

CITY OF CHICAGO
DEPARTMENT OF REVENUE
PERSONAL PROPERTY LEASE TRANSACTION TAX RULING

Personal Property Lease Transaction Tax Ruling #2

Subject: Exemptions

Effective date: June 1, 2004

Formerly Ruling #6

Original effective date: July 29, 1974

Revised: July 1, 1984

Pursuant to Section 3-32-030(A) of the Chicago Municipal Code (“Code”), the Chicago Personal Property Lease Transaction Tax (the “lease tax” or “tax”) is imposed upon (1) the lease or rental in the City of personal property, or (2) the privilege of using in the City personal property that is leased or rented outside the City.

Advice has been requested concerning the application of the tax to leases of personal property by charitable, educational or religious organizations.

The tax does not apply to leases of personal property by any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, educational or religious purposes. See Code Section 3-32-040(B). However, the exemption for such lessees does not apply to all not-for-profit organizations.

For Example:

1. A church leases a copier for use in its exempt activity. The tax is not applicable.
2. A university leases a computer for curriculum and general university purposes but also sublets computer time to a service bureau. The tax is applicable to the sublease.
3. A not-for-profit athletic club operated for the exclusive use of its members leases certain typewriters. The tax is applicable, as the club’s activity is not charitable, educational or religious.
4. A fraternal organization operating for the purpose of social activities limited to members is not exempt from the tax as it is not a charitable organization. However, a home for aged and destitute members may qualify as an exempt charitable organization.

The lessor has the responsibility to determine whether an organization is exempt from the lease tax. The lessor may rely upon a lessee’s proof of exemption from the State of Illinois Retailers’ Occupation Tax, along with the lessee’s representation that the

leased property will be used in connection with an exempt activity. The lessee will be required to provide the lessor with necessary documentary support for the exemption or be subject to the tax.

The principles set forth in the State of Illinois Retailers' Occupation Tax Rules and Regulations as to charitable, educational and religious organizations will be applicable to such exemptions from the Chicago lease tax; however, the Chicago Director of Revenue reserves the right to issue specific rulings or make specific determinations in each individual case, if required, for administration of the tax.