

ST 26-0017-GIL 05/06/2026 LEASING

If the true object of the transaction is the service and tangible personal property is transferred by lease incident to the sale of service, the transfer of tangible personal property by lease is subject to the Service Occupation Tax Act. See 86 Ill. Adm. Code 130.102. (This is a GIL).

May 6, 2026

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated March 5, 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:

This private letter ruling request is submitted pursuant to 2 Ill. Adm. Code 1200.110 on behalf of our client, COMPANY1 (“taxpayer”). I have attached Power of Attorney Forms IL-2848, IL-2848-A and IL 2848-B granting a power of attorney to the undersigned and NAME. This private letter ruling request is made with respect to an issue involving the Retailers' Occupation Tax, the Service Occupation Tax and related taxes.

Pursuant to Section 1200.110(a)(3)(C), the issue for which this ruling is being requested is not being examined as part of a Department audit, nor is there

pending litigation involving the taxpayer or a related taxpayer in which the Department is named as a plaintiff or defendant.

Pursuant to Section 1200.110(a)(3)(D) of the Department's rules, there is no case law or regulations dispositive of the subject of the request.

This ruling request is on behalf of taxpayer who operates a waste disposal service. Taxpayer requires customers of the waste disposal service to load the waste into dumpsters provided by taxpayer. Taxpayer does not pick up and dispose of waste from customers that do load the waste into taxpayer-provided dumpsters and customers may not supply their own dumpsters.

We seek a private letter ruling from the Department ruling that under the facts and applicable Illinois law and regulations, the true object of taxpayer's business is a waste disposal service, and the dumpsters supplied to customers for loading the waste prior to pick up and disposal by taxpayer are incidental to the provision of the service. As a result, taxpayer is de minimis serviceman under the Illinois Service Occupation Tax Act and is not a lessor of dumpsters under the Retailers' Occupation Tax.

I. Statement of Facts and Relevant Information

Taxpayer is a locally family-owned waste disposal service. Taxpayer provides waste material disposal for residential and commercial projects. "Waste material" consists of all non-hazardous solid waste, organic waste and if applicable, recyclables generated by customers. Taxpayer provides roll-off dumpsters to contain the waste for pickup from customers as a part of their service. The cost of the service and the size of the dumpster depends upon the amount of waste material to be disposed of by the customer.

Customers sign a service agreement with taxpayer for disposal of waste material for a flat fee. The dumpsters are the vessels used for the collection of waste material. Taxpayer will not enter into a service agreement for pick up and disposal of waste without the use of its dumpsters for waste collection. Taxpayer does not enter into agreements for the rental of dumpsters separately from Taxpayer's waste disposal service.

Taxpayer does not make sales of tangible personal property and is not registered under the Retailers' Occupation Tax Act. When taxpayer purchases dumpsters from retail suppliers of dumpsters taxpayer pays applicable state and local sales and use taxes to the sellers of the dumpsters.

II. Contracts and Agreements

The service agreement between customers and the taxpayer establishes a flat rate charge based upon the volume and weight of the waste material to be disposed of by the customer. The size of the dumpster provided to the customer depends on the volume of waste material to be disposed of by the customer. Additional charges are imposed if the materials exceed the contracted for weight or if cleaning is needed due to loading of restricted or hazardous material into the dumpsters. A copy of a typical service agreement is attached to this request.

III. Tax Periods at Issue

The tax periods at issue are all periods beginning with January 1, 2025.

IV. Prior Rulings

To the best of the knowledge of the taxpayer and taxpayer's representative the Department has not previously ruled on the same or a similar issue for the taxpayer or a predecessor. Neither taxpayer nor any representatives has previously submitted the same or a similar issue to the Department but withdrew it before a letter ruling was issued.

V. Supporting Authorities

Article 75 of P.A. 103-592 imposed the Retailers' Occupation Tax on persons engaged in the business of leasing at retail tangible personal property effective January 1, 2025.

The Department adopted rules implementing and explaining the scope of the changes made by Article 75 of P.A. 103-592. This rulemaking added 86 Ill. Adm. Code Section 130.102, "Tax Imposed on Leases of Tangible Personal Property on and after January 1, 2025." The rule was adopted effective January 8, 2026.

Section 130.102(a) provides in relevant part that two decision points in determining the taxability of a transaction are "... whether or not the transaction is a service transaction, and, if not whether service charges included with the lease are subject to retailers' occupation tax." In making such determinations, the Department's rules adopt a "true object test" in subsection 130.102(a)(l).

Section 130.102(a)(l) provides in relevant part that “[i]f it is determined that a transaction includes a taxable lease of tangible personal property, it must be determined whether the transaction is a retail lease transaction or a transfer by lease of tangible personal property incident to a sale of service. To make this determination, the lessor must determine the true object or substance of the transaction.”

Section 130.102(b) provides that “[i]f it is determined that the true object of the transaction is the service and that the tangible personal property is transferred by lease incident to a sale of service, tax on the transfer of the tangible personal property by lease is calculated under the Service Occupation Tax Act.”

The Service Occupation Tax is a tax on tangible personal property transferred incident to a sale of service. See 86 Ill. Adm. Code 140.101. Tangible personal property transferred to a service customer may result in Service Occupation Tax or Use Tax liability for the serviceman. There are 4 ways in which the liability may be calculated.

Prior to the adoption of regulations implementing P.A. 103-592, the Department issued private letter ruling ST 25-0001-PLR. Although private letter rulings are only binding for the party to whom the ruling is issued, and this ruling was adopted prior to the Department's regulations, we believe it is instructive. The Department ruled that under the facts presented in the ruling request, the transactions constituted waste removal services in which a dumpster is leased as an incident of the sale of waste removal service. The Department concluded that without the waste removal service, the dumpster is of little to no value to the customer. As such the provisions of the Service Occupation Tax would apply to the transactions.

VI. Contrary Authorities

Taxpayer is unaware of any contrary authorities.

VII. Ruling Requested

We respectfully request a ruling that the transactions engaged in by taxpayer are waste removal services in which a dumpster is leased as an incident of the sale of the waste removal service. The “true object” of such transactions is the waste removal service. Dumpsters are the vessels for the transfer of waste from the customer to taxpayer.

The provisions of the Service Occupation Tax apply to taxpayer's transactions. As an unregistered de minimis serviceman, Taxpayer pays tax to suppliers when purchasing dumpsters and no tax is charged customers of its waste removal service.

If you have any questions or need any additional information, please contact NAME at PHONE or EMAIL.

DEPARTMENT'S RESPONSE:

As you note, ST 25-0001-PLR was issued prior to the effective date of the rules implementing changes to the taxation of leases of tangible personal property on and after January 1, 2025, at 86 Ill. Adm. Code 130.102. Under the new rule, the analysis is the same. It must be determined whether the transaction is a service transaction that includes the transfer of tangible personal property by lease, or, if a retail transaction, whether service charges included with the lease are subject to retailers' occupation tax. See 86 Ill. Adm. Code 130.102(a). The new rule also uses the true object test that was used in ST 25-0001-PLR to make that determination. See 86 Ill. Adm. Code 130.102(a)(1).

Therefore, the adoption of the new rule would not have changed the result in ST 25-0001-PLR, which was based on the transactions constituting waste removal services in which dumpsters were leased as an incident of the sale of waste removal service, because without the waste removal service, the dumpster was of little to no value to the customer. This resulted in the provisions of the Service Occupation Tax Act applying to the transactions, which would be the same under the new rule. The facts presented in your letter are similar enough to those in ST 25-0001-PLR that the same rule and the same analysis apply (with the addition of new authority to cite to in the new rule).

Rather than restate ST 25-0001-PLR in its entirety, we refer you to that letter for detailed guidance and summarize here. A serviceman who is not required to or who does not voluntarily register with the Department must calculate the cost ratio of tangible personal property transferred over total income from services to determine whether the serviceman is de minimis. An unregistered de minimis serviceman owes Use Tax to its suppliers when it purchases tangible personal property that will be transferred incident to its sales of service. If the suppliers do not collect that tax, the serviceman must self-assess and remit it to the Department. No tax is charged to the serviceman's customer. A registered de minimis serviceman is subject to Service Occupation Tax on the serviceman's cost price of tangible personal property transferred incident to its sales of service. Such servicemen should give suppliers resale certificates and remit Service Occupation Tax, and must also collect a corresponding amount of Service Use Tax from their customers, absent an exemption.

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If the serviceman's cost ratio is above the de minimis threshold, the serviceman is subject to Service Occupation Tax and must assess it on customer transactions in one of two ways. If the lease price of the tangible personal property is separately stated from the service price, then Service Occupation Tax must be assessed on the separately stated lease price. If the lease price of the tangible personal property is not separately stated from the service price, then Service Occupation Tax on 50% of the customers' entire bills must be assessed. In neither case may the tax base be less than the serviceman's cost price of the tangible personal property transferred.

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.

Very truly yours,

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