



December 7, 2016

City of Chicago
Rahm Emanuel, Mayor

Department of Law

Stephen R. Patton
Corporation Counsel

Revenue Litigation Division
30 North LaSalle Street
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[Redacted]

Re: [Redacted]

Dear [Redacted]

I am writing in response to your letter dated June 8, 2016 ("Request") (copy attached), requesting a private letter ruling ("PLR") concerning the application of the Chicago Personal Property Lease Transaction Tax ("Lease Tax"), Chapter 3-32 of the Municipal Code of Chicago ("Code"), to the fees charged by [Redacted]

Based on the facts set forth in your Request, along with our subsequent communications, including our meeting of July 13, 2016, we agree with the summary set forth in paragraphs 1(a) through 1(h) on page 6 of your Request. As to the question raised by your paragraph 2 (also on page 6), we agree that when a charge for one of the products discussed in paragraphs 1(a) through 1(h) "also includes the use of a tool which is not separately stated," this will not change the taxability determination, provided that the tool is in fact a de minimus part of the charge, as stated on page 2 of your Request.

In light of the above, we assume that the issues of interest, penalties and refunds or credits, as to which you have inquired on page 7 of your Request, do not have to be reached. If this is incorrect, please let us know, and we will be happy to work with you on those issues.

This PLR is based on the text of the Lease Tax Ordinance as of the date of this letter and the facts as represented in the Request being true. The opinions contained herein are expressly intended to constitute written advice that may be relied upon pursuant to Code Section 3-4-325.

Very truly yours,

Weston W. Hanscom
Deputy Corporation Counsel
City of Chicago, Law Department
Revenue Litigation Division
30 N. LaSalle, Suite 1020
Chicago, IL 60602
312-744-9077

Cc: Joel Flores, Department of Finance



[REDACTED]

Tax Policy Section
City of Chicago
Department of Revenue
Room 300, DePaul Center
333 South State Street
Chicago, IL 60604-3977

Re: [REDACTED] Request for a Private Letter Ruling
In conjunction with a Voluntary Disclosure application

BACKGROUND

On behalf of our client [REDACTED], we respectively are submitting this Private Letter Ruling Request to address taxability questions regarding their products and services. This request is being submitted in relation to the Voluntary Disclosure Request under the Chicago Personal Property Lease Transaction Tax ("lease tax") law as a result of the Information Bulletin on Non-Possessory Computer leases issued in November 2015. The City acknowledged our application on March 3, 2016. On March 12, 2016, we submitted an Initial Taxable Period affidavit and the City was notified that we were preparing this Letter Ruling Request.

[REDACTED] headquartered in [REDACTED] is a marketing data and analytics company that provides organizations across multiple verticals and geographies with marketing insight, digital media platforms, multichannel marketing integration and behavioral intelligence. [REDACTED] is registered with the State of Illinois to collect Illinois Use Tax on taxable products sold to its customers. [REDACTED] is also registered with the City of Chicago and has been collecting and remitting the lease tax on many of its products and services.

We have several questions regarding the taxability of [REDACTED]'s products, including whether the high rate or low rate applies to items deemed to be subject to the lease tax or if they are exempt as services or the sale of data rather than access to a database.

We have summarized the product descriptions below [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] also requests notification of any release of this ruling request to approve any sanitization that may be made to the document.

PRODUCT DESCRIPTIONS OF [REDACTED] PRODUCTS AND SERVICES SOLD TO CHICAGO CUSTOMERS

General Information on [REDACTED] Products

[REDACTED] is an enterprise data, analytics and information service company. [REDACTED] collects, analyzes, and parses customer and business information for clients, providing target marketing data to its customers through various channels. [REDACTED] offers products and services. We have not included descriptions of services that are clearly not subject to the taxes imposed by the City as they are outside the scope of our Ruling Request.

[REDACTED]'s products are delivered both electronically and via remote access. When more than one item is included in an offering, [REDACTED] generally invoices each item separately rather than billing for a bundled transaction. Where there are multiple types of products offered in a product category, we have described the different components and request that you rule on the individual components. Often, products from the different categories described below can be used together. In these cases, the charges for the individual products are separately charged.

In some cases, there might be an application or tool used to access the data or service. These tools could either be [REDACTED] created tools or relicensing of third party tools. This tool is generally separately stated and is predominately a cloud hosted application. However, unless we have identified the tool as the primary component of the charge, we believe these applications should not taint the classification of the product or service as it would be deemed de minimus. Because the data that is accessed is a combination of client and [REDACTED] data, we believe the charge for the tool should qualify for the reduced rate non-possessory computer lease treatment. An example of a tool is [REDACTED] for which we have provided a product information sheet for your reference.

[REDACTED] Product Categories

Data Hygiene/Management


These solutions standardize, correct, and integrate disparate sources of consumer centric data, across multiple channels, to ensure accurate, timely comprehensive customer views that help clients increase revenue, reduce cost, and mitigate risks. Client data is analyzed and matched in order to create a more complete data profile for target customers. The customer pays [REDACTED] on a per record basis for this service. The client owns the data although [REDACTED] could provide data enhancement to increase the value of the client's data.

We consider this to be a data processing service and not subject to the lease tax as [REDACTED] is analyzing and manipulating client data in order to come up with a more usable data set.

The product information sheets that apply to this product category are:

[REDACTED]

[REDACTED]


Data Enrichment & Redistribution

These solutions provide access to [REDACTED]'s data. This data can be used to supplement a client's existing data in order to know more about their customers so the client can market to them more effectively. The client may have access to a tool where they can enter one piece of information on a customer. Using [REDACTED]'s proprietary data set, the tool will return additional information related to the customer. The customer pays [REDACTED] on a per record basis. A separate charge for the data processing can also be included.

We believe this to be a sale of electronic data or data processing and not subject to the lease tax as [REDACTED] is charging the customer for each data record and for the records analyzed. The customer owns the data and has the right to use it as many times and in whatever manner they choose. In addition to the per record charge, there can be monthly or annual fees associated with this product.

The product information sheets that apply to this product category are:


Data Identity Validation


A suite of verification and authentication solutions that enable businesses to establish and maintain secure relationships with their customers. The solutions identify, verify, and authenticate individuals to minimize fraud and identity theft. The customer may have access to the data via a real-time tool or can receive a batch data download. Depending on the product, the customer pays [REDACTED] on a per record basis or an annual fee. There could also be a charge for [REDACTED] to process a customer's list of contacts to provide results regarding the contact.

We believe products charged on an annual or monthly basis for data obtained via a real-time tool are subject to the lease tax as access to an information service. Charges for a download of data where the charge is on a per record basis are not subject to the lease tax as they are the sale of electronic data. Once downloaded, the customer owns the data and can use it as many times and in whatever manner they desire. Charges for [REDACTED] to process a customer's list against [REDACTED] information to evaluate the contact is for data processing and not subject to the lease tax.

The product information sheets that apply to this product category are:


Data Analytics/Decision Science

Consumer segmentation and visualization system which provide statistical calculations, using advanced analytic formulas that enable marketing managers to better plan their marketing strategies and tactical marketing campaigns. The customer uses their own data and enhances it with [REDACTED]'s predictive



[REDACTED]

database and information service to create a marketing campaign. The tool includes surveys so that the client does not have to do them, includes up to date customer information and predictive tools on future buying habits. The client owns the data but [REDACTED] has the right to sell this data to other clients. The customer may have access via a web-based tool or can receive the information via download. Depending on the product, the customer pays [REDACTED] on a per record basis or an annual or monthly fee.

We believe the tools where the customer has the ability to input, modify or retrieve their own data are non-possessory computer leases and should be taxed at the low rate. We believe the charges for the products on annual or monthly basis is for data access and are subject to the lease tax. Since this data is a combination of customer data and [REDACTED] data we propose that this is taxed at the low rate. Charges for a download of information and products charged on a per record basis are not subject to the lease tax as this is the sale of electronic data. Once downloaded, the customer owns the data and can use it as many times and in whatever manner they desire.

The product information sheets that apply to this product category are:

[REDACTED]

Connectivity

A targeting solution that enables advertisers to engage their customers and prospects with customized advertising across multiple channels, leveraging the universe of known visitors or viewers across a third party publisher (i.e. website, cable operator, mobile network, etc.). This solution enables brands to segment their advertising based upon customer or prospect data, demographic data or custom models, delivering a more complete multichannel picture of reach and response, optimizing impact across channels and customer segments. The products use client uploaded data to append online cookie data after a match has been completed, then sends the new data set to online advertisers to be used in marketing campaigns. Depending on the product, the customer pays [REDACTED] on a per record basis, an annual or monthly fee or a flat fee.

Some of the products in this category are data processing services which are not taxable and professional marketing services which are also nontaxable. Charges for a download of data where the charge is on a per record basis are not subject to the lease tax as they are the sale of electronic data. Once downloaded, the customer owns the data and can use it as many times and in whatever manner they desire

The product information sheets that apply to this product category are:

[REDACTED]

Standard Marketing Database Services

The [REDACTED] product line includes custom marketing database solutions for large and mid-sized companies. These solutions represent a comprehensive and powerful infrastructure for marketing initiatives that segment and analyze prospects and customers; design, plan, implement and manage campaigns; track results; and evaluate performance. [REDACTED] database solutions pull together disparate internal and external data sources to provide and maintain a highly accurate view of the organization's customers and prospects. Both customer and business information can be managed within the database solution regardless of size, complexity or update frequency. The customer pays [REDACTED] on a periodic basis. This service can also include hosting services either on a dedicated or shared basis as well as the maintenance for the hosting environment. No hosting centers are located within the City of Chicago. These contracts can include any of the other product categories described.

We believe [REDACTED] is a data processing service which is not taxable. The hosting services should be classified as a non-possessory computer lease and subject to the lease tax at the low rate since the customer is able to input, modify and retrieve their information. The hosting maintenance services are not taxable as they are separately stated from the hosting charge. The tool includes a template for the customer to use with their data.

There is not a product information sheet that describes the hosting service. The product information sheets that apply to this product category are:

[REDACTED]

[REDACTED] solutions bring technology, data, expertise, and connectivity together to deliver the most accurate, privacy safe, single customer view to help make better customer and marketing decisions. Linked and anonymized data is stored in the highly scalable [REDACTED] where experts measure closed loop performance and audience portraits and make campaign and customer strategy recommendations. Decisions can be broadly activated through integration to the marketing ecosystem. Client owned or licensed data is populated into the [REDACTED] environment. This service can also include hosting services either on a dedicated or shared basis. No hosting centers are located within the City of Chicago.

We believe this is a data processing service as [REDACTED] performs data cleansing and links various data sources together. [REDACTED] also provides professional services to assist the client in understanding the data analytics. The hosting services should be classified as a non-possessory computer lease and subject to the lease tax at the low rate since the customer is able to input, modify and retrieve their information.

The product information sheets that apply to this product category are:


[REDACTED]

[REDACTED]



LIST OF RULING REQUESTS

We are requesting rulings on the following issues:

1. Please confirm the taxability of the following product categories as described above:
 - a. Tools: The charge for the tool should qualify for the reduced rate non-possessory computer lease treatment.
 - b. Data Hygiene/Management: This is a data processing service and not subject to the lease tax as [REDACTED] is analyzing and manipulating client data in order to come up with a more usable data set.
 - c. Data Enrichment & Redistribution: This is a sale of electronic data or data processing and not subject to the lease tax as [REDACTED] is charging the customer for each data record and for the records analyzed.
 - d. Data Identity Validation: Products charged on an annual or monthly basis for data obtained via a real-time tool are subject to the lease tax as access to an information service. Charges for a download of data where the charge is on a per record basis are not subject to the lease tax as they are the sale of electronic data. Charges for [REDACTED] to process a customer's list against [REDACTED] information to evaluate the contact is for data processing and not subject to the lease tax.
 - e. Data Analytics/Decision Science: The tools where the customer has the ability to input, modify or retrieve their own data are non-possessory computer leases and should be taxed at the low rate. The charges for the products on annual or monthly basis are for data access and are subject to the lease tax at the low rate. Charges for a download of information and products charged on a per record basis are not subject to the lease tax as this is the sale of electronic data.
 - f. Connectivity: Some of the products in this category are data processing services which are not taxable and professional marketing services which are also nontaxable. Charges for a download of data where the charge is on a per record basis are not subject to the lease tax as they are the sale of electronic data.
 - g. Standard Marketing Database Services: [REDACTED] is a data processing service which is not taxable. The hosting services should be classified as a non-possessory computer lease and subject to the lease tax at the low rate. The hosting maintenance services are not taxable as they are separately stated from the hosting charge.
 - h. [REDACTED] This is a data processing service as [REDACTED] performs data cleansing and links various data sources together. [REDACTED] also provides professional services to assist the client in understanding the data analytics. The hosting services should be classified as a non-possessory computer lease and subject to the lease tax at the low rate.
 2. When a charge for one of the above products also includes the use of a tool which is not separately stated, will this taint the determination of the primary product and potentially change the taxability determination?
- 

[REDACTED]

[REDACTED] has been collecting and remitting lease tax on many of its products and services, including some of the above, where we believe they might not be taxable. Upon issuance of the ruling, if products for which [REDACTED] is not currently charging tax are determined to be subject to tax, we will charge our clients for any tax owed for the period starting on 1/1/16, and will remit those taxes as directed by the City. We would like to request that no interest or penalties be charged on any taxes for the period after 1/1/16 and until the date of issuance of the letter ruling, as long as [REDACTED] pays those taxes by the due date indicated by the City when the letter ruling response has been issued. We have contacted the potentially impacted clients to let them know we have applied for the Voluntary Disclosure program, and informed them that we will charge them the lease tax as required by the City once the letter ruling response has been issued. If products for which [REDACTED] is currently collecting tax are determined to not be subject to the lease tax, please advise how and for what periods the taxpayer can recoup the remitted tax and refund it to its customers. We would request that any amount determined to be due under the VDA be netted against any applicable refund to arrive at the net correct tax amount due. To the extent that [REDACTED] can confirm that its customers have paid the tax due for 2015 or 2016 timely, under a Voluntary Disclosure, or Audit, then these amounts will be deducted from its determined liability due.

Thank you for your consideration of our ruling request. If you have any questions or need further information, please contact me directly.

Sincerely,

[REDACTED]

[REDACTED]