



*i*nformational Bulletin

David Harris, Director

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

For information
Visit our website at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336
1 800 544-5304 TTY

Email us at:
REV.TA-Sales@illinois.gov

Reporting Requirements for Certain Titled or Registered Property Subject to Tax on Lease or Rental Receipts

To: All persons who, in the ordinary course of business, lease or rent titled or registered property subject to tax on lease receipts, including ATVs, off-road motorcycles, and trailers other than semitrailers

Effective **January 1, 2025**, if you lease or rent tangible personal property in the ordinary course of your business you are considered a retailer subject to Illinois' Sales and Use Tax laws. See the discussion of P.A. 103-592 in Informational Bulletin FY 2025-15, Illinois Sales and Use Tax Applies to Leased or Rented Tangible Personal Property. As amended, the Retailers' Occupation Tax Act provides that a lease of tangible personal property is considered a sale at retail. Generally the changes made by this Public Act do not apply to leases or rentals of property that is required to be registered with an agency of this State. The changes made by this Public Act do, however, apply to leases or rentals of the following items:

- trailers other than semitrailers as defined in Section 1-187 of the Illinois Vehicle Code, and
- items that are required to be titled with an agency of this State but not required to be registered with an agency of this State, such as all-terrain vehicles ("ATVs") and off-road motorcycles.

Note: The tax applies to the lease or rental receipts of any item that is required to be titled but not required to be registered with an agency of this State.

You must register as a retailer with IDOR if you are in the business of leasing or renting these items of titled or registered property. See 35 ILCS 120/2a. Leases and rentals of titled or registered property that is subject to tax on lease receipts are reported on Form LSE-1, Tax Return for Vehicle Leasing Companies at the State and local tax rate for vehicles.

Note that short-term leases and rentals (*i.e.*, leases or rentals of 12 months or less) of automobiles, pickup trucks, sport utility vehicles, motorcycles and motor-driven cycles, motor homes and recreational vehicles, and vans are not subject to Retailers' Occupation Tax but are, instead, subject to the Automobile Renting Occupation Tax.

How do I make tax-exempt purchases of items that are required to be titled or registered that I will lease or rent and that are subject to tax on lease or rental receipts?

On or after January 1, 2025, you may use Form CRT-61, Certificate for Resale, to claim an exemption from Sales and Use Tax on purchases of items that are required to be titled or registered that will be leased or rented and that are subject to tax on lease or rental receipts. Form CRT-61 is available on our website at tax.illinois.gov.

How do retailers and purchasers document the tax-exempt sales and purchases of items that are required to be titled or registered that will be leased or rented and that are subject to tax on lease or rental receipts?

In general, to document the claimed exemption, Illinois retailers selling items that are required to be titled or registered to taxpayers claiming this exemption because those items will be leased or rented and are subject to tax on lease or rental receipts will report the sales on Form ST-556, Sales Tax Transaction Return, as exempt sales for resale and retain in their records copies of each Form CRT-61 received.

Also, taxpayers purchasing these items from unregistered, non-Illinois retailers that are claiming this exemption because the items will be leased or rented and will be subject to tax on lease or rental receipts will report the purchases on Form RUT-25, Vehicle Use Tax Transaction Return. Currently, Form RUT-25 has no mechanism to claim a purchase as exempt as a sale for resale, so IDOR is instructing taxpayers to instead claim the exemption for farm implements until IDOR releases a revised return. In most transactions, the lessor is responsible for titling or registering the item in the lessor's name and is responsible for filing Form RUT-25 at the time of titling or registration.

If, however, as part of the lease arrangement, the lessee of a trailer other than a semitrailer will register the trailer with the Illinois Secretary of State in the lessee's name, then, in addition to reporting and paying tax on lease receipts using Form LSE-1 (see below), the trailer lessor must complete Form ST-556-LSE, Transaction Return for Leases, for titling or registration purposes only, and mark the "Other" exemption and enter "trailer lease." See our website at tax.illinois.gov for more information.

A taxpayer who, at the conclusion of a lease or rental of an item that must be titled or registered and for which lease tax was due on lease receipts, sells the item must report the sale using Form ST-556.

How do I register as a retailer or use tax filer reporting tax on leases?

You can use MyTax Illinois to add new tax registrations. After logging in to MyTax Illinois, choose "More..." and then under the "Registration Information" panel, select "Register for New Tax Accounts":

Receipts for leases or rentals of items that must be titled or registered and that are subject to tax on lease receipts are reported on Form LSE-1. Lessors of these items will register as leasing companies filing Form LSE-1.

Note: 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 cannot register electronically, you can complete an updated paper Form REG-1 and REG-1-L, Illinois Business Site Location Information, available on our website at tax.illinois.gov and submit it via email, fax, or mail.

Contact our Central Registration Division at **217 785-3707** for information or assistance.

How do I determine the rate of tax to collect on lease or rental transactions?

Leases and rentals of titled or registered property that is subject to tax on lease receipts are reported on Form LSE-1 at the State and local tax rate for vehicles.

For a lease or rental requiring recurring periodic payments in which the lessor delivers the item to the customer, each periodic payment is sourced to the primary property location where the leased or rented item is located for the reporting 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.

Use the Tax Rate Finder on the MyTax Illinois homepage to search by address for the taxing jurisdiction corresponding to each address where the leased tangible personal property is located, for the duration of the lease or rental. Leases or rentals with periodic payments and delivery to the customer will be sourced using destination-based ROT sourcing. “Destination-based ROT” means the total State and local ROT rate calculated for a lease or rental using the rate in effect at the Illinois location to which the item leased or rented is shipped or delivered, or at which possession is taken by the lessee. For destination-based leases or rentals, lessors must register a tax site for each jurisdiction (*i.e.*, city or county) where it has made a lease or rental or plans to make leases or rentals.

For all other leases or rentals, including a lease or rental that does not require recurring periodic payments and any lease or rental in which the customer takes possession of the property at the lessor’s place of business, the payment is sourced as otherwise provided under the Retailers’ Occupation Tax Act for sales at retail other than leases or rentals. See, *e.g.*, 86 Ill. Adm. Code 270.115.

If you file electronically using MyTax Illinois, the rates will be populated for you according to the locations you register consistent with these sourcing rules. MyTax Illinois allows users to add or remove locations using the Maintain Locations link in your Sales and Use Tax (ST-1) account. You also can contact us by calling 217 785-3707 or writing to:

**CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030**

It is important to keep your registration information updated so your returns will include the correct tax rates.

What if I have multiple sites?

If you have one business but lease or rent titled or registered property that is subject to tax on lease receipts at more than one permanent location (tax site), you must report the receipts from each of your permanent business locations on Form LSE-3, Lease/Rental Payments for Certain Titled/Registered Property, which allows users to aggregate receipts for all such leases for the month when calculating the leasing tax due. If you have more than one business that leases or rents titled or registered property that is subject to tax on lease receipts, you must register each permanent business location using the physical address as the tax site to report and pay the tax due.

How do I file Form LSE-1 and pay the tax due?

You must use MyTax Illinois to file Form LSE-1, including Form LSE-3, and pay any tax due electronically. See the Instructions for Forms LSE-1 and LSE-3, available on our website at tax.illinois.gov, for more information.

When is Form LSE-1 due?

You must submit Form LSE-1, along with your payment for any tax due, on or before the 20th day of the month following the month in which you collected the receipts from your lease or rental customers on titled or registered property that is subject to tax on lease receipts.

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

What if I have questions?

If you have questions or need help, call our Taxpayer Assistance Division at **1 800 732-8866**, **217 782-3336**, or **1 800 544-5304 (TTY)**. You may also visit our website at tax.illinois.gov or scan the QR code provided.



Language assistance services are available upon request and are free of charge.