

Information Bulletin

Governmental Exemptions from Chicago Taxes and Fees

To: GOVERNMENTAL BODIES/AGENCIES

The purpose of this informational bulletin is to clarify which taxes and fees under the Chicago Municipal Code allow for a governmental exemption.

Furthermore, the bulletin provides guidance to government organizations so that they may determine if they qualify for any of the exemptions.

Upon completion of the application process, the City of Chicago will issue exemption certificates to qualified organizations. The exemption certificates' purpose is to protect all parties to whom it is presented. The certificate provides the tax collector with documented evidence of a qualified exemption.

After reading this information bulletin, if you believe that your organization qualifies for any of the municipal tax and/or fee exemptions, you should submit a completed Application For A Governmental Body Exemption along with supporting documentation.

For which taxes and fees do government exemptions apply?

The municipal taxes that contain an exemption for governmental bodies/agencies are as follows:

- **Emergency Telephone System Surcharge/Fee**
 - Network Connections Surcharge (Land based lines).
The 911 surcharge does not apply to the network connections provided to the Federal government and to the City of Chicago.
 - Wireless Surcharge
Pursuant to Section 7-50-020(E) of the Chicago Municipal Code, the 911 fee shall not apply to any wireless telephone number assigned to a governmental body. The 911 fee is not exempted for government employees who contract for wireless communication services for their personal use. The exemption shall apply only when the service is billed directly to and paid by a governmental body.
Example: A government employee, is seeking to purchase wireless communication services for his personal cellular phone. He contracts with a cellular provider who offered a discounted government package through an advertisement to his office. He may contract for the cellular service through the discounted offer, but he is not entitled to the 911 fee exemption because he is obtaining the service for his personal phone.
- **Gas Use Tax**
Pursuant to Section 3-41-030(D) of the Chicago Municipal Code, use or consumption of gas by a governmental body is exempt from taxation.
- **Hotel Accommodations Tax**
A government exemption is allowed only in those instances where the federal government has directly reserved the hotel accommodations for government functions or employees. When only the economic incidence and not the direct burden of the Chicago Hotel Accommodations Tax falls upon the federal government (i.e., where employee is reimbursed for his expense), such will not create a situation eligible for exemption.

One exception to this rule exists. Article 34 of the Vienna Convention on Diplomatic Relations (signed by the United States in 1972) exempts diplomatic agents from direct taxation by municipal bodies. Inasmuch as the Chicago Hotel Accommodations is a direct tax on a renter or lessee, diplomatic agents are exempt from this tax.

- **Occupation Taxes**

- A. *Distribution of Natural Gas* Pursuant to Section 3-40-030 of the Chicago Municipal Code, natural gas sold to the City of Chicago is exempt from taxation. The ordinance defines "gross receipts" as the consideration received for distributing, supplying, furnishing, or selling gas for use or consumption and not for resale and for all services rendered in connection therewith valued in money, whether received in money, or otherwise, including cash, credits, services and property of every kind and nature, except for that consideration provided by the city of Chicago, and shall be determined without any deduction on account of the cost of the product or commodity supplied, the cost of material used, labor or service cost, or any other expenses whatsoever.

- B. *Distribution of Electricity* Pursuant to Section 3-40-160 of the Chicago Municipal Code, electricity sold to the City of Chicago is exempt from taxation. The ordinance defines "gross receipts" as the consideration received for distributing, supplying, furnishing, or selling electricity for use or consumption and not for resale and for all services rendered in connection therewith valued in money, whether received in money, or otherwise, including cash, credits, services and property of every kind and nature, except for that consideration provided by the city of Chicago, and shall be determined without any deduction on account of the cost of the product or commodity supplied, the cost of material used, labor or service cost, or any other expenses whatsoever.

- **Parking Lot and Garage Operations Tax**

An exemption is allowed when the federal government contracts, is billed directly by, and pays for, the use of a parking lot or garage.

This exemption would not, however, relieve federal government employees from the parking tax when payment is made by the employees and reimbursed by the federal government agency. In addition, government employees who are driving government vehicles on personal time cannot claim the exemption when parking at a facility that the government has contracted with for business use.

There is one exception to this rule. Article 34 of the Vienna Convention on Diplomatic Relations (signed by the United States in 1972) exempts diplomatic agents from direct taxation by municipal bodies. Inasmuch as the Parking Lot/Garage Operations Tax is a direct tax on the contractor for parking arrangements, diplomatic agents are exempt from this tax.

- **Personal Property Lease Transaction Tax**

Pursuant to section 3-32-040 of the Chicago Municipal Code, a lessee that is a government body is exempt from this tax. There is no exemption for government employees who rent/lease tangible personal property for their personal use.

In addition, the exemption would not apply to a contractor who leases tangible personal property in connection with providing services for a government body. The contractor would be considered the lessee and the exemption status of the government body would have no bearing on the transaction.

- **Telecommunications Tax**
 Pursuant to Section 3-70-20(M)(1) of the Chicago Municipal Code, charges billed to the City of Chicago, federal government, state government and state universities created by statute are exempt from taxation.
 The exemption for state governments and state universities created by statute extends only to telecommunications purchased for their own use. They are not exempt from the obligation to collect and remit tax on sales of telecommunications to others when they act as retailers of telecommunications.
- **Use Tax for Nontitled Personal Property**
 Pursuant to Section 3-27-050(A), items of tangible personal property which are exempted under the provisions of the Illinois Use Tax Act, as amended, are exempt for the Chicago Use Tax for Nontitled Personal Property.
 Pursuant to the Illinois Use Tax Act, 35 ILCS 105/3-5(4), purchases of nontitled personal property by government bodies are exempt.
 The exemption also applies to contractors who purchase materials incorporated into real estate owned by a governmental entity.
 There is no exemption for purchases of nontitled personal property by government employees for personal use.
- **Use Tax for Titled Personal Property**
 Pursuant to Section 3-28-031 of the Chicago Municipal Code, uses of titled personal property that are exempt under the applicable provisions of the Illinois Municipal Code, as amended, and the Illinois Use Tax Act, as amended, are exempt from the tax.
 Pursuant to the Illinois Use Tax Act, 35 ILCS 105/3-5(4), purchases of titled personal property by government bodies are exempt.
 There is no exemption for government employees who purchase titled personal property from a retailer for personal use.
- **Vehicle Fuel Tax**
 Pursuant to Section 3-52-110(F) of the Chicago Municipal Tax Code, sales to or uses of vehicle fuel by the federal government or any state or local government are exempt from this tax.
- **Others:**
 Listed below are other Chicago municipal taxes that contain governmental body exemptions. The sections pertaining to allowable exemptions are referenced next to each tax. Exemption certificates will not be issued for these taxes due to the fact that they are directly remitted to the City by the taxpayer.

 - Boat Mooring Tax-Section 3-16-040
 - Employers' Expense Tax-Section 3- 20-020(G)
 - Ground Transportation Tax-Section 3-46-060(D)
 - Motor Vehicle Lessor Tax-Section 3- 48-030(D)
 - MPEA-Section 1-3
 - Real Property Transfer Tax-Section 3-33-060

Which of the taxes under the Chicago Municipal Code do not contain an exemption for governmental bodies/agencies?

Amusement Tax
 Automatic Amusement Device

Cigarette Tax
Foreign Fire Insurance Tax
Fountain Soft Drink Tax
Liquor Tax
Soft Drink Tax

What should I do with the exemption certificate we currently have on file?

It is the Department's intent to replace all previously issued exemption certificates and to issue new certificates to all government agencies so that they may be provided to all respective vendors as proof of exempt status. Previously issued certificates should be returned to the Chicago Department of Revenue where they will be canceled.

Why should our government agency apply for an exemption certificate with the City of Chicago?

All government bodies that qualify for an exemption from Chicago Municipal Taxes should request an exemption certificate. The purpose of the certificate is to protect all parties to whom it is presented, including vendors.

How do I apply for an exemption?

One may apply for either an individual or a group exemption. You must send a completed [Application For A Governmental Body Exemption](#) with supporting documentation to the Refund/Exemptions Unit of the Chicago Department of Revenue at the address listed below. Upon approval, a prenumbered exemption certificate will be issued.

What type of support documents can be submitted along with my exemption application?

1. The following documents may be submitted, along with your application, in order to make a proper determination:
 - a. Articles of Incorporation
 - b. Organizational Constitution
 - c. Federal Exemption Letter
 - d. State Exemption Letter
 - e. Brochures or other printed materials explaining the purposes, functions and activities of the organization.
2. For organizations filing a group exemption it is requested that they submit a listing of all subordinate organizations under their control. The listing should identify each subordinate by name and address and should include the subordinate's Federal Employment Identification Numbers (FEIN) and Illinois Business Tax Numbers (IBTN).

What should I do if there is a change in a group exemption?

Depending on the changes in a group exemption the following remedies are to be followed:

- *Change in the central organization.*
If the central organization changes its name and/or address but has no structural changes, it should complete and submit an [exemption certificate amendment form](#) (Part A) with documentation to support the changes.
- *Change in the structure of subordinates.*
If the number of subordinates increases or decreases or their name and/or address

changes, the centralized organization should complete and submit an [exemption certificate amendment form](#) (Part B) with documentation to support the changes. Once the amendment form and supporting documents are reviewed, the City will issue an updated exemption certificate.

If the organization terminates, must I return my certificate to the City?

Yes. If the organization terminates, then the certificate must be returned to the City.

Note: The Department reserves the right to audit any government agency/body to determine if an exemption certificate has been used for official purposes only. Fraudulent misuse of an exemption certificate may result in an assessment of penalties and interest in addition to any tax due.

Questions?

If you have questions or need more information, please write or call us. Our address and telephone numbers are:

City of Chicago
Department of Revenue
Refunds/Exemptions Unit
c/o Miriam Velazquez
333 South State Street, Suite 300
Chicago, Illinois 60604-3977
(312) 747-1980
TTD (312) 747-2975