



# This Week in State Tax (TWIST)

September 9, 2024



## Multistate: Illinois and Maine Change Sales Taxation of Leased Personal Property

Illinois and Maine adopted legislation earlier this year to change the collection and remittance of sales and use tax on leased property. In June, Illinois Governor Pritzker signed [House Bill 4951](#) which will require lessors to begin collecting tax on payments for the lease of tangible personal property. Under prior law, lessors would pay Illinois retailers' occupation tax or use tax on the cost price of tangible personal property to be leased and were not required to collect tax from lessees on periodic lease payments. The bill states that the imposition of tax applies to leases in effect, entered into, or renewed on or after January 1, 2025. The new rules do not apply to leases of motor vehicles, watercraft, aircraft, and semitrailers that are required to be registered with the state. There is also an exemption for leased property that is subject to a tax imposed by a home rule unit of local government, such as Chicago, if the ordinance imposing the tax was adopted prior to January 1, 2023.

As to Maine, the Department of Revenue Services (MRS) recently released a [bulletin](#) summarizing changes to the taxation of leases of tangible personal property under legislation signed by Governor Mills earlier this year. Beginning on January 1, 2025, sales tax on leased tangible personal property will be imposed on each periodic lease payment charged by the lessor to the lessee. Previously, the lessor was required to pay sales tax upfront based on the purchase price of the property. Under the new regime, lessors will provide a resale certificate when purchasing tangible personal property for lease or rent. Lessors will then collect sales tax from lessees on each subsequent lease payment due on or after January 1, 2025, including leases that commenced prior to that date.

New rules also apply for sourcing periodic lease or rental payments as of January 1, 2025. For tangible personal property other than motor vehicles, trailers, and transportation equipment, the first payment will be sourced according to existing rules. Subsequent payments will be sourced to the "primary property location," defined as an address for the property provided by the lessee that is available to the lessor from its records and maintained in the ordinary course of business, when use of the address does not constitute bad faith.

Finally, MRS advises qualified lessors who paid Maine sales or use tax upfront on the purchase of qualifying lease or rental property on or after January 1, 2023 and before January 1, 2025, and who subsequently collect and remit Maine sales or use tax on the lease of that property on or after January 1, 2025, may request a refund of the tax paid. The refund claim must be submitted on or after January 1, 2027 and before March 31, 2027, and the refund is limited to the tax collected and remitted by the lessor on the property on or after January 1, 2025 and before January 1, 2027.

For questions about Illinois leasing rules, please contact [Drew Olson](#). For questions about Maine leasing rules, please contact [Ryanne Tannenbaum](#).

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