



# This Week in State Tax (TWIST)

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## Illinois: DoR issues ruling on lease of equipment with security monitoring service

The Illinois Department of Revenue recently issued [Private Letter Ruling ST 25-0006-PLR](#), clarifying the application of the Service Occupation Tax (SOT) to tangible personal property transferred in connection with the sale of services. The taxpayer that requested the ruling provides security monitoring services to customers under agreements that include both the provision of security equipment and the associated monitoring services. The Department first determined that the taxpayer was subject to the SOT and not the Retailers' Occupation Tax because the equipment transferred was of minimal value without the service, and the true object of the transaction was the monitoring service. The key issue then addressed was whether the security monitoring equipment transferred to the customer as part of a service contract is subject to SOT and the proper determination of the base for the SOT.

Effective January 1, 2025, servicemen who sell services that include the transfer of tangible personal property by lease, such as security monitoring equipment, are subject to SOT. The ruling states that the taxpayer separately states the selling price of the monitoring equipment from the charge for the monthly security monitoring service. The Department accepted the taxpayer's statement that the value of the property transferred incident to the services provided was greater than 35 percent of the taxpayer's total annual gross receipts from sales of security monitoring services, meaning the taxpayer is not considered a de minimis servicemen. Therefore, the taxpayer owes SOT on the separately stated selling price of the equipment, but the base cannot be less than its cost price for the equipment transferred. Had the taxpayer not separately stated the selling price of the security monitoring equipment, the SOT would have been due on 50 percent of the taxpayer's entire service bill, but not less than the cost price of the tangible personal property transferred. For questions on [Private Letter Ruling ST 25-0006-PLR](#) or the intricacies of the SOT and new tax rules regarding leasing, please reach out to [Drew Olson](#).

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