



The Civic Federation

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SELECTED CONSUMER TAXES IN THE CITY OF CHICAGO

*A compilation of selected consumer taxes, including rates and descriptions, in
place in the City of Chicago as of January 1, 2019*

January 16, 2019

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INTRODUCTION

This annual report lists and describes selected consumer taxes within the City of Chicago. For ease of use by non-specialists, the taxes in this report are grouped under the following categories: sales taxes, tobacco-related taxes, beverage-related taxes, utility-related taxes, accommodations-related taxes, transportation-related taxes and other taxes. It is important to note for tax professionals that the groupings are not related to how the taxes are imposed or collected, but are simply for ease of use by the general public. The tax rates presented in this report are effective as of January 1, 2019.

A summary table of all of the taxes and tax rates imposed within the City of Chicago is shown on the next page. The taxing authorities that impose taxes on consumers in the City of Chicago include the federal government, State of Illinois, Cook County, City of Chicago, Regional Transportation Authority, Metropolitan Pier and Exposition Authority and Illinois Sports Facilities Authority. It is important to note that many goods that are subject to specific excise taxes (e.g. alcohol tax and motor fuel tax, etc.) are also subject to the general sales tax.

City and County 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 Municipal 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* can also include taxes imposed by the State of Illinois, where a portion of the tax revenue is distributed to municipalities or counties. For example, Illinois' State sales tax rate is 6.25%, of which 5.0% of the sales tax revenue goes to the State, 1.0% goes to all municipalities, including Chicago, and the remaining 0.25% goes to the counties. However, Cook County's 0.25% 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 to impose taxes not otherwise prohibited by the Constitution (Article VII, Section 6). Both Cook County and the City of Chicago are home rule units of government. According to the Illinois Constitution, a municipality can qualify as home rule if it has a population of at least 25,000 or through referendum. A county with a chief executive officer elected by the county electorate may also become home rule. Cook County is the only home rule county in Illinois. An example of a *home rule* tax is the City of Chicago's Bottled Water Tax, which the City can impose because it is a home rule unit of government and because the State has not prohibited it.

Summary Table: Selected Consumer Taxes in Chicago as of January 1, 2019[†]

(see accompanying narrative for details)

| | Cook County | | City of Chicago | | | | RTA ¹ | MPEA ² | ISFA ³ | TOTAL |
|--|------------------------------------|---|--------------------------|---|--|--|--------------------|-------------------|-------------------|---|
| | Federal | State | County | Home Rule | Municipal | Home Rule | | | | |
| Sales Related Taxes | | | | | | | | | | |
| General Merchandise (including motor fuel & restaurant purchases) | -- | 5.0% ⁴ | -- | 1.75% | 1.0% | 1.25% | 1.25% ⁵ | -- | -- | 10.25% |
| Food & Drugs | -- | -- | -- | -- | 1.0% | -- | 1.25% | -- | -- | 2.25% |
| Restaurant Tax* | -- | -- | -- | -- | -- | 0.25% | -- | 1.0% | -- | 1.25% |
| Tobacco Related Taxes* | | | | | | | | | | |
| Cigarette (per pack) | \$1.01 | \$1.98 | -- | \$3.00 | -- | \$1.18 | -- | -- | -- | \$7.17 |
| Smoking tobacco (per ounce) | \$0.17 | 36% of wholesale price | -- | \$0.60 | -- | \$1.80 | -- | -- | -- | 36.00% + \$0.77 |
| Smokeless tobacco (per ounce) | \$0.03 to \$0.09 | \$0.30 | -- | \$0.60 | -- | \$1.80 | -- | -- | -- | \$0.93 to \$0.99 |
| Little cigar (per unit) | \$0.05 | \$1.98 | -- | \$0.05 | -- | \$0.60 | -- | -- | -- | \$2.08 |
| Large cigar (per unit) | 52.75% of sales price ⁶ | 36% of wholesale price | -- | \$0.30 | -- | \$0.60 | -- | -- | -- | 88.75% + \$0.30 ⁷ |
| Liquid Nicotine Products | -- | -- | -- | \$0.20 per milliliter of liquid | -- | \$1.50 per unit plus \$1.20 per milliliter | -- | -- | -- | \$1.50 per unit + \$1.40 per milliliter |
| Beverage Related Taxes | | | | | | | | | | |
| Liquor Tax (per gallon)* | | | | | | | | | | |
| Beer ⁸ | \$0.58 | \$0.231 | -- | \$0.09 | -- | \$0.29 | -- | -- | -- | \$1.19 |
| Wine (range based on alcohol content and type) | \$1.07 to \$3.40 | \$1.39 | -- | \$0.24 to \$0.45 | -- | \$0.36 to \$0.89 | -- | -- | -- | \$3.06 to \$6.13 |
| Distilled Liquor | \$13.50 ⁹ | \$8.55 | -- | \$2.50 | -- | \$2.68 | -- | -- | -- | \$27.23 |
| Fountain Soft Drink Syrup Tax | -- | -- | -- | -- | -- | 9.0% | -- | -- | -- | 9.0% |
| Soft Drink Tax | -- | -- | -- | -- | -- | 3.00% | -- | -- | -- | 3.00% |
| Bottled Water Tax (per bottle)* | -- | -- | -- | -- | -- | \$0.05 | -- | -- | -- | \$0.05 |
| Utility Related Taxes | | | | | | | | | | |
| Electricity Infrastructure Fee per kwh (base rate) ¹⁰ | -- | -- | -- | -- | \$0.0053 | -- | -- | -- | -- | \$0.0053 |
| Electricity Use Tax per kwh (base rate) ¹⁰ | -- | \$0.0033 | -- | -- | \$0.00610 | -- | -- | -- | -- | \$0.0094 |
| Natural Gas Utility Tax | -- | \$0.024 per therm or 5.0% ¹¹ | -- | -- | 8.0% ¹² | -- | -- | -- | -- | ≤13.00% |
| Gas Use Tax | -- | \$0.024 per therm or 5.0% | -- | -- | -- | \$0.063 per therm | -- | -- | -- | \$0.024 per therm or 5.0% + \$0.063 per therm |
| Water-Sewer Tax (per 1,000 gallons) | -- | -- | -- | -- | -- | \$2.01 | -- | -- | -- | \$2.01 |
| Accommodation Related Taxes | | | | | | | | | | |
| Hotel Operators' Tax | -- | 6.17% | -- | 1.00% | 1.08% | 4.50% | -- | 2.50% | 2.14% | 17.39% ¹³ |
| Home Sharing Tax | -- | -- | -- | -- | -- | 6.00% | -- | -- | -- | 6.00% ¹⁴ |
| Transportation Related Taxes | | | | | | | | | | |
| Motor Fuel (per gallon)* | | | | | | | | | | |
| Gasoline ¹⁵ | \$0.184 | \$0.201 | -- | \$0.06 | -- | \$0.05 | -- | -- | -- | \$0.50 |
| Diesel ¹⁵ | \$0.244 | \$0.226 | -- | \$0.06 | -- | \$0.05 | -- | -- | -- | \$0.58 |
| Wheel Tax (Vehicle Registration) per small passenger automobile (per year) | -- | \$101.00 | -- | \$80 (unincorporated areas only: see note 16) | -- | \$87.82 | -- | -- | -- | \$188.82 |
| Wheel Tax (Vehicle Registration) per large passenger automobile (per year) | -- | \$101.00 | -- | \$100 (unincorporated areas only: see note 17) | -- | \$139.48 | -- | -- | -- | \$237.54 |
| Parking Tax | | | | | | | | | | |
| Daily (24 hours or less) | -- | -- | -- | 6.0% | -- | 20.0% to 22.0% ¹⁸ | -- | -- | -- | 26.0% to 28.0% |
| Weekly/Monthly | -- | -- | -- | 9.0% | -- | 22.0% | -- | -- | -- | 31.00% |
| New Motor Vehicle Tax (per 4-wheel vehicle)* | -- | -- | -- | \$15.00 | -- | -- | -- | -- | -- | \$15.00 |
| Tire Fee (per new tire)* | -- | \$2.50 | -- | -- | -- | \$1.00 | -- | -- | -- | \$3.50 |
| Automobile Rental Tax | -- | 5.0% | -- | -- | \$2.75 per rental period ¹⁹ | -- | -- | 6.0% | -- | 11.0% + \$2.75 |
| Airport Departure Tax | -- | -- | -- | -- | -- | -- | -- | \$2.00 to \$54.00 | -- | \$2.00 to \$54.00 |
| Ground Transportation Tax (rideshares only) | -- | -- | -- | -- | -- | \$0.70 per ride ²⁰ | -- | -- | -- | \$0.70 |
| Boat Mooring Tax | -- | -- | -- | -- | -- | 7.0% | -- | -- | -- | 7.0% |
| Other Selected Taxes | | | | | | | | | | |
| Checkout Bag Tax (per bag) | -- | -- | -- | -- | -- | \$0.07 ²¹ | -- | -- | -- | \$0.07 |
| Telecommunications Excise Tax | 3.0% | 7.0% | -- | -- | 7.0% | -- | -- | -- | -- | 17.00% |
| 911 service per network connection (per month) | -- | -- | -- | -- | \$5.00 ²² | -- | -- | -- | -- | \$5.00 |
| Personal Property Lease Transaction Tax | -- | -- | -- | -- | -- | 5.25% to 9.0% | -- | -- | -- | 5.25% to 9.0% |
| Real Estate Transfer Tax | -- | \$0.50 per \$500 (0.1%) | \$0.25 per \$500 (0.05%) | -- | \$1.50 per \$500 (0.3%) ²³ | \$3.75 per \$500 (0.75%) | -- | -- | -- | \$6.00 per \$500 (1.2%) |
| Amusement Tax | -- | -- | -- | 3.0% (1.0% to 1.5% live cultural performances) | -- | 9.0% ²⁴ | -- | -- | -- | 10.0% to 12.0% |
| Firearm and Ammunition Taxes* | -- | See note 25 | -- | \$25 per firearm; \$0.1 to \$0.05 per cartridge | -- | -- | -- | -- | -- | \$25 per firearm; \$0.1 to \$0.05 per cartridge |

[†] All of the tax rates in the table are effective as of January 1, 2019 with the exception of the City of Chicago's tax on other tobacco products, which is expected to be collected beginning on or after April 1, 2019.

See notes on next page and narrative description that follows for more details.

Summary Table Notes:

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.

* Subject to general merchandise sales tax in addition to tax referenced.

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

⁵ 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.

⁶ Federal tax is limited to \$.4026 per cigar.

⁷ A \$1 surcharge goes to the State Police Vehicle Fund.

⁸ The State taxes beer and cider at the same rate of \$0.231 per gallon. The federal government tax on cider is \$0.226 per gallon.

⁹ The federal government is the only one that taxes distilled liquor based on proof of the distilled alcohol rather than volume. It taxes \$13.50 per 100-proof gallon of liquor. See the narrative for more detail.

¹⁰ Rates shown for the Electricity Infrastructure Fee and Electricity Use Tax are the base rate for the first 2,000 kilowatt hours of electricity used. As electricity usage increases, additional taxes accumulate at a diminishing rate. The rate for any amount over 20 million kwh is \$0.0026.

¹¹ 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.

¹² Large institutions that purchase from providers other than Peoples Energy are subject to \$0.063 per therm instead of 8%.

¹³ This figure represents the effective rate of this tax. See the narrative for more detail.

¹⁴ In addition to the 6.0% home sharing tax, the composite hotel tax rate of 17.39% also applies to home sharing in Chicago, for a total home sharing tax rate of 23.4%.

¹⁵ Includes \$0.003 for Underground Storage Tank Tax and \$0.008 for environmental impact fee imposed by the State of Illinois. The City of Chicago's \$0.05 Vehicle Fuel Tax also applies to aircraft fuel.

¹⁶ 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.

¹⁷ 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.

¹⁸ The City of Chicago charges a parking tax rate of 20.0% on weekends (Saturday and Sunday) and 22.0% on weekdays (Monday-Friday).

¹⁹ 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.

²⁰ The figure shown in the table applies only to transportation network providers, which are rideshare companies such as Uber and Lyft. The base charge per rideshare ride is \$0.60, plus a \$0.10 fee per ride for non-accessible rideshare vehicles. Rideshare companies that pick up and drop off at Chicago Airports, Navy Pier and McCormick Place also pay \$5.00 per ride accepted. Separate Ground Transportation tax rates apply to taxicabs at a rate of \$98.00 per month for City cabs and \$3.50 per day for suburban cabs.

²¹ The City of Chicago imposes a \$0.07 tax on each checkout bag for sale or use in the City of Chicago. Of the \$0.07 tax, the City collects \$0.05 of the tax and the retailer keeps the remaining \$0.02 of the tax.

²² The \$5.00 911 surcharge is applied monthly per network connection or wireless number. The City of Chicago imposes a 9.0% surcharge on prepaid wireless services. The enforcement and collection of this surcharge is administered by the Illinois Department of Revenue.

²³ \$1.50 per each \$500 tax is transferred to the Chicago Transit Authority.

²⁴ The 9.0% tax applies to events at venues with a capacity of 1,500 or more. The City of Chicago also imposes a 3.0% amusement tax on ticket resales.

²⁵ 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.

Sources: Illinois Legislative Research Unit 2018 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.

Recent Changes to Consumer Taxes

The following taxes have undergone changes or updates over the past year since the release of the previous annual “Selected Consumer Taxes in the City of Chicago” report.

Home Sharing Tax, City of Chicago – The Chicago City Council approved an additional 2.0% surcharge on shared housing and vacation rentals within the City of Chicago on July 25, 2018, which was effective starting December 1, 2018. The 2.0% surcharge is in addition to a previously approved 4.0% tax on vacation rentals or shared housing units in the City of Chicago, which went into effect on July 1, 2016. The 2.0% increase brings the total taxes imposed on home sharing to 6.0%. However, the home sharing tax is applied in addition to City of Chicago’s composite hotel tax, which is 17.4%. This means that home sharing will now be charged a total tax rate of 23.4%. The stated purpose of the initial 4.0% home sharing tax approved in 2016 was to fund supportive services and housing for the homeless. The stated purpose of the additional 2.0% surcharge is to fund housing and related supportive services for victims of domestic violence.

Liquid Nicotine Tax, City of Chicago – On September 20, 2018 the Chicago City Council approved an increase to the tax on liquid nicotine products used in e-cigarettes, from \$0.80 to \$1.50 per product unit and from \$0.55 to \$1.20 per milliliter. Both the City of Chicago and Cook County impose a tax on liquid nicotine. When including the County’s \$0.20 per milliliter tax, the composite tax rate on liquid nicotine in Chicago is now \$1.50 per product unit plus \$1.40 per milliliter.

Ground Transportation Tax, City of Chicago – As part of the City of Chicago’s FY2018 budget approval process, the City passed a two-year increase to the ground transportation tax on rideshare companies from the previous rate of \$0.40 per vehicle per trip to \$0.55 per vehicle per trip effective January 1, 2018 and \$0.60 per ride beginning on January 1, 2019. There is also a \$0.10 charge per non-handicap accessible vehicle, which brings the total charge for a typical rideshare to \$0.70. For rides that include a pick-up or drop-off at O’Hare Airport, Midway Airport, McCormick Place or Navy Pier, which includes an additional rate of \$5.00, the rate increased from \$5.40 to \$5.55 per vehicle per trip in 2018 and will increase again to \$5.60 in 2019. With the \$0.10 charge for non-accessible vehicles and, the total charge is \$5.70. The increase to the ground transportation tax was approved in connection with an intergovernmental revenue sharing agreement between the City of Chicago and the Chicago Transit Authority (CTA) that authorizes the City to provide the CTA with \$16.0 million annually from the proceeds of the ground transportation tax increase to be used toward capital projects. The City retains any revenue generated above the amount of \$16.0 million.

Water and Sewer Utility Tax, City of Chicago – The City of Chicago approved a new tax on the consumption of water and the transfer of wastewater to the sewer system on September 14, 2016. Beginning in March 2017, in addition to the regular water-sewer rate charged on Chicago residents’ utility bills, the City began charging a tax of \$0.59 per 1,000 gallons of water-sewer used, with automatic increases over a period of four years to \$2.51 per 1,000 gallons in 2020. The 2019 rate effective January 1, 2019 is \$2.01 per 1,000 gallons of water used. This rate includes a tax of \$1.005 per 1,000 gallons on the water portion and \$1.005 per 1,000 gallons on the sewer portion.

Other Tobacco Products Tax, City of Chicago – As the result of a December 20, 2018 Illinois Appellate Court decision, the City of Chicago will be able to charge a tax tobacco products other than cigarettes including smoking tobacco, smokeless tobacco, pipe tobacco and cigars beginning in 2019. The City of Chicago adopted an ordinance in March 2016 imposing a tax on other tobacco products that would have gone into effect July 1, 2016, but collection of the tax was delayed due to a complaint was filed in the Circuit Court of Cook County challenging the City’s authority to tax these products. The implementation date was deferred until the matter was resolved by the courts.¹ On January 20, 2017, the Cook County Circuit Court ruled that the City’s tax on other tobacco products violated a state law.² The City appealed in April 2017. The Appeals Court then overturned the Circuit Court decision on December 20, 2018 as too narrow a reading of State statute, thus upholding the City’s taxes on other tobacco products. Collection of the tax on other tobacco products will begin no sooner than April 1, 2019 or 60 days following the plaintiff’s deadline to file an appeal.³ The City’s tax rates imposed on other tobacco products will be \$1.80 per ounce for both smoking tobacco and smokeless tobacco, \$0.20 per cigar for both little and large cigars and \$0.60 per ounce of pipe tobacco.

Amusement Tax, City of Chicago – The City of Chicago imposes a tax on amusements in the City such as live performances, movies and sporting events at a rate of 9.0% of admission fees, with exemptions including venues that have a capacity of fewer than 1,500 persons and some other qualifying events. A lawsuit filed in Cook County Circuit Court, *Labell v. The City of Chicago*, challenged the City’s interpretation of the amusement tax as described in Amusement Tax Ruling #5. The ruling, issued by the City of Chicago in June 2015, stated that the amusement tax applies to TV, movies, music and video games that are streamed electronically. A decision issued by the Circuit Court on May 24, 2018 upheld the City’s interpretation of the amusement tax as it relates to streaming services and dismissed the case. Therefore, streaming services such as Netflix and Spotify are still subject to the 9.0% amusement tax rate as of January 1, 2019. A notice of appeal was filed by the plaintiffs on June 21, 2018.

Parking Lot and Garage Operations Tax, Cook County – On October 17, 2018, the Cook County Board of Commissioners approved an amendment to Cook County’s parking tax that reduced the rate charged for hourly parking spaces reserved through booking intermediaries, such as parking apps like SpotHero and ParkWhiz, from the regular tax rate of 6.0% to 1.75%. The rationale behind the amendment was that parking apps do not have control over the garages and number of parking spaces available. The reduced rate would have taken effect on January 1, 2019. However, the ordinance was repealed by the Board of Commissioners on December 12, 2018 on the basis that the parking tax be administered uniformly. Therefore, the tax rate charged for parking spaces reserved through parking apps will remain at 6.0% as of January 1, 2019.

Sales Tax, State of Illinois – Following a June 21, 2018 U.S. Supreme Court decision in the case of *South Dakota v. Wayfair*, online retailers are now required to collect sales tax on products purchased online by Illinois residents, even if the retailer does not have a physical presence in the State of Illinois. Previously, only retailers with a physical presence in Illinois, such as a store or distribution center, were required to collect the state sales tax of 6.25%. The Illinois General

¹ City of Chicago Finance Department, News Release, “Update to Other Tobacco Products Tax,” June 16, 2016.

² Iwan Ries & Co., et al. v. City of Chicago, Cook County Circuit Court Case No. 2016-L-050356.

³ Information provided by the City of Chicago Office of Budget and Management, January 9, 2019.

Assembly, through the FY2019 budget implementation bill approved June 4, 2018,⁴ created a threshold requiring retailers to collect sales tax if they generate more than \$100,000 in annual sales from Illinois customers or conduct at least 200 separate transactions per year in Illinois. Beginning October 1, 2018, all retailers with or without a physical presence in Illinois but that meet the criteria are required to collect the Illinois sales tax of 6.25%. The ruling is expected to generate an additional \$200 million in sales tax revenue for the State.⁵ This change only affects the 6.25% portion of the sales tax that is imposed by the State of Illinois and does not impact other portions of sales tax that are imposed by local governments through their home rule authority or the Regional Transportation Authority.

⁴ Budget Implementation Act, HB3342, which became law as Public Act 100-0587.

⁵ Lauren Zumbach, *Chicago Tribune*, "Online retailers will soon have to collect sales tax from Illinois shoppers. Here's what you need to know." September 27, 2018.

DESCRIPTION OF SELECTED CONSUMER TAXES IN CHICAGO

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. It is important to note that a number of the items and services subject to other taxes and fees in this report are also subject to the sales tax on general merchandise.

Sales Tax on General Merchandise

The sales tax on general merchandise applies to tangible items except food and drugs but includes alcoholic beverages, soft drinks and food prepared for immediate consumption. Various exemptions apply. A reduced sales tax rate on food and drugs, discussed further below, applies to food purchased for consumption off the premises and prescription and non-prescription drugs.

The statewide rate in Illinois is 6.25%, of which 5.0% goes to the State, 1.0% is distributed to municipalities and 0.25% is distributed to counties.⁶ In addition, Cook County has a 1.75% sales tax imposed through the County’s home rule authority. The Regional Transportation Authority receives sales tax at a rate of 1.0% within Cook County and 0.75% in the collar counties. Many home rule municipalities including Chicago impose a sales tax in addition to the portion they receive through the State’s sales tax. The City of Chicago’s home rule sales tax rate is 1.25% and municipalities in suburban Cook County and the collar counties vary from 0.5% to 2.0%.⁷

⁶ For Cook County only, the 0.25% county portion is directed to the Regional Transportation Authority instead of Cook County. For unincorporated areas that are not part of a municipality, the 1.0% municipal portion is directed to the county.

⁷ Some municipalities have established business improvement districts that raise additional sales tax. These business improvement districts are not included in the above rates.

The table below summarizes the composite sales tax rates on general merchandise in Chicago, Suburban Cook County, DuPage County and the other collar counties (Kane, Lake, McHenry and Will Counties).

| Sales Tax on General Merchandise As of January 1, 2019 | | | | |
|---|----------------|---------------------------------|-----------------------|--------------------------------|
| | 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% | - | - |
| RTA | 1.00% | 1.00% | 0.75% | 0.75% |
| Municipal Home Rule*** | 1.25% | 0.50% to 2.00% | 0.50% to 1.25% | 0.25% to 2.00% |
| Composite Rate**** | 10.25% | 9.00% to 11.00% | 7.00% to 8.25% | 7.00% to 9.00% |

*The municipal rate also applies to county unincorporated areas.

**In Cook County only, the county portion of the State sales tax is allocated to the RTA rather than to the county.

***Not all municipalities are home rule units of government; therefore some cannot impose a municipal sales tax without a referendum.

****Some municipalities may have business improvement district sales taxes that raise local totals above the ranges shown in this chart.

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

Source: Illinois Legislative Research Unit 2018 Tax Handbook for Legislators, p. 122.

The next table details changes that have impacted the City of Chicago's composite sales tax rate since 1969. These changes include the following:

- The State of Illinois sales tax rate increased from 3.0% to 4.0% in 1969. It increased to 5.0% in 1984 and again to 6.25% in 1990;
- Chicago's home rule tax was imposed at 1.0% on August 1, 1981 and increased by 0.25% on July 1, 2005 to 1.25%;
- The RTA tax increased by 0.25% on both general sales and food and drugs (plus an additional 0.25% in collar counties), effective April 1, 2008;
- Cook County imposed a home rule tax at 0.75% on September 1, 1992 and increased it to 1.75% effective July 1, 2008;
- The Cook County home rule sales tax decreased to 1.25% effective July 1, 2010;
- Cook County fully repealed its one percent increase passed in 2008 by reducing the home rule sales tax to 1.0% beginning in January 2012 and to 0.75% beginning January 2013;
- Effective January 1, 2015, the State of Illinois expanded⁸ 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 applies to out-of-state retailers 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;

⁸ 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>

- 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;
- Effective January 1, 2016, the Cook County sales tax was again increased by one percentage point, bringing the total composite sales tax rate in the City of Chicago to 10.25%;
- Effective July 1, 2017 with the State of Illinois' FY2018 budget, the State began collecting an administrative 2.0% surcharge on sales tax collections from home rule sales taxes collected by the State on behalf of and distributed to local governments. While the surcharge does not affect the composite sales tax rate, it does impact the amount of revenue local governments receive from sales taxes. The State of Illinois' FY2019 budget reduced the administrative sales tax collection fee from 2% to 1.5%; and
- A U.S. Supreme Court ruling in the case of *South Dakota v. Wayfair* on June 21, 2018 required retailers to collect sales tax on products purchased online, even if the retailer does not have a physical presence in the state. Previously, only retailers with a physical presence in Illinois were required to collect the state sales tax of 6.25%. Beginning October 1, 2018, all retailers with or without a physical presence in Illinois, but that generate more than \$100,000 in annual sales from Illinois customers or that conduct at least 200 separate transactions per year in Illinois,⁹ are required to collect the Illinois state sales tax of 6.25%. This change does not affect the composite sales tax rate in the City of Chicago, but it does affect the amount of sales tax revenue the State of Illinois and local governments receive.

| City of Chicago Composite Sales Tax Rates Changes: 1969-2019 | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| | 1969 | 1981 | 1983 | 1984 | 1990 | 1992 | 2005 | 2008 | 2010 | 2012 | 2013 | 2016 |
| 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% | 1.75% |
| Total | 4.00% | 5.00% | 5.75% | 6.75% | 8.00% | 8.75% | 9.00% | 10.25% | 9.75% | 9.50% | 9.25% | 10.25% |

Source: Legislative Research Unit 2018 Tax Handbook for Legislators, pp. 116 and 122; 35 ILCS 105, 35 ILCS 110, 35 ILCS 115 and 35 ILCS 120; Code of Ordinances of Cook County, Illinois, Chapter 74; City of Chicago Municipal Code, Chapters 3-27, 3-28 and 3-40.

(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))

(410 ILCS 130)

(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)

⁹ Per the FY2019 State of Illinois Budget Implementation Act, Public Act 100-0587.

The following table provides a comparison of composite sales tax rates in selected U.S. cities. These rates include both state and local rates imposed within each city. The City of Chicago's composite sales tax rate has been one of the highest in the nation¹⁰ at 10.25% since Cook County increased its home rule sales tax rate by one percentage point to 1.75% on January 1, 2016 from 0.75%.

| Sales Tax Rates for Selected Cities in the United States as of January 1, 2019 | |
|---|----------------|
| Chicago, IL | 10.250% |
| Seattle, WA | 10.100% |
| Montgomery, AL | 10.000% |
| St. Louis, MO | 9.679% |
| Los Angeles, CA | 9.500% |
| New Orleans, LA | 9.450% |
| Memphis, TN | 9.250% |
| New York City, NY | 8.875% |
| Oklahoma City, OK* | 8.625% |
| Phoenix, AZ** | 8.600% |
| Houston, TX | 8.250% |
| Minneapolis, MN | 8.025% |
| Columbus, OH | 7.500% |
| Gary, IN | 7.000% |
| Indianapolis, IN | 7.000% |
| Cincinnati, OH | 6.750% |
| Detroit, MI | 6.000% |
| Milwaukee, WI | 5.600% |
| Madison, WI | 5.500% |

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

**Sales tax rate for Phoenix, AZ is for purchases of \$10,303 or less for a single item. The sales tax rate for purchases of \$10,303 or more for a single item is 8.3%.

Sources: City of Montgomery Finance Department; the Washington State Department of Revenue; the City of Phoenix Revenue Department; the Greater Memphis Chamber of Commerce; the New York City Department of Finance; the City of Los Angeles Office on Finance; the Missouri Department of Revenue; the City of Oklahoma Finance Department; the Texas Comptroller Office; the Indiana Department of Revenue; the State of Ohio Taxation Department; the Michigan Department of Treasury; and the Wisconsin Department of Revenue.

¹⁰ The City of Long Beach, California also has a composite sales tax rate of 10.25%, but is not included in this comparison. Chicago and Long Beach represent the cities with the two highest sales tax rates among large cities in the country.

Sales Tax on Food and Drugs

The composite sales tax rate on food and drugs in Chicago is 2.25%, compared to the general sales tax rate of 10.25%. Prior to 1980, food, drugs and medical appliances were taxed at the full sales tax rate. However, that year a rate reduction was applied to food and both prescription and non-prescription drugs. The following table shows the local government sales taxes on food and drugs in the City of Chicago, Cook County suburbs and nearby counties.

| Sales Tax on Food and Drugs As of January 1, 2019 | | | | |
|--|----------------|---------------------------------|--------------------------|----------------------------------|
| | 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 2018 Tax Handbook for Legislators, p. 122.

Several changes have impacted the composite sales tax rate on food and drugs in Chicago.

An RTA tax increase of 0.25% on both general sales and food and drugs (plus an additional 0.25% in collar counties for their transportation projects) went into effect on April 1, 2008.

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 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 law no longer categorized grooming and hygiene products as nonprescription medicines and drugs. As such, shampoo and toothpaste products that were previously considered medication are subject to the 6.25% tax rate rather than the 1.0% tax rate.

In 2016 the State of Illinois, Cook County and the City of Chicago all approved legislation that made tampons, menstrual pads and menstrual cups exempt from the full sales tax.

Additionally, with the passage of Public Act 98-0122 (the Compassionate Use of Medical Cannabis Pilot Program Act), which went into effect January 1, 2014 and was recently extended for an additional two-and-a-half years to July 1, 2020, the sale of medical marijuana at licensed medical marijuana dispensaries is taxed by the State of Illinois at the reduced rate of 1.0%.

(Illinois Legislative Research Unit 2017 Tax Handbook for Legislators, pp. 113-114 and 118)
(State of Illinois, Public Act 99-0855)
(Code of Ordinances of Cook County, Illinois, Chapter 74, Article IV, Section 74-153)
(City of Chicago Municipal Code, Chapter 3-40-10)

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 restaurant tax is imposed in addition to the sales tax on general merchandise, which applies to prepared food purchases. The City of Chicago imposes a 0.25% restaurant tax that applies to the entire area of the City, and the Metropolitan Pier and Exposition Authority (MPEA) imposes a restaurant tax of 1.0% in the downtown and surrounding area bordered by the Stevenson Expressway (south boundary), Diversey Parkway (north boundary), Ashland Avenue (west boundary) and Lake Michigan (east boundary) as well as at O'Hare and Midway Airports.

The composite restaurant tax in the MPEA area in Chicago is 11.5% and in the non-MPEA area is 10.5%. 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, 2019 | | |
|---|---------------------------------|-------------------------------|
| | 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 | 1.75% | 1.75% |
| 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 | 11.50% | 10.50% |

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

² This rate also applies to Cook County unincorporated areas.

³ In Cook County only, the County's portion is allocated to the RTA.

Source: Illinois Legislative Research Unit Tax Handbook for Legislators, 33rd Edition, February 2018, p. 122.

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;
 - RTA sales tax increase of 0.25%, effective April 1, 2008;
 - Cook County home rule sales tax increase of 1.0%, from 0.75% to 1.75%, effective July 1, 2008;
 - Cook County home rule sales tax decrease of 0.50%, to 1.25%, effective July 1, 2010;
 - Cook County home rule sales tax decrease of 0.25%, to 1.0%, effective January 1, 2012;
 - Cook County home rule sales tax decrease of 0.25%, to 0.75%, effective January 1, 2013;
- and

- Cook County home rule sales tax increase of 1.0%, from 0.75% to 1.75%, effective January 1, 2016.

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

(70 ILCS 210/13b)

(City of Chicago Municipal Code, Chapter 3-30-030)

(Code of Ordinances of Cook County, Illinois, Article IV, Section 74-151)

Tobacco-Related Taxes

Cigarette Tax (per pack)

Cigarette packs typically have 20 cigarettes. State and local laws specify tax per cigarette, but per pack is used here for simplicity. The total composite tax per-pack of 20 cigarettes in the City of Chicago is currently \$7.17. The following recent changes to the cigarette tax have taken place:

- 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 20 cigarettes to \$1.98;
- Effective July 1, 2012, the State expanded its definition of cigarettes to include little cigars;
- As part 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; and
- As part of the FY2014 budget approval process, the City of Chicago increased its tax on cigarettes from \$0.68 per pack to \$1.18 per pack, effective January 10, 2014.

Cigarettes are also subject to the sales tax on general merchandise.

| City of Chicago Composite Cigarette Tax as of January 1, 2019 | |
|--|------------------------|
| Government Level | Tax per 20-pack |
| State of Illinois | \$1.98 |
| City of Chicago | \$1.18 |
| Cook County | \$3.00 |
| Federal | \$1.01 |
| Total | \$7.17 |

Source: Illinois Legislative Research Unit Tax Handbook, February 2018, p. 16.

(26 USC Sec. 5701)

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

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

(City of Chicago Municipal Code, Chapter 3-42)

Other Tobacco Taxes

Federal, state and local governments also tax other products such as tobacco, cigars and liquid nicotine. The composite rates are shown in the following table and discussed further below.

| City of Chicago Composite Taxes on Other Tobacco Products as of April 1, 2019 | | | | | |
|--|------------------------------------|--------------------------------------|--------------------------------|-------------------------------|---|
| Government Level | Smoking tobacco (per ounce) | Smokeless tobacco (per ounce) | Little cigar (per unit) | Large cigar (per unit) | Liquid Nicotine Products |
| Federal | \$0.17 | \$0.03 to \$0.09 | \$0.05 | 52.75% of sales price | -- |
| State | 36% of wholesale price | \$0.30 | \$1.98 | 36% of wholesale price | -- |
| Cook County | \$0.60 | \$0.60 | \$0.05 | \$0.30 | \$0.20 per milliliter |
| City of Chicago | \$1.80 | \$1.80 | \$0.20 | \$0.20 | \$1.20 per milliliter; \$1.50 per unit |
| Total | 36.0% + \$2.57 | \$2.73 to \$2.79 | \$2.28 | 88.75% + \$0.50 | \$1.40 milliliter; \$1.50 per unit |

Source: Illinois Legislative Research Unit Tax Handbook, February 2018, pp. 17-19; City of Chicago Ordinance #2018-7371; and information provided by the City of Chicago Office of Budget and Management, January 9, 2019.

The federal government taxes smoking tobacco at a rate of \$0.17 per ounce and smokeless tobacco at a range from \$0.03 to \$0.09 per ounce depending on the type of smokeless tobacco. Large cigars are taxed by the federal government at 52.75% of the sale price, up to approximately \$0.40 per cigar.

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 are taxed at \$0.30 per ounce.

Cook County began taxing other tobacco products on March 1, 2012. As of January 1, 2013, County taxes on tobacco products include \$0.60 per ounce of smoking tobacco and smokeless tobacco, \$0.05 per little cigar and \$0.30 per large cigar.

The City of Chicago adopted an ordinance in March 2016 imposing a tax on other tobacco products that would have gone into effect July 1, 2016. The ordinance included taxes of \$1.80 per ounce for both smoking tobacco and smokeless tobacco, \$0.20 per cigar for both little and large cigars and \$0.60 per ounce of pipe tobacco. However, a complaint was filed in the Circuit Court of Cook County challenging the City's authority to impose a tax on these products and the July 1, 2016 implementation date was deferred until the matter was resolved by the courts.¹¹

On January 20, 2017, the Cook County Circuit Court ruled that the City's tax on other tobacco products violated a state law that prohibited home rule municipalities in Illinois from imposing a tax on other tobacco products after July 1, 1993.¹² Chicago had a cigarette tax in place but not a

¹¹ City of Chicago Finance Department, News Release, "Update to Other Tobacco Products Tax," June 16, 2016.

¹² Iwan Ries & Co., et al. v. City of Chicago, Cook County Circuit Court Case No. 2016-L-050356.

tax on other tobacco products before July 1, 1993. The City appealed in April 2017. The Illinois Appellate Court then overturned the Circuit Court decision on December 20, 2018 as too narrow a reading of State statute. The Appeals Court ruled that in the statute, cigarettes or tobacco products was meant to be a broad category and therefore, since the City imposed a tax on cigarettes before the deadline, the City may also impose a tax on other tobacco products.

The City of Chicago's tax rates on other tobacco products are expected to be collected no sooner than April 1, 2019 or 60 days following the plaintiff's deadline to file an appeal.¹³

In 2016 the City of Chicago and Cook County began imposing a tax on liquid nicotine products. Cook County's rate of tax on liquid nicotine is \$0.20 per fluid milliliter, effective since May 1, 2016. Chicago began taxing liquid nicotine on January 1, 2016 at the rate of \$0.80 per product unit and \$0.55 per fluid milliliter of liquid nicotine. The City of Chicago increased its tax on liquid nicotine to \$1.50 per product unit and \$1.20 per milliliter of fluid on September 20, 2018.

Other tobacco products are also subject to the sales tax on general merchandise.

(26 USC 5701)

(35 ILCS 143/10-1ff)

(Code of Ordinances of Cook County, Illinois, Article XI, Section 74-433)

(City of Chicago Municipal Code, Chapters 3-47 and 3-49)

(City of Chicago Ordinance 2018-7371)

Beverage-Related Taxes

Liquor Tax

Liquor tax is applied to the making or distribution of alcoholic beverages in Illinois and is passed on to consumers, charged by the gallon. Liquor is taxed at all levels of government – federal, state and local – and there are different rates for beer, wine and distilled liquor. The sale of liquor is also subject to the sales tax on general merchandise.

The composite rates per gallon including federal, state, Cook County and City of Chicago taxes are the following: \$1.19 per gallon of beer; \$3.06 per gallon of wine with 14.0% or less in alcohol; \$6.13 per gallon of wine with between 14.0% and 20.0% alcohol; and \$27.23 per gallon of distilled liquor with over 20.0% alcohol (assuming the liquor is 100-proof).

The federal liquor tax rate varies depending on the proof of the alcohol because the federal government bases its tax on proof (alcohol content) rather than general volume. The federal tax is \$13.50 per 100-proof gallon of liquor. So for example, the federal tax on an 80-proof 750 ml bottle is \$2.14 ($\13.50×0.8 proof gallons $\times 750$ ml (0.198 gallons)). Total composite taxes for the same bottle purchased in Chicago would be \$4.86, including \$2.14 in federal taxes, \$1.69 in State taxes, \$0.50 in County taxes and \$0.53 in City of Chicago taxes.

¹³ Information provided by the City of Chicago Office of Budget and Management, January 9, 2019.

Cider is taxed at the same rate as beer by the State of Illinois, City of Chicago and Cook County. The federal tax on cider differs from the tax rate for beer and is \$0.226 per gallon.

Recent changes to the liquor tax include an increase of Cook County's liquor taxes effective January 2, 2012, which increased the tax on beer and wine by 50% and the distilled liquor tax by 25%, and an increase in the State of Illinois liquor tax on wine and distilled liquor by 90% and on beer by 25% effective September 1, 2009. The City of Chicago's liquor tax was last increased in 2007.

(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)

Fountain Soft Drink Syrup Tax

The City of Chicago imposes a tax of 9.0% of the syrup price on businesses that sell soft drink syrup to retailers located in Chicago or retailers that sell fountain soft drinks in the City of Chicago where the tax was not remitted to the distributor. The soft drink syrup supplier is responsible for collecting the tax by adding it to the selling price of the soft drink syrup.

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

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

Soft Drink Tax

The City of Chicago also collects a 3.0% tax on gross receipts from sellers of soft drinks other than fountain drinks, which are taxed separately. This applies to non-alcoholic beverages that contain natural or artificial sweeteners and less than 50.0% juice, including sales from vending machines. The State collects this revenue and distributes it to Chicago. Soft drink purchases are also subject to the sales tax on general merchandise.

(35 ILCS 120/2-10 and 65 ILCS 5/8-11-6b(b))

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

Bottled Water Tax

The City of Chicago approved a tax on bottled water on November 13, 2007 with 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. The sale of bottled water is also subject to the reduced sales tax on food and drugs.

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

Utility-Related Taxes

Electricity Infrastructure Maintenance Fee (per kilowatt hour)

The City of Chicago imposes a fee on electricity deliverers as compensation for using public rights of way in the City of Chicago, which is passed on to consumers. It is charged on a monthly basis per kilowatt hours (kwh) of electricity usage, beginning at a rate of \$0.0053 for the first 2,000 kwh and adding additional rates for additional electricity usage at a diminishing rate. For example, the fee for using the next 48,000 kwh after the base 2,000 kwh is \$0.0035, followed by \$0.0031 for the next 50,000 kwh, and so on. For electricity usage in any amount over 20 million kwh, the rate is \$0.0026 per 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 (kwh) 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. Both the State of Illinois and the City of Chicago charge an electricity use tax.

The City of Chicago charges a base rate for the first 2,000 kwh used of \$0.0061 per kwh, with additional rates added for additional electricity usage at a diminishing rate. For the next 48,000 kwh used, the rate is \$0.040; for the next 50,000 kwh used, the rate is \$0.0036, and so on. The rate for any amount over 20 million kwh is \$0.0030 per kwh.

The State of Illinois base rate for the first 2,000 kwh used is \$0.0033 per kwh. Additional rates apply at a diminishing rate for additional electricity usage. For the next 48,000 kwh used, the rate is \$0.00319; for the next 50,000 kwh used, the rate is \$0.00303, and so on. The rate for any amount over 20 million kwh is \$0.00202 per kwh.

The composite State and City of Chicago tax is a base rate of \$0.0094 per kwh for the first 2,000 kwh used, with additional rates applied at a diminishing rate for additional electricity usage. The composite rate for any amount over 20 million of kilowatt hours used is \$0.00502 per kwh.

(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)

Natural Gas Utility Tax

The State of Illinois imposes a tax on companies distributing natural gas in Illinois, which is passed on to customers on their gas bills. The State rate for the natural gas tax (referred to as the State's Gas Revenue Tax) is the lesser of \$0.024 per therm of gas sold to each customer or 5.0% of gross revenue from each customer.

The City of Chicago charges a natural gas tax at a rate of 8.0% of gross receipts.

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

(65 ILCS 5/8-11-2)

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

Gas Use Tax

The State of Illinois also charges a natural gas use tax for natural gas purchased out of state for use in Illinois at the same rate as the Natural Gas Utility Tax: either \$0.024 per therm of gas sold to each customer or 5.0% of gross revenue from each customer, whichever is less.

The City of Chicago also charges a gas use tax at a rate of \$0.063 per therm for natural gas purchases not subject to the Natural Gas Utility Tax. Utility companies are responsible for collecting the tax from customers and remitting the tax to the City.

(35 ILCS 173/5)

(City of Chicago Municipal Code, Chapter 3-41)

Water and Sewer Tax

The City of Chicago began charging a new tax on water consumption and the transfer of wastewater to the sewer system effective March 2017 in addition to the regular water-sewer rate charged on Chicago residents' utility bills. The tax is being phased in over a four-year period, beginning at a rate of \$0.59 per 1,000 gallons of water-sewer usage in 2017, \$1.28 per 1,000 gallons in 2018, \$2.01 per 1,000 gallons in 2019 and \$2.51 per 1,000 gallons in 2020. Revenue from the water and sewer tax will be used to fund the City of Chicago's municipal employees' pension fund. As of January 1, 2019, the rate is \$2.01 per 1,000 gallons of water and sewer wastewater used.

(City of Chicago Municipal Code, Chapter 3-80)

Accommodations-Related Taxes

Hotel Operators' Tax

The Hotel Operators' Tax (also referred to as the hotel accommodations tax) rate is expressed as an effective rate because three taxing authorities tax hotel operators' gross receipts (which includes hotel charges and tax receipts) while three taxing authorities tax net receipts (not including taxes). The hotel taxes for State of Illinois, the City of Chicago through its municipal taxing authority and the Illinois Sports Facilities Authority are all taxes on gross receipts. Hotel taxes for Cook County, the Metropolitan Pier and Exposition Authority and the City of Chicago through its home rule taxing authority are applied to net receipts, or base charges paid by guests. In order to compensate for this structure and not double-tax, the rates are expressed as a fraction of total receipts, excluding the receipts collected from the Metropolitan Pier and Exposition Authority tax and the City of Chicago home rule hotel tax. The total composite effective tax rate is 17.39%.

| Hotel Operators' Tax in Chicago: Effective Rates 2019 | | | |
|--|--|---|---------------|
| State | (6% of 94%) x (1% Municipal + 2% ISFA) + 6% | = | 6.17% |
| City (Municipal) | (1% of 99%) x (6% State + 2% ISFA) + 1% | = | 1.08% |
| ISFA | (2% of 98%) x (6% State + 1% Municipal) + 2% | = | 2.14% |
| Cook County | | | 1.00% |
| MPEA | | | 2.50% |
| City (Home Rule) | | | 4.50% |
| Total | | | 17.39% |

Source: Illinois Legislative Research Unit Tax Handbook for Legislators, 34th Edition, February 2018, p. 52; 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 hotel reservations. As part of the FY2008 City of Chicago budget, the City Council amended the law to clarify that the law applies to online sales effective November 13, 2007. 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.

On May 1, 2016, Cook County began charging a 1.0% hotel operations tax on gross hotel charges (net receipts).

(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)

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

Home Sharing Tax

The Chicago City Council approved a 4.0% tax on the gross rental charge of vacation rentals or shared housing units in the City of Chicago on June 22, 2016. The stated purpose of the 4.0% home sharing tax was to fund supportive services and housing for the homeless. The home sharing tax was applied in addition to the composite 17.39% hotel operators' tax within the City of Chicago, which brought the composite tax rate on home sharing in the City of Chicago to a total of 21.4%. The 4.0% rate was in effect from July 1, 2016 through November 30, 2018.

On July 25, 2018 the Chicago City Council approved an additional 2.0% surcharge on shared housing and vacation rentals in the City of Chicago. The stated purpose of the additional 2.0% surcharge is to fund housing and related supportive services for victims of domestic violence. The 2.0% increase brings the total taxes imposed on home sharing to 6.0%. The 6.0% home sharing tax rate was effective starting December 1, 2018.¹⁴ The home sharing rates are applied on top of the City of Chicago's composite hotel tax, which is 17.4%. This means that home sharing will now be charged a total tax rate of 23.4%.

¹⁴ City of Chicago Rulings and Procedures: "New Vacation Rental and Shared Housing Surcharge Effective December 1, 2018,"

The home sharing tax does not apply to bed and breakfasts, hospitals, non-profit medical institutions or rental accommodations that are considered to be the permanent residence of the occupant.

(City of Chicago Municipal Code, Chapter 3-24-030)
(City of Chicago Ordinance 2016-5111 and Substitute Ordinance 2016-8627)
(City of Chicago Ordinance 2018-4988)

Transportation-Related Taxes

Motor Fuel Tax (per gallon)

A tax on motor fuel is included in the retail price of diesel, gasoline and special fuel.¹⁵ The composite tax for gasoline in Chicago is \$0.50 per gallon and \$0.58 per gallon of diesel. This includes rates imposed by the federal government, State of Illinois, Cook County and the City of Chicago.

The Federal tax on motor fuel is \$0.184 per gallon of gasoline and \$0.244 per gallon of diesel fuel. The State tax on motor fuel is \$0.19 per gallon of gasoline and \$0.215 per gallon of diesel fuel. The State also levies an additional tax of \$0.003 per gallon for the Underground Storage Tank Fund and a \$0.008 per gallon environmental impact fee. Cook County's Gasoline and Diesel Fuel Tax is \$0.06 per gallon. The City of Chicago's home rule tax on motor fuel, called the Vehicle Fuel Tax, is \$0.05 per gallon.

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: majority blended ethanol is 100.0% exempt, biodiesel blends with less than 11.0% bio-content are 20.0% exempt and biodiesel blends with 11.0% bio-content or more are 100.0% exempt.¹⁶

The sale of gasohol was previously only subject to 80.0% of the general merchandise sales tax and was set to expire December 31, 2018. However, with the passage of the State of Illinois FY2018 budget on July 6, 2017, the exemption was eliminated and went into effect retroactively for liability periods starting on July 1, 2017.

(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)

¹⁵ Aircraft fuel is exempt from the motor fuel tax, with the exception of the City of Chicago's \$0.05 Vehicle Fuel Tax, which applies to the sale of aircraft fuel.

¹⁶ Information provided by the Illinois Department of Revenue, March 5, 2018.

Wheel Tax

The City of Chicago Wheel Tax is the equivalent of the State vehicle registration tax and is due annually. Chicago residents who drive, park, lease and/or own a vehicle for which they are responsible in the City are subject to the Chicago Wheel Tax and must purchase a Chicago City Vehicle Sticker. There are different rates for different sizes and types of vehicles and beginning in 2014, the Wheel Tax increases every two years by the rate of inflation, capped at 5.0%. The current Wheel Tax in the City of Chicago is \$87.82 for smaller passenger automobiles and \$139.48 for larger passenger automobiles, effective February 2, 2018.

Cook County 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 rate collected by the State of Illinois for each small passenger vehicle registration increased from \$78.00 to \$98.00 on January 1, 2010 with the adoption of Public Act 96-34. In addition to the vehicle registration fee, the State also imposes a \$1.00 surcharge that is collected and deposited into the State Police Vehicle Fund and a \$2.00 surcharge collected and deposited into the Park and Conservation Fund, for a total of \$101.00 for passenger vehicles.

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

(City of Chicago Municipal Code, Chapter 3-56)

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

Parking Garage and Lot Tax

This tax applies to businesses that operate parking lots, which must collect the tax from customers. The City of Chicago and Cook County impose a percentage-based tax system. As of January 1, 2015, the City charges a 20.0% tax for parking on weekends and a 22.0% tax for parking on weekdays. This was 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, Cook County charges a tax of 6.0% of the parking fee paid for a period of 24 hours or less and 9.0% of the fee paid for weekly or monthly parking. Also as of January 1, 2015, the City began requiring valet operators to pay a tax of 20.0% on all charges or fees received from their valet parking operations in the City.

On October 17, 2018, the Cook County Board of Commissioners approved an amendment to Cook County's parking tax that reduced the rate charged for hourly parking spaces reserved through booking intermediaries, such as parking apps like SpotHero and ParkWhiz, from the regular tax rate of 6.0% to 1.75%. The rationale behind the amendment was that parking apps do not have control over the garages and number of parking spaces available. The reduced rate would have taken effect on January 1, 2019. However, the ordinance was repealed by the Board of Commissioners on December 12, 2018 on the basis that the parking tax be administered

uniformly. Therefore, the tax rate charged for parking spaces reserved through parking apps will remain at 6.0% as of January 1, 2019.

(City of Chicago Municipal Code, Chapter 4-236-020)

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

(Cook County Ordinance 18-5789 as Substituted and Ordinance 19-0622)

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:

- \$7.50 for a two-wheeled vehicle;
- \$11.25 for a three-wheeled vehicle;
- \$15.00 for a four-wheeled vehicle; and
- \$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)

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)

Automobile Rental Tax

The State of Illinois, City of Chicago and the Metropolitan Pier and Exposition Authority (MPEA) impose a tax on the rental of any automobile, van with capacity of 7-16 passengers, or recreational vehicle for the privilege of using Illinois highways. The State of Illinois imposes a tax of 5.0% of the automobile rental charge. MPEA imposes a tax of 6.0%. The City of Chicago charges \$2.75 per rental period in addition to the 9.0% personal property lease transaction tax that applies to Chicago car rentals.

It is the responsibility of the lessor to collect the tax, but the lessor can pass the tax to the customer by adding a separate charge to the transaction. The tax applies only to short-term rental agreements for periods up to one year. Rentals are tax exempt for governments, charitable, religious or educational organizations, non-profits that primarily provide recreation to persons

over age 55, rentals where the lessor retains possession of the vehicle (e.g., limousine service) and rentals of demonstration cars by automobile dealers.

(35 ILCS 155)

(65 ILCS 5/8-11-11)

(70 ILCS 210/13(d)(e))

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

Airport Departure Tax

This tax is applied to businesses that provide ground transportation for hire to passengers departing from commercial service airports in Chicago (O'Hare and Midway) and is passed on to consumers. The tax is imposed by the Metropolitan Pier and Exposition Authority. The current tax rates have been in effect since September 1, 2010 when the MPEA implemented a 100.0% increase in the prior rates. The tax rate for taxis is \$4.00 per airport departure. The tax rate for vans and buses regulated by the Illinois Commerce Commission or Interstate Commerce Commission is \$2.00 per passenger. Tax rates for other buses and vans range by capacity: the tax is \$18.00 for vehicles with a capacity of 1-12 passengers; \$36.00 for 13-24 passengers; and \$54.00 for over 24 passengers.

(70 ILCS 210/13(f))

Ground Transportation Taxes

The City of Chicago charges an occupation tax to businesses that provide ground transportation vehicles for hire in Chicago including both taxicabs and transportation network providers, which are rideshare services such as Uber and Lyft.¹⁷ Surcharges can be passed on to riders in the ride fare.

The City charges a monthly fee for licensed taxicabs of \$98.00 per vehicle per month and a daily \$3.50 fee for non-licensed or suburban taxicabs. The City also charges \$22.00 per month to taxicabs for the Wheelchair Accessible Vehicle Fund.

Effective January 1, 2019, the City collects a rideshare fee of \$0.60 per ride from transportation network providers for rideshare services. In addition to the \$0.60 per ride fee, the City collects \$0.10 for each ride performed by a non-handicap accessible vehicle for the City's Accessibility Fund.¹⁸ Therefore, the typical rideshare trip includes a surcharge of \$0.70. For rideshare trips that include a pick-up or drop-off at O'Hare Airport, Midway Airport, McCormick Place or Navy Pier there is an additional ground transportation charge of \$5.00. The total charge for trips to or from Chicago airports, McCormick Place or Navy Pier in handicap accessible rideshare vehicles is \$5.60 and the charge for trips in non-handicap accessible vehicles is \$5.70.

¹⁷ For the purposes of this report rideshare transportation vehicles are defined as those transportation drivers that utilize mobile applications provided by companies, such as Uber and Lyft to request transportation services. Non-rideshare transportation vehicles are defined as taxicabs that operate under a metered fare system.

¹⁸ City of Chicago Municipal Code, Chapter 9-115-140.

Rideshare providers may claim a credit of 50% of the tax if the ride includes a pick-up or drop-off in an area designated as an underserved area. The City of Chicago also collects a \$0.02 administrative fee per ride from rideshare companies, but this is not a direct charge to passengers.¹⁹

Other ground transportation taxes collected by the City of Chicago include \$3.50 per day for other ground transportation vehicles with capacity of up to 10 passengers, \$6.00 per vehicle per day for vehicles with capacity of 11-24 passengers, \$9.00 per day for vehicles with capacity of more than 24 passengers and \$1.00 per day for pedicabs.

Several recent changes have been made to the ground transportation tax on rideshares. As part of the FY2016 budget approval process, the Chicago City Council increased the ground transportation tax from \$0.20 per ride to \$0.40 per ride for rideshare vehicles that operated for 20 hours or less per week (Class A) and \$0.80 per ride for rideshare vehicles that operated for more than 20 hours per week (Class B). The City Council also allowed rideshare drivers to provide pick-up or drop-off service at Chicago's O'Hare and Midway airports, McCormick Place and Navy Pier at the rate of \$5.00 for Class A drivers and \$5.80 for Class B drivers. However, on June 22, 2016 the Chicago City Council approved substitute ordinance 2016-1729 that eliminated the Class A and Class B rideshare driver classifications. This effectively reduced the charges for Class B rides by creating a flat charge of \$0.40 per ride and \$5.40 per ride for rides that included a pick-up or drop-off at Chicago airports, McCormick Place or Navy Pier.

On November 21, 2017 as part of the FY2018 budget approval process, the City of Chicago approved an increase phased in over two years to the ground transportation tax on transportation network providers, such as Uber and Lyft. The tax increased by \$0.15 from \$0.40 to \$0.55, effective January 1, 2018, and increased by another \$0.05 in 2019 to \$0.60. For pick-up or drop-off service at the Chicago airports, McCormick Place or Navy Pier, the charges increased to \$5.55 in 2018 and \$5.60 in 2019.²⁰ Up to \$16.0 million in revenue from the tax increase on transportation network providers will be shared with the Chicago Transit Authority annually to fund capital infrastructure needs, and the City will retain any revenue above that amount.

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

(City of Chicago Substitute Ordinance 2017-7809 (2018 Revenue Ordinance))

(City of Chicago Municipal Code, Chapters 9-115-040 and 9-115-140)

¹⁹ City of Chicago Municipal Code, Chapter 9-115-040; and information provided by the City of Chicago Office of Budget and Management on January 15, 2019.

²⁰ Note that this does not include the \$0.10 accessibility fee and the \$0.02 administrative fee discussed above.

Boat Mooring Tax

The City of Chicago has charged a 7.0% tax on the docking or mooring of any watercraft for a fee within the City's corporate limits since January 1, 2003. Prior to then, the boat mooring tax rate was 25.0% of the docking fee.²¹ The boat mooring tax has been in existence since January 1, 1984. The individual charged a mooring or docking fee is responsible for paying the boat mooring tax to the marina or docking facility.

(City of Chicago Municipal Code, Chapter 3-16)

Other Taxes

Checkout Bag Tax

The City of Chicago prohibited chain and franchise stores from using certain disposable plastic bags in 2014. However, the ordinance resulted in unintended consequences, such as stores offering thicker plastic bags free of charge to consumers. In an effort to address these consequences, an ordinance was adopted by the Chicago City Council imposing a tax on both paper and plastic checkout bags in November 2016 as part of the FY2017 budget approval process. The tax is imposed on the retail sale or use of paper and plastic checkout bags within the City at the rate of \$0.07 per checkout bag sold or used in the City. Of the \$0.07 tax per checkout bag, the City will receive \$0.05 and the retailer is eligible to keep the remainder. The checkout bag tax went into effect February 1, 2017.

(City of Chicago Municipal Code, Chapter 3-50)

Simplified Telecommunications Tax and Emergency Telephone System Surcharge

The federal government, City of Chicago and State of Illinois all impose a tax on telecommunications that applies to the act or privilege of originating or receiving telecommunications through transmission of phone, wire, computer exchange and similar communications. The City and the State both charge a rate of 7.0% of the gross charges for telecommunications purchased at retail from a retailer. The federal tax rate is 3.0%.

The City of Chicago also levies a tax (surcharge) for 911 emergency services at a rate of \$5.00 per month for each network connection and wireless number or 9.0% on pre-paid wireless service. The purpose of this surcharge is to fund the maintenance and operations of the City's emergency 911 system. The rate increased by \$1.10 from \$3.90 to \$5.00 per connection per month effective January 1, 2018. Previously, the 911 surcharge increased from \$1.25 to \$2.50 with the November 13, 2007 approval of the FY2008 budget and again to \$3.90 per phone connection per month as part of the FY2015 budget. The 911 surcharge on prepaid wireless

²¹ City of Chicago Department of Revenue, Informational Bulletin Vol. 9 No. 1, Chicago Boat Mooring Tax, March 2006.

service has been in effect since January 1, 2012. The rate for prepaid wireless phones increased on September 1, 2014 from 7.0% to 9.0%.

(26 USC Sec. 4251)

(35 ILCS 630, 635 and 636)

(50 ILCS 750 and 753)

(City of Chicago Municipal Code, Chapters 3-64; 3-73; 7-50; and 7-51 and Substitute Ordinance 2017-7809(2018 Revenue Ordinance))

Personal Property Lease Transaction Tax

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 9.0%. The lessor does not bear the burden of the tax, but is responsible for collecting the tax from the lessee. The rate increased from 6.0% to 8.0% with the November 13, 2007 approval of the FY2008 City's 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 9.0%, effective January 1, 2015. There are various exemptions such as the lease of motion picture films (subject to Amusement Tax instead), medical equipment rentals, lease of rolling stock used for interstate commerce and leases where the lessor and lessee are part of the same related group.

Several changes to the City of Chicago's Personal Property Lease Transaction Tax have taken place in recent years. An ordinance passed in 2006 originally exempted car sharing rentals from the personal property lease tax, but effective January 1, 2015, the exemption was eliminated so that all vehicle rentals, including car sharing rentals, are subject to the lease transaction tax.²²

In 2011 the City of Chicago issued Personal Property Lease Transaction Tax Ruling #11, which stated that suburban car rental agencies located within 3 miles of the City's borders would be responsible for paying the 9.0% tax unless there was written proof that the lessee used the car outside of the City for at least 50% of the rental period. Customers of these suburban car rental companies were asked to indicate whether they intend to use the car inside or outside the City for at least 50% of the car rental period, and those using the car outside of the City for at least 50% of the time were exempt from paying the tax. The ruling also stated that in the event of an audit with absence of proof, the City would assume that a customer who is a Chicago resident would primarily use the vehicle in the City and require payment of the tax.

However, two rental car companies filed lawsuits against Ruling #11. As a result, the Illinois Supreme Court ruled on January 20, 2017 that Ruling #11 violates the Illinois Constitution because it is an improper use of the City's home rule authority to impose a tax on a transaction that occurs outside of the City's borders.²³ Therefore, the personal property lease transaction tax no longer applies to car rentals that occur outside the City's borders.

The City issued another ruling in June 2015, Personal Property Lease Transaction Tax Ruling #12, which interpreted that the existing 9.0% tax on nonpossessory computers applies to transactions that provide data to customers, e.g. LexisNexis, and companies that provide

²² City of Chicago, Department of Finance, 2015 Tax Changes Bulletin.

²³ The Hertz Corporation et al., Appellants, v. The City of Chicago, et al., Appellees; Case Number 2017 IL 119945.

storage, e.g. Dropbox. Real estate brokers and certain other professions are exempt from the tax due to the fact that they use data shared in the cloud as part of a membership in a private association. The ruling was supposed to go into effect in September 1, 2015, but was postponed until January 1, 2016. The Chicago City Council approved a number of ordinance amendments to the tax as part of the FY2016 budget process, exempting small new businesses, i.e. those businesses with less than \$25.0 million in gross receipts or sales and less than 60 months in business, from the tax and imposed a lower rate of 5.25% for “cloud” products.

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

Real Estate Transfer Tax

This tax is imposed upon the privilege of transferring title to, or beneficial interest in, real property by the State of Illinois, Cook County and the City of Chicago both as a municipal and home rule tax. The State of Illinois rate is \$0.50 per each \$500 in property value transferred (0.1%). The Cook County rate is \$0.25 per each \$500 in value (0.05%). The City of Chicago’s home rule rate is \$3.75 per each \$500 in value (0.75%), and its municipal rate is \$1.50 per each \$500 in value (0.3%). The composite rate is \$6.00 per \$500 in property value transferred (1.2%). The 0.3% portion of the City’s real estate transfer tax is transferred to the Chicago Transit Authority and is paid by the seller. The State and Cook 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. The composite rate is 1.2%, of which 0.45% is paid by the seller and 0.75% is paid by the buyer. There are various exemptions to the real estate transfer tax. For example, the City of Chicago exempts sales under \$500, bankruptcies and Enterprise Zone transfers from the tax.

(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)

Amusement Tax

Cook County and the City of Chicago both collect an amusement tax for various forms of entertainment.

Cook County charges an Amusement Tax of 1.0% of admission fees for live theatrical, musical or other cultural performances with capacity of 750-5,000 persons and a 1.5% tax for performances with capacity over 5,000 persons. Live performances in venues with capacity under 750 persons are exempt from the tax. A tax of 3.0% applies to other exhibitions, performances, presentations and shows such as movies and sporting events.

Effective February 1, 2016, the amusement tax applies to ticket resellers at the same rates listed above for any portion of the resold ticket price that exceeds what the seller paid for it.

Certain types of entertainment events can receive a waiver from the tax, including 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, an application for exemption must be submitted at least 45 days prior to the event or at least 15 days prior to when ticket sales are made available, whichever is first. 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 needs to provide final approval of the exemption. Live DJ performances that meet certain criteria are also exempt from paying the Cook County amusement tax per an October 26, 2016 amendment to the amusement tax ordinance.

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

The City of Chicago imposes a tax on amusement events in the City of Chicago at a rate of 9.0% effective January 1, 2018. Live theatrical, musical or other cultural events that take place in venues with a capacity of less than 1,500 are exempt from the tax. Other exemptions include events benefitting not-for-profits, activities that are primarily educational rather than recreational, initiation fees and memberships to health clubs.

The amusement tax also applies to ticket resales, with a flat 3.0% tax rate applied to the full resale ticket price, regardless of the mark-up. Previously, the ticket resale was taxed on the mark-up price only, which the City says resulted in difficult calculations and a loss in revenue.²⁴

Until December 31, 2017, the City charged an amusement tax of 5.0% on admission fees for live theatrical, musical or other cultural performances with capacity over 750 persons. No tax was charged for live cultural performances with capacity under 750. A 9.0% tax was applied to all other performances and participatory events including movies, sports, amusement parks, circuses, pleasure boat rides, dancing, bowling, tennis, weightlifting, etc.

In addition to amusements such as live performances and sporting events, the 9.0% amusement tax also applies to charges for cable television and streaming services like Netflix and Spotify that are delivered electronically to users with billing addresses in the City of Chicago. A previous partial exemption of the tax to cable television providers was eliminated effective January 1, 2015. Also effective January 1, 2015, the City eliminated 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. The City of Chicago clarified its language on the exemption of live DJ performances from the amusement tax on December 1, 2006.²⁵

A ruling on electronically delivered amusements issued by the City of Chicago Department of Finance on June 9, 2015, Amusement Tax Ruling #5, stated that the City's amusement tax applies to charges paid for electronically delivered television shows, movies or videos (e.g. Netflix); electronically delivered music (e.g. Spotify); and games delivered on-line or otherwise. The ruling went into effect on September 1, 2015.

²⁴ City of Chicago, FY2017 Budget Overview, p. 22; and Ordinance 2016-7981.

²⁵ City of Chicago Department of Revenue, Amusement Tax Ruling #4: Live Cultural Performance Exemption – DJs, Effective December 1, 2006.

A lawsuit was filed in Cook County Circuit Court²⁶ challenging Amusement Tax Ruling #5 in October 2016. Shortly thereafter, the City amended its Amusement Tax ordinance to incorporate the basic terms of the Ruling. A decision issued by the Circuit Court on May 24, 2018 upheld the City's interpretation of the amusement tax and dismissed the case. A notice of appeal was filed by the plaintiffs on June 21, 2018.

(City of Chicago Municipal Code, Chapter 4-156)
(City of Chicago Substitute Ordinance 2017-7809 (2018 Revenue Ordinance))

Firearm and Ammunition Taxes

Cook County imposes a tax on the retail purchase of a firearm of \$25.00 per firearm, effective since April 1, 2013. The Cook County Board of Commissioners adopted the ordinance on November 9, 2012 as part of the FY2013 budget. For FY2016, the Board voted to add a tax on firearm ammunition which includes a \$0.05 on centerfire cartridges and a \$0.01 on rimfire cartridges, which went into effect on June 1, 2016. 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. The purchase of firearms and ammunition is also subject to the sales tax on general merchandise.

(Code of Ordinances of Cook County, Illinois, Chapter 74, Article XX)
(430 ILCS 65/3)

²⁶ Labell et al. v. The City of Chicago et al.; Case Number 2015-CH-13399.