

This Week in State Tax (TWIST)

December 8, 2025



Illinois: DoR releases guidance on leasing transactions

The Illinois Department of Revenue recently released a General Information Letter addressing transactions involving the leasing of tangible personal property. Historically, businesses that acquired assets for purposes of leasing paid Illinois use tax on the purchase price and subsequent lease payments were not subject to Illinois sales tax. Effective January 1, 2025, the term "sale" in Illinois includes leases. As a result, lessors of tangible personal property in Illinois are considered retailers for the Retailers' Occupation Tax (ROT) purposes, and they must collect ROT on the stream of lease payments made on or after January 1, 2025, regardless of whether use tax was previously paid on the asset at acquisition.

Take for example a business that purchased equipment in 2024, paid Illinois use tax on the purchase and entered into a multi-year lease with a customer with lease payments beginning in 2024 and continuing into 2025 and beyond. Under prior rules, the lessor's tax obligation was satisfied with the use tax paid at purchase, and lease receipts were not taxed. Under the new rules, lease payments made after January 1, 2025, are subject to ROT, even though use tax was already paid. The Department has clarified in the GIL that there is no offset or credit for use tax previously paid; ROT must be collected on the lease stream.

Of note is that any lessor of tangible personal property into a home rule jurisdiction that had its own lease tax in place prior to January 1, 2023, such as the Chicago Personal Property Lease Transaction Tax, is exempt from Illinois lease tax and would instead be subject to the home rule jurisdiction tax regime only. For questions regarding General Information Letter [ST 25-0051-GIL](#), the ROT rules for lessors, or planning for asset disposition at lease-end in Illinois, please contact [Drew Olson](#).

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