



## INFORMATIONAL BULLETIN

### ■ Chicago Parking Tax ■

#### **TO:** Registered Parking Lot, Garage and Valet Operators

The purpose of this bulletin is to outline the recent amendments to the Parking Lot and Garage Operations Tax (the "Parking Tax") Ordinance, Municipal Code of Chicago ("Code") Chapter 4-236, including the addition of Section 4-236-025, imposing a tax on valet operations (the "Valet Tax").

#### **Amendments to the Parking Tax Ordinance**

On November 19, 2014, the City Council passed amendments which are effective **January 1, 2015**. The amendments include the following changes (with the old language stricken and the new language underscored):

#### **4-236-010 Definitions.**

For the purpose of this chapter, whenever any of the following words, terms or definitions are used, they shall have the meaning ascribed to them in this section:

*(Omitted text is unaffected by this ordinance)*

"Charge or fee paid for parking" means the gross amount of consideration for the use or privilege of parking a motor vehicle in or upon any parking lot or garage in the City of Chicago, valued in money, whether received in money or otherwise, including cash, credits, property and services, determined without any deduction for costs or expenses whatsoever, but not including charges that are added to the charge or fee on account of the tax imposed by this chapter or on account of any other tax imposed on the charge or fee. The term "charge or fee for parking" shall exclude separately stated optional charges not for the use or privilege of parking. ~~If any separately stated charge is not optional, it~~

~~shall be presumed, unless proved otherwise, that it is part of the charge for the use or privilege of parking.~~

*(Omitted text is unaffected by this ordinance)*

"Parking lot" or "garage" means any building, structure, premises, enclosure or other place, whether enclosed or not, except a public way, within the City of Chicago, where four or more motor vehicles are stored, housed or parked for hire, charge, fee or other valuable consideration in a condition ready for use, or where rent or compensation is paid to the owner, manager, operator or lessee of the premises for the housing, storing, sheltering, keeping or maintaining of such motor vehicles; ~~provided, however, that said terms shall not include residential parking provided for single family homes or multiple family dwelling units, wherein an arrangement for such parking is provided on a rental basis to meet the terms of the Chicago Zoning Ordinance for off-street parking, the consideration therefor being set forth in the house or apartment lease or in a separate writing between the landlord and tenant, or if in a condominium between the condominium association and the owner, occupant or guest of a unit whether the parking charge is payable to the landlord, condominium association, or to the operator of the parking lot or garage.~~

*(Omitted text is unaffected by this ordinance)*

#### **4-236-020 Tax imposed.**

*(Omitted text is unaffected by this ordinance)*

(c) The tax imposed by this chapter shall not apply to residential off-street parking of house or apartment tenants or condominiums ~~required by the City of Chicago Zoning Ordinance~~, wherein an arrangement for such parking is provided in the house or apartment lease or in a

separate writing between the landlord and tenant, or if in a condominium between the condominium association and the owner, occupant or guest of a unit, whether the parking charge is payable to the landlord, condominium association, or to the operator of the parking lot or garage.

(d) (i) The tax imposed by this chapter shall not apply if the charge or fee imposed for the privilege of parking does not exceed \$2.00 for a 24-hour period or less, or \$10.00 for a weekly period or \$40.00 for a monthly period.

(ii) The tax imposed by this chapter for the privilege of parking for a 24-hour period or less shall be 20% ~~18%~~ of the charge or fee paid for parking on a Saturday or Sunday; and 22% ~~20%~~ of the charge or fee paid for parking on a Monday, Tuesday, Wednesday, Thursday or Friday.

(iii) The tax imposed by this chapter for the privilege of parking on a weekly basis shall be 22% ~~20%~~ of the charge or fee paid for parking.

(iv) The tax imposed by this chapter for the privilege of parking on a monthly basis shall be 22% ~~20%~~ of the charge or fee paid for parking.

(v) The tax rates set forth in subsections (d)(ii) – (iv) shall be deemed to apply to the privilege of parking a motor vehicle in a parking lot or garage unless the taxpayer or tax collector keeps accurate and complete books and records as required by this chapter showing that no tax applies.

*(Omitted text is unaffected by this ordinance)*

~~(h) The comptroller shall promulgate a rule effective February 1, 1995 stating that valet parking operators are required to collect the tax imposed by this chapter, and to remit the tax to the department of finance, when a person pays consideration to them for the privilege of occupying a~~

space on or upon any parking lot or garage; provided, however, that a valet parking operator is not required to collect or remit tax if the valet parking operator or the recipient pays the tax to the person conducting the operation of the parking lot or garage.

**4-236-025 Additional tax imposed on valet parking businesses.**

A. In addition to the tax imposed by Section 4-236-020 of this chapter, a tax is imposed upon persons engaged in the business of valet parking in the City. The rate of this tax shall be 20% of the gross amount of consideration received by the valet parking business in connection with its valet parking operations in the city, including all related service fees or similar charges.

B. A valet parking business that has paid or remitted the tax imposed by Section 4-236-020 in connection with the same transactions that are subject to subsection A of this section shall be entitled to a credit against the amount of tax owed under subsection A of this section. The valet parking business shall have the burden of proving its entitlement to this credit with books, records and other documentary evidence.

C. Valet parking businesses shall file returns and pay the tax as follows: (1) all tax returns shall be filed with the department on an annual basis on or before August 15 of each year in accordance with Sections 3-4-186 and 3-4-189 of this Code, (2) all tax payments shall be made in accordance with either Section 3-4-187 (payment of actual tax liabilities) or Section 3-4-188 (payment of estimated taxes) and (3) the provisions of Sections 3-4-186, 3-4-187, 3-4-188 and 3-4-189 shall control over any contrary provisions in this chapter regarding the subjects covered by those sections.

*(Omitted text is unaffected by this ordinance)*

**Clarification of the application of the Valet Tax**

The Parking Tax ordinance does not define the term "valet parking." However, the following terms appear in the licensing chapters of the Code:

**4-232-050 Definitions.**

(a) For the purpose of this chapter, the following terms shall have the following meanings:

“Valet parking operator” means a person who employs one or more attendants for the purpose of providing a valet parking service or who contracts his own services, but not in the capacity of employee, to any business establishment, for the purpose of providing a valet parking service to such establishment.

“Valet parking service” means a parking service provided to accommodate patrons of any business establishment, which service is incidental to the business of the establishment and by which an attendant on behalf of the establishment takes temporary custody of the patrons' motor vehicle and moves, parks, stores or retrieves the vehicle for the patrons' convenience.

As to all parking that falls within the above definitions (from Code Section 4-232-050), valet parking operators are expected to pay the 20% Valet Tax and include all revenues received on Line 1 of the annual return.

If a valet operator pays or remits Parking Tax to the operator of a garage or lot in connection with the same transactions that are subject to the Valet Tax, the valet operator is entitled to a credit against the amount of Valet Tax that would otherwise be owed. The valet operator should maintain documentation to support the credit and may report the credit on the annual tax return for the tax paid to the lot or garage.

**Example #1**

A restaurant, bar or hotel (collectively "business") contracts with a valet operator ("valet") that will provide valet services to the patrons or guests of the business (collectively "customers"). The business does not have its own garage. The customer is charged \$30 for the valet parking. The valet takes possession of the customer's car in front of the business. If the valet finds a free spot open on the street, it parks the car there. If not, the valet parks the car in a nearby lot. The valet has a contract with the lot owner by which the valet pays the lot owner \$10 per car. The lot owner should collect Parking Tax from the valet on the \$10 it receives from the valet and remit the Parking Tax to the Department. The valet will owe the Valet Tax on the \$30 it receives from the customer, whether it parks in the lot or on the street, but it may take a credit for the Parking Tax it pays to the lot owner,

provided that it sufficiently documents its entitlement to the credit.

**Example #2**

Same as #1, but the valet has a contract with the lot owner by which the valet pays the lot owner \$200 a month that does not depend on the number of cars parked. The lot owner should collect Parking Tax from the valet on the \$200 it receives from the valet and remit the Parking Tax to the Department. The valet will owe the Valet Tax on the \$30 it receives from the customer, but it may take a credit for the Parking Tax it pays to the lot owner, provided that it sufficiently documents its entitlement to the credit.

**Example #3**

A hotel has its own garage where guests can either self-park or use a valet service provided by a valet company. The guest can pay \$20 to self-park for the day or \$30 to use the valet. If the guest self-parks, the hotel (or garage operator) should collect Parking Tax from the guest on the \$20 that the guest pays to self-park and remit the Parking Tax to the Department. If the guest uses the valet service, the Parking Tax will apply to the portion of the \$30 charge that the hotel receives, and the Valet Tax will apply to the portion of the \$30 charge that the valet receives, with a credit for any Parking Tax that is paid to the hotel (or garage operator).

**Example #4**

The owner of a public parking garage allows customers to self-park for \$20 a day, but it also offers valet parking for \$30 a day. In this example, the valet option is not a "valet parking service," as that term is used in Code Section 4-232-050, as it is not provided to accommodate patrons of another business establishment (such as a restaurant, bar or hotel), and it therefore is not incidental to the business of any such other establishment. Instead, it is provided to accommodate the customers of the garage itself. The Valet Tax does not apply. The owner of the garage should collect Parking Tax on \$20 for all self-parking transactions and on \$30 for all valet transactions.

**Example #5**

Same as #4, but the owner of the public parking garage has an attendant park all of its customers' cars. Here again, this is not a "valet parking service," as that term is used in Code Section 4-232-050, as it is not provided to accommodate patrons of

another business establishment, incidental to the business of such other establishment. Instead, it is provided to accommodate the customers of the garage itself. The Valet Tax does not apply. The owner of the garage should collect Parking Tax on the full amount paid for all parking transactions.

#### **Example #6**

A multi-unit condo or apartment building has its own garage. Residents pull their cars into the garage, but an attendant does all of the parking. The resident parking is exempt from the Parking Tax. The Valet Tax does not apply either. The attendant's activity is not a "valet parking service," as that term is used in Code Section 4-232-050, as it is not provided to accommodate patrons of another business establishment, incidental to the business of such other establishment. Instead, it is provided to accommodate the residents of the building.

#### **Annual Tax Return**

Every lot, garage and valet parking operator is required to file an annual tax return with the Department. Such return shall include a separate site schedule for each individual lot, garage or site operated by the operator. Returns shall include gross revenues and parker counts by category as well as authorized deductions or credits by site.

An annual tax return is required for every lot, garage or site operated, regardless if tax is due or not. A detailed accounting of all revenues, deductions and credits must be made annually.

The receipts for valet parking (subject to the 20% Valet Tax) should be reported separately from the regular weekday and weekend parking receipts (subject to the 20% weekend or 22% weekday Parking Tax) on the annual tax return.

#### **Other**

Lot and garage operators are advised to collect and remit Parking Tax on all taxable charges they receive from both ordinary customers and valets. By doing so, they will not be dependent on valets to collect and remit the Parking Tax for them. The valets will be responsible for paying the Valet Tax and may take a credit for Parking Tax paid where properly documented.

#### **Questions?**

If you have questions or need more information, please write us. Our address is:

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