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Automobile Renting Occupation and Use Tax

The information in this publication is current as of the date of the publication. Please visit our website at **tax.illinois.gov** to verify you have the most current revision.

This publication is written in the plain English style so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes or the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, or 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.

About this publication

Knowing how Illinois tax laws apply to your business can save you time, trouble, and money. The information included in this publication supplies you with general tax information involving the rental of items that are subject to Automobile Renting Occupation and Use Tax to help you collect the proper amount of tax due and to help you file your returns correctly.

As a business renting motor vehicles, you are responsible for

- collecting the correct amount of tax on every rental you make,
- properly documenting the tax-exempt rentals you make,
- sending the tax you have collected and any tax you owe with your properly completed **Form ART-1, Automobile Renting Occupation and Use Tax Return**, by the due date, to the Illinois Department of Revenue, and
- keeping complete and accurate books and records for all rentals and purchases.

Taxpayer Bill of Rights

You have the right to call the Department of Revenue 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 Department notices by asking questions, paying the amount due, or providing proof to refute the Department's findings.

You have the right to appeal Department 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 to a credit (or, in some cases, a refund) of that overpayment.

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

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

Get Illinois Department of Revenue forms and information at tax.illinois.gov

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Registering Your Business

Who must register for Automobile Renting Occupation and Use Tax?

(See 86 Illinois Administrative Code Parts 180 and 190.)

You should register for Automobile Renting Occupation and Use Tax if you rent automobiles, pickup trucks, sport utility vehicles (SUVs), motorcycles and motor-driven cycles, qualifying motor homes or recreational vehicles, or qualifying vans for periods of one year or less.

Note: If you are a marketplace facilitator (e.g., peer-to-peer car sharing platform) who rents these items for periods of one year or less and meets a tax remittance threshold, you must register for Automobile Renting Occupation and Use Tax. See Private Letter Ruling [ST-22-0002-PLR \(2/1/2022\)](#).

How do I register?

Register with the Department electronically using [MyTax Illinois](#):

If you have not previously registered for any Illinois taxes, select “Register a New Business (Form REG-1)” and complete the registration application. After you receive an email that your business is registered with the Illinois Department of Revenue (IDOR) or Illinois Department of Employment Security (IDES), you can activate your MyTax Illinois account. Please allow 24 hours from your registration confirmation email before activating a logon for MyTax Illinois. To create a MyTax Illinois account, return to MyTax Illinois, select the “Sign up” button, and then submit the requested information.

If you are a Corporation, S-Corp, Partnership, or LLC organization type and are registered for other tax accounts, and have a MyTax Illinois account, you can register for new tax types by simply logging into your existing MyTax Illinois account, selecting “More...” and then selecting “Register for New Tax Accounts” to complete registration.

Sole proprietorships can only register for new tax accounts by selecting “Register a New Business (Form REG-1)” and completing Form REG-1, the Illinois Business registration application.

If you choose to register using the paper application, complete and sign Form REG-1, Illinois Business Registration Application, allow 6-8 weeks for processing and mail or fax it to:

**CENTRAL REGISTRATION DIVISION 3-222
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030
Fax: 217 785-6013**

How do I activate a MyTax Illinois account?

Once your business is registered with IDOR or IDES, you can activate your MyTax Illinois account. Please allow 24 hours from your registration confirmation email before activating a logon for MyTax Illinois. To activate an account for business, you can use one of the following options:

- Owner/Officer or Responsible Party Social Security Number
- PIN previously issued by the Department (used for certain electronic filing methods, such as Webfile and third-party tax software, separate from MyTax Illinois)
- Account Activity validation

This activation process is to help ensure only individuals who are authorized by their organization gain access to a business’s tax information.

How will I know that I have successfully registered?

We will issue you a certificate of registration. This certificate is your permit to engage in the business of renting items subject to Automobile Renting Occupation and Use Tax. It lists your Illinois Account ID, business name, address, effective date, the tax for which you are registered, and the date the certificate will expire.

You must display your certificate in the place of business for which it was issued and where it can be easily viewed by the public.

If your company has more than one rental outlet within Illinois, we will supply a certificate of registration for each site from which you make rentals. The individual site address will be on each certificate so that you can display the appropriate certificate in the place of business for which it was issued.

Will I need to renew my certificate?

Your certificate of registration expires after one years. Unless we notify you otherwise, we will automatically renew your certificate of registration.

What if my certificate is lost, damaged, or destroyed?

If your certificate is lost, damaged, or destroyed, you can print a replacement using MyTax Illinois, available at [MyTax Illinois](#). You can also contact our Central Registration Division to request a new certificate.

What if I change the location of my business or one of my sites?

If you change the location of your business or, for multiple site filers, change the location of one of your sites, you can update your registered locations using MyTax Illinois, available at [MyTax Illinois](#). You can also contact our Central Registration Division. It is important for you to keep this information up to date to ensure you are filing using the correct tax rate. This is also important to the Department to ensure that we issue local tax allocations to the proper jurisdiction.

What if I discontinue my business or one of my business locations, change my business structure, or sell any or all of my business?

If you discontinue your business, you must destroy all certificates related to that business. If you discontinue one of your sites, you must destroy the certificate for that site.

If you change the structure of your business, (for example, changing from a sole proprietor to a corporation) you must

- tell us to discontinue the old business entity, and
- register the new business entity by completing a new Form REG-1, Illinois Business Registration Application.

Note: Certificates of registration cannot be transferred.

In addition, you must update your registration information with the Department. MyTax Illinois, available at [MyTax Illinois](#), allows you to close your existing business and register a new one or to maintain your registered locations. You can also contact our Central Registration Division so that we can update our records. It is very important for you to notify us when you go out of business or discontinue a location.

You must complete and file Form CBS-1, Notice of Sale, Purchase, or Transfer of Business Assets, if, outside your usual course of business, you sell or transfer

- the major part of the stock of goods that you are in the business of renting,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business.

Who do I contact if I have questions about registration?

For registration questions, see our Taxpayer Answer Center, available on our website at [tax.illinois.gov](#). If you cannot find an answer, you can email the Department from the Taxpayer Answer Center. You also can call our Central Registration Division at **217 785-3707**.

Requirements for Businesses That Rent Motor Vehicles and File Form ART-1

On what rentals must I collect and pay the Automobile Renting Occupation and Use Tax?

(See 86 Illinois Administrative Code Parts 180 and 190.)

You must collect and pay Automobile Renting Occupation Tax if you rent or lease automobiles, pickup trucks, sport utility vehicles (SUVs), motorcycles and motor-driven cycles, qualifying motor homes and recreational vehicles, and qualifying vans within Illinois for a period of one year or less. See 86 Illinois Administrative Code Section 180.101(b). The Automobile Renting Occupation Tax rate on automobile rentals is 5 percent (.05). See 86 Illinois Administrative Code Section 180.101(a).

In addition, if you are an out-of-state business that rents these items to Illinois persons, corporations, firms, or associations, you are required to collect and pay Automobile Renting Use Tax on the receipts you have collected. The Automobile Renting Use Tax rate is 5 percent (.05). See 86 Illinois Administrative Code Section 190.101(a). See “How can I find out what tax rates I should be collecting?” on the next page for additional information.

What form must I use to report Automobile Renting Occupation and Use Tax?

You must file Form ART-1, Automobile Renting Occupation and Use Tax Return, for each reporting period and pay the tax collected from your rentals.

If you make rental transactions from more than one location, you also must complete and file Form ART-2, Multiple Site Form, to report specific tax information for each site.

What are some common types of transactions that are exempt from this tax?

(See 86 Illinois Administrative Code Section 180.130 for a comprehensive list of exemptions.)

Some common exemptions from this tax are:

- vehicles rented by organizations that have been issued an active Illinois exemption number by the Department, and
- receipts received by automobile dealers from manufacturers or service contract providers for the use of “loaner” vehicles while dealers make warranty or service contract repairs on customers’ vehicles.

Note: Sales of vehicles that will be rented for terms of more than one year are subject to Retailers’ Occupation Tax or Use Tax. See Publication 113, Retailer’s Overview of Sales and Use Tax and Prepaid Wireless E911 Surcharge.

Are other fees related to renting a motor vehicle subject to Automobile Renting Occupation and Use Tax?

Separately stated fees are not subject to tax. Such separately stated items may include:

- additional insurance coverage,
- the cost of refueling a rented automobile, or
- a waiver from the rental business that explains it does not have the right to take action or to make a claim against the party renting the motor vehicle for any loss or damage to the automobile that was rented.

Fees that are not separately stated may be subject to tax.

What factors determine the tax rates that apply to the rental transactions I make?

Generally, it is the location of your Illinois business or, if you are a multiple location filer, each of your Illinois sites that determine the rate of tax.

The rate of tax that applies to rental transactions made **within Illinois** depends on the location where the rental is made.

For **out-of-state** rental businesses, if the automobile being rented to someone in Illinois is delivered from an out-of-state location, the Illinois Automobile Renting Use Tax rate is 5 percent (.05). If the automobile being rented is delivered from an Illinois warehouse or distribution center, the transaction is subject to Automobile Renting Occupation Tax rather than Automobile Renting Use Tax, and the Illinois location from which the product is delivered determines the rate of tax.

Note to marketplace facilitators: The Automobile Renting Occupation and Use Tax Act incorporates the Sections of the Retailers’ Occupation Tax Act related to marketplace facilitators. See 35 ILCS 155/3 and 4. An automobile rental company operating a peer-to-peer motor vehicle sharing platform is acting as a marketplace facilitator subject to the same provisions and requirements as a marketplace facilitator under the Retailers’ Occupation Tax Act. See Illinois Private Ruling Letter [ST-22-0002-PLR \(2/1/2022\)](#).

How are my tax rates determined?

The following are the tax rates that could apply to your rental transactions:

- The state tax rate for automobile renting is 5 percent (.05).
- Local governments are authorized to impose tax of up to 1 percent (.01).
- The Metro-East Mass Transit District (MED) is authorized to impose tax of up to 1 percent (.01) in those counties comprising the MED District.
- The Regional Transportation Authority (RTA) is authorized to impose tax of up to 1 percent (.01) in Cook County and up to 0.25 percent (.0025) in DuPage, Kane, Lake, McHenry, and Will counties.
- The Metropolitan Pier and Exposition Authority (MPEA) imposes a 6 percent (.06) tax on automobile rental receipts within Cook County. Taxi and livery services are excluded from the MPEA tax.

Each tax listed above is separately calculated on the return.

How can I find out what tax rates I should be collecting?

To verify your tax rates go to the [MyTax Illinois Tax Rate Finder](https://mytax.illinois.gov) at mytax.illinois.gov. If you file your return using [MyTax Illinois](https://mytax.illinois.gov), your rates will be populated for you for each registered location.

When does someone owe Automobile Renting Use Tax, and how is it reported?

Illinois law requires you to pay Automobile Renting Use Tax when you rent a motor vehicle and you did not pay Illinois Automobile Renting Use Tax to a rental business. You must report use tax on Form ART-1.

How do I show Automobile Renting Occupation and Use Tax on my rental contracts?

State the tax collected separately from the rental price on the receipts you give your customers.

Must I file Form ART-1 even if I have no rental receipts to report?

Yes. You must file a processable (*i.e.*, signed) Form ART-1 for each reporting period regardless of whether you have receipts to report.

When is my return and tax payment due?

You must file your Form ART-1 and pay any tax due on or before the 20th day of the month following the end of the reporting period.

You must file Form ART-1 on a monthly basis, unless we notify you otherwise.

Note: If the due date falls on a weekend or state holiday, your return and payment is due the next business day.

Is there an incentive for paying the tax I have collected on time?

Yes. If you file your return and pay the tax on time, you are allowed to take a discount of 1.75 percent (.0175) of the state portion of the tax you collected on receipts from rentals.

How do I file my return?

You can file Forms ART-1 and ART-2 using MyTax Illinois, available at [MyTax Illinois](https://mytax.illinois.gov). These forms are also available on our website at tax.illinois.gov and can be printed and mailed to the following address:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19037
SPRINGFIELD IL 62794-9037**

If you are unable to use MyTax Illinois and cannot obtain the forms from our website, please contact us by email at REV.OrderTaxForms@illinois.gov or call us at 1 800 732-8866 or 217 782-3336 to request paper forms be mailed to you.

Do not mail Form ART-1 in the same envelope with any other type of return. Also, do not submit a paper form if you have already sent your return using MyTax Illinois.

What if I do not file and pay by the due date?

If you do not file your return and pay the tax due by the due date, we will assess you for any tax due (including any portion of disallowed timely filing discount) plus penalty and interest. For detailed information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes.

What if I make a mistake on my return?

If you made a mistake on your original Form ART-1, you must file Form ART-1-X, Amended Automobile Renting Occupation and Use Tax Return. If the mistake occurred on your original Form ART-2, you must also file Form ART-2-X, Amended Multiple Site Form. If you filed your return using MyTax Illinois, you can amend your return using that system. MyTax Illinois is available at [MyTax Illinois](https://mytax.illinois.gov). Amended forms also are available on our website.

Keeping Complete and Accurate Books and Records and Miscellaneous Information

What books and records must I keep?

(See 86 Illinois Administrative Code Section 130.801 through 130.825.)

You must keep

- books and records of all your rental receipts;
- documents about inventory changes, shipments, or other transactions;
- accounts receivable records;
- accounts payable records;
- summaries or ledger accounts;
- records or working papers that are used in the preparation of your tax returns; and
- copies of the tax returns you file.

What records must I keep about the rental transactions I make?

At minimum, you must keep

- the cash register tapes and other data that provide a daily record of the gross amount of rental transactions; and
- a yearly inventory of the value of the stock on hand.

These records must distinguish taxable from nontaxable transactions. You must keep these records for all rental transactions, regardless of whether you believe they are taxable.

What records are required to support a deduction taken on my tax return for an exempt transaction?

(See 86 Illinois Administrative Code Section 130.810.)

In order to support each deduction, your records must include

- the name and address of the rental business;
- the character of each transaction (e.g., a rental to an exempt organization);
- the date of each transaction;
- the amount of receipts from each transaction; and
- any other information that establishes the nontaxable nature of the transaction.

Must I maintain my books and records on paper?

(See 86 Illinois Administrative Code Section 130.805.)

No. You can also maintain books and records on electronic media. In general, these records are acceptable as long as they are authentic, accessible, readable, and able to be reproduced.

How long must I keep books and records?

(See 86 Illinois Administrative Code Section 130.815.)

In general, you must keep books and records that document receipts for the tax period covered by your return for three and one-half years after you have filed an original or amended return.

If a Notice of Tax Liability or Notice of Assessment has been issued, you must keep books and records that document receipts for the tax period for which the notice was issued. Keep these records until the liability has been finalized or discharged.

Are there any other requirements?

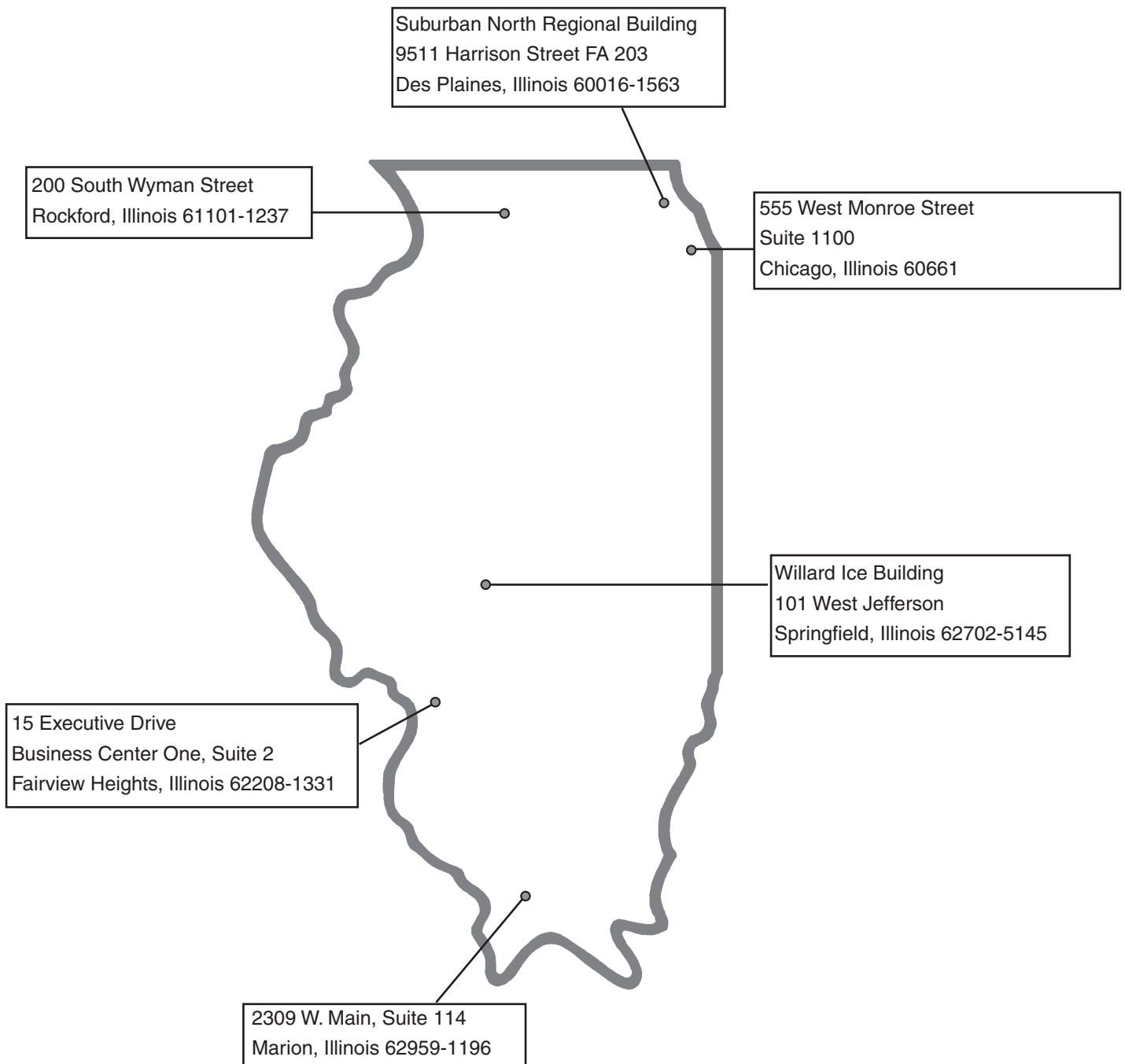
Your books and records must

- be available for inspection by the Illinois Department of Revenue during normal business hours;
- be kept in the English language;
- be kept in Illinois unless you have received written permission from us to keep them in another location; and
- contain information regarding the deductions you claim.

Is tax due on a vehicle I sell from my rental inventory?

Yes. You should collect Retailers' Occupation Tax when you sell a vehicle that has been in your rental inventory. The sales transaction should be reported on Form ST-556, Sales Tax Transaction Return.

Office Locations



Contact Information

Visit our website at tax.illinois.gov. For specific phone number and email contacts see our [Contact Us](#) page.

Call us at **1 800 732-8866** or **217 782-3336**.

Call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Write us at Illinois Department of Revenue, PO Box 19001, Springfield, IL 62794-9001.

Call our 24-hour Forms Order Line at **1 800 356-6302**.