

The Retailers' Occupation Tax rate charged on the sale of a motor vehicle in Illinois depends on the rate of tax imposed on the retailer where the sale occurs. See 86 Ill. Adm. Code 130.101(b), 86 Ill. Adm. Code 320.101(a), 86 Ill. Adm. Code 630.101(a), and 86 Ill. Adm. Code 370.101(a). For State-administered tax purposes, sales and use taxes do not apply to lease receipts. The one exception is the short-term rental of automobiles. (This is a GIL.)

July 23, 2015

Dear Ms. XXXX:

This letter is in response to your inquiry to the Attorney General's Office dated May 5, 2015 which was received by the Department on June 2, 2015, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling, and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I was sent here after calling 311 and speaking to someone in the Attorney General's office, but I'm not sure if this is the correct place for my question.

I am leasing a vehicle in Chicago, and I have researched the rates for both sales and use taxes extensively. However, I have consistently received conflicting information from the IL Dept of Revenue, the DMV, the City of Chicago, the Chicago Automobile Trade Association, and several Chicago-area YYYY dealerships.

I do not want to sign a lease until I am SURE of the sales and use tax rates for my home address. What are the current rates of these taxes for a vehicle lease?

**DEPARTMENT'S RESPONSE:**

This letter addresses only those taxes that the Illinois Department of Revenue administers. For taxes administered by a unit of local government, please contact that unit of local government directly.

### **Sale of a Motor Vehicle:**

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. In Illinois, Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois.

The sales tax rate charged on the sale of a motor vehicle in Illinois depends on the rate of tax imposed on the retailer where the sale occurs. In many locations in Illinois, the sales tax rate on the sale of a motor vehicle is 6.25%. See 86 Ill. Adm. Code 130.101(b). However, in addition to the State's 6.25% rate, the following local sales taxes administered by the Illinois Department of Revenue are also imposed on the sale of a motor vehicle:

- Regional Transportation Authority Retailers' Occupation Tax (RTA sales tax) (70 ILCS 3615/4.03(e) and 86 Ill. Adm. Code 320.101(a)), with a rate of 1% for sales in Cook County and 0.75% for sales in DuPage, Kane, Lake, McHenry, and Will Counties,
- County Water Commission Retailers' Occupation Tax (generally DuPage County) (70 ILCS 3620/4(b) and 86 Ill. Adm. Code 630.101(a)), with a rate of 0.25%, and
- Metro-East Mass Transit District Retailers' Occupation Tax (70 ILCS 3610/5.01(b) and (d-6), and 86 Ill. Adm. Code 370.101(a)), with a rate of 0.25% (plus, in St. Clair County, an additional fee of \$20 or 0.5%, whichever is less).

You may determine the sales tax rate for a given motor vehicle dealer by using the Tax Rate Database found on the Department's website at [www.tax.illinois.gov](http://www.tax.illinois.gov). If you click on the "Tax Rate Database" on the left side of the home screen, and then "Sales Tax", and then "Use The Tax Rate Finder" you can choose the municipality in which the dealership is located to determine the sales tax rate on vehicles in that municipality.

In addition, if the motor vehicle is purchased from a retailer in Cook, DuPage, Kane, Lake, McHenry, or Will County and it will be registered to an address in Chicago, the retailer is also required to collect a 1.25% Home Rule Municipal Use Tax imposed by the City of Chicago and administered by the Illinois Department of Revenue.

In addition to these taxes administered by the Illinois Department of Revenue, Cook County and municipalities other than Chicago are authorized to impose their own Use Tax on

motor vehicles registered to an address within Cook County or the municipality. For information on these taxes, you would need to contact the local governments where the vehicle will be registered.

### **Lease of a Motor Vehicle:**

With respect to leases, it is important to understand that the State of Illinois does not impose a tax on the lease of a motor vehicle for a term of more than one year (the lease or rental of an automobile for a term of one year or less *is* subject to the Automobile Renting Occupation and Use Tax. See 35 ILCS 155/1 et seq. and 86 Ill. Adm. Code 180.101). Consequently, with respect to Department-administered taxes, lessees of motor vehicles for a term of more than one year incur no tax liability. Lessors of motor vehicles for a term of more than one year in Illinois are deemed end users of the property to be leased. See 86 Ill. Adm. Code 130.220. As end users of the property located in Illinois, lessors owe Use Tax on the selling price of such property. However, it is typical of such leases to contain contractual provisions stating that the lessees will *reimburse* the lessors for their tax costs. This is not a matter of Illinois tax law but of private agreement between lessors and lessees. If the lessee agrees to such provisions, he or she is bound to satisfy that duty because of a contractual agreement, not because of Illinois tax law. We note that, effective January 1, 2015, Public Act 98-628 changed the definition of “selling price” for qualifying motor vehicles sold for the purpose of being leased for a defined period that exceeds one year so that the taxable selling price is the amount paid under the lease contract rather than the amount that the leasing company pays to the motor vehicle dealer to purchase the car.

In addition, as part of the lease contract, the leasing company may require the motor vehicle dealer facilitating the lease to collect various local use or lease taxes before a vehicle may be leased. The City of Chicago, for example, imposes and administers a tax on leases that the dealer may be required to collect from you. Please contact Chicago for information on this tax.

Finally, you may want to contact the leasing company to determine what taxes you will be asked to pay or reimburse upon entering into a vehicle lease of more than one year.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department’s Taxpayer Information Division at (217) 782-3336.]

Sincerely,

Samuel J. Moore  
Associate Counsel

SJM:mdb

Cc: NAME, Office of the Attorney General, Consumer Protection Division

