



## INFORMATIONAL BULLETIN

### ■ Chicago Parking Tax ■

#### **TO:** Registered Parking Lot And Garage Operators

The purpose of this bulletin is to discuss the application of the Parking Lot and Garage Operations Tax ("Parking Tax" or "Tax"), Municipal Code of Chicago ("Code") Chapter 4-236, to resellers of parking privileges.

#### **General Information**

The Parking Tax is imposed on the use and privilege of parking a motor vehicle on or in any parking lot or garage in the City of Chicago ("City"). The ultimate incidence of and liability for payment of the Tax is on the recipient of the privilege. The operator of a parking lot or garage has the duty to secure the Tax from the recipient of the privilege and to remit the Tax to the Department of Finance (the "Department"). A reseller of a parking privilege is an operator of a parking lot or garage.

#### **Application of the Tax to resellers**

The Parking Tax Ordinance (the "Ordinance") includes the following terms:

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

"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 charges not for the use or privilege of parking.

"Operator" means any person conducting the operation of a parking lot or garage, as defined by this chapter, or receiving the consideration for parking or storage of motor vehicles at such parking place. (Emphasis added).

"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.

Under the definition of "operator," a person who resells parking privileges is an operator because such person receives the consideration for the privilege of parking. Some resellers are referred to as "aggregators," because they resell the right to use spaces in numerous lots or garages that they do not own or manage. Hotels and other businesses sometimes act as resellers as well.

#### **Duty of Reseller to Collect the Tax imposed**

Code Section 4-236-020(e) provides: "It shall be the duty of the operator of every parking lot or garage to secure the tax from the recipient of the parking privilege and to remit the tax to the department of finance under procedures prescribed by the comptroller of revenue or as otherwise provided in this chapter."

Under Code section 4-236-020, a reseller is required to collect the Tax on the full amount of the fee or charge that it imposes on its customer.

#### **Remittance - Credit for Resellers**

A reseller that has paid the Tax to another operator (such as the owner of a lot or garage), in connection with the same transaction as the one for which the reseller is required to collect the Tax, may take a credit in that amount against the Tax it would otherwise be required to remit to the Department. In an audit, the reseller will have the burden of proving its entitlement to this credit with books, records and other documentary evidence.

#### **Examples of Tax Collection and Remittance**

1. The customer of an aggregator places an order to park in a garage located in Chicago on Saturday night for the price of \$12.00. The aggregator has arranged with the garage to use spaces in the garage at a price of \$10.00 per space per day, as needed. The garage must charge the aggregator \$12.00 (\$10.00 plus \$2.00 in tax, using the weekend rate of 20%), and it must remit the \$2.00 in tax to the Department. The aggregator must charge its customer a total of \$14.40 (\$12.00 plus tax of \$2.40, using the weekend rate of 20%). The aggregator will be required to remit only \$0.40 for this parking transaction (\$2.40 minus the \$2.00 in tax it paid to the garage).

2. A hotel purchases the privilege of using 50 parking spaces at an adjacent parking garage in Chicago at a price of \$100.00 per space per month, for the purpose of reselling the use of those spaces to its hotel guests. The garage must charge the hotel \$122.00 (\$100.00 plus tax of \$22.00, using the monthly rate of 22%), and it must remit the \$22.00 in tax to the Department. If the hotel resells the use of one such space to a guest at a price of \$20.00 on a weekday, it must charge its guest \$24.40 (\$20.00 plus tax of \$4.40, using the weekday rate of 22%). At the end of the month, the hotel will be required to remit the difference between the total amount of tax it collected from its guests for daily parking during the month

and the \$22.00 in tax that it paid to the garage for the monthly parking privileges it used in connection with the same daily parking. The above example assumes use of the weekday rate of 22% for the daily parking of the guest. For daily parking on weekends, the rate is 20%.

3. Assume the same facts as in example 2 above, but over the course of the month the hotel does not sell enough daily parking to its guests to create a tax remittance obligation of at least \$1,100 for the 50 spaces it leased at the garage (\$22.00 x 50). The hotel has no tax remittance liability for that month; however, any deficit for that month may not be used to offset the hotel's remittance obligation for another month, as the credit is only for taxes paid in connection with the same transaction as the one for which a reseller is required to collect the tax, and payments to a garage for a different month would not meet that requirement.

## **Monthly Remittances**

Unless otherwise provided by Code sections 3-4-187(B) and 3-4-188, every operator (including a reseller) is required to remit the amount of Tax due on or before the fifteenth day following the end of the monthly tax period in which the liability was incurred directly to the Department. The Tax shall be accompanied by a remittance coupon as prescribed by the comptroller.

## **Annual Tax Returns**

Every operator (including a reseller) is required to file an annual tax return with the Department, regardless of whether any Tax is due. For operators other than resellers, such return shall include a separate site schedule for each individual lot, garage or other site operated by the operator. However, a reseller need not provide such separate site schedule.

## **Registration**

Every operator (including a reseller) must register with the Department.

## **Questions?**

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

**City of Chicago**

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