

Chicago Checkout Bag Tax – Frequently Asked Questions
(Please consult ordinance for exact terms)

1. What is the Chicago Checkout Bag Tax?

It is a tax on the retail sale or use of checkout bags in Chicago. As of January 1, 2025, the tax rate is \$0.10 per checkout bag sold or used in Chicago, with \$0.01 remaining with the retailer and \$0.09 paid to the city.

2. What is a checkout bag?

“Checkout bag” means either a paper carryout bag or a plastic carryout bag that is provided by a store to a customer for the purpose of carrying goods out of the store.

3. What are the non-taxable or exempt paper and plastic bags?

Paper and plastic bags ordinarily intended and designed for use by customers inside a store to:

- package loose bulk items, such as fruit, vegetables, nuts, grains, candy, cookies or small hardware items
- contain or wrap frozen foods, meat or fish, whether prepackaged or not
- contain or wrap flowers, potted plants or other damp items
- segregate food or merchandise that could damage or contaminate other food or merchandise when placed together in a bag
- contain unwrapped prepared foods or bakery goods

Other non-taxable examples include:

- bags provided by a pharmacist to contain prescription drugs
- bags sold in packages containing multiple bags intended for use as garbage bags, pet waste bags or yard waste bags
- bags provided by a dine-in or take-out restaurant to contain food or drink purchased by the restaurant’s customers
- bags of any type that customers bring to a store for their own use or to carry away from the store goods that are not placed in a bag provided by the store
- newspaper bags
- dry cleaning or garment bags
- plastic liners that are permanently affixed, or designed and intended to be permanently affixed, to the inside of a particular bag
- plastic bags with a retail price of at least fifty cents (\$0.50) each

Additionally, the tax shall not apply to the retail sale or use of checkout bags that are used to carry items purchased pursuant to the Supplemental Nutritional Assistance Program or a similar governmental food assistance program.

Retailers should take credit for tax exempt paper and plastic bags on the next bill received from their wholesalers. The wholesaler in turn should claim a credit for the tax amount refunded to their retailers on the next monthly payment. Retailers and wholesalers must keep records of all such transactions.

4. Who is responsible for collecting the Chicago Checkout Bag Tax?

Normally, the tax should be collected by each wholesaler who sells checkout bags to a store located in Chicago or to a retail customer in Chicago.

5. What is a store’s responsibility if it receives checkout bags upon which the Chicago Checkout Bag Tax has not been collected by the wholesaler?

If any store located in Chicago receives checkout bags upon which the tax has NOT been collected by any wholesaler, the store shall pay or remit the tax directly to the Department of Finance. For questions regarding the registration process, please reach out to our Business Contact Center at (312) 747-4747 or you can e-mail us at RevenueDatabase@cityofchicago.org.

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6. Does the Chicago Checkout Bag Tax have to be separately stated on the customer's receipt?

In the case of checkout bags sold by a store to a customer, the tax shall be charged to the customer, separately stated on the receipt provided to the customer, and identified on the receipt as “Checkout Bag Tax”.

In the case of checkout bags provided to a customer without charge, at its option, the store shall either:

- 1) Separately state the tax on the receipt provided to the customer at the time of receipt, in which case the store shall collect the tax from the customer; or
- 2) Not separately state the tax on the receipt provided to the customer, in which case the store shall not collect the tax from the customer but shall instead pay the tax itself.

7. What is the commission on the remittance or payment of the Chicago Checkout Bag Tax?

Every store that remits or pays the tax is eligible to retain \$0.01 per checkout bag sold or used, resulting in a net remittance or payment of \$0.09 per checkout bag sold or used. Accordingly, the amount that a wholesaler should be receiving from a store and remitting to the Department of Finance should only be the net amount of \$0.09 per checkout bag sold or used, less any credit for exempt bags allowed.

8. Does a store located in Chicago need to pay tax on the inventory it had on hand as of the 1/1/2025 effective date of the Chicago Checkout Bag Tax rate change from \$0.07 to \$0.10 per bag?

No, there is no floor tax payment due or separate floor tax return required to be filed related to inventory on hand at the time of the 2025 rate increase.