

CITY OF CHICAGO
DEPARTMENT OF REVENUE
REAL PROPERTY TRANSFER TAX RULING

Real Property Transfer Tax Ruling #2
Subject: Enterprise Zone Exemption
Effective date: June 1, 2004

Original effective date: January 4, 1999

Section 1. Chapter 3-33 of the Chicago Municipal Code (“Code”) imposes a tax upon the privilege of transferring title to, or beneficial interest in, real property located in the corporate limits of the City of Chicago (the “City”). The tax is imposed at a rate of \$3.75 per \$500 of the transfer price. See section 3-33-030 of the Code.

Section 2. Section 3-33-060 exempts various types of transfers from the tax imposed by chapter 3-33 of the Code. Section 3-3-060(L) exempts:

[t]ransfers of title to, or beneficial interest in, real property used primarily for commercial or industrial purposes located in an enterprise zone, as defined in Chapter 16-12 of this code....

Section 3. Section 16-12-020 defines the term enterprise zone. An enterprise zone is a depressed area of the City that has been designated a “proposed enterprise zone” by ordinance by the Chicago City Council and that has been approved and certified by either the proper state or federal authorities as an enterprise zone. Id. Chapter 16-12 reiterates the exemption from the Chicago Transfer Tax and specifically lists this provision of the Code as a tax incentive or benefit available to businesses within an enterprise zone. Section 16-12-070(a)(3)(B) provides as follows:

The transfer of title to, or beneficial interest in, real property used primarily for commercial or industrial purposes located within an enterprise zone shall be exempt from the Chicago Real Property Transfer Tax, Chapter 3-33 of this Code.

Section 4. The limiting language “used primarily for commercial or industrial purposes” was added to chapters 3-33 and 16-12 on June 28, 1991, and became effective on July 30, 1991. The purpose of this limiting language was to insure that exemptions of the transfer tax were allowed to only the following types of properties:

- a. Property, which was being used primarily for commercial or industrial purposes before the transfer and was continuing to be used primarily for commercial or industrial purposes after the transfer.

- b. Property, which was not being used primarily for commercial or industrial purposes before the transfer and was converted to use primarily for commercial or industrial purposes after the transfer.

Section 5. Property, which is used primarily for commercial purposes, is property used primarily for buying or selling of goods and services, or for otherwise providing goods and services, including any real estate used for hotel or motel purposes. See Cook County Real Estate Classification Ordinance, with amendments approved March 16, 1992, Section 1(B)(9).

Section 6. Property, which is used primarily for industrial purposes, is property used primarily in manufacturing, or in the extraction or processing of raw material unserviceable in their natural state to create new physical products or materials, or in the transportation or storage of raw materials or finished physical goods in the wholesale distribution of such materials or goods. Id., section 1(B)(6). Manufacturing means the material staging and production of goods used in procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes existing material into new shapes, new qualities, or new combinations. Id., section 1(B)(7).

Section 7. For property to be “primarily used for commercial or industrial purposes,” more than 50 percent of the property must be used for either commercial or industrial purposes.

Section 8. This Ruling is a restatement of current law, and the original effective date of this Ruling has no effect on the enforcement of the Chicago Real Estate Transfer Tax for periods prior to or subsequent to the original effective date.