease payments, with no deduction for trade-ins, or whether this amount is the actual selling price of the item being leased.

Specific Instructions Continued

Rules of eligibility:

Leased first division motor vehicles and qualifying second division motor vehicles: Illinois law requires taxpayers to calculate the tax due using the lease signing amount and total lease payments, with no deduction for trade-ins, when registering leased first division motor vehicles and certain qualifying leased second division motor vehicles that are sold for the purpose of being simultaneously leased under a fixed-term lease contract for a period of more than one year. The qualifying leased second division motor vehicles are those with a gross vehicle weight rating of 8,000 pounds or less, those of a van configuration and designed to transport not less than seven or more than 16 passengers, and those which are self-contained and designed or permanently converted to provide living quarters for recreational, camping, or travel use and have direct walk-through access to the living quarters from the driver's seat.

Note: If a qualifying vehicle is leased for a defined period (*e.g.*, 24, 36, or 48 months) but the contract contains a provision regarding the "Return of the Vehicle" or a similar provision that allows for the lease to continue for a short period (*i.e.*, 1 to 6 months) but only after the lessee (customer) fails to meet the original terms of the lease or only with further agreement by the leasing company, then this provision does not disqualify the lease from being eligible for the alternative definition of "selling price." The lease must be a fixed-term lease contract for a period of more than one year.

For all other leases: You must use the actual selling price. This includes leases of non-qualifying items and leases of qualifying items under a lease contract that is not a defined period, including contracts with a defined initial period with the option to continue the lease on a month-to-month or other basis beyond the defined initial period.

Step 6: Figure tax

Round amounts — Drop amounts of less than 50 cents, and increase amounts of 50 cents or more to the next higher dollar.

Line 1: If you checked Box a in Step 5, enter the amount of the lease contract, including the amount due at lease signing, plus the total amount of all lease payments. Include any charges factored into the lease contract, including, but not limited to extended warranty, registration fees, title fees, negative equity, rebates, cash down payments, and the first month's lease.

Note: The purchase price on which tax is calculated cannot be reduced by the amount of any trade-in. Therefore, if the amount of your lease contract has been reduced because of a trade-in, to figure out the amount to enter on Step 6, line 1, you must add the amount of any trade-in to the amount of the lease contract.

If you checked Box b in Step 5, enter the actual selling price, including amounts for accessories, federal excise taxes, freight and labor, documentary fees, and any rebates or incentives for which a dealer is reimbursed from any source.

Attach a copy of the bill of sale or lease contract, as appropriate, as proof of the selling price and of any tax previously paid. Tax paid must be clearly and separately stated. If you cannot obtain the proper documentation, you may submit a letter from the leasing company or selling dealer.

Note: If you leased a new truck that weighs 33,000 pounds or more or a new trailer or semitrailer chassis weighing 26,000 pounds or more, you may exclude the federal excise tax from the selling price.

Line 2: Enter the total trade-in credit or value.

Note: Trade-in deduction is not allowed if you checked Box a in Step 5. Any amount claimed as trade-in credit must be shown on the dealer's bill of sale or proof of purchase. Do *not* deduct rebates.

Line 4: Depreciation is allowed for items that are purchased and used outside of Illinois by military personnel whose home of record is Illinois and for items that are used by out-of-State businesses relocating into Illinois. The depreciation rate is 1.67 percent (.0167) for each month of out-of-State use. Calculate the applicable percent per whole month from the date of purchase (e.g., 8/28/23 to 9/28/23 = whole month). A fraction of a month will be disregarded. Multiply the number of whole months by the applicable percent, and then multiply Line 3 by the result. Enter the amount of depreciation on Line 4. For items other than motor vehicles (e.g., trailers, manufactured (mobile) homes, watercraft, aircraft, snowmobiles), use the straight line method of depreciation.

Specific Instructions Continued

Line 6: Multiply Line 5 by the tax rate. The tax rate is determined by the address entered in Step 2, Line 3. Use 6.25 percent (.0625) unless otherwise instructed.

Cook County:

- For transactions prior to August 1, 2026, use 7.25 percent (.0725). Beginning August 1, 2026, use 7.5 percent (.0750).

DuPage, Kane, Lake, McHenry, and Will counties:

- For transactions prior to August 1, 2026, use 7.0 percent (.07). Beginning August 1, 2026, use 7.25 percent (.0725).
- For Madison and St. Clair counties, use 6.5 percent (.065), except outside the Metro East Transit District, for which use 6.25 percent (.0625).
- For an IRP-registered motor vehicle with a base jurisdiction other than Illinois that is used in Illinois, use 6.25 percent (.0625).

Line 7: You may claim the amount of tax previously paid on this item either directly to another state or through a retailer. Enter the name of the state or retailer on the line provided. We will allow credit only if the tax previously paid was properly due to another state and is separately stated on the proof of the tax payment. You must attach proof of the tax that you previously paid.

Note: You owe a **late filing penalty** if you do not file a processable return by the due date, a **late payment penalty** if you do not pay the amount you owe by the original due date of the return, a **bad check penalty** if your remittance is not honored by your financial institution, and a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on a bill that we send you. For more information, see Publication 103, Penalties and Interest for Illinois Taxes, available on our website at **tax.illinois.gov**.

Step 7: Sign here

You must sign Form RUT-25-LSE. **Attach a separate payment for tax made payable to the "Illinois Department of Revenue."**

Send Form RUT-25-LSE and any attachments with your title or registration application and fees to the appropriate agency:

Motor vehicles:

OFFICE OF SECRETARY OF STATE
VEHICLE SERVICE DEPARTMENT
HOWLETT BUILDING
SPRINGFIELD, IL 62756

Aircraft:

DEPARTMENT OF TRANSPORTATION
DIVISION OF AERONAUTICS
1 LANGHORNE BOND DRIVE
SPRINGFIELD IL 62707-8415

Watercraft and snowmobiles:

DEPARTMENT OF NATURAL RESOURCES
PO BOX 19226
SPRINGFIELD, IL 62794-9226