



Selected Consumer Taxes in the City of Chicago

A Civic Federation Issue Brief

This brief provides a compilation of selected consumer taxes, including rates and descriptions, in place in the City of Chicago as of October 4, 2007.

**UPDATED MARCH 10, 2008 to reflect tax rates effective
July 1, 2008**

**Prepared By
The Civic Federation
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Selected Consumer Taxes in Chicago as of July 1, 2008											
	Federal	State	RTA	Cook County		City of Chicago			McPier ²	ISFA	TOTAL
				County ¹	Home Rule 1% to 1.5% live, 3% other	Municipal	Home Rule				
Amusement	--	--	--	--		--	4% live, 8% other	--	--	5.00% to 11%	
Automobile Rental	--	5.00%	1.00%	--	--	--	\$2.75 per transaction	6.00%	--	12.00% + \$2.75	
Bottled Water (per bottle)	--	--	--	--	--	--	\$0.05	--	--	\$0.05	
Cigarette per pack	\$0.39	\$0.98	--	--	\$2.00	--	\$0.68	--	--	\$4.05	
Electricity Infrastructure per kwh (range)	--	--	--	--	--	\$0.0053 for first 2,000 kwh to \$0.0026 for use in excess of 20,000,000 kwh	--	--	--	\$0.0053 for first 2,000 kwh to \$0.0026 for use in excess of 20,000,000 kwh	
Electricity Use per kwh (range)	--	\$0.0033 for first 2,000 kwh to \$0.00202 for use in excess of 20,000,000 kwh	--	--	--	--	\$0.0061 for first 2,000 kwh to \$0.0030 for use in excess of 20,000,000 kwh	--	--	\$0.0094 for first 2,000 kwh to \$0.00502 for use in excess of 20,000,000 kwh	
Employer's Expense Tax ("head tax") per employee per month (over 50 employees)	--	--	--	--	--	--	\$4.00	--	--	\$4.00	
Fountain Soft Drink Syrup	--	--	--	--	--	--	9.00%	--	--	9.00%	
Ground Transportation											
Taxis--medallion per month	--	--	--	--	--	--	\$78.00	--	--	\$78.00	
Other--per day, range based on capacity	--	--	--	--	--	--	\$3.50 to \$9.00	--	--	\$3.50 to \$9.00	
Hotel Operator	--	5.64%	--	--	--	0.99%	3.50%	2.50%	1.96%	14.59%	
Liquor per gallon											
Beer	\$0.58	\$0.185	--	--	\$0.06	--	\$0.29	--	--	\$1.12	
Wine	\$1.07 to \$3.40	\$0.73	--	--	\$0.16 to \$0.30	--	\$0.36 to \$0.89	--	--	\$2.32 to \$5.32	
Distilled Liquor	\$13.50	\$4.50	--	--	\$2.00	--	\$2.68	--	--	\$22.68	
Motor Fuel per gallon (also subject to sales tax)											
Gasoline ³	\$0.184	\$0.201	--	--	\$0.06	--	\$0.05	--	--	\$0.50	
Diesel ³	\$0.244	\$0.226	--	--	\$0.06	--	\$0.05	--	--	\$0.58	
Natural Gas Utility Tax	--	lesser of \$0.024 per therm sold to each customer or 5% of gross revenue from each customer	--	--	--	8.00% ⁴	--	--	--	<13.00%	
New Motor Vehicle Tax (per 4-wheel vehicle)	--	--	--	--	\$15.00	--	--	--	--	\$15.00	
Parking Tax, daily rate range	--	--	--	--	\$0.50 to \$1.00 depending on price	--	\$1.00 to \$2.25 depending on price	--	--	\$1.50 to \$3.25 depending on price	
Personal Property Lease Transaction	--	--	--	--	--	--	8.00%	--	--	8.00%	
Property Tax (on Equalized Assessed Value)	--	--	--	--	0.533% (2005)	--	1.243% (2005, includes Library)	--	--	1.776%	
Real Estate Transfer	--	\$0.50 per \$500 (0.1%)	--	\$0.25 per \$500 (0.05%)	--	--	\$5.25 per \$500 (1.05%)	--	--	\$6.00 per \$500 (1.2%)	
Restaurant Tax (also subject to sales tax)	--	--	--	--	--	--	0.25%	1.00%	--	1.25%	
Sales Tax on General Merchandise (incl. motor fuel & restaurant purchases)	--	5.00%	1.00%	0.25%	1.75%	1.00%	1.25%	--	--	10.25%	
Sales Tax on Food & Drugs	--	--	1.25%	--	--	1.00%	--	--	--	2.25%	
Soft Drink Tax	--	--	--	--	--	--	3.00%	--	--	3.00%	
Telecommunications Tax	--	7.00%	--	--	--	--	6.5% to 7%	--	--	13.5% to 14%	
911 Service per connection per month	--	--	--	--	--	--	\$2.50	--	--	\$2.50	
Tire Fee per new tire	--	--	--	--	--	--	\$1.00	--	--	\$1.00	
Wheel Tax (Vehicle Registration) per small passenger automobile per year	--	\$78.00	--	--	5	--	\$75.00	--	--	\$158.00	

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

¹In Cook County only, collections from this portion of the tax are allocated to the RTA rather than to the county.

²Metropolitan and Pier Exposition Authority taxes are levied on different geographic areas. The restaurant tax is in the downtown Chicago area and airports, the hotel tax is throughout Chicago, and the automobile rental tax is throughout Cook County.

³Includes \$0.003 for Underground Storage Tank Tax and \$0.008 for environmental impact fee.

⁴Large institutions that purchase from providers other than Peoples Energy are subject to \$0.063 per therm instead of 8% (City Rev. Est. p.54)

⁵Cook County levies wheel taxes in unincorporated portions of the county.

Sources: Illinois Legislative Research Unit 2007 Tax Handbook for Legislators, City of Chicago Department of Revenue web site, Cook County Department of Revenue web site

Description of Selected Consumer Taxes in Chicago
(to accompany chart Selected Consumer Taxes in Chicago)

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, sports, and circuses. The tax does not apply to amateur productions, benefits for non-profit organizations (up to 14 per year), non-profit professional orchestras and operas, participatory activities (e.g., amusement parks, sports games), or amusement viewed in the home (e.g., cable television).

In Chicago, an Amusement Tax of 4% of admission fees and other charges is applied for live theatrical, musical, or other cultural performances with capacity over 750 persons. An 8% 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 8%. Cable television is also taxed at 8%.

The tax was expanded to include ticket resellers with the November 13, 2007 approval of the FY2008 City Budget.

Automobile Rental Tax

This applies to 7-16 passenger vehicle rentals for periods of up to one year. 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.

Bottled Water

This tax was created with the November 13, 2007 approval of the FY2008 City Budget. It is a tax of 5 cents on any size bottle of water.

Cigarette Tax (per pack)

Cigarette packs have 20 cigarettes. The laws also specify tax per cigarette, but per pack is used here for simplicity. The state and federal governments also tax other tobacco products, but there is no City of Chicago tax on these products so they were not included.

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 according to a range set forth in 35 ILCS 645/5-5.

Electricity Use (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 purchase price).

Employer's Expense Tax

This tax applies to businesses that employ 50 or more full-time workers or employees that perform 50% or more of their work service per calendar quarter in the City of Chicago. Employees must earn more than \$900 in a calendar quarter to be considered taxable. The tax does not apply to domestic service in a private home, newspaper delivery when the individual is under the age of 18 years, employees who are immediate family, insurance company personnel, not for profit, educational and charitable organizations, agricultural labor, independent contractors, or partners. The tax is \$4.00 per employee per month.

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.

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 2004, the taxi medallion tax changed from \$3/day to \$78/month. Other vehicles are taxed at different daily rates based on capacity.

Hotel Operators' Tax

This tax is a percentage of each operator's gross receipts and is passed on to consumers on their hotel bills. The rates are expressed in the chart as effective rates. For example, state statute specifies that the state tax is 6% of 94% of gross receipts (effective rate of 5.64%). This is the only tax available to the Illinois Sports Facilities Authority. The tax was expanded to include on-line sales with the November 13, 2007 approval of the FY2008 City Budget.

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 per gallon rates increased from with the November 13, 2007 approval of the FY2008 City Budget as follows: from \$0.14 to \$0.29 for beer, from \$0.246 to \$0.36 for liquor 14% or less in alcohol, from \$0.615 to \$0.89 for liquor over 14% but under 20% in alcohol, and from \$1.845 to \$2.68 for liquor over 20% in alcohol.

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. Motor fuel is also subject to the sales tax on general merchandise.

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 8.00% of gross receipts. These taxes are passed on to consumers on their gas bills.

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 4-wheel passenger car is chosen for the example in this chart. The range is from \$7.50 on a 2-wheeled vehicle to \$22.50 on a truck or trailer. This tax is imposed in addition to all other applicable sales taxes.

Parking Tax

This tax applies to businesses that operate parking lots, which must collect the tax from customers. The tax rates vary by the hourly rate of parking, and there are different tax schedules for daily, weekly, and monthly parking fees.

Personal Property Lease Transaction

The City of Chicago taxes businesses or individuals that either are a lessor or lessee of personal property used in Chicago at a rate of 8.00%. The rate increased from 6.00% to 8.00% with the November 13, 2007 approval of the FY2008 City Budget. 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.

Property Tax

The property tax applies to the equalized assessed value of real property. The most recent available rates are for tax year 2005 (payable in 2006), and include the levy for the Chicago Public Library.

Real Estate Transfer Tax

This tax is imposed upon the privilege of transferring title to, or beneficial interest in, real property. The state and county taxes are owed by the seller, but the City of Chicago tax is owed by the buyer. There are various exemptions; for example, sales under \$500 are not taxed, nor are bankruptcies or Enterprise Zone transfers.

Restaurant Tax

The Restaurant Tax is imposed on the selling price of all food and beverages sold at retail by a place for eating. Such sales are also subject to the sales tax on general merchandise.

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. The 0.25% county tax is collected by the state and distributed to counties, except in Cook County, where the collections are allocated to the Regional Transportation Authority.

Soft Drink Tax

The Chicago Home Rule Municipal Soft Drink Retailers’ Occupation Tax is governed by 65 ILCS 5/8-11-6b and allows the city to collect a 3% 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. The state collects this revenue and distributes it to Chicago.

Telecommunications Tax

This tax applies to transmission of phone, wire, computer exchange, and similar communications. The City of Chicago imposes a 7% rate as well as a reduced 6.5% rate. It also levies a tax of \$2.50 per phone connection per month for 911 emergency services. The rate increased from \$1.25 to \$2.50 with the November 13, 2007 approval of the FY2008 City Budget.

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.

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. Cook County also imposes a wheel tax on vehicles in unincorporated parts of the county. The rates increased for large passenger vehicles and trucks increased with the November 13, 2007 approval of the FY2008 City Budget.

New Composite Sales Tax Rates

The following tables show what the composite sales tax rates in Cook County and the collar counties will be once the new Regional Transportation Authority and Cook County sales tax increases take effect.

Sales Tax on General Merchandise				
As of July 1, 2008				
	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	1.75%	1.75%	0.00%	0.00%
RTA	1.00%	1.00%	0.75%	0.75%
DuPage Water	0.00%	0.00%	0.25%	0.00%
City Home Rule	1.25%	0.00% to 1.25%	0.00% to 1.00%	0.00% to 1.25%
Composite Rate	10.25%	9.00% to 10.25%	7.25% to 8.25%	7.00% to 8.25%

* or county unincorporated areas

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

Recent changes:

- Chicago home rule was imposed at 1.00% on August 1, 1981, and increased 0.25% on **July 1, 2005**
- RTA tax increased 0.25% on both general and food/drugs (+ an additional 0.25% in Collar Counties for their local road, transit, and public safety projects), effective **April 1, 2008**
- Cook County home rule was imposed at 0.75% on September 1, 1992, increased to 1.75% effective **July 1, 2008**

Sales Tax on Food and Drugs				
As of July 1, 2008				
	Chicago	Suburban Cook County	DuPage County	Other Collar County
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%

* or county unincorporated areas

Recent changes:

- RTA tax increase (see note under General Merchandise above) **April 1, 2008**

(over)

Taxes on Prepared Food As of July 1, 2008		
	Chicago	Chicago
	McPier	not MCPier
State Sales	5.00%	5.00%
Municipal Sales*	1.00%	1.00%
County Sales**	0.25%	0.25%
Cook County Home Rule Sales	1.75%	1.75%
RTA (Sales)	1.00%	1.00%
City Home Rule Sales	1.25%	1.25%
McPier Restaurant	1.00%	0.00%
Chicago Restaurant	0.25%	0.25%
Composite Rate	11.50%	10.50%

* or county unincorporated areas

** in Cook County only, this portion is allocated to the RTA rather than to the count

McPier area= Stevenson Expressway (south), Ashland Avenue (west), Surf Street (north), Lake Michigan (East), also O'Hare and Midway airports

Recent changes:

- **McPier tax imposed October 1, 1992**
- **Chicago restaurant tax imposed April 1, 2004**
- **Chicago home rule (see note under General Merchandise above) July 1, 2005**
- **RTA tax increase (see note under General Merchandise above) April 1, 2008**
- **Cook County home rule (see note under General Merchandise above) July 1, 2008**