

CITY OF CHICAGO
DEPARTMENT OF REVENUE
PERSONAL PROPERTY LEASE TRANSACTION TAX RULING

Personal Property Lease Transaction Tax Ruling #1
Subject: Consummation of Transaction
Effective date: June 1, 2004

Formerly Ruling #3
Original effective date: March 8, 1974
Revised: July 1, 1984

Section 1. Pursuant to section 3-32-030(A) of the Chicago Municipal Code (“Code”), a tax is imposed upon (1) the lease or rental in the City of personal property, or (2) the privilege of using in the City personal property that is leased or rented outside the City. A taxable lease or rental of personal property takes place (a) when an agreement or contract is signed or otherwise entered into by the parties in Chicago and the delivery or use of the object of the agreement also takes place in Chicago, or (b) when 50% or more of the use of the object of the agreement between the parties occurs or will occur within the City of Chicago. If delivery occurs within the City it shall be presumed that 50% or more of the use will occur in the City, unless proved otherwise.

Section 2. Application of this section is illustrated by the following:

- a. When a lease is signed and the delivery of the property takes place in Chicago, the transaction is subject to tax.
- b. When a lease is signed and the delivery occurs in Chicago, but the property is returned to the lessor at termination of the lease outside of Chicago, the transaction is subject to tax.
- c. When a lease is signed in Chicago and the delivery and entire use takes place outside of Chicago, the transaction is not subject to tax.
- d. When delivery or use of leased property takes place in Chicago, the transaction is taxable unless it is proved that the agreement was not entered into within the City and that 50% or more of the use did not occur within the City.
- e. When a lease is signed outside of Chicago, and the property is delivered and used outside of Chicago with in termittent use (less than 50%) in Chicago the transaction is not subject to tax.

Section 3. The 50%-or-more-of-use requirement applies only if the agreement was entered into outside the City. Furthermore, if a separate payment is required for each period of rental or lease time, the 50%-or-more-of-use requirement shall apply to the use within the payment period. If rental or lease payments are determined by usage of the

object, then 50%-or-more-of-use refers to the usage within the City as compared to the usage outside of the City for the payment period. A “payment period” is any period of time for which a payment is required for the use of the rented or leased property.