

ST 24-0041-GIL 12/11/2024 MISCELLANEOUS

This letter responds to an annual survey. (This is a GIL.)

December 11, 2024

NAME
COMPANY
EMAIL

Dear NAME:

This letter is in response to your letter dated July 3, 2024, in which you requested 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 <https://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:

We are updating the information in the Title and Registration Textbook which is used by government offices throughout the country.....would you like any changes made to the information below for 2025 or is it correct as displayed?

OCCUPATION AND USE TAX/SALES TAX APPLICABLE TO TITLING NOTE:
Updates may be implemented. State tax rate is 6.25% with some locally imposed taxes. RESIDENTS who purchase a new or used vehicle from out-of-state dealers, lending institutions, or leasing companies pay state tax of 6.25% but may include LOCAL TAXES depending on location in the state, on the net price after trade-in allowance, with CREDIT for sales or use taxes paid to other state. MILITARY PERSONNEL ARE NOT EXEMPT from sales taxes. Individuals moving into Illinois are EXEMPT from the USE TAX if vehicle was purchased AND titled in another state for at least 3 months prior to moving into Illinois. With some exceptions, NON-RESIDENTS who purchase a vehicle

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in Illinois for registration in another state are not subject to tax if not titled in Illinois. Nonresidents are not entitled to this exemption if the vehicle will be titled in a

state that does not give Illinois residents an exemption on their purchases in that state of vehicles that will be titled in Illinois (i.e. if there is no reciprocal exemption). Purchaser must acquire or affix driveaway permit or purchaser must affix non-Illinois license plates to remove from Illinois. Vehicles sold to an INTERSTATE CARRIER to be used for hire, governmental body, a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, with an active identification number issued by the Department are EXEMPT. The gift, transfer, or purchase of a vehicle from a private party other than a retailer is subject to PRIVATE PARTY VEHICLE USE TAX (Form RUT-50) on the model year if the selling price was less than \$15,000, and on the selling price if \$15,000 or more. The PRIVATE PARTY VEHICLE USE TAX on gifts, transfers, or purchases of motorcycles and ATVs is \$25.00, and \$15.00 on motor vehicles when the gift, transfer, or purchase of any motor vehicle is between spouse, parent, brother, sister, or child. Effective September 1, 2021, a \$15.00 tax liability applies when a transfer is from one spouse to the other spouse in a dissolution of marriage and the transfer is made no later than 90 days from the date of a final, non-appealable order of dissolution of marriage. The Illinois Department of Revenue collects Chicago and Cook County's Local Vehicle Use Tax on non-retail transactions on Form RUT-50 as well. TAX EXEMPT when transferring to a surviving spouse. NOTE: There are NO USE TAXES on PRIVATE PARTY TRANSFERS on mobile homes, trailers, and snowmobiles. You need a use permit. The gift, transfer, or non-retail purchase of an airplane or boat is subject to the AIRCRAFT or WATERCRAFT USE TAX, respectively, at the rate of 6.25% with no locally imposed taxes. The tax is based on the selling price or fair market value of the airplane or boat, whichever is greater. TAX EXEMPT when purchased from a non-retailer for use by an EXEMPT ORGANIZATION or INTERSTATE CARRIER for hire, is given to a SURVIVING SPOUSE, or is used in PRODUCTION AGRICULTURE. When a customer receives more than one vehicle from a dealer for their trade-in, and no money changes hands (even trade), a completed tax form is required with every Application for Title, regardless of whether taxes are due or not. The net purchase price is defined as the actual purchase price less the trade-in value(s). If the net purchase price is zero or less, then the tax due is zero. To receive assistance with tax computation and for updates please contact the Illinois Department of Revenue at (800) 732-8866 or (217) 782-3336. By mail contact Illinois Department of Revenue, Sales and Use Taxes, 101 W. Jefferson Street, Springfield, IL 62702 and on the Internet <https://tax.illinois.gov/>. Also

consider accessing the Leveling the Playing Field for Illinois Retail Act and 86 Ill. Adm. Code 131.101 et seq. NOTE: Updates may be implemented, for details please contact the state. (Also See Section V.)

OCCUPATION USE TAX/SALES TAX APPLICABLE TO REGISTRATION —

None. For information please contact the Illinois Department of Revenue at (800) 732-8866 or (217) 782-3336. By mail contact Illinois Department of Revenue, Sales and Use Taxes, 101 W. Jefferson Street, Springfield, IL 62702 and on the Internet <https://tax.illinois.gov/>. NOTE: Updates may be implemented, for details please contact the state. (Also See Section I.)

LEASED VEHICLES — NOTE: Updates may be implemented. A leased vehicle

is a motor vehicle, which has its possession or right of possession transferred to a user for a valuable consideration FOR A PERIOD OF ONE YEAR OR MORE. Evidence of insurance is not required at the time of registration, but Illinois motorists will need to carry an Illinois Insurance Card showing proof of minimum mandatory insurance coverage. On RENTALS (a motor vehicle which has its possession or right of possession transferred to a user for a valuable consideration FOR A PERIOD OF LESS THAN ONE YEAR), you must submit proof of insurance, \$50,000 / \$100,000 / \$50,000, or a combined single limit coverage of \$150,000. You must carry a current rental agreement in the vehicle to serve as evidence of liability insurance. If registering a newly purchased rental passenger vehicle for the first time, the registration fee shall be prorated from and including month of purchase through December of the year of purchase. The fee is \$12.00 per month. If registering for the first time in Illinois a rental passenger vehicle that has been previously registered by the same owner in another state, the registration fee shall be prorated from and including month the vehicle becomes subject to registration in Illinois through December of that year. TAXES — All vehicles brought into Illinois to be titled and registered require an Illinois Use Tax Transaction Return (Form RUT-25) to be filed within 30 days of bringing the vehicle into the state. (Note: Taxes on vehicles purchased from an Illinois dealer are generally handled directly by the dealer.) For LEASED VEHICLES (periods of more than one year): Lessor is considered user of the vehicle and incurs Illinois Use Tax liability when vehicle is brought into the state. Effective January 1, 2015, the taxable “selling price” of motor vehicles of the first division and certain motor vehicles of the second division sold for the purpose of leasing the vehicles for a defined period of more than one year is based on the amount of the lease contract, with no credit for trade-ins. See the definition of “selling price” at 35 ILCS 120/1. The Illinois Use Tax is due upfront at the time of applying for title and registration and is based on address of lessee where vehicle will be titled and registered.

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The STATE TAX rate is 6.25% but may include LOCAL TAXES up to 7.25% depending on location in the state. For a sale of a leased vehicle a Bill of Sale or other specific proof of the purchase price must be submitted with the Use Tax Return. Trade-in deduction (except in cases where the taxable selling price is the amount of the lease contract) and/or credit for sales tax previously paid in another state is allowed to reduce Illinois Use Tax but only if clearly and separately stated on the Bill of Sale or other proof of purchase. For RENTAL VEHICLES (one year or less): Renter is considered user of vehicle. If renter is currently registered to collect AUTOMOBILE RENTING TAX in Illinois, vehicle is exempt from up front Illinois Use Tax, however a Use Tax Return is still required when applying for title and registration. Renter pays Automobile Renting Tax each month based on receipts received from renting. AUTOMOBILE RENTING TAX rate is 5% STATE, 1% LOCAL (if applicable), and 6% METROPOLITAN PIER AND EXPOSITION AUTHORITY (if applicable). No PERSONAL PROPERTY TAXES. MUNICIPAL OR COUNTY USE TAX on vehicles imposed by certain home rule municipalities or by Cook County, which, except for Chicago in some cases, are administered and collected by the municipality or county. The Illinois Department of Revenue administers collections of state taxes on vehicles. NOTE: Updates may be implemented please contact Taxpayer Assistance at (800) 732-8866 or (217) 782-3336. The issuance of titles and registrations of vehicles are administered by the Office of the Secretary of State. For more information, call (217) 782-6387. (Also See Section I and V).

DEPARTMENT'S RESPONSE:

The Department cannot approve third-party publications. You should consult the [Illinois Complied Statutes](#), [Administrative Code](#), and Department's publications for information on these matters. However, several recently enacted public acts may require a reevaluation of your explanation of Illinois sales tax

Beginning on January 1, 2025, a retailer maintaining a place of business in this State that makes retail sales of tangible personal property to Illinois customers from a location or locations outside of Illinois is engaged in the occupation of selling at retail in Illinois for the purposes of the Retailers' Occupation Tax Act. Such retailers are liable for all applicable State and locally imposed retailers' occupation taxes administered by the Department on retail sales made by such retailers to Illinois customers from locations outside of Illinois. 35 ILCS 120/2(b-2). The retailer is engaged in the business of selling at the Illinois location to which the tangible personal property is shipped or delivered or at which possession is taken by the purchaser. 35 ILCS 120/2-12(8) as amended by P.A. 103-983.

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Article 75 of Public Act 103-592 provides, among other things, that the tax imposed by the Retailers' Occupation Tax Act on tangible personal property includes leases of trailers that are required to be registered with an agency of this State, other than semitrailers as defined in Section 1-187 of the Illinois Vehicle Code, for leases in effect, entered into, or renewed on or after January 1, 2025. The lessor, in collecting the tax, may collect for each tax return period, only the tax applicable to that part of the selling price received during such tax return period. Effective January 1, 2025, sellers of trailers that are required to be registered with an agency of this State, other than semitrailers as defined in Section 1-187 of the Illinois Vehicle Code, to persons engaged in the business of leasing or renting the trailers are authorized to sell these trailers as a nontaxable sale for resale if the lease or rental of the trailers will be subject to Retailers' Occupation Tax. Effective January 1, 2025, persons engaged in the business of leasing or renting such trailers are subject to Illinois Retailers' Occupation Tax and Use Tax and must report and pay tax on their lease or rental receipts as they are collected from the customer.

Beginning with returns due on or after January 1, 2025, the retailer's discount allowed to reimburse the retailer for the expenses incurred in keeping records, preparing and filing returns, remitting the tax and supplying data to the Department on request under the Retailers' Occupation Tax Act and the Use Tax Act, including any local tax administered by the Department and reported on the same transaction return, shall not exceed \$1,000 per month for all transaction returns filed during the month. 35 ILCS 120/3 as amended by P.A. 103-592.

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

Very truly yours,

Samuel J. Moore
Associate Counsel

SLM:slc