

ST 26-0016-GIL 05/05/2026 GROSS RECEIPTS

Gross receipts include all the consideration actually received by the seller, which includes late charges and penalties for late payment. 86 Ill. Adm. Code 130.420.
(This is a GIL).

May 5, 2026

NAME
TITLE
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your email dated March 25, 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 represent a tax software firm that monitors all state and local indirect taxes across the United States called COMPANY. Customers leverage our software to ensure maximum compliance with state and local indirect tax collection and remittance requirements. We are inquiring about the taxability of “Late Charges” in Illinois, which we would define as “The amount charged a customer when the periodic lease/rental payment is received after the due date.”

Would those charges be taxable? And would it matter if it was a “lease/rental” transaction or a “sales” transaction?

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 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.

Effective January 1, 2025, 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. This includes the extension of all exemptions from Retailers’ Occupation Tax and Use Tax to leases. See 35 ILCS 120/2-5. 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.

Gross receipts subject to Retailers’ Occupation Tax are defined as “all the consideration actually received by the seller, except traded-in tangible personal property.” See 86 Ill. Adm. Code 130.401. If a seller adds a late charge or other penalty to the base retail price in the event that the purchaser does not pay such price within a specified time and such penalty is paid to the seller, such penalty becomes part of the taxable gross receipts from the sale. See 86 Ill. Adm. Code 130.420(b). With the inclusion of leases as subject to State and local retailers’ occupation taxes, this equally applies to lease transactions. See 35 ILCS 120/1.

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,

A handwritten signature in black ink, appearing to be "GE" with a long horizontal stroke extending to the right.

George L. Encarnacion, Jr.
Associate Counsel

GLE:sce