

If the true object of a transaction is the rental of a room or space and if food or beverages are provided incidental to the rental of the room or space, no tax is incurred on the charges for the rental of the room or space. If no separate charge is made under the rental contract for the incidental amount of food or beverages provided, the renter is considered the end-user of the food or beverages and incurs Use Tax on its cost price of the food or beverages transferred incident to the rental of the room or space. However, if separate charges are made for any food and beverages transferred incident to the rental of the room or space, the renter incurs Retailers' Occupation Tax on the selling price of the food or beverages only. See 86 Ill. Adm. Code 130.2145(e-f); see also 86 Ill. Adm. Code 130.102(a)(4). (This is a GIL)

August 18, 2026

NAME
COMPANY
ADDRESS

Dear NAME:

This letter is in response to your letter 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:

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I am writing to clarify the sales tax requirements for my business. We operate an indoor playground in CITY. We offer open play passes and also party room rental where customers can rent out our available party room to host events like birthday parties. We also offer snacks and drinks for purchases.

I believe we should collect sales tax for the snacks and drinks as there are actual goods being exchanged. For our open play pass and party room rental, I have not been able to get a clear answer on this so far and therefore why I am writing you as suggested by an employee of IDOR that gave me this mailing address. He seemed to think that I should NOT be collecting sales taxes for the open play passes and party room rentals.

Could you please confirm in writing so that can proceed accordingly.

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. If the purchases occur in Illinois, the purchasers must pay the Use Tax to the retailer at the time of purchase. The retailers are then allowed to retain the amount of Use Tax paid to reimburse themselves for their Retailers' Occupation Tax liability incurred on those sales. If the purchases occur outside Illinois, purchasers must self-assess their Use Tax liability and remit it directly to the Department.

Illinois Retailers' Occupation Tax and Use Tax are imposed only upon tangible personal property. When tangible personal property such as bags, socks, or bowling balls, are sold to customers, such items would be subject to Retailers' Occupation Tax. In contrast, as long as no tangible personal property is transferred, sales of access to activities such as bowling, karaoke, or entertainment centers would not be subject to Retailers' Occupation Tax or Use Tax.

When a transaction involves both a sale of tangible good and providing a service, the test for determining the actual nature of the transaction is proportion. If the taxpayer's business is the sale of food for which entertainment is only an inducement for customers to dine, then Retailers' Occupation Tax is assessed. See *Dinner Theatre Assoc. v. Ill. Dept. of Rev.*, 139 Ill. App. 3d 911 (3d Dist. 1985); 86 Ill. Adm. Code 130.2145. If, on the other hand, the sale of a service includes a relatively insignificant or incidental transfer of tangible personal property, then a service tax applies. See *American Airlines, Inc. v. Ill. Dept. of Rev.*,

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58 Ill. 2d 251 (1974); 86 Ill. Adm. Code 140.105. A taxpayer, however, may be involved in a taxable business of both selling goods at retail and in the furnishing of a service. It is important to note that, without specific invoices, we cannot determine the taxability of your specific party packages.

Regarding the rental of banquet, conference, and similar rental rooms, spaces, and places of amusement, the Department has determined that if the true object of the transaction is the rental of the room or space and if food or beverages are provided incidental to the rental of the room or space, no tax is incurred on the charges for the rental of the room or space. If no separate charge is made under the rental contract for the incidental amount of food or beverages provided, the renter is considered the end-user of the food or beverages and incurs Use Tax on its cost price of the food or beverages transferred incident to the rental of the room or space. However, if separate charges are made for any food and beverages transferred incident to the rental of the room or space, the renter incurs Retailers' Occupation Tax on the selling price of the food or beverages only. See 86 Ill. Adm. Code 130.2145(e-f); see also 86 Ill. Adm. Code 130.102(a)(4).

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 Assistance Division at 800-732-8866.

Very truly yours,

A handwritten signature in black ink, appearing to read "GE", is positioned above the printed name of the signatory.

George L. Encarnacion, Jr.
Associate Counsel

GLE:sce