



The Civic Federation

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SELECTED CONSUMER TAXES IN THE CITY OF CHICAGO

This brief provides a compilation of selected consumer taxes, including rates and descriptions, in place in the City of Chicago as of January 1, 2015.

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The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

Selected Consumer Taxes in Chicago as of January 1, 2015

see accompanying narrative for details

	Federal	State	Cook County		City of Chicago		RTA ¹	MPEA ²	ISFA ³	TOTAL
			County	Home Rule	Municipal	Home Rule				
Airport Departure Tax	--	--	--	--	--	--	--	\$2.00 to \$54.00	--	\$2.00 to \$54.00
Amusement Tax	--	--	--	1.0% to 1.5% live, 3.0% other	--	5.0% live, 9.0% all other	--	--	--	6.00% to 12.00%
Automobile Rental Tax	--	5.00%	--	--	\$2.75 per rental period ⁴	--	--	6.00%	--	11.00% + \$2.75
Bottled Water Tax (per bottle)	--	--	--	--	--	\$0.05	--	--	--	\$0.05
Electricity Infrastructure Fee per kwh (range)⁵	--	--	--	--	\$0.0026 to \$0.0053 ⁵	--	--	--	--	\$0.0026 to \$0.0053⁵
Electricity Use Tax per kwh (range)⁵	--	\$0.00202 to \$0.00335	--	--	\$0.003 to \$0.00615	--	--	--	--	\$0.00502 to \$0.0094⁵
Firearms Tax	--	⁶	--	\$25.00	--	--	--	--	--	\$25.00
Fountain Soft Drink Syrup Tax	--	--	--	--	--	9.00%	--	--	--	9.00%
Hotel Operators' Tax	--	6.17%	--	--	1.08%	4.50%	--	2.50%	2.14%	16.39%⁷
Liquor Tax per gallon										
<i>Beer</i>	\$0.22 to \$0.58	\$0.231	--	\$0.09	--	\$0.29	--	--	--	\$0.83 to \$1.19
<i>Wine</i>	\$1.07 to \$3.40	\$1.39	--	\$0.24 to \$0.45	--	\$0.36 to \$0.89	--	--	--	\$3.06 to \$6.13
<i>Distilled Liquor (100 proof gallon)</i>	\$13.50 ⁸	\$8.55	--	\$2.50	--	\$2.68	--	--	--	\$27.23
Motor Fuel per gallon (also subject to sales tax)										
<i>Gasoline⁹</i>	\$0.184	\$0.201	--	\$0.06	--	\$0.05	--	--	--	\$0.50
<i>Diesel⁹</i>	\$0.244	\$0.226	--	\$0.06	--	\$0.05	--	--	--	\$0.58
Natural Gas Utility Tax	--	\$0.024 per therm or 5.0% ¹⁰	--	--	8.0% ¹¹	--	--	--	--	≤13.00%
New Motor Vehicle Tax (per 4-wheel vehicle)	--	--	--	\$15.00	--	--	--	--	--	\$15.00
Parking Tax Range	--	--	--	6.0% to 9.0%, depending on fee	--	20.0% to 22.0%, depending on day	--	--	--	26.0% to 31.0%
Personal Property Lease Transaction Tax	--	--	--	--	--	9.00%	--	--	--	9.00%
Real Estate Transfer Tax	--	\$0.50 per \$500 (0.1%)	\$0.25 per \$500 (0.05%)	--	\$1.50 per \$500 (0.3%) ¹²	\$3.75 per \$500 (0.75%)	--	--	--	\$6.00 per \$500 (1.2%)
Restaurant Tax¹³	--	--	--	--	--	0.25%	--	1.00%	--	1.25%
Sales Tax										
<i>General Merchandise (including motor fuel & restaurant purchases)</i>	--	5.00% ¹⁴	--	0.75%	1.00%	1.25%	1.25% ¹⁵	--	--	9.25%
<i>Food & Drugs</i>	--	--	--	--	1.00%	--	1.25%	--	--	2.25%
Soft Drink Tax	--	--	--	--	--	3.00%	--	--	--	3.00%
Telecommunications Excise Tax	3.00%	7.00%	--	--	7.00%	--	--	--	--	17.00%
911 service per network connection per month	--	--	--	--	\$3.90 ¹⁶	--	--	--	--	\$3.90
Tire Fee per new tire	--	\$2.50	--	--	--	\$1.00	--	--	--	\$3.50
Tobacco Taxes										
<i>Cigarette (per pack)</i>	\$1.01	\$1.98	--	\$3.00	--	\$1.18	--	--	--	\$7.17
<i>Smoking tobacco (per ounce)</i>	\$0.17	36% of wholesale price	--	\$0.60	--	--	--	--	--	36.00% + \$0.77
<i>Smokeless tobacco (per ounce)</i>	\$0.03 to \$0.09	\$0.30	--	\$0.60	--	--	--	--	--	\$0.93 to \$0.99
<i>Little cigar (per unit)</i>	\$0.05	\$1.98	--	\$0.05	--	--	--	--	--	\$2.08
<i>Large cigar (per unit)</i>	52.75% of sales price ¹⁷	36% of wholesale price	--	\$0.30	--	--	--	--	--	88.75% + \$0.30¹⁷
Wheel Tax (Vehicle Registration) per small passenger automobile per year	--	\$99.00 ¹⁸	--	¹⁹	--	\$85.97	--	--	--	\$184.00
Wheel Tax (Vehicle Registration) per large passenger automobile per year	--	\$99.00 ¹⁸	--	²⁰	--	\$136.54	--	--	--	\$234.00

See notes on next page and accompanying narrative for details.

Note: "Municipal" and "County" refer to taxing authority granted by state law to municipalities and counties and is distinct from taxes imposed by virtue of home rule status.

¹ Regional Transportation Authority (Chicago Transit Authority, Metra, Pace).

² Metropolitan Pier and Exposition Authority taxes are levied on different geographic areas. The restaurant tax area consists of Stevenson Expressway (south), Ashland Avenue (west), Diversey Avenue (north), Lake Michigan (east) and airports. The hotel tax is throughout Chicago, the airport departure tax is at airports and the automobile rental tax is throughout Cook County.

³ Illinois Sports Facilities Authority (U.S. Cellular Field and Soldier Field).

⁴ The City of Chicago imposes a 9% personal property lease tax on auto rental in addition to the \$2.75 per rental of motor vehicle lessor tax.

⁵ Rates for the Electricity Infrastructure Fee and Electricity Use Tax start at the higher rate and decline as usage increases.

⁶ The State of Illinois requires residents to have a Firearm Owners Identification Card in order to purchase a firearm. The fee for the card is \$10.00 per ten years.

⁷ This figure represents the effective rate of this tax. See the narrative for more detail on this tax.

⁸ Only the federal government considers the proof of the distilled alcohol. It taxes \$13.50 per gallon of 100-proof liquor. See the narrative for more detail.

⁹ Includes \$0.003 for Underground Storage Tank Tax and \$0.008 for environmental impact fee imposed by the State of Illinois.

¹⁰ The State rate for natural gas usage is the lesser of \$0.024 per therm of gas sold to each customer or 5% of gross revenue from each customer.

¹¹ Large institutions that purchase from providers other than Peoples Energy are subject to \$0.063 per therm instead of 8%.

¹² The \$1.50 per \$500 tax is transferred to the Chicago Transit Authority.

¹³ Restaurant taxes are in addition to sales taxes.

¹⁴ The State collects a tax of 6.25%. The State keeps 5.0% and distributes the remaining 1.25% to local governments.

¹⁵ This includes a 1.0% tax by the RTA and the 0.25% county share of sales tax which in Cook County is distributed to the RTA.

¹⁶ The City of Chicago imposes a 911 surcharge on prepaid wireless services of 9%. The enforcement and collection of this surcharge is administered by the Illinois Department of Revenue.

¹⁷ Federal tax is limited to \$.4026 per cigar.

¹⁸ A \$1 surcharge goes to the State Police Vehicle Fund.

¹⁹ Cook County levies wheel taxes in unincorporated portions of the county. The current rate for residents of unincorporated Cook County is \$80 per small passenger automobile per year.

²⁰ Cook County levies wheel taxes in unincorporated portions of the county. The current rate for residents of unincorporated Cook County is \$100 per large passenger automobile per year.

Source: Illinois Legislative Research Unit 2014 Tax Handbook for Legislators; Illinois Department of Revenue website; City of Chicago Department of Revenue website; Cook County Department of Revenue website; United States Government Printing Office website; Illinois Compiled Statutes; Code of Ordinances of Cook County, Illinois; Municipal Code of Chicago; and United States Code.

INTRODUCTION

Description of Tax Categorization

For the purposes of this report, taxes for Cook County and the City of Chicago have been organized into two categories: *municipal* or *county* and *home rule*.

Municipal or *county* refers to the taxing authority granted by the State of Illinois to all municipalities or counties and is distinct from taxes imposed by virtue of home rule status. An example of this type of tax is the City of Chicago's Automobile Rental Tax. The State authorizes any municipality in Illinois to impose a tax on automobile rentals and limits the amount of the tax.

Taxes categorized as *municipal* and *county* also include taxes imposed by the State of Illinois, where a portion of the tax revenue is distributed to municipalities or counties. Illinois' state sales tax rate is 6.25%, but 5.00% of the sales tax revenue goes to the State, 1.00% goes to all municipalities, including Chicago, and the remaining 0.25% goes to the counties. However, Cook County's share of the state sales tax is distributed to the Regional Transportation Authority.

Home rule refers to the taxing authority granted by the State of Illinois to home rule municipalities. According to the Constitution of the State of Illinois, any municipality with a population of 25,000 or more qualifies as a home rule unit. A municipality may also qualify as a home rule unit through referendum. A county which has a chief executive officer elected by the electors of the county may also become home rule. Cook County is the only home rule county in the State of Illinois. Home rule units in Illinois have the authority to impose taxes, unless otherwise prohibited by the Constitution (Article VII, Section 6). An example of this *home rule* tax is the City of Chicago's Bottled Water Tax. The City of Chicago is permitted to impose a tax on bottled water because it has home rule status and because the State has not prohibited it.

Tax Changes

The following taxes, listed in chronological order by the date they became effective, have undergone changes between the release of the previous "Selected Consumer Taxes in the City of Chicago" report in February 2014 and January 1, 2015:

- **Telecommunications 911 Surcharge Tax, City of Chicago** – tax rate increase from \$2.50 to \$3.90 per phone connection per month for 911 emergency services and a 911 surcharge increase on prepaid wireless phones from 7% to 9%. Landline and wireless line rates went into effect on September 1, 2014 and the prepaid rate went into effect on October 1, 2014.
- **Parking Tax, City of Chicago** – percentage-based rate increase from 20% to 22.0% for weekdays, weekly and monthly rates and from 18% to 20% on weekends beginning January 1, 2015;
- **Amusement Tax, City of Chicago**
 - Elimination of partial exemption from the amusement tax for cable television providers from 6.0% tax to the full 9.0% tax; and

- Elimination of partial exemption for special seating areas such as skyboxes from a tax imposed on 60% of the charge for special seating areas to a tax imposed on 100% of the charge for special seating areas beginning January 1, 2015.
- **Hotel Accommodations Tax, City of Chicago** – extension of tax collection responsibilities to include third party businesses that facilitate the rental or lease of vacation rentals or other accommodations online or in person beginning January 1, 2015.
- **Non-Titled Use Tax, City of Chicago** – amendment passed to clarify rather than change the law to state that in order to be entitled to a credit from the City of Chicago for taxes “properly due and actually paid” to another municipality, the tax may not be rebated to, shared with, or otherwise reimbursed to the taxpayer or its agent or any related entity that it owns or controls, effective January 1, 2015.
- **Personal Property Lease Transaction Tax, City of Chicago** – tax rate increase from 8.0% to 9.0% and elimination of the lease tax exemption for car sharing. Rentals by car sharing organizations are now subject to the lease tax effective January 1, 2015.
- **State of Illinois Use Tax for Out-of-State Retailers** – Effective January 1, 2015, the State of Illinois has expanded the type of out-of-state retailers required to register in Illinois and collect and remit Use Tax.

DESCRIPTION OF SELECTED CONSUMER TAXES IN CHICAGO

Airport Departure Tax

This tax is applied to businesses engaged in providing ground transportation for hire to passengers departing from a commercial service airport in Chicago and is passed on to consumers. On July 21, 2010, the Metropolitan Pier and Exposition Authority amended the airport departure tax ordinance to include an increase in the tax effective September 1, 2010.¹ The tax for vans and buses regulated by the Illinois Commerce Commission or Interstate Commerce Commission is \$2.00 per passenger. Tax rates for all other vehicles range from \$4.00 to \$54.00 depending on vehicle capacity and type. The tax rates effective as of September 1, 2010 reflected a 100.0% increase in the prior rates.
(70 ILCS 210/13)

Amusement Tax

In Cook County an Amusement Tax of 1% of admission fees or other charges is applied for live theatrical, musical or other cultural performances with capacity of 750-5,000 persons. A 1.5% tax is applied to all such performances with capacity over 5,000 persons. The tax does not apply to such performances with capacity under 750. A tax of 3% applies to other exhibitions, performances, presentations and shows such as movies and sports. The tax may apply to amateur productions, benefits for non-profit organizations, non-profit professional orchestras and operas or participatory activities (e.g., amusement parks, sports games) pursuant to an amendment to the ordinance passed February 1, 2012. Under the amended ordinance, if the Cook County Department of Revenue determines that granting an exemption would result in a potential loss of tax revenue greater than \$150,000, the Board of Commissioners would need to provide final

¹ City of Chicago, Department of Revenue, “MPEA Airport Departure Tax Rate Increase,” news release, July 21, 2010.

approval of the exemption. Prior to February 2012, the tax was not imposed on these organizations if they applied for a waiver from the Department of Revenue.
(*Code of Ordinances of Cook County, Illinois, Chapter 74, Article X*)

In Chicago an Amusement Tax of 5% of admission fees and other charges is applied for live theatrical, musical or other cultural performances with capacity over 750 persons. A 9% tax applies to all other performances and participatory events including movies, sports, amusement parks, circuses, pleasure boat rides, dancing, bowling, tennis, weightlifting, etc. Activities that are primarily educational rather than recreational are excluded. Initiation fees and memberships to health clubs are not taxed, but per-event or per-admission fees are taxed at 9%. Cable television is also taxed at 9% of charges. The City previously issued a partial exemption of the tax to cable television providers. However, with the approval of the FY2014 budget, the cap on the partial exemption of the amusement tax issued to cable television providers was reduced from 5% to 3% effective January 1, 2014.² With the approval of the FY2015 budget, the exemption was completely eliminated effective January 1, 2015 and the cable television providers must now pay the full 9% rate that applies to other amusements. Also with the FY2015 budget, an amendment was passed that went into effect on January 1, 2015 that eliminates the partial tax exemption on the admission fee paid for special seating areas, such as sky boxes. This tax, however, will be reduced by any other city tax shown to be imposed on these admission fee charges.

(*City of Chicago Municipal Code, Chapter 4-156, Amendment of Municipal Code regarding various fines and fees, 2015 Revenue Ordinance*)

Automobile Rental Tax

As imposed by the State of Illinois, City of Chicago and the Metropolitan Pier and Exposition Authority (MPEA), this tax applies to the lessee of any automobile or van with capacity of 7-16 passengers or recreational vehicle for the privilege of using Illinois highways. This tax is collected by the lessor, who can be relieved of the duty of paying the Automobile Renting Occupation Tax on gross receipts from the transaction. These taxes apply only to rental agreements for periods up to one year, such as short-term rentals at airports, motels, etc. Rentals to governments, non-profits providing recreation to persons over age 55, rentals where lessor retains possession of the vehicle (e.g., limousine service) and rentals of demonstration cars by automobile dealers are exempt.

The State of Illinois imposes a tax of 5% of the automobile rental charge, MPEA imposes a tax of 6% and the City of Chicago imposes a 9% lease tax in addition to the tax of \$2.75 per rental period.

(35 ILCS 155/1ff)

(65 ILCS 5/8-11-11)

(70 ILCS 210/13(d))

(*City of Chicago Municipal Code, Chapter 3-32 and Chapter 3-48*)

(http://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/Revenue/2015_Tax_Changes_Bulletin.pdf)

² City of Chicago Municipal Code, Chapter 4-156-020(J)

Bottled Water

This tax was created with the November 13, 2007 approval of the FY2008 City Budget. It is a tax of five cents on any size bottle of water sold in the City of Chicago.

(City of Chicago Municipal Code, Chapter 3-43)

Electricity Infrastructure Maintenance Fee (per kilowatt hour)

This fee is imposed on electricity deliverers as compensation for using public rights of way in the City of Chicago and is passed on to consumers. It is charged on a monthly basis per kilowatt hour of usage, ranging from \$0.0053 for the first 2,000 kwh to \$0.0026 for amounts over 20 million kwh.

(35 ILCS 645/5-5)

(City of Chicago Municipal Code, Chapter 3-54)

Electricity Use Tax (per kilowatt hour)

This tax applies to electricity usage per kilowatt hour per month and is reflected on electric bills. The tax rates vary based on usage for residential customers (non-residential customers pay as a percentage of the purchase price). As with the Electricity Infrastructure Maintenance Fee, this tax is applied using a range based on monthly kilowatt hours of usage.

(35 ILCS 640/2-1ff and 220 ILCS 5/9-222)

(65 ILCS 5/8-11-2(3))

(City of Chicago Municipal Code, Chapter 3-53)

Firearms Tax

Cook County imposes a tax on the retail purchase of a firearm of \$25.00 per firearm, effective April 1, 2013. The Cook County Board of Commissioners adopted the ordinance on November 9, 2012 as part of the FY2013 budget. The State of Illinois also requires residents to register for a Firearm Owners Identification Card in order to purchase a firearm. The card has a fee of \$10.00 for a ten-year term.

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article XX)

Fountain Soft Drink Syrup Tax

This tax of 9% of syrup price is applied to businesses that sell soft drink syrup to retailers located in Chicago or retailers selling fountain soft drinks in the City of Chicago where the tax was not remitted to the distributor.

(65 ILCS 5/8-11-6b(c))

(City of Chicago Municipal Code, Chapter 3-45)

Hotel Operators' Tax

This rate is expressed as an effective rate because three levels of government tax gross hotel operator receipts while two levels tax net receipts. The State, Municipal and Illinois Sports Facilities Authority hotel taxes are all taxes on gross receipts including tax receipts. In order to compensate for this structure and not double-tax, the rates are expressed as a fraction of total

receipts, excluding the receipts from collecting the Metropolitan Pier and Exposition Authority tax and the City of Chicago home rule hotel tax. The latter two taxes are applied to net receipts or base charges paid by guests.

Hotel Operators' Tax: Effective Rates			
State	$(6\% \text{ of } 94\%) \times (1\% \text{ Municipal} + 2\% \text{ ISFA}) + 6\%$	=	6.17%
Municipal	$(1\% \text{ of } 99\%) \times (6\% \text{ State} + 2\% \text{ ISFA}) + 1\%$	=	1.08%
ISFA	$(2\% \text{ of } 98\%) \times (6\% \text{ State} + 1\% \text{ Municipal}) + 2\%$	=	2.14%
MPEA			2.50%
City of Chicago			4.50%
Total			16.39%

Source: Illinois Legislative Research Unit Tax Handbook for Legislators, 30th Edition May 2014, page 56 and calculations made by the Civic Federation.

The Hotel Operators' Tax is the only tax available to the Illinois Sports Facilities Authority. The City of Chicago tax also applies to online sales. The Chicago City Council amended the law to clarify that the law applies to online sales on November 13, 2007 with the approval of the FY2008 City Budget. Permanent residents of a lodging place are exempt from the tax.

On November 2, 2011, the Chicago City Council passed an ordinance increasing the Hotel Operators' Tax from 3.50% to 4.50% effective January 1, 2012.

(35 ILCS 145/3)

(65 ILCS 5/8-3-13)

(70 ILCS 3205/19)

(70 ILCS 210/13(c))

(City of Chicago Municipal Code, Chapters 3-24 and 3-40, Article VII)

Liquor Tax (per gallon)

This tax is applied to the making or distribution of alcoholic beverages in Illinois and is passed on to consumers. There are different rates for beer, wine and liquor based on alcohol content. The federal tax on distilled liquor, which taxes distilled alcohol at a rate of \$13.50 per one gallon of 100-proof liquor, is the only tax on alcohol in Chicago that considers the proof of the distilled alcohol rather than percentage of alcohol.

The Cook County Board of Commissioners adopted an ordinance increasing the County's alcohol beverage taxes effective January 2, 2012. The composite rates per gallon including federal, state, Cook County and Chicago rates are reflected in the following list: \$1.19 per gallon of beer, \$3.06 per gallon of wine 14% or less in alcohol, \$6.13 for wine over 14% but under 20% in alcohol. The composite tax rate for liquor over 20% alcohol content varies depending on the proof of the alcohol. The composite tax on one gallon of 100-proof alcohol equals \$27.23. The taxes on a 750 ml bottle of 80-proof liquor would be \$2.14 in federal taxes, \$1.69 in state taxes, \$0.50 in county taxes and \$0.53 in city taxes totaling a composite tax of \$5.49. The composite per gallon rate also increased when a tax increase levied by the State of Illinois took effect on September 1, 2009.

(26 USC Sec. 5001)

(235 ILCS 5/8-1ff)

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article IX)

(City of Chicago Municipal Code, Chapter 3-44)

Motor Fuel Tax (per gallon)

The fuel tax is included in the retail price of diesel, gasoline and special fuel (aircraft fuel is exempt). The state tax includes \$0.003 per gallon for the Underground Storage Tank Fund and a \$0.008 per gallon environmental impact fee. Most motor fuel is also subject to the sales tax on general merchandise. However, there are several point-of-sale exemptions from the general merchandise sales tax: gasohol is 20% exempt, majority blended ethanol is 100% exempt, biodiesel blends with less than 11% bio-content are 20% exempt and biodiesel blends with 11% or more bio-content are 100% exempt.

(26 USC Sec. 4081 and 26 USC Sec. 4041)

(35 ILCS 105/3-10)

(35 ILCS 505/1 ff)

(35 ILCS 505/2a and 415 ILCS 125/301 ff)

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article XII)

(City of Chicago Municipal Code, Chapter 3-52)

Natural Gas Utility Tax

The state rate for the natural gas tax is the lesser of \$0.024 per therm of gas sold to each customer or 5% of gross revenue from each customer. The City of Chicago rate is 8.0% of gross receipts. These taxes are passed on to consumers on their gas bills.

(35 ILCS 615/1ff and 220 ILCS 5/9-222)

(35 ILCS 173/5-1ff)

(65 ILCS 5/8-11-2)

(City of Chicago Municipal Code, Chapter 3-40, Article II)

New Motor Vehicle Tax

Cook County applies this tax to all sales of new motor vehicles in the County. Different rates apply per number of wheels, but a standard four-wheel passenger car is chosen for the example in this report's chart. The range is from \$7.50 on a two-wheeled vehicle to \$22.50 on a truck or trailer. This tax is imposed in addition to all other applicable sales taxes.

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article VI)

Parking Tax

This tax applies to businesses that operate parking lots, which must collect the tax from customers. The tax rates used to vary by the hourly rate of parking, with different tax schedules for daily, weekly and monthly parking fees. In 2013 the City of Chicago and Cook County modified their parking tax systems from a tiered rate tax system to a percentage-based tax system. Effective January 1, 2015, the City charges a 20.0% tax for parking on weekends and a 22.0% tax for parking on weekdays. This is a two percentage point increase from the prior rates. The City also increased the tax for weekly and monthly parking rates, from 20.0% to 22.0% effective January 1, 2015. Effective September 1, 2013, the County charges a tax between 6.0% and 9.0%, depending on the parking fee. Effective January 1, 2015, the City also requires valet

operators to pay a tax of 20.0% on all charges or fees received from their valet parking operations in the City.

Historical changes to the tiered tax system (prior to 2013) include a change to the top tier of the parking tax from \$2.25 to \$3.00 with the adoption of the City of Chicago's FY2009 Budget. In January 2012, the fee for the top tier of the parking tax increased from \$3.00 to \$5.00 for weekday parkers with an amendment to the City's 2012 Revenue Ordinance. This tax increase was imposed only if the parking charge or fee was paid on a weekday.

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article XIII)

(City of Chicago Municipal Code, Chapter 4-236; City of Chicago, Amendment of Municipal Code regarding various fines and fees, 2015 Revenue Ordinance)

Personal Property Lease Transaction

The City of Chicago lease transaction tax applies to businesses or individuals that either are a lessor or lessee of personal property in Chicago, including leases for automobiles, at a rate of 8.00%. The lessor does not bear the burden of the tax, but is responsible for collecting the tax from the lessee. The rate increased from 6.00% to 8.00% with the November 13, 2007 approval of the FY2008 City Budget. On November 19, 2014, as part of its FY2015 Budget, an amendment was made that increased the rate of this tax one percentage point to 9%, effective January 1, 2015. There are various exemptions such as the lease of motion picture films (subject to Amusement Tax instead), lease of rolling stock used for interstate commerce and leases where the lessor and lessee are part of the same related group.

An ordinance passed in 2006 originally exempted car sharing from the personal property lease tax, but effective January 1, 2015, the exemption was eliminated so that all vehicle rentals are subject to the lease law.

(City of Chicago Municipal Code, Chapter 3-32; City of Chicago, Amendment of Municipal Code regarding various fines and fees, 2015 Revenue Ordinance)

Real Estate Transfer Tax

This tax is imposed upon the privilege of transferring title to, or beneficial interest in, real property. On April 1, 2008, an additional 0.3% was added to the City of Chicago portion of the tax to be transferred to the Chicago Transit Authority. The 0.3% CTA portion of the City real estate transfer tax is paid by the seller. The state and county real estate transfer taxes are also owed by the seller. The City of Chicago 0.75% home rule tax is paid by the buyer. Of the total 1.2% rate, 0.45% is paid by the seller and 0.75% is paid by the buyer. There are various exemptions to the City portions of the tax. For example, sales under \$500 are not taxed, nor are bankruptcies or Enterprise Zone transfers.

(35 ILCS 200/31-10)

(55 ILCS 5/5-1031)

(65 ILCS 5/8-3-19(i))

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article III)

(City of Chicago Municipal Code, Chapter 3-33)

Restaurant Tax

The restaurant tax is imposed on the selling price of all food and beverages sold at retail by a place for eating. The City of Chicago and the Metropolitan Pier and Exposition Authority levy a restaurant tax for a combined rate of 1.25% in the MPEA area (noted under the table below). Chicago's 0.25% restaurant tax applies to the entire area of the City. These rates are in addition to the sales tax on general merchandise, which applies to prepared food purchases. The following table shows the total tax rate levied on prepared foods, including the sales tax and restaurant tax.

Taxes on Prepared Food As of January 1, 2015		
	Chicago MPEA¹	Chicago - not MPEA
State Sales	5.00%	5.00%
Municipal Sales²	1.00%	1.00%
County Sales (to RTA)³	0.25%	0.25%
Cook County Home Rule Sales	0.75%	0.75%
RTA Sales	1.00%	1.00%
City of Chicago Home Rule Sales	1.25%	1.25%
MPEA Restaurant	1.00%	0.00%
Chicago Restaurant	0.25%	0.25%
Composite Rate	10.50%	9.50%

¹The MPEA area consists of Stevenson Expressway (south), Ashland Avenue (west), Diversey Avenue (north), Lake Michigan (east), O'Hare Airport and Midway Airport.

²This rate also applies to Cook County unincorporated areas.

³In Cook County only, this portion is allocated to the RTA rather than to the County.

Recent changes that have impacted the composite restaurant tax rates include:

- MPEA restaurant tax imposed October 1, 1992;
- Chicago restaurant tax imposed April 1, 2004;
- Chicago home rule sales tax increase of 0.25%, effective July 1, 2005 (see sales taxes section of the narrative for more detail on changes in this tax);
- RTA sales tax increase of 0.25%, effective April 1, 2008 (see sales taxes section of the narrative for more detail on changes in this tax);
- Cook County home rule sales tax increase of 1.0%, effective July 1, 2008;
- Cook County home rule sales tax decrease of 0.50%, effective July 1, 2010;
- Cook County home rule sales tax decrease of 0.25%, effective January 1, 2012; and
- Cook County home rule sales tax decrease of 0.25%, effective January 1, 2013 (see sales taxes section of the narrative for more detail on changes in this tax).

(65 ILCS 5/8-11-6a)

(70 ILCS 210/13)

(City of Chicago Municipal Code, Chapter 3-30)

Sales Taxes

“Sales” taxes in Illinois are actually composed of two matching pairs of taxes: retailers’ occupation and use taxes and service occupation and use taxes. For simplicity, we refer to them

as sales taxes. The sales tax on general merchandise applies to tangible items except food and drugs but including alcoholic beverages, soft drinks and food prepared for immediate consumption. Various exemptions apply. The sales tax on food and drugs applies to food purchased for consumption off the premises, prescription and non-prescription drugs. The 1.00% municipal tax is collected by the state and distributed to municipalities. For all counties in Illinois except Cook County a 0.25% county tax on general merchandise is collected by the state and distributed to counties. In Cook County the 0.25% tax is collected by the state and allocated to the Regional Transportation Authority (RTA).

The following table summarizes local government sales tax rates on general merchandise in Chicago, Suburban Cook County, DuPage County and other collar counties (e.g., Kane, Lake, McHenry and Will Counties) and their composite sales tax rates.

Sales Tax on General Merchandise As of January 1, 2015				
	Chicago	Suburban Cook County	DuPage County	Other Collar County
State	5.00%	5.00%	5.00%	5.00%
Municipal*	1.00%	1.00%	1.00%	1.00%
County**	0.25%	0.25%	0.25%	0.25%
Cook County Home Rule	0.75%	0.75%	-	-
RTA	1.00%	1.00%	0.75%	0.75%
DuPage Water	-	-	0.25%	-
Municipal Home Rule	1.25%	0.25% to 2.00%	0.50% to 1.50%	0.50% to 1.75%
Composite Rate	9.25%	8.25% to 10.00%	7.75% to 8.75%	7.50% to 8.75%

*This rate also applies to county unincorporated areas.

**In Cook County only, this portion is allocated to the RTA rather than to the county.

Note: City and County home rule sales taxes must be implemented in 0.25% increments.

Source: Illinois Legislative Research Unit 2014 Tax Handbook for Legislators, p. 136.

Recent changes that have impacted the composite sales tax rates of these regions include:

- Chicago home rule was imposed at 1.00% on August 1, 1981 and increased by 0.25% on July 1, 2005;
- RTA tax increased by 0.25% on both general sales and food and drugs (plus an additional 0.25% in collar counties for their road projects), effective April 1, 2008;
- Cook County home rule was imposed at 0.75% on September 1, 1992 and increased to 1.75% effective July 1, 2008;
- Cook County home rule decreased to 1.25% effective July 1, 2010;
- On February 25, 2011, the Cook County Board of Commissioners passed an ordinance amendment proposed by Board President Preckwinkle to lower the County's home rule sales tax to 1.0% beginning in January 2012 and to 0.75% beginning January 2013. The amendment constitutes the full repeal of the one cent increase in the sales tax passed in 2008 and reduced the composite sales tax rate in Chicago from 9.75% to 9.50% in January 2012 and to 9.25% in January 2013.

- Effective January 1, 2015, the State of Illinois has expanded³ the type of out-of-state retailers required to register in Illinois and collect and remit Use Tax. Collection and remittance of the Use Tax now applies to out-of-state retailers and servicemen that satisfy the following criteria:
 - The out-of-state retailer has a contract with a person in Illinois;
 - Under the contract, the person in Illinois refers potential customers to the retailer and the retailer pays to the person in Illinois a commission or other consideration based on the sale of tangible personal property by the retailer;
 - The person in Illinois provides to the potential customers a promotional code or other mechanism that allows the retailer to trace the purchases made by these customers; and
 - The retailer made cumulative gross sales of \$10,000 during the preceding four quarterly periods to customers referred by persons located in Illinois, regardless of the location of the customers.

The following table notes local government sales taxes on food and drugs levied in Chicago and their composite rates. Prior to 1980, food, drugs and medical appliances were taxed at the full sales tax rate. However, in that year, a rate reduction was applied to food and both prescription and non-prescription drugs.

Sales Tax on Food and Drugs				
As of January 1, 2015				
	Chicago	Suburban Cook County	DuPage County	Other Collar Counties
Municipal*	1.00%	1.00%	1.00%	1.00%
RTA	1.25%	1.25%	0.75%	0.75%
Composite Rate	2.25%	2.25%	1.75%	1.75%

*This rate also applies to county unincorporated areas.

Source: Illinois Legislative Research Unit 2014 Tax Handbook for Legislators, p. 137.

Recent changes that have impacted the composite sales tax rate on food and drugs in Chicago include an RTA tax increase effective April 1, 2008 (see note under General Merchandise above).

On September 1, 2009, a law passed by the General Assembly went into effect redefining certain items subject to the food and drugs sales tax. According to the new law, the items that were previously subject to the reduced 1.0% food and drugs sales tax were now subject to the full 6.25% general merchandise sales tax. Under the new law, candy is defined as a preparation of sugar, honey or other sweeteners in combination with chocolate, fruits, nuts or other ingredients, but not as a preparation containing flour. Candy containing flour such as Twix and Kit Kats are taxed at the lower food and drugs rate, while candy not containing flour such as Snickers is taxed at the higher general merchandise rate. In addition, the new law no longer categorizes grooming and hygiene products as nonprescription medicines and drugs. As such, shampoo and toothpaste

³ Public Act 98-1089, 35 ILCS 105/2(1.1) and 35 ILCS 110/2(1.1); Illinois Department of Revenue Informational Bulletin: Important Notice of Changes to Out-of-State Retailers, December 2014, <http://www.revenue.state.il.us/Publications/Bulletins/2015/FY-2015-07.pdf>

products that were previously considered medication are now subject to the 6.25% tax rate rather than the 1.0% tax rate.

The following table summarizes composite sales tax rates in the City of Chicago from 1969 to 2015.

City of Chicago Composite Sales Tax Rates: 1969-2015												
	1969	1981	1983	1984	1990	1992	2005	2008	2010	2012	2013	2015
State	4.00%	4.00%	4.00%	5.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Chicago		1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
RTA			0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
Cook County						0.75%	0.75%	1.75%	1.25%	1.00%	0.75%	0.75%
Total	4.00%	5.00%	5.75%	6.75%	8.00%	8.75%	9.00%	10.25%	9.75%	9.50%	9.25%	9.25%

Source: Legislative Research Unit 2014 Tax Handbook for Legislators, pp. 133-134 and Cook County Use Tax Chapter 74 Taxation, Article VII Use Tax, Section 74-272.

Sales taxes in the City of Chicago are the fourth highest when compared with a selection of other major U.S. cities. The following table notes sales tax rates in a selection of U.S. cities with populations over 200,000. As of January 1, 2015, the composite sales tax rate in Chicago remained flat from the previous year at 9.25%.

Sales Tax Rates for Selected Cities in the United States as of January 28, 2015	
Birmingham, AL	10.000%
Montgomery, AL	10.000%
Seattle, WA	9.500%
Chicago, IL	9.250%
Memphis, TN	9.250%
Los Angeles, CA	9.000%
New Orleans, LA	9.000%
New York City, NY	8.875%
St. Louis, MO	8.679%
Oklahoma City, OK*	8.375%
Phoenix, AZ	8.300%
Houston, TX	8.250%
Minneapolis, MN	7.775%
Columbus, OH	7.500%
Gary, IN	7.000%
Indianapolis, IN	7.000%
Cincinnati, OH	6.750%
Detroit, MI	6.000%
Madison, WI	5.600%
Milwaukee, WI	5.600%

*Sales tax rate for Oklahoma City only reflects the tax rate for the part of Oklahoma City located within Oklahoma County.

Sources: Information provided by the City of Birmingham Revenue Department on January 28, 2015; City of Montgomery Finance Department on January 28, 2015; the Washington State Department of Revenue on January 28, 2015; the City of Phoenix Tax and License Department on January 28, 2015; the City of Memphis Division of Finance on January 28, 2015; the New York City Department of Finance on January 28, 2015; the City of Los Angeles Office on Finance on January 28, 2015; the Missouri Department of Revenue on January 28, 2015; the City of Oklahoma Finance Department on January 28, 2015; the City of Houston Finance and Administration Accounting Services Division on January 28, 2015; the Indiana Department of Revenue on January 28, 2015; the State of Ohio Taxation Department on January 28, 2015; the City of Northville, Michigan Department of Finance and Administration on January 28, 2015; and the Wisconsin Department on Revenue on January 28, 2015.

(35 ILCS 105/1 ff – use tax)

(35 ILCS 120/1 ff – retailers’ occupation tax)

(35 ILCS 110/1 ff – service use tax)

(35 ILCS 115/1 ff – service occupation tax)

(55 ILCS 5/5-1006 and 5/5-1007)

(65 ILCS 5/8-11-1, 5/8-11-5 and 5/8-11-6)

(70 ILCS 3615/4.03)

(70 ILCS 3615/4.09(b)(1))

(Code of Ordinances of Cook County, Illinois, Chapter 74, Articles IV and V)

(City of Chicago Municipal Code, Chapters 3-27 and 3-28; 3-40-10 and 3-40-430)

Soft Drink Tax

The Chicago Home Rule Municipal Soft Drink Retailers' Occupation Tax allows the city to collect a 3.0% tax on gross receipts from sellers of soft drinks (soda water, carbonated water, colas and drinks containing less than 50% juice). It includes sales from vending machines but excludes fountain drinks, which are taxed separately. The state collects this revenue and distributes it to Chicago.

(65 ILCS 5/8-11-6b(b))

(City of Chicago Municipal Code, Chapter 3-45-040)

Telecommunications Excise Tax

This tax applies to transmission of phone, wire, computer exchange and similar communications. The City of Chicago and State of Illinois both impose a 7.0% rate. The City also levies a tax for 911 emergency services. Effective September 1, 2014, this tax increased from \$2.50 per phone connection per month for 911 emergency services to \$3.90 per phone connection per month. The 911 surcharge on prepaid wireless phones tax rate increased on September 1, 2014 from 7.0% to 9.0%, which the State of Illinois administers and enforces. The rate for Chicago's 911 tax previously increased from \$1.25 to \$2.50 with the November 13, 2007 approval of the FY2008 City Budget, and the surcharge on prepaid wireless service became effective on January 1, 2012.

The City no longer offers a reduced rate of 6.5% for the telecommunications tax, which was once available to wireless telecommunications retailers via a settlement reached in a class action law suit, PrimeCo v. ICC. Under the settlement, wireless retailers were entitled to a reduced telecommunications tax rate of 6.5% until the City's Department of Revenue determined \$30 million in savings were realized. The Department found that full savings had been realized in May 2009 and the reduced rate for wireless retailers was abolished as of June 1, 2009.

(26 USC Sec. 4251)

(35 ILCS 630/1 ff)

(35 ILCS 636/1 ff)

(50 ILCS 750 and 751)

(Public Act 97-0463)

(City of Chicago Municipal Code, Chapters 3-64; 3-73 and 7-50)

(City of Chicago Notice of E911 Surcharge Increase,

http://www.cityofchicago.org/content/dam/city/depts/rev/supp_info/TaxDivisionNews/E911TaxIncreaseNotice.pdf)

Tire Fee

The City of Chicago Tire Fee applies to the retail sale of new tires at a rate of \$1.00 per tire and is in addition to the sales tax. It went into effect in 2005. The State levies a \$2.50 tax on all new or used tires, except tires sold by mail, tires sold while mounted on a vehicle or used or reprocessed tires.

(415 ILCS 5/55.8)

(City of Chicago Municipal Code, Chapter 3-55)

Tobacco Taxes

Cigarette Tax (per pack)

Cigarette packs have 20 cigarettes. State and local laws specify tax per cigarette, but per pack is used here for simplicity. On April 1, 2009, the federal tax on cigarettes increased by \$0.62 to \$1.0066 per pack. Effective June 24, 2012, the State of Illinois increased its cigarette tax by \$1.00 from \$0.98 per pack of cigarettes to \$1.98. Effective July 1, 2012, the State also expanded its definition of cigarettes to include little cigars. With the approval of the FY2013 budget, Cook County increased its tax on cigarettes from \$2.00 per pack to \$3.00 per pack, effective March 1, 2013. With the approval of the FY2014 budget, the City of Chicago increased its tax on cigarettes from \$0.68 per pack to \$1.18 per pack, effective January 10, 2014.

(26 USC Sec. 5701)

(35 ILCS 130/1ff and 35 ILCS 135/1ff)

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article X)

(City of Chicago Municipal Code, Chapter 3-43)

Other Tobacco Taxes

Federal, state and local governments also tax other tobacco products as described below. Cook County began taxing these products effective March 1, 2012. County taxes on tobacco include \$0.60 per ounce of smoking tobacco and smokeless tobacco, \$0.05 per little cigar and \$0.30 per large cigar. These taxes were imposed as part of the County's FY2012 budget, approved in November 2011. There is no City of Chicago municipal tax on other tobacco products.

The State of Illinois imposes a tax on the wholesale price for non-cigarette tobacco products. Effective July 1, 2012, the State tax on the wholesale price for non-cigarette tobacco products increased from 18.0% to 36.0%. Effective August 1, 2012, roll-your-own cigarette machine operators are required to pay an annual license fee of \$250. While this fee is not a consumer tax, the additional cost may be passed onto consumers.

Cigarettes sold by roll-your-own establishments are also subject to the State's regular cigarette tax of \$1.98 per pack. As of January 1, 2013, moist snuff tobacco products will be taxed at \$0.30 per ounce. Previously, moist snuff was taxed at its wholesale price and categorized under smokeless tobacco.

Federal government taxes on tobacco products range from \$0.03 per ounce for smokeless tobacco to \$0.17 per ounce for smoking tobacco. Large cigars are taxed by the federal government at 52.75% of the sale price, up to approximately \$0.40 per cigar.

(26 USC 5701)

(35 ILCS 143/10-1ff)

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article X)

Wheel Tax

The City of Chicago Wheel Tax is the equivalent of the state vehicle registration tax and is due annually. There are different rates for different sizes and types of vehicles. Effective January 1, 2014, the City's wheel tax increased by \$10.97 to \$85.97 for smaller passenger automobiles and by \$16.54 to \$136.54 for larger passenger automobiles. Beginning in 2014 and every two years thereafter, applicable license fees are adjusted by the rate of inflation which is capped at 105%. Cook County also imposes a wheel tax on vehicles in unincorporated parts of the county. The rates for residents of unincorporated Cook County increased from \$40 to \$80 for smaller passenger automobiles and from \$50 to \$100 for larger passenger vehicles effective July 1, 2012.

The per small passenger automobile rate collected by the State for vehicle registration increased from \$79.00 to \$99.00 on January 1, 2010 with the adoption of Public Act 96-34.

(625 ILCS 5/2-119, 625 ILCS 5/3-801 to 5/3-834 and 625 ILCS 5/6-118)

(City of Chicago, Amendment of Municipal Code regarding various fines and fees, 2012 Revenue Ordinance)

APPENDIX: OTHER SELECTED NON-CONSUMER TAXES

Ground Transportation Taxes

This tax applies to businesses that provide ground transportation vehicles for hire in Chicago to passengers for a charge or other consideration in whatever form. In 2014 the taxi medallion tax changed and a tax is now imposed on Chicago taxicab operators ranging from \$0.20 per vehicle per ride for Class A transportation providers and \$3.50 per day to \$78.00 per month for Class B transportation providers. Suburban taxicab operators are charged from \$3.00 per day to \$78.00 per month. Other vehicles for hire are taxed at different daily rates ranging from \$3.50 to \$9.00 based on seating capacity.

(City of Chicago Municipal Code, Chapter 3-46)

Property Tax

The property tax applies to the equalized assessed value of real property. The most recent available rates are for tax year 2013 (payable in 2014). The full composite tax rate for most Chicago real estate was 6.832% in tax year 2013.

(See Cook County Clerk 2013 Tax Rate Report at

<http://www.cookcountyclerk.com/tsd/DocumentLibrary/2013%20Tax%20Rate%20Report.pdf>)