

This Week in State Tax (TWIST)

December 23, 2024



Illinois: State and Chicago Tax Changes Take Effect New Year's Day

Earlier this year, the Illinois legislature enacted several significant changes in the state sales and use tax that become effective on January 1. In addition, just before things began to wind down for the holidays, the City of Chicago pieced together a 2026 budget that contained several increases in City taxes that also become effective on New Year's Day.

At the Illinois state level, the noteworthy changes include:

- **HB 4951** changes the taxation, exemptions, and sourcing of tangible personal property leases from a regime requiring the payment of tax by the lessor “upfront” on the item to be purchased to collecting tax on the stream of lease payments from the lessee. The changes do not apply to leases of motor vehicles, watercraft, aircraft, and semitrailers that are required to be registered. The new law also does not apply to leases subject to the Chicago Personal Property Lease Transaction Tax.
- **SB 3362** requires retailers having some physical presence in Illinois making a sale to an Illinois customer from a location outside Illinois, must beginning January 1 collect the state and local Retailers' Occupation Tax (ROT) based on destination of the goods in Illinois, i.e., Illinois customer location. Prior to the change, such sales were subject to only Illinois use tax of 6.25 percent.
- **SB 3362** mandates that each Illinois direct pay permit holder must, by March 31, 2025, and annually thereafter by March 31, review its purchase activity for the prior calendar year to verify that purchases made during that period were correctly sourced and taxed at the appropriate rate. If the discrepancy in tax collected compared to tax owed is greater than five percent, the permit holder is subject to a \$6,000 penalty.

Switching to the City of Chicago, home of the Bears, the City Council, on December 16, passed the 2026 City Budget just two weeks before the budget year begins on January 1. While the adopted budget did not contain a property tax increase, which Mayor Johnson recommended, it did include an increase in several other taxes that the City imposes and administers under its home rule authority, including:

- The **Personal Property Lease Transaction Tax (PPLTT)** rate is increased from 9 percent to 11 percent, effective January 1, 2025. The PPLTT is imposed on the lease or rental in the city of personal property, or the privilege of using in the city personal property that is leased or rented outside the city. In addition to items such as vehicles or copiers, it also includes “nonpossessory computer leases,” which is interpreted to include software as a service and certain other cloud services and software transactions.
- The **Amusement Tax** as applied to paid television and electronically delivered amusements, such as video

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streaming, audio streaming, and on-line games, increases from 9 percent to 10.25 percent, according to a release from the Chicago Department of Revenue. The increase is also effective with the New Year.

There were also increases in the rates for the Chicago Parking Tax and Bag Tax. For more information on Senate Bill [3362](#), House Bill [4951](#), and [Chicago Tax Rate Changes](#), contact [Drew Olson](#).

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