

This letter discusses the application of taxes on lease receipts imposed by a home rule unit of local government. (This is a GIL).

April 7, 2026

NAME
TITLE
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your email dated March 18, 2026, 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.

INQUIRY:

I work at COMPANY, a consumer credit calculation software company. One of our software solutions is used by motor vehicle finance companies throughout the country to calculate vehicle sale and lease transactions, incorporating relevant taxes and fees.

I understand that as of January 1, 2025, gross receipts from the lease of personal property (including motor vehicles) that is subject to Chicago’s Personal Property Lease Transaction Tax are exempt from the State and

Department-administered local retailers' occupation taxes, as stated in this GIL.

- In the example where a Chicago resident leases a motor vehicle from a Chicago dealership, is the Chicago Personal Property Lease Transaction Tax (15% as of January 1, 2026) the only tax applied to the transaction?
 - If no, what additional tax(es) apply, e.g., the RTA tax?
 - If yes, does this change if the Chicago resident leases a motor vehicle from a non-Chicago dealership?
- Is the taxable "selling price" to which the CPPLTT is applied the same as the "selling price" as defined in IL Dept. of Revenue ST-9-LSE?

Thank you for your assistance with this matter, as the information will help our clients ensure they are calculating Illinois motor vehicle lease taxes appropriately.

DEPARTMENT'S RESPONSE:

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. See 35 ILCS 120/2; 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 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois.

Effective January 1, 2025, in accordance with the provisions of Article 75 of Public Act 103-592, persons engaged in the business of leasing tangible personal property at retail ("lessors") in Illinois are subject to State and local retailers' occupation tax on the gross receipts from leases of tangible personal property made in the course of business. See 35 ILCS 120/2. A "lease" is defined as a transfer of the possession or control of, the right to possess or control, or a license to use, but not title to, tangible personal property for a fixed or indeterminate term for consideration, regardless of the name by which the transaction is called, but does not include a lease entered into merely as a security agreement that does not involve a transfer of possession or control from the lessor to the lessee. On and after January 1, 2025, for purposes of State and local retailers' occupation taxes, the term "sale" includes a lease. See 35 ILCS 120/1. The tax applies to lease receipts received on or after January 1, 2025 for leases in effect, entered into, or renewed on or after that date. The lessor must remit for each tax return period the tax applicable to lease receipts received during that tax return period. See 35 ILCS 120/2.

The inclusion of leases in the tax imposed under the Retailers' Occupation Tax Act by Article 75 of Public Act 103-592 does not, however, extend to motor vehicles, watercraft,

aircraft, and semitrailers, as defined in Section 1-187 of the Illinois Vehicle Code, that are required to be registered with an agency of this State. The taxation of these items continues as prior to January 1, 2025 (i.e., dealers owe retailers' occupation tax, lessors owe use tax, and lessees of these items are not subject to retailers' occupation or use tax).

Gross receipts from the lease of property that is subject to a tax on lease receipts imposed by a home rule unit of local government are exempt from the State and Department-administered local retailers' occupation taxes (such as Home Rule ROT, RTA, MED, etc.) if the ordinance imposing the home rule tax was adopted prior to January 1, 2023. See 35 ILCS 120/2-5(49)(2) as added by Article 75 of Public Act 103-592. Specifically, gross receipts from the lease of property that is subject to Chicago's Personal Property Lease Transaction Tax are exempt from the State and Department-administered local retailers' occupation taxes. To determine what applicable taxes make up the total tax rate for a given jurisdiction, you may use the Department of Revenue's "Tax Rate Finder" at <https://mytax.illinois.gov/> to determine the combined State and local tax rate.

Important to note and regarding leases and sourcing, the lease of tangible personal property that is subject to the tax on leases under Article 75 of Public Act 103-592 is sourced as follows:

- (i) For a lease that requires recurring periodic payments and for which the property is delivered to the lessee by the lessor, each periodic payment is sourced to the primary property location for each period covered by the payment. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location is not altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.
- (ii) For all other leases, including a lease that does not require recurring periodic payments and any lease for which the lessee takes possession of the property at the lessor's place of business, the payment is sourced as otherwise provided under this Act for sales at retail other than leases.

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 800-732-8866.

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Very truly yours,

George L. Encarnacion, Jr.
Associate Counsel

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