

August 1998 Information Bulletin

Information Bulletin

Electricity Use Tax & Infrastructure Maintenance Fee

To: Distributors and Resellers of Electricity

The purpose of this Informational Bulletin is to provide information regarding filing the Chicago Electricity Use Tax & Chicago Electricity Infrastructure Maintenance Fee and to clarify requirements associated with the imposition of this tax and fee.

General Information

As a result of changes to the Illinois Municipal Code, municipalities may now impose (1) a tax on the privilege of using or consuming electricity acquired in a purchase at retail and (2) an infrastructure maintenance fee as compensation for the privilege of using public rights of way. These revenue measures replace the city's Electricity Occupation Tax and Electricity Franchise Fee, and are revenue neutral.

CHICAGO ELECTRICITY USE TAX

The Chicago Electricity Use Tax is imposed upon the privilege of using or consuming electricity acquired in a purchase at retail and used or consumed within the corporate limits of the city.

What is the tax rate?

The tax rates, calculated on a monthly basis, are as follows:

- i. for the first 2,000 kilowatt-hours used or consumed in a month; 0.61 cents per kilowatt-hour;
- ii. for the next 48,000 kilowatt-hours used or consumed in a month; 0.40 cents per kilowatt-hour;
- iii. for the next 50,000 kilowatt- hours used or consumed in a month; 0.36 cents per kilowatt-hour;
- iv. for the next 400,000 kilowatt- hours used or consumed in a month; 0.35 cents per kilowatt-hour;
- v. for the next 500,000 kilowatt- hours used or consumed in a month; 0.34 cents per kilowatt-hour;
- vi. for the next 2,000,000 kilowatt- hours used or consumed in a month; 0.32 cents per kilowatt-hour;
- vii. for the next 2,000,000 kilowatt- hours used or consumed in a month; 0.315 cents per kilowatt-hour;
- viii. for the next 5,000,000 kilowatt- hours used or consumed in a month; 0.31 cents per kilowatt-hour;
- ix. for the next 10,000,000 kilowatt- hours used or consumed in a month; 0.305 cents per kilowatt-hour; and
- x. for all electricity used or consumed in excess of 20,000,000 kilowatt-hours in a month; 0.30 cents per kilowatt-hour.

EXAMPLE 1:

In November 1998, XYZ Company sold to their residential customers the total of 20,000 kilowatt-hours of electricity. Kilowatt-hours distributed to individual customers are as follows:

Customer 1: 1,500
Customer 2: 8,000
Customer 3: 10,500
TOTAL: 20,000

What is the Chicago Electricity Use Tax to be remitted to the Revenue Department for that month?

Customer 1: 1500 kilowatt-hours @ \$0.00610 = \$ 9.15

Customer 2: 2000 kilowatt-hours @ \$0.00610 + 6000 kilowatt-hours @ \$0.004 = \$12.20 + \$24.00 = \$36.20

Customer 3: 2000 kilowatt-hours @ \$0.00610 + 8500 kilowatt-hours @ \$0.004 = \$12.20 + \$34.00 = \$46.20

Total Tax Due: \$9.15 + \$36.20 + \$46.20 = \$91.55

The kilowatt hours distributed in November 1998 should be reported on the Electricity Use Tax return in the following categories:

Categories for individual customer	Kilowatt-hours	Tax Rate	Tax Due
(0 - 2,000)	5,500	\$0.0061	33.55
(2,000.01 - 50,000)	14,500	\$0.0040	58.00
			\$91.55

Note:

1. The appropriate tax rate should be applied to the sum of kilowatt-hours sold to individual customers falling within applicable ranges.
2. When total kilowatt-hours of electricity sold to one customer in a month exceed 2000, the tax rate of \$0.0061 per kilowatt-hour has to be applied to the first 2000 kilowatt- hours, then the rate applicable to the next range (2,000.1 - 50,000) should be used for the remaining 48,000 kilowatt-hours sold, then you move to the next range (see the above example).

What are the allowable deductions from the Chicago Electricity Use Tax?

Any person who delivers electricity to a **reseller** having an active **resale number** and complying with all other conditions of section 3-53-50 of the Municipal Code of Chicago, shall be excused from collecting and remitting the tax on any portion of the electricity delivered to the reseller, provided that the person reports to the department the total amount of electricity delivered to the reseller, and such other information that the director may reasonably require.

In order to qualify as a reseller, you must send the enclosed copy of the resale certificate to the Revenue Department by August 21, 1998. Our department will contact your provider and inform them about your reseller status. If we do not have your resale certificate on file by that day, we will notify your provider that you are not a reseller. Resale certificates obtained at a later date will not be retroactive. For the period with no resale certificate on file you will not be able to apply for credit relating to the tax paid to the provider.

Starting with the first bill issued on or after September 1, 1998, resellers having an active resale number will not be charged tax by their provider. Therefore, we will stop issuing letters of credit to resellers for the tax they paid to their providers. All letters of credit issued prior to that have to be used within one year from the date they were issued.

To request a resale number send a completed resale certificate to:

City of Chicago
Department of Revenue
Exemption Unit
333 S. State Street, Suite 300
Chicago, Illinois 60604-3977
Attn: Miriam Velazquez

The Exemption unit will assign a resale number to a reseller only after the reseller files a complete application with the Revenue Department. Every provider selling electricity to a reseller must retain a copy of the reseller's resale certificate. Failure to meet this requirement will result in disallowance of this deduction to the provider.

Any provider who takes a deduction for electricity delivered to a reseller, must fill out and file with each Electricity Use Tax return the worksheet included with this Informational Bulletin. For each reseller to whom you sold electricity, you must list a name, address, drev number, resale number, and the number of kilowatt-hours of electricity sold. If this information is not provided, your deductions will be disallowed. The department will reconcile the information furnished by electricity providers, on the number of kilowatt-hours resold, to the data reported by electricity resellers on their Electricity Use Tax returns. If discrepancies are found, deficiency notices will be issued.

If a reseller has acquired electricity partly for use or consumption and partly for resale, the reseller shall pay the tax directly to the department on the amount of electricity that the reseller uses or consumes, and shall collect and remit the tax on the amount of electricity delivered by the reseller to a purchaser.

Also, the person delivering electricity shall be allowed credit for the tax related to deliveries of electricity the charges for which are written off as uncollectible, however, if such charges are thereafter collected, the delivering supplier shall be obligated to remit such tax.

Is the U.S. Government, Foreign Diplomats and the City of Chicago exempt from paying the Electricity Use Tax?

Yes. Electricity distributed to the U.S. Government, Foreign Embassies, and the City of Chicago is exempt from the Electricity Use Tax.

How is the tax collected?

The Chicago Electricity Use Tax shall be collected from purchasers by the person maintaining a place of business in the State of Illinois who delivers electricity to such purchasers.

Persons delivering electricity shall collect the tax from the purchaser by adding such tax to the gross charge for delivering the electricity. They shall also be authorized to add to such gross charge an amount equal to 3% of the tax they collect to reimburse them for their expenses incurred in keeping records, billing customers, preparing and filing returns, remitting the tax and supplying data to the city upon request.

What are the filing requirements?

Every tax collector shall on a monthly basis file with the department a return on a form included with this Informational Bulletin.

The return and accompanying remittance shall be due on or before the last day of the month following the month during which the tax is collected or is required to be collected under Section 3-53-030.

The tax shall be imposed with respect to the use or consumption of electricity by **residential customers** beginning with the first bill issued on or after September 1, 1998; and with respect to the use or consumption of electricity by **nonresidential customers** beginning with the first bill issued to such customer for delivery services in accordance with Section 16-104 of the Public Utilities Act, or the first bill issued to such customers on or after January 1, 2001, whichever issuance occurs sooner.

When a reseller distributes electricity to residential and non-residential tenants who occupy the same building, non-residential tenants, for filing purposes, should be treated as residential and total kilowatt-hours of electricity distributed to them should be reported on the Chicago Electricity Use Tax return.

If only non-residential tenants occupy a building, electricity distributed to them will continue to be subject to the occupation tax imposed on distribution of electricity by chapter 3-40 of the Municipal Code of Chicago until they become subject to the Chicago Electricity Use Tax, as provided by Section 3-53-020(D) of the Municipal Code of Chicago.

What records must be kept?

Every tax collector, and every taxpayer required to pay the Chicago Electricity Use Tax shall keep accurate books and records of its business or activity. The books and records shall be subject to and available for inspection by the department at all times during business hours of the day.

Credits and refunds.

No person shall be entitled to a refund of, or credit for, the tax, unless the person files a claim for refund or credit within **one year** after the date on which the tax was paid or remitted to the department.

Application of uniform revenue procedures ordinance.

The Uniform Revenue Procedures Ordinance, Chapter 3-4 of the Municipal Code of Chicago, generally applies to the administration and enforcement of this chapter.

Will the occupation tax imposed on distribution of electricity by chapter 3-40 of Municipal Code of Chicago remain in effect?

Yes. The Electricity Occupation Tax will continue to apply to nonresidential customers until they become subject to the Electricity Use Tax.

CHICAGO ELECTRICITY INFRASTRUCTURE MAINTENANCE FEE

The Chicago Electricity Infrastructure Maintenance Fee is imposed upon electricity deliverers, as compensation for the privilege of using public rights of way.

This fee is imposed in addition to all taxes, fees and other revenue measures imposed by the city, the State of Illinois or any other political subdivision of the State, provided, however, that no fee or other compensation shall be required from electricity deliverers for use of the public way, except as provided in subsections 3-54-090(B)&(C) of the Municipal Code of Chicago.

How much is the fee?

The fee is imposed at the following rates:

- i. for the first 2,000 kilowatt-hours used or consumed in a month; 0.53 cents per kilowatt-hour;

- ii. for the next 48,000 kilowatt-hours used or consumed in a month; 0.35 cents per kilowatt-hour;
- iii. for the next 50,000 kilowatt- hours used or consumed in a month; 0.31 cents per kilowatt-hour;
- iv. for the next 400,000 kilowatt- hours used or consumed in a month; 0.305 cents per kilowatt-hour;
- v. for the next 500,000 kilowatt- hours used or consumed in a month; 0.30 cents per kilowatt-hour;
- vi. for the next 2,000,000 kilowatt- hours used or consumed in a month; 0.28 cents per kilowatt-hour;
- vii. for the next 2,000,000 kilowatt- hours used or consumed in a month; 0.275 cents per kilowatt-hour;
- viii. for the next 5,000,000 kilowatt- hours used or consumed in a month; 0.27 cents per kilowatt-hour;
- ix. for the next 10,000,000 kilowatt- hours used or consumed in a month; 0.265 cents per kilowatt-hour; and
- x. for all kilowatt-hours of electricity in excess of 20,000,000 kilowatt- hours used or consumed in a month; 0.26 cents per kilowatt-hour.

What are the allowable deductions from the Chicago Electricity Infrastructure Maintenance Fee ?

Sales for resale are exempt from the fee. However, it should be noted that **no exemption** from the fee shall apply to the delivery of electricity to a person who owns, controls or manages, or acts as agent for, a building, buildings, or group of customers within the city, where such person distributes the electricity to the occupants of the building or buildings, or to the group of customers. In those cases **the provider is to collect the fee from the reseller** and remit it to the department.

The person delivering electricity shall be allowed credit for any portion of the fee related to deliveries of electricity the charges for which are written off as uncollectible, however, if such charges are thereafter collected, the delivering supplier shall be obligated to pay such fee.

Is the U.S. Government, Foreign Diplomats and the City of Chicago exempt from paying the Electricity Infrastructure Maintenance Fee?

Yes. Electricity distributed to the U.S. Government, Foreign Embassies, and the City of Chicago is exempt from the Electricity Infrastructure Maintenance Fee.

How is the fee collected?

Any electricity deliverer making or effectuating a delivery of electricity shall pay the fee to the Department.

The amount of fee imposed under this chapter may be collected from the purchaser using or consuming the electricity with respect to which the fee was imposed. The fee may be collected by the electricity deliverer from the purchaser as a separately stated charge on the purchaser's bills.

What are the filing requirements?

Every electricity deliverer required to pay the fee shall on a monthly basis file with the department a return on a form included with this Informational Bulletin.

The return and remittance shall be filed on or before the last day of each calendar month for electricity delivered to purchasers during the preceding calendar month.

The fee with respect to the kilowatt- hours delivered to residential customers shall become effective beginning with the first bill issued on or after September 1, 1998. The fee with respect to the kilowatt-hours delivered to non-residential customers shall become effective beginning with the first bill issued on or after November 1, 1999.

What records must be kept?

Every electricity deliverer required to pay the fee shall keep accurate books and records of its business or activity. The books and records shall be subject to and available for inspection by the department at all times during business hours of the day.

Application of uniform revenue procedures ordinance.

The Uniform Revenue Procedures Ordinance, Chapter 3-4 of the Municipal Code of Chicago, generally applies to the administration and enforcement of this chapter.

EXAMPLE 2:

ABC Electric Company delivers electricity in Chicago to its residential and non-residential customers. What tax returns is ABC Electric Company require to file for the period September 1, 1998 through October 31, 1999?

- A. If ABC Electric Company is a provider of electricity, for each reporting period from September 1, 1998 through October 31, 1999, it is required to file:
 1. Chicago Electricity Use Tax return (Chapter 3-53) for electricity delivered to its Chicago residential customers,
 2. Chicago Electricity Infrastructure Maintenance Fee return (Chapter 3-54) for electricity delivered to its Chicago residential customers,
 3. Occupation tax on distribution of electricity (Chapter 3-40) for electricity delivered to its Chicago non- residential customers, and
 4. Franchise fee return for electricity delivered to its Chicago non-residential customers.
- B. If ABC Electric Company is a reseller of electricity, for each reporting period from September 1, 1998 through October 31, 1999, it is required to file:
 1. Chicago Electricity Use Tax return (Chapter 3-53) for electricity delivered to its Chicago residential customers (when residential and non-residential tenants occupy the same building, non-residential tenants, for filing purposes, should be treated as residential),
 2. Occupation tax on distribution of electricity (Chapter 3-40) for electricity delivered to its Chicago non- residential customers.

Note:

Available for download are tax forms to be used for filling the Chicago Electricity Use Tax and Chicago Electricity Infrastructure Maintenance Fee.

- [Electricity Use Tax Resale Certificate](#)
- [Important Information on Chicago Electricity Use Tax Return](#)

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

Tax Policy Division

333 South State Street, Ste. 300

c/o Raul Medina

Chicago, Illinois 60604-3977

Customer Service (312) 747-9723

TTD (312) 747-2975