



THE CIVIC FEDERATION

CONSUMER TAXES IN CHICAGO:

*A Compilation of Selected
Taxes in Place in the
City of Chicago
as of January 1, 2022*



*for more information, visit
civiced.org/ConsumerTaxes2022*

MARCH 21, 2022

TABLE OF CONTENTS

INTRODUCTION.....	1
<i>City and County Tax Categorization.....</i>	<i>1</i>
RECENT CHANGES TO CONSUMER TAXES IN CHICAGO.....	5
<i>Tax Changes.....</i>	<i>5</i>
<i>Tax Updates.....</i>	<i>5</i>
DESCRIPTION OF SELECTED CONSUMER TAXES IN CHICAGO	6
SALES TAXES.....	6
<i>Sales Tax on General Merchandise.....</i>	<i>6</i>
<i>Sales Tax on Food and Drugs.....</i>	<i>11</i>
<i>Restaurant Tax.....</i>	<i>12</i>
TOBACCO-RELATED TAXES	13
<i>Cigarette Tax (per pack).....</i>	<i>13</i>
OTHER TOBACCO TAXES	14
<i>Other Tobacco Products</i>	<i>14</i>
<i>Electronic Cigarette (Liquid Nicotine) Products.....</i>	<i>15</i>
CANNABIS-RELATED TAXES	16
<i>Medical Cannabis Taxes</i>	<i>16</i>
<i>Adult Use Cannabis Taxes.....</i>	<i>16</i>
BEVERAGE-RELATED TAXES.....	19
<i>Liquor Tax.....</i>	<i>19</i>
<i>Fountain Soft Drink Syrup Tax</i>	<i>20</i>
<i>Soft Drink Tax.....</i>	<i>20</i>
<i>Bottled Water Tax.....</i>	<i>20</i>
UTILITY-RELATED TAXES	21
<i>Electricity Infrastructure Maintenance Fee (per kilowatt hour).....</i>	<i>21</i>
<i>Electricity Use Tax (per kilowatt hour).....</i>	<i>21</i>
<i>Natural Gas Utility Tax</i>	<i>21</i>
<i>Gas Use Tax.....</i>	<i>22</i>
<i>Water and Sewer Tax.....</i>	<i>22</i>
ACCOMMODATIONS-RELATED TAXES	22
<i>Hotel Operators' Tax</i>	<i>22</i>
<i>Home Sharing Tax.....</i>	<i>23</i>
TRANSPORTATION-RELATED TAXES	24
<i>Motor Fuel Tax (per gallon)</i>	<i>24</i>
<i>Wheel Tax</i>	<i>25</i>
<i>Parking Garage and Lot Tax</i>	<i>25</i>
<i>New Motor Vehicle Tax</i>	<i>26</i>
<i>Tire Fee</i>	<i>26</i>
<i>Automobile Rental Tax</i>	<i>26</i>
<i>Airport Departure Tax.....</i>	<i>27</i>
<i>Ground Transportation Taxes</i>	<i>27</i>
<i>Boat Mooring Tax</i>	<i>28</i>
OTHER TAXES.....	28
<i>Checkout Bag Tax.....</i>	<i>28</i>
<i>Simplified Telecommunications Tax and Emergency Telephone System Surcharge</i>	<i>29</i>
<i>Personal Property Lease Transaction Tax.....</i>	<i>29</i>
<i>Real Estate Transfer Tax</i>	<i>30</i>
<i>Amusement Tax</i>	<i>31</i>
<i>Firearm and Ammunition Taxes</i>	<i>32</i>

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 and nicotine-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, 2022.

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. 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. For example, the State authorizes any municipality in Illinois to impose a tax on automobile rentals and limits the amount of the tax. Per this authority, the City of Chicago imposes a Municipal Automobile Rental 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%, 5.0% of which 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.

The following table provides a summary of all of the selected consumer taxes and tax rates imposed within the City of Chicago.

Summary Table: Selected Consumer Taxes in Chicago as of January 1, 2022 [†]										
	Federal	State	Cook County		City of Chicago		RTA ¹	MPEA ²	ISFA ³	TOTAL
			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*	--	--	--	--	--	0.50%	--	1.0%	--	1.50%
Cannabis Related Taxes**										
Medical Cannabis ⁶	--	--	--	--	1.00%	--	1.25%	--	--	2.25%
Recreational Cannabis*	--	10-25%	3.00%	--	3.00%	--	--	--	--	16.00-31.00%
Tobacco Related Taxes*										
Cigarette (per pack)	\$1.01	\$2.98	--	\$3.00	--	\$1.18	--	--	--	\$8.17
Smoking tobacco (per ounce)	\$0.17	36% of wholesale price	--	\$0.60	--	--	--	--	--	36.00% + \$0.77
Smokeless tobacco (per ounce)	\$0.03 to \$0.09	\$0.30	--	\$0.60	--	--	--	--	--	\$0.93 to \$0.99
Little cigar (per unit)	\$0.05	\$0.149	--	\$0.05	--	--	--	--	--	\$3.08
Large cigar (per unit)	52.75% of sales price ⁷	36% of wholesale price	--	\$0.30	--	--	--	--	--	88.75% + \$0.30 ⁸
Liquid Nicotine Products	--	15% of wholesale price	--	\$0.20 per milliliter of liquid	--	\$1.50 per unit plus \$1.20 per ml	--	--	--	15% + \$1.50 per unit + \$1.40 per ml
Beverage Related Taxes										
Liquor Tax (per gallon)*										
Beer ⁹	\$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 ¹⁰	\$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) ¹¹	--	--	--	--	\$0.0053	--	--	--	--	\$0.0053
Electricity Use Tax per kwh (base rate) ¹¹	--	\$0.0033	--	--	\$0.00610	--	--	--	--	\$0.0094
Natural Gas Utility Tax	--	\$0.024 per therm or 5.0% ¹²	--	--	8.0% ¹³	--	--	--	--	≤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)	--	--	--	--	--	\$2.51	--	--	--	\$2.51

Summary Table Continued: Selected Consumer Taxes in Chicago as of January 1, 2022[†]

	Federal	State	Cook County		City of Chicago		RTA ¹	MPEA ²	ISFA ³	TOTAL
			County	Home Rule	Municipal	Home Rule				
Accommodation Related Taxes										
Hotel Operators' Tax	--	6.17%	--	1.00%	1.08%	4.50%	--	2.50%	2.14%	17.39% ¹⁴
Home Sharing Tax	--	--	--	--	--	6.00%	--	--	--	6.00% ¹⁵
Transportation Related Taxes										
Motor Fuel (per gallon)*										
Gasoline ¹⁶	\$0.184	\$0.403	--	\$0.06	--	\$0.08	--	--	--	\$0.73
Diesel ¹⁶	\$0.244	\$0.478	--	\$0.06	--	\$0.08	--	--	--	\$0.86
Wheel Tax (Vehicle Registration)										
Per small passenger automobile (annually)	--	\$151.00	--	\$80 (unincorporated areas only) ¹⁷	--	\$95.42	--	--	--	\$231.00 or \$246.42
Per large passenger automobile (annually)	--	\$151.00	--	\$100 (unincorporated areas only) ¹⁸	--	\$151.55	--	--	--	\$251.00 or \$302.55
Per electric vehicle (annually)	--	\$251.00	--	\$80 (unincorporated areas only) ¹⁷	--	\$95.42	--	--	--	\$331.00 or \$341.88
Parking Tax										
Daily (24 hours or less)	--	6.0%	--	6.0%	--	20.0% to 22.0% ¹⁹	--	--	--	32.0% to 34.0%
Weekly/Monthly/Yearly	--	6.0% to 9.0% ¹⁹	--	9.0%	--	22.0%	--	--	--	37.0% to 40.0%
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 ²⁰	--	--	6.0%	--	11.0% + \$2.75
Airport Departure Tax	--	--	--	--	--	--	--	\$2.00 to \$54.00	--	\$2.00 to \$54.00
Ground Transportation Tax (Transportation Network Providers, i.e. Uber, Lyft)	--	--	--	--	--	Single rides: \$1.13 to \$2.88; Shared rides: \$0.53 to \$1.13 ²¹	--	--	--	\$0.53 to \$2.88
Boat Mooring Tax	--	--	--	--	--	7.0%	--	--	--	7.0%
Other Taxes										
Checkout Bag Tax (per bag)	--	--	--	--	--	\$0.07 ²²	--	--	--	\$0.07
Telecommunications Excise Tax	3.0%	7.0%	--	--	7.0%	--	--	--	--	17.00%
911 service per network connection (per month)	--	--	--	--	\$5.00 ²³	--	--	--	--	\$5.00
Personal Property Lease Transaction Tax	--	--	--	--	--	9.00%	--	--	--	9.00%
Real Estate Transfer Tax	--	\$0.50 per \$500 (0.1%)	\$0.25 per \$500 (0.05%)	--	\$1.50 per \$500 (0.3%) ²⁴	\$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% ²⁵	--	--	--	10.0% to 12.0%
Firearm and Ammunition Taxes*	--	See note 26	--	\$25 per firearm; \$0.01 to \$0.05 per cartridge	--	--	--	--	--	\$25 per firearm; \$0.01 to \$0.05 per cartridge

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

Notes to Summary Table:

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.

[†] All of the tax rates in the table are effective as of January 1, 2022.

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

** A cultivation privilege tax of 7.0% applies to both medical and recreational sales by a cultivator or craft grower. However, it is not included in this chart because while it could be passed onto a consumer in the purchase price, it is not a direct consumer tax.

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 The State of Illinois requires medical cannabis users to apply for a registration card, which is subject to an application fee of \$50-250, depending on the number of years the card is valid and whether the patient qualifies under a reduced application fee. There is also a tax on cannabis cultivators for medical and recreational use, which can be passed on to the purchasing dispensary, processor or infuser.

⁷ Federal tax is limited to \$.4026 per cigar.

⁸ A \$1 surcharge goes to the State Police Vehicle Fund.

⁹ 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.

¹⁰ 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.

¹¹ 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 \$0.00202.

¹² 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.

¹³ Large institutions that purchase from providers other than Peoples Energy are subject to \$0.063 per therm instead of 8%.

¹⁴ This figure represents the effective rate of this tax. See the narrative for more detail.

¹⁵ 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%.

¹⁶ 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 \$0.08 Vehicle Fuel Tax does not apply to aircraft fuel, which is taxed at \$0.05 per gallon.

¹⁷ 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.

¹⁸ 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.

¹⁹ The City of Chicago charges a parking tax rate of 20.0% on weekends (Saturday and Sunday) and 22.0% on weekdays (Monday-Friday). The State of Illinois charges a parking tax rate of 6.0% for a space on an hourly, daily, or weekly basis and 9.0% if paid on a monthly or annual basis.

²⁰ 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.

²¹ The figure shown in the table applies to transportation network providers, which are rideshare companies such as Uber and Lyft. The base charge per single ride is \$1.13. An additional surcharge of \$1.75 is charged for rides that begin or end in a designated downtown zone on weekdays between 6am and 10pm. Shared rides have lower rates of \$0.53 per shared ride citywide, plus an additional \$0.60 for rides that begin or end downtown on weekdays. There is also a \$0.10 fee per ride for non-wheel chair accessible rideshare vehicles. Rides with a pick up or drop off at Chicago Airports, Navy Pier and McCormick Place are charged an additional \$5.00. 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.

²² 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

²³ The \$5.00 911 surcharge is applied monthly per network connection or wireless number. The City of Chicago imposes a 7.0% surcharge on prepaid wireless services. The enforcement and collection of this surcharge is administered by the Illinois Department of Revenue.

²⁴ \$1.50 per each \$500 tax is transferred to the Chicago Transit Authority.

²⁵ 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.

²⁶ 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: Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021; 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 IN CHICAGO

Tax Changes

The following taxes have undergone changes:

Motor Fuel Tax, State of Illinois – The State of Illinois' tax on motor fuel increases annually by the rate of inflation effective every July 1. For the period July 1, 2021 through June 30, 2022, the State's tax rate is \$0.392 per gallon of gasoline and \$0.467 per gallon of diesel fuel. This was an increase of \$0.005 per gallon. The increase in the State tax brings the composite rate in Chicago (including the state, federal, City and County gas tax and the State of Illinois' \$0.003 Underground Storage Tank Tax and \$0.008 environmental impact fee) as of January 1, 2022 to \$0.727 per gallon of gasoline and \$0.862 per gallon of diesel.

Wheel Tax, City of Chicago – The City of Chicago vehicle sticker fee increases every two years. Effective January 1, 2022, the City's vehicle sticker price will increase from \$90.88 to \$95.42 per year for small passenger vehicles and from \$144.33 to \$151.55 per year for large passenger vehicles.

Tax Updates

Firearm and Ammunition Tax, Cook County – An Illinois Supreme Court ruling on Cook County's firearm and ammunition tax resulted in a brief interruption in collections, but due to actions taken by the Cook County Board of Commissioners prior to final judgment by the Cook County Circuit Court, the tax will continue to be collected in 2022. The Cook County tax on firearms and ammunition was struck down in an Illinois Supreme Court ruling in the case of *Guns Save Life, Inc., et al. v. Zahra Ali, Director of the Department of Revenue of Cook County, et al.*¹. In its ruling issued on October 21, 2021, the Supreme Court found that the County's tax violated the uniformity clause based on the premise that "where a tax classification directly bears on a fundamental right, the government must establish that the tax classification is substantially related to the object of the legislation." The Court's opinion highlighted that the County's firearm tax ordinance did not direct revenue from the tax directly to any fund or program aimed at reducing or curbing the cost of gun violence.

In response to the ruling, the Cook County Board of Commissioners approved an amendment to the Firearm and Firearm Ammunition Tax Ordinance on November 4, 2021, to address the uniformity concerns expressed by the Illinois Supreme Court². The amendment, effective immediately, directed revenue from the sale of firearms and ammunition in Cook County to an Equity Fund, a special purpose fund directed specifically to fund violence prevention and reduction programs. The timing of the County's ordinance amendment preceded the date the Supreme Court's ruling was to be heard in the Circuit Court for final judgment on November 23, 2021. To allow time to comply with resuming collections, the County gave retailers until November 15, 2021 to begin resuming collection of the tax³. The County plans to continue to collect this tax in 2022. There is no change to the previously existing rates (\$25.00 per firearm and \$0.05 per centerfire cartridge and a \$0.01 per rimfire cartridge).

¹ *Guns Save Life, Inc., et al. v. Zahra Ali, Director of the Department of Revenue of Cook County, et al.*, Illinois Supreme Court Case No. 2021 IL 126014.

² Cook County Ordinance No. 21-6225.

³ See <https://www.cookcountyil.gov/service/firearm-and-firearm-ammunition-tax>.

DESCRIPTION OF SELECTED CONSUMER TAXES IN CHICAGO

SALES TAXES

“Sales” taxes in Illinois are actually composed of two matching pairs of taxes: 1) retailers’ occupation and use taxes and 2) service occupation and service 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 personal property 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%, 5% of which goes to the State, 1.0% is distributed to municipalities and 0.25% is distributed to counties.⁴ 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%.⁵

⁴ 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.

⁵ 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, 2022			
	Chicago	Suburban Cook County	Other Collar County
State	5.00%	5.00%	5.00%
Municipal*	1.00%	1.00%	1.00%
County**	0.25%	0.25%	0.25%
Cook County Home Rule	1.75%	1.75%	-
RTA	1.00%	1.00%	0.75%
Municipal Home Rule***	1.25%	0.50% to 2.00%	0.25% to 2.00%
Composite Rate****	10.25%	9.00% to 11.00%	7.00% to 9.00%

*The municipal rate also applies to county unincorporated areas.

**In Cook County only, this portion 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: Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, p. 127.

Several changes to state and local sales tax rates 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 of 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 expanded⁶ 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 all of the following criteria:
 - The out-of-state retailer has a contract with a person in Illinois;

⁶ 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, <https://www2.illinois.gov/rev/research/publications/bulletins/Documents/2015/fy-2015-07.pdf>

- Under the contract, the person in Illinois refers potential customers to the retailer and the retailer pays a commission or other consideration to the person in Illinois based on the sale of tangible personal property by the retailer;
- The person in Illinois provides a promotional code or other mechanism to the potential customers 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%;
 - 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 sold online, even if the retailer does not have a physical presence in the state. Previously, only remote retailers with a physical presence in Illinois were required to collect the state use tax of 6.25%. Beginning October 1, 2018, all remote retailers with or without a physical presence in Illinois and marketplace facilitators, who generate more than \$100,000 in annual sales from Illinois customers or that conduct at least 200 separate transactions per year to Illinois customers⁷, are required to collect the Illinois state use tax of 6.25%. In addition, Marketplace Facilitators are required to file and remit use taxes on behalf of their marketplace sellers if the combined annual sales to Illinois customers on the marketplace exceed \$100,000 or the number of transactions to Illinois customers for the year over the marketplace is 200 or greater. These changes do not affect the composite sales tax rate in the City of Chicago, but will affect the amount of sales tax revenue the State of Illinois and local governments receive from online sales; and
- On June 28, 2019, Public Act 101-0031, the "Leveling the Playing Field for Illinois Retail Act," was signed into Illinois law and on December 13, 2019, Public Act 101-0604, an amendment to the Act, was signed into law. Beginning January 1, 2021, the law requires remote sellers without a physical presence in the state and marketplace facilitators (e.g., Amazon and Walmart) making sales on behalf of marketplace sellers, who generate more than \$100,000 in annual sales from Illinois customers or that conduct at least 200 separate transactions per year to Illinois customers, to collect both state and local sales taxes based on the delivery address of the tangible personal property sold.⁸

⁷ Per the FY2019 State of Illinois Budget Implementation Act, Public Act 100-0587

⁸ Illinois Municipal League Fact Sheet, "Illinois Passes 21st Century Sales Tax Law, November 14, 2019, <https://www.iml.org/file.cfm?key=16124>

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

City of Chicago Composite Sales Tax Rates Changes: 1969-2022					
Year Change Occurred	State	Chicago	RTA	Cook County	Total
1969	4.00%				4.00%
1981	4.00%	1.00%			5.00%
1983	4.00%	1.00%	0.75%		5.75%
1984	5.00%	1.00%	0.75%		6.75%
1990	6.25%	1.00%	0.75%		8.00%
1992	6.25%	1.00%	0.75%	0.75%	8.75%
2005	6.25%	1.25%	0.75%	0.75%	9.00%
2008	6.25%	1.25%	1.00%	1.75%	10.25%
2010	6.25%	1.25%	1.00%	1.25%	9.75%
2012	6.25%	1.25%	1.00%	1.00%	9.50%
2013	6.25%	1.25%	1.00%	0.75%	9.25%
2015	6.25%	1.25%	1.00%	0.75%	9.25%
2016	6.25%	1.25%	1.00%	1.75%	10.25%
2017	6.25%	1.25%	1.00%	1.75%	10.25%

Source: Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, pp. 115 and 120; 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.

Ordinances and Statutes:

- 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*

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 nation at 10.25% since Cook County increased its home rule sales tax rate on January 1, 2016, by one percentage point from 0.75 to 1.75% . Effective April 1, 2021, Seattle raised its sales tax rate by 0.15%, making its composite tax rate equal to that of the City of Chicago⁹.

Sales Tax Rates for Selected Cities in the United States as of January 1, 2022	
Chicago, IL	10.250%
Seattle, WA	10.250%
Montgomery, AL	10.000%
Memphis, TN	9.750%
St. Louis, MO	9.679%
Los Angeles, CA	9.500%
New Orleans, LA	9.450%
New York City, NY	8.875%
Oklahoma City, OK*	8.625%
Phoenix, AZ**	8.600%
Houston, TX	8.250%
Minneapolis, MN	8.025%
Cincinnati, OH	7.800%
Columbus, OH	7.500%
Gary, IN	7.000%
Indianapolis, IN	7.000%
Detroit, MI	6.000%
Milwaukee, WI	5.500%
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: Alabama Department of Revenue; Washington State Department of Revenue; City of Phoenix Finance Department; Tennessee Department of Revenue; New York City Department of Finance; City of Los Angeles Office on Finance; Missouri Department of Revenue; City of New Orleans; Louisiana Department of Revenue; City of Oklahoma Finance Department; Oklahoma Tax Commission; Texas Comptroller Office; Minnesota Department of Revenue; Indiana Department of Revenue; Ohio Department of Taxation; Michigan Department of Treasury; and Wisconsin Department on Revenue.

⁹ Washington State Department of Revenue, "Local sales & use tax rates and changes," Quarter 2, 2021. See https://dor.wa.gov/sites/default/files/legacy/Docs/forms/ExcTx/LocSalUseTx/LSUFIyer_21_Q2.pdf

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. That year, however, a rate reduction was applied to food and drugs (both prescription and non-prescription).

The State of Illinois collects a 1.0% tax on food and drugs, which is distributed to municipalities and counties. The Regional Transit Authority (RTA) also imposes a tax on food and drugs, which applies in Chicago, Cook County and the surrounding collar counties. The following table shows the total 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, 2022			
	Suburban		
	Chicago	Cook County	Collar Counties
Municipal*	1.00%	1.00%	1.00%
RTA	1.25%	1.25%	0.75%
Composite Rate	2.25%	2.25%	1.75%

*This rate also applies to county unincorporated areas.

Source: Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, pp. 126-127.

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 food and drugs sales tax became subject to the full 6.25% general merchandise sales tax. Under the law, candy was 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. 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 lower 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; and
- The lower sales tax on food and drugs was applied to medical cannabis 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 made permanent in 2019 via Public Act 101-363. Through this legislation, the sale of medical marijuana at

licensed medical marijuana dispensaries is taxed by the State of Illinois at the reduced food/drug rate. Medical cannabis is also subject to the RTA tax on food and drugs.

Ordinances and Statutes:

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 0.50% restaurant tax that applies to the entire area of the City, and the Metropolitan Pier and Exposition Authority (MPEA) imposes a restaurant tax of 1.00% 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 11.75% and in the non-MPEA area is 10.75%. 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, 2022		
	Chicago MPEA¹	Chicago - not MPEA
State Sales	5.00%	5.00%
Municipal Sales²	1.00%	1.00%
Cook 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	0.50%	0.50%
Composite Rate	11.75%	10.75%

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: Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, pp. 125-127; and City of Chicago 2020 Revenue Ordinance 2019-8527.

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;
- Cook County home rule sales tax increase of 1.0%, from 0.75% to 1.75%, effective January 1, 2016; and
- Chicago restaurant tax increase of 0.25%, from 0.25% to 0.50%, effective January 1, 2020.

Ordinances and Statutes:

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 \$8.17. 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 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;
- 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; and
- Effective July 1, 2019, the State of Illinois increased its cigarette tax from \$1.98 per pack of 20 cigarettes to \$2.98.

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

City of Chicago Composite Cigarette Tax as of January 1, 2022	
Government Level	Tax per 20-pack
State of Illinois	\$2.98
City of Chicago	\$1.18
Cook County	\$3.00
Federal	\$1.01
Total	\$8.17

Source: The Commission on Government Forecasting and Accountability Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, p. 20; and 35 ILCS 130/2.

Ordinances and Statutes:

26 USC Sec. 5701

35 ILCS 130/1, 35 ILCS 130/2 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 electronic cigarettes (liquid nicotine). The composite rates are shown in the following table and discussed further below. Other tobacco products are also subject to the sales tax on general merchandise.

City of Chicago Composite Taxes on Other Tobacco Products as of January 1, 2022					
Government Level	Smoking tobacco (per ounce)	Smokeless tobacco (per ounce)	Little cigar (per unit)	Large cigar (per unit)	E-Cigarettes (Liquid Nicotine)
Federal	\$0.17	\$0.03 to \$0.09	\$0.05	52.75% of sales price	--
State	36% of wholesale price	\$0.30	36% of wholesale price	36% of wholesale price	15% of wholesale price
Cook County	\$0.60	\$0.60	\$0.05	\$0.30	\$0.20 per milliliter
City of Chicago	--	--	--	--	\$1.20 per milliliter; \$1.50 per unit
Total	36.0% + \$0.77	\$0.93 to \$0.99	\$2.08	88.75% + \$0.30	15% + \$1.40 milliliter; \$1.50 per unit

Source: Commission on Government Forecasting and Accountability, Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, pp. 21-23; City of Chicago Municipal Code Chapter 3-47-030; and 35 ILCS 143/10-10.

Other Tobacco Products

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. Roll-your-own tobacco is taxed at a rate of \$1.55 per ounce (\$24.78 per pound). 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. The State tax on smoking tobacco and large cigars is 36% of the wholesale price. Little cigars are subject to the State's regular cigarette tax of \$2.98 per pack. Moist snuff tobacco products are taxed at \$0.30 per ounce. 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.

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 a tax on other tobacco products that was ultimately struck down by the Illinois Supreme Court, so the City has never collected taxes on other tobacco products. The City 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.¹⁰

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, 1993.¹¹ Chicago had a cigarette tax in place, but not a 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 plaintiff appealed to the Illinois Supreme Court, and the Supreme Court issued a decision on December 19, 2019, overturning the Appeals Court ruling and effectively striking down the City's tax on other tobacco products. The Supreme Court decision stated that the language in state law was intended to prohibit future municipal taxes on cigarettes or other tobacco products unless the tax was enacted before July 1, 1993.¹²

Electronic Cigarette (Liquid Nicotine) Products

In 2016, the City of Chicago and Cook County began imposing a tax on electronic cigarettes. Cook County's rate of tax on electronic cigarettes is \$0.20 per fluid milliliter, effective 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 electronic cigarettes to \$1.50 per product unit and \$1.20 per milliliter of fluid on September 20,

¹⁰ City of Chicago Finance Department, News Release, "Update to Other Tobacco Products Tax," June 16, 2016.

¹¹ Iwan Ries & Co., et al. v. City of Chicago, Cook County Circuit Court Case No. 2016-L-050356.

¹² Iwan Ries & Co., et al. v. City of Chicago, Cook County Circuit Court Case No. 2019-IL-124469.

2018. Effective July 1, 2019, the State of Illinois began taxing electronic cigarettes at 15% of the wholesale price.

Ordinances and Statutes:

26 USC 5701

35 ILCS 143/10-1ff and 35 ILCS 143/10-10

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

CANNABIS-RELATED TAXES

The State of Illinois' pilot medical cannabis program went into effect on January 1, 2014, and was expanded and made permanent in 2019 via Public Act 101-0363. Also in 2019, the Illinois State Legislature passed and Governor Pritzker signed Public Act 101-0027, legalizing adult use cannabis for adults over 21 years of age as of January 1, 2020, and implementing a regulatory and taxation regime.¹³ The section below details the taxes on consumers for medical and adult use cannabis. There are additional taxes on the cultivation of both medical and adult use cannabis, but they are paid by the grower, though they may be passed on to the purchaser.

Medical Cannabis Taxes

Medical cannabis is subject to the reduced sales tax rate on food and drugs at a composite rate of 2.25% in Chicago, consisting of 1.0% distributed to municipalities and 1.25% to the Regional Transit Authority. See the sales tax on food and drugs section above for additional details. Additionally, medical cannabis is subject to the cultivation privilege tax at a rate of 7.0% of the sales price per ounce, though it is paid by a dispensing organization or other wholesale purchaser and not directly by the consumer.

Medical cannabis patients must apply for a registration card, which is subject to an application fee of \$25-125, depending on the number of years the card is valid and whether the patient qualifies for a reduced application fee.¹⁴

Adult Use Cannabis Taxes

Adult use cannabis is subject to excise taxation, as well as the retailers' occupation tax (sales tax) and a special local cannabis retailers' occupation tax (cannabis sales tax). The excise tax is based upon the tetrahydrocannabinol (THC) level and whether the product is flower or an infusion. THC is the main psychoactive compound in cannabis.

¹³ A trailer bill, Public Act 101-0593, was signed into law on December 4, 2019. Another bill, Public Act 101-0363, also made changes to the original adult use cannabis legislation.

¹⁴ Persons who are receiving Social Security Disability Income (SSDI) or Supplemental Security Income (SSI), veterans, certain public pensioners on disability and patients age 65 or older may be eligible for a reduced application fee, according to the Illinois Department of Public Health. See <http://www.dph.illinois.gov/topics-services/prevention-wellness/medical-cannabis/MCPP-registry-card-application-fees> and <https://www.ilga.gov/commission/jcar/admincode/077/077009460B02100R.html>.

Cannabis Purchaser Excise Tax

The cannabis purchaser excise tax is a tax imposed on purchasers for the privilege of using cannabis, cannabis concentrate, and cannabis-infused products. Cannabis dispensaries must collect and remit excise tax on all retail sales of adult use cannabis (410 ILCS 705/65-1 et seq.).

The tax is imposed at the following rates:

- 10% of taxable receipts from the sale of adult use cannabis, other than cannabis infused products, sold with an adjusted level of THC of 35% or less;
- 25% of taxable receipts from the sale of adult use cannabis, other than cannabis-infused products, sold with an adjusted level of THC greater than 35%; and
- 20% of taxable receipts from the sale of adult use cannabis-infused products.

State and Local Cannabis Retailers' Occupation Tax

Adult use cannabis is subject to the 6.25% State retailers' occupation tax, as well as local retailers' occupation taxes. In the City of Chicago, the composite retailers' occupation tax is 10.25%.

A municipality may additionally, by ordinance, impose a cannabis retailers' occupation tax (hereafter called cannabis sales tax) in 0.25% increments and up to a limit of 3.0% of the gross receipts on adult use cannabis gross receipts. A county may, by ordinance, impose a retailers' occupation tax in 0.25% increments. For sales made in unincorporated areas, the county rate may not exceed 3.75%. For sales made in a municipality, the county rate may not exceed 3.0%.

On November 26, 2019, the Chicago City Council passed the Fiscal Year 2020 Revenue Ordinance, O2019-8527, which imposed a 3% tax on gross receipts from the sales of adult use cannabis, pursuant to the Municipal Cannabis Retailers' Occupation Tax Law. Cook County passed an ordinance on January 16, 2020, imposing a 3% tax on gross receipts from the sales of adult use cannabis at any location in Cook County.¹⁵ Collection of the county and municipal cannabis sales taxes began on July 1, 2020, and are applied in addition to general merchandise sales tax and state excise tax.¹⁶

The highest possible composite rate for adult use cannabis sales in the City of Chicago is now 41.25%, which includes the 25% State cannabis excise tax for cannabis with a THC level above 35%, the 3.0% City of Chicago cannabis retailers' occupation tax, the 3.0% Cook County cannabis retailers' occupation tax and the City of Chicago's 10.25% retailers' occupation tax (general sales tax).

¹⁵ Cook County Ordinance 20-0658, the "Cook County Cannabis Retailers' Occupation Tax Ordinance."

¹⁶ Public Act 101-0593. See also Illinois Department of Revenue, *Informational Bulletin*, FY 2020-16, December 2019, "Municipalities and Counties may impose a local Cannabis Retailers' Occupation Tax beginning July 1, 2020."

<https://www2.illinois.gov/rev/research/publications/bulletins/Documents/2020/FY2020-16.pdf>

The following chart shows the rates at which the various taxes on cannabis can be applied.

Tax Rates on Recreational Cannabis in Illinois*				
	Cultivation Privilege Tax	Cannabis Excise Tax	General Sales Tax**	Cannabis Sales Tax (Cannabis Retailers' Occupation Tax)***
State	7% of the gross receipts from the sale of cannabis by a cultivator or a craft grower to a dispensing organization	10% — cannabis with a THC level at or below 35%	State general sales tax of 6.25% applies to cannabis sales	N/A
		20% — all cannabis infused products		
		25% — cannabis with a THC level above 35%		
Municipal	N/A	N/A	Municipal general sales taxes at varying rates apply to cannabis sales	No more than 3% of gross receipts in 0.25% increments
Non-Home Rule County	N/A	N/A	Non-home rule county general sales taxes at varying rates apply to cannabis sales	No more than 3.75% of gross receipts for sales made in unincorporated areas in 0.25% increments
				No more than 3% of gross receipts of sales made in a municipality in 0.25% increments
Home Rule County (Cook County)	N/A	N/A	Home rule county general sales tax of 1.75% applies to cannabis sales	No more than 3.75% of gross receipts for sales made in unincorporated areas in 0.25% increments
				No more than 3% of gross receipts for sales made in a municipality in 0.25% increments

*Rates do not apply to medical cannabis.

**All state and local general sales taxes apply to cannabis purchases, including RTA sales taxes in Cook and the collar counties and Metro East Transit District and Metro East Park and Recreation District sales taxes in St. Clair County.

***Cannabis Retailers' Occupation Tax is an additional local sales tax on all persons engaged in the business of selling adult use cannabis at retail in a municipality or county.

Source: Illinois Department of Revenue, *Informational Bulletin* FY 2020-12, November 2019, "Reporting and paying tax on cannabis sales," and Civic Federation calculations.

Ordinances and Statutes:

65 ILCS 5/8-11-23

55 ILCS 5/5-1006.8

City of Chicago Municipal Code, Chapter 3-51

Code of Ordinances of Cook County, Illinois, Chapter 74, Article XXII

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. The tax is 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; and \$27.23 per gallon of distilled liquor with over 20.0% alcohol (assuming the liquor is 100-proof).

Federal liquor taxes vary by volume produced and alcohol type. Effective January 1, 2018, the Craft Beverage Modernization Act passed as part of the U.S. Jobs and Tax Cuts Act of 2017 (Public Law 115-97) reduced the tax rates and created tax credits for smaller distributors.¹⁷ These changes were made permanent on December 27, 2020, with the Taxpayer Certainty and Disaster Tax Act of 2020.

The federal tax on distilled spirits is \$13.50 per proof gallon,¹⁸ with lower rates for smaller removals and production volumes: \$2.70 for the first 100,000 gallons per year and \$13.34 for over 100,000 and up to 22.23 million gallons per year. Because the federal liquor tax rate is based on the proof of the alcohol (percent alcohol content) rather than general volume, the rate varies for different alcohol proofs. For example, the federal tax on an 80-proof 750 ml bottle would be \$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.

The federal tax on beer is \$0.516 per gallon (\$16 per barrel) for the first 6 million barrels produced per year and \$0.581 per gallon for all remaining barrels. For brewers that produce 2 million barrels or less per year, there is a reduced rate of \$0.113 per gallon for the first 60,000 barrels produced.

The federal tax rates on wine vary by type and alcohol content, from \$1.07 per gallon of still wine containing 16% or less of alcohol to \$3.40 per gallon of sparkling wine. Lower rates apply for smaller amounts of wine removed or imported.¹⁹ The federal tax on hard cider is \$0.226 per gallon, with lower rates for smaller production amounts.

The State of Illinois taxes alcohol at the following rates per gallon (effective since September 1, 2009):

- \$0.231 for beer and cider;
- \$1.39 for wine; and
- \$8.55 for distilled liquor.

¹⁷ U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau, Current Tax Rates at <https://www.ttb.gov/tax-audit/tax-and-fee-rates>.

¹⁸ A proof gallon is one liquid gallon of spirits that is 50% alcohol (100-proof). An 80-proof gallon of distilled spirits would be 0.8 proof gallons.

¹⁹ Tax credits are available in the following amounts of wine produced: \$1.00 credit for the first 30,000 gallons; \$0.90 for over 30,000 and up to 130,000 gallons; and \$0.535 for over 130,000 and up to 750,000 gallons.

Cook County taxes alcohol at the following rates per gallon (effective since January 2, 2012):

- \$0.09 for beer and cider;
- \$0.24 for wine or other alcoholic beverages containing up to 14% alcohol by volume;
- \$0.45 for wine or other alcoholic beverages containing more than 14% and up to 20% alcohol by volume; and
- \$2.50 for alcoholic beverages containing more than 20% alcohol by volume (i.e. distilled liquor).

The City of Chicago taxes alcohol at the following rates per gallon (effective since 2007):

- \$0.29 for beer and cider;
- \$0.36 for wine or other alcoholic beverages containing up to 14% alcohol by volume;
- \$0.89 for wine or other alcoholic beverages containing more than 14% and up to 20% alcohol by volume; and
- \$2.68 for liquor containing more than 20% alcohol by volume.

Ordinances and Statutes:

26 USC Sec. 5001, 5041 and 5051

United States Public Law 115-97

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.

Ordinances and Statutes:

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.

Ordinances and Statutes:

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.

Ordinances and Statutes:

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.

Ordinances and Statutes:

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 \$0.0040. 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.

Ordinances and Statutes:

35 ILCS 640/2-4 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 in 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.

Ordinances and Statutes:

35 ILCS 615/2 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.

Ordinances and Statutes:

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 was 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 and thereafter. Revenue from the water and sewer tax is used to fund the City of Chicago's municipal employees' pension fund.

Ordinances and Statutes:

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 the 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 Cook County tax, Metropolitan Pier and Exposition Authority tax and the City of Chicago home rule hotel tax.

The total composite effective tax rate is 17.39% as shown in the table below.

Hotel Operators' Tax in Chicago: Effective Rates 2022			
ISFA	$(6\% \text{ of } 94\%) \times (1\% \text{ Municipal} + 2\% \text{ ISFA}) + 6\%$	=	6.17%
City (Municipal)	$(1\% \text{ of } 99\%) \times (6\% \text{ State} + 2\% \text{ ISFA}) + 1\%$	=	1.08%
City of Chicago	$(2\% \text{ of } 98\%) \times (6\% \text{ State} + 1\% \text{ Municipal}) + 2\%$	=	2.14%
Cook County			1.00%
Total			2.50%
City (Home Rule)			4.50%
Total			17.39%

Source: Commission on Government Forecasting and Accountability, Research Unit, Illinois Tax Handbook for Legislators, 37th Edition, July 2021, p. 56; and calculations made by the Civic Federation.

The hotel operators' tax is the only tax available to the Illinois Sports Facilities Authority. The City of Chicago tax also applies to online hotel reservations. As part of the FY2008 City of Chicago budget, the City Council amended the law to clarify that it 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).

Ordinances and Statutes:

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 City of Chicago imposes a 6.0% tax on the gross rental charge of vacation rentals or shared housing units. The home sharing tax includes a 4.0% tax, approved on June 22, 2016, to fund supportive services and housing for the homeless and an additional 2.0% surcharge is to fund housing and related supportive services for victims of domestic violence approved by the City Council on July 25, 2018. The 6.0% home sharing tax rate was effective starting December 1, 2018.²⁰

The home sharing rates are applied on top of the City of Chicago's composite hotel tax of 17.39%. This means that home sharing is now charged a total tax rate of 23.39%.

²⁰ 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.

Ordinances and Statutes:

City of Chicago Municipal Code, Chapter 3-24-030

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.²¹ The composite tax for gasoline in Chicago is \$0.73 per gallon and \$0.86 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. Effective July 1, 2019 the State tax on motor fuel increased from \$0.19 to \$0.38 per gallon of gasoline and from \$0.215 to \$0.455 per gallon of diesel fuel. The State tax on motor fuel and diesel fuel is scheduled to increase each year on July 1 by the percentage increase, if any, of the Consumer Price Index. For July 1, 2021, through June 30, 2022, the State of Illinois rates are \$0.403 per gallon of gasoline and \$0.478 per gallon of diesel fuel. This rate includes a tax of \$0.003 per gallon for the Underground Storage Tank Fund and a \$0.008 per gallon environmental impact fee. Cook County's home rule 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 \$0.08 per gallon for all vehicle fuel other than aviation fuel, which is taxed at the rate of \$0.05 per gallon. As part of the City of Chicago's FY2021 Budget, the City increased its non-aviation vehicle fuel tax by \$0.03 per gallon, from \$0.05 to \$0.08 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, and biodiesel blends with 11.0% bio-content or more are 100.0% exempt. The sale of biodiesel blends with less than 11.0% bio-content were previously only subject to 80.0% of the general merchandise sales tax. However, that partial exemption expired December 31, 2018. The sale of gasohol was also 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.

Ordinances and Statutes:

26 USC Sec. 4081 and 26 USC Sec. 4041

35 ILCS 105/3-10

35 ILCS 505/1 ff

35 ILCS 505/2a and b 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 and Ordinance 2020-5743 (2021 Revenue Ordinance)

²¹ Aircraft fuel is exempt from the motor fuel tax, with the exception of the City of Chicago's \$0.05 Vehicle Fuel Tax that applies to the sale of aircraft fuel.

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 for 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 \$95.42 for smaller passenger automobiles and \$151.55 for larger passenger automobiles, effective January 1, 2022.

Cook County imposes a wheel tax on vehicles in unincorporated parts of the County. The rates for residents of unincorporated Cook County increased on July 1, 2012 from \$40 to \$80 for smaller passenger automobiles and from \$50 to \$100 for larger passenger vehicles.

The State of Illinois vehicle registration tax collected for each non-electric small passenger vehicle registration increased from \$98.00 to \$148.00 on January 1, 2020 with the adoption of Public Act 101-0032. Public Act 101-0032 also changed the registration fees for electric vehicles. Until January 1, 2020 owners of small passenger electric vehicles paid \$35 per 2-year registration period. Beginning January 1, 2020 owners of electric vehicles now pay the same amount as non-electric small passenger vehicles plus an additional \$100.00 per year in lieu of the payment of motor fuel taxes, or a total of \$248.00. 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.

Ordinances and Statutes:

*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 State of Illinois, City of Chicago and Cook County impose a percentage-based tax system. The City of Chicago charges a 20.0% tax for parking on weekends and a 22.0% tax for parking on weekdays, effective as of January 1, 2015. 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. Additionally, 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.

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, effective since September 1, 2013.

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.

Effective January 1, 2020 the State of Illinois began imposing a parking excise tax at the rate of 6.0% of the purchase price for a parking space paid for on an hourly, daily, or weekly basis and 9.0% if paid on a monthly or annual basis.

Ordinances and Statutes:

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
35 ILCS 525/10-10

New Motor Vehicle Tax

Cook County applies a 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.

Ordinances and Statutes:

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

Tire Fee

Effective beginning in 2005, 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. 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.

Ordinances and Statutes:

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.

Ordinances and Statutes:

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 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. The current tax rates have been in effect since September 1, 2010, when the MPEA implemented a 100.0% increase in the prior rates.

Ordinances and Statutes:

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).²² 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.

As part of the FY2020 budget approval process, the City restructured the tax rates imposed on rideshare providers. The new rate structure went into effect January 6, 2020. The tax rates now vary depending on whether the vehicle trip is a single occupancy ride or shared ride, the pick-up and drop-off location and the time of day the trip occurs. The new rates are \$1.13 per single ride and \$0.53 per shared ride citywide. For rides that begin or end within a designated downtown zone between 6:00 a.m. and 10:00 p.m. on weekdays, an additional surcharge of \$1.75 for single rides and \$0.60 for shared rides will be charged. The designated downtown zone includes the Loop, River North and as far north as North Avenue, the West Loop, and the South Loop as far south as Roosevelt Road. It does not include Navy Pier. There is still an additional \$5.00 charge for rides that include a pick-up or drop-off at O’Hare Airport, Midway Airport, McCormick Place or Navy Pier and a \$0.10 fee for each ride performed by a non-handicap

²² 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.

accessible vehicle. There were several prior changes to the structure and rates of rideshare taxes after it was first implemented in 2015.

Rideshare providers were previously able to claim a credit of 50% of the tax if the ride included a pick-up or drop-off in an area designated as an underserved area. However, with the passage of the City of Chicago's FY2021 budget, the credit for serving underserved areas was repealed and rideshare providers will no longer be able to claim a credit of 50% of the tax.

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.

Ordinances and Statutes:

*City of Chicago Municipal Code, Chapters 3-46, 9-112-150, 9-115-040 and 9-115-140
City of Chicago Ordinance 2020-5743, 2021 Revenue Ordinance*

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.²³ 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.

Ordinances and Statutes:

City of Chicago Municipal Code, Chapter 3-16

OTHER TAXES

Checkout Bag Tax

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

Ordinances and Statutes:

City of Chicago Municipal Code, Chapter 3-50

²³ City of Chicago Department of Revenue, Informational Bulletin Vol. 9 No. 1, Chicago Boat Mooring Tax, March 2006.

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 7.0% 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 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% per retail transaction. However, effective January 1, 2021, the 9.0% tax on prepaid wireless transactions was reduced to 7.0% per a sunset provision in State statute.

Ordinances and Statutes:

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

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.²⁴

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 intended 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

²⁴ City of Chicago, Department of Finance, 2015 Tax Changes Bulletin.

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.²⁵ 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 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. However, with the approval of the City of Chicago's FY2020 budget, the rate for cloud products increased from 5.25% to 7.25%.

As part of the FY2021 budget, the City of Chicago increased the rate for cloud products by 1.75 percentage points from 7.25% to 9.0%, bringing it in line with all other lease, rental or use of rented, personal property currently taxed at 9.0%.

Ordinances and Statutes:

City of Chicago Municipal Code, Chapter 3-32 and Ordinance 2020-5743 (2021 Revenue Ordinance)

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%), for a total of \$5.25 per \$500 in value. 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.

²⁵ *The Hertz Corporation et al. v. The City of Chicago, et al.*; Case Number 2017 IL 119945.

For example, the City of Chicago exempts sales under \$500, bankruptcies and Enterprise Zone transfers from the tax.

Ordinances and Statutes:

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 Cook County 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.

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.²⁶

Until December 31, 2017, the City charged an amusement tax of 5.0% on admission fees for

²⁶ City of Chicago, FY2017 Budget Overview, p. 22; and Ordinance 2016-7981.

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, 2006.²⁷

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 online or otherwise. The ruling went into effect on September 1, 2015.

A lawsuit was filed in Cook County Circuit Court²⁸ challenging Amusement Tax Ruling #5 in September 2015. Shortly thereafter, the City amended its Amusement Tax ordinance to incorporate the basic terms of the Ruling. A decision issued by Cook County 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, and on September 30, 2019, the Illinois Appellate Court affirmed the Circuit Court's ruling. On December 20, 2019, the plaintiffs filed a petition asking the Illinois Supreme Court to hear the case.²⁹ On March 25, 2020, the Illinois Supreme Court declined to review the case, affirming the lower court's ruling on the City's Tax Ruling #5 to apply the amusement tax to electronically delivered media and entertainment technology products.³⁰

Ordinances and Statutes:

*Code of Ordinances of Cook County, Illinois, Chapter 74, Article X
City of Chicago Municipal Code, Chapter 4-156*

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

²⁷ City of Chicago Department of Revenue, Amusement Tax Ruling #4: Live Cultural Performance Exemption – DJs, Effective December 1, 2006.

²⁸ *Labell et al. v. The City of Chicago et al.*; Case Number 2015-CH-13399.

²⁹ Paul Williams, Law360, *Chicago Residents Ask Ill. High Court to Kill Streaming Tax*, January 3, 2020.

³⁰ Illinois Supreme Court Leave to Appeal Dispositions, March 25, 2020, See https://courts.illinois.gov/SupremeCourt/PLA_Ann/2020/032520.pdf

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.

Ordinances and Statutes:

*Code of Ordinances of Cook County, Illinois, Chapter 74, Article XX
430 ILCS 65/3 and 430 ILCS 65/7*