



DEPARTMENT OF FINANCE  
CITY OF CHICAGO

The purpose of this mailing is to notify taxpayers and tax collectors of certain changes to the Chicago Municipal Code ("Code") tax ordinances, along with a brief explanation and summary. The full text of each ordinance should be consulted rather than this summary. Taxpayers and tax collectors should contact their attorneys, accountants or other professional advisors for advice about the application of the City's taxes to their particular situations. In addition, taxpayers and tax collectors may contact the Chicago Department of Finance ("Department") and/or Department of Law for guidance. Among other things, a taxpayer or tax collector may seek a private letter ruling pursuant to Uniform Revenue Procedures Ordinance Ruling #3, available on the Department's web site, [www.cityofchicago.org/Finance](http://www.cityofchicago.org/Finance).

The 2015 budget was passed by the Chicago City Council on November 19, 2014. 2015 tax forms will be modified to reflect these changes. The amendments include the following:

**Hotel Accommodations tax**

Explanation: Although short-term vacation rentals were already subject to the City's hotel tax, website facilitators were not previously required to collect the tax. The amendment requires facilitators to collect the hotel tax on transactions that occur through their websites.

Amendment: In Chapter 3-24, the definition of "operator" was amended to include any person who receives consideration for the rental or lease of hotel accommodations including those who facilitate such rentals or leases. The amendment extends tax collection responsibilities to include third party businesses that facilitate the rental or lease of vacation rentals or other accommodations online or in-person. These amendments are effective January 1, 2015. As a clarification, a definition of the term "gross rental or leasing charge" was also added.

**Non-Titled Use tax**

Explanation: Purchases made outside of Chicago of goods that are used in Chicago are subject to the City's use tax of 1 percent, but if a purchaser can show that it paid local sales tax in another Illinois municipality, it receives a credit against the use tax owed to the City. Some companies purchase goods in other Illinois municipalities, receive sales tax rebates from the other municipalities, and then take a use tax credit from the City for sales tax paid to those municipalities. The amendment confirms that this was never an intended application of the credit. It closes the loophole by stating that the credit does not apply as to any amounts that are rebated by the other municipality.

Amendment: Section 3-27-030(D) was amended to state that to be entitled to a credit for taxes "properly due and actually paid" to another municipality the tax may not be rebated to, shared with, refunded to or otherwise reimbursed to the taxpayer or its agent or any related entity that it owns or controls. This amendment, effective January 1, 2015, is intended to clarify rather than change existing law.

**Lease Transaction tax**

Explanation: In 2006, an ordinance was passed to exempt car sharing from the personal property lease tax. This exemption was provided to help this new industry grow. Since that time, car sharing has become an established business model, and the smaller companies that were in the market at the time have been acquired by larger companies. The amendment eliminates the exemption, so that all vehicle rentals are subject to the lease tax. The rate of the tax was also increased to 9%.

Amendment: Chapter 3-32 was amended to eliminate the exemption for car sharing. Thus, Code Section 3-32-050(A)(13) has been deleted. Rentals by car sharing organizations are now subject to the lease tax effective January 1, 2015. In addition, the lease tax rate was increased from 8% to 9% effective January 1, 2015. Also, the definition of "lease price" was amended to specify that charges not for the use of personal property must be not only separately stated but also optional in order to avoid taxation as part of a taxable bundled charge.

### **Parking tax**

Explanation: The parking tax was last increased in 2012 and then switched from a 12-tier bracketed structure to a simpler percentage-based structure in July 2013. The 2015 amendment increases the weekday rate from 20% to 22% and the weekend rate from 18% to 20%. Weekly and monthly rates will increase from 20% to 22%. In addition, the 2015 amendment addresses valet parking. Previously, the parking tax ordinance stated that valets were required to collect the parking tax from their customers but did not have to do so if they could show from their books and records that tax was paid to the garage or lot where the car was parked. This often led to confusion about who was responsible for the parking tax, and it also left a disparity between the amount of tax paid by customers of valet and self-park businesses. The 2015 amendment imposes tax on the full amount charged by the valet at a rate of 20%, with a credit for tax paid to the garage or lot.

Amendment: In Chapter 4-236, the tax rate for daily parking Monday – Friday was increased from 20% to 22%, and the daily tax rate for Saturday and Sunday parking was increased from 18% to 20%. The tax rates for weekly and monthly parking were increased from 20% to 22%. Section 4-236-025 was added to impose a tax on valet parking businesses. Valet operators are required to pay a tax of 20% on all charges or fees received from their valet parking operations in the City. If a valet parking business has paid or remitted the parking tax in connection with the same transaction being taxed, it is entitled to claim a credit for the parking taxes it pays to a lot or garage. The annual parking tax return will be revised to include a line for valet operators to claim such credit. In addition, the definition of "charge or fee paid for parking" was amended to exclude charges that are separately stated and optional.

An Information Bulletin concerning these changes is being drafted and will be sent to all registered parking tax payers and licensed parking businesses. It will also be available on our web site at [www.cityofchicago.org/Finance](http://www.cityofchicago.org/Finance).

### **Amusement tax**

Explanation: Previously, the amusement tax was imposed on 60% of the charge for special seating areas such as skyboxes. This was based on the assumption that at least 40% of the charge was for food, beverages and other items that would not be subject to the amusement tax if they were separately stated and optional. In practice, the assumption was often incorrect, as less than 40% was for non-amusement items. The 2015 amendment eliminates the 60-40 rule and imposes the amusement tax on the full charge for such packages; however, a credit will be provided in the amount of any other City taxes the City imposes on the same charges. Another change is the elimination of the credit for franchise fees. Prior to 2014, cable television paid amusement tax at a rate of 4%, as opposed to the 9% rate that applies to other amusements. The credit was reduced to 3% in 2014, resulting in a 6% amusement tax rate for cable television. The 2015 amendment eliminates the credit entirely.

Amendment: In Chapter 4-156, the ordinance was amended to remove the provision that taxed 60% of the admission fee paid for special seating areas and instead impose tax on 100% of the admission fee paid; however, the amount of tax due will be reduced by any other city tax shown to be imposed on such charges. Also effective January 1, 2015 there will no longer be a credit allowed for amounts paid to the City pursuant to any agreement for the right to use the public way or to do business in the city. Section 4-156-033, imposing a separate tax on sales of tickets in the City, has been deleted. Instead, all sellers and resellers are required to secure the Section 4-156-020 tax from each patron or buyer, based on the full amount of charges paid by the patron, including service fees. Finally, several terms were added to the definitions section of the ordinance. The following terms are now defined in section 4-156-010: "Charges paid," "License," "Operator," "Resale" and "Reseller."

**Questions about any of these tax changes? Please call our Customer Service staff at 312-747-4747 or submit them online via the "Contact Tax Department" link on our web site with your account number and PIN. The Department's web site address is [www.cityofchicago.org/Finance](http://www.cityofchicago.org/Finance).**