



INFORMATIONAL BULLETIN

■ Personal Property Lease Transaction Tax

TO:

Lessors of Mail Boxes

The purpose of this Informational Bulletin is to provide information on paying and filing the Chicago Personal Property Lease Transaction Tax and to clarify requirements associated with the imposition of this tax on the lease or rental of **mail boxes**. (References to sections of the Municipal Code of Chicago and related rulings are indicated in parenthesis.)

General Information

The Chicago Personal Property Lease Transaction Tax ordinance imposes a 6% tax on (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. The incidence of the tax and the obligation to pay the tax are upon the lessee of the personal property. (3-32-030(A)).

How is the tax collected?

It is the duty of each lessor to collect the Personal Property Lease Transaction Tax from the lessee at the time of each lease or rental payment, and to remit the tax to the Department of Revenue. In the event that a lessor fails to collect or remit the tax, the lessor shall be liable to the city for the amount of such tax. (3-32-070(A)).

How does the Personal Property Lease Transaction

Tax apply to mail box leases?

In general, for service contracts that involve both a sale of a service and a lease of personal property, the lessor is required to separate the lease or rental portion from the sale portion. If such lessor fails to separate the lease or rental portion of the price charged from the non-lease or non-rental portion, the entire price charged shall be deemed taxable, unless it is clearly proven that at least 50% of the price is not for the use of any personal property. If this occurs, then the portion not representing the use of personal property would be non-taxable. (Ruling #7, Section 5).

Because the lease or rental of mail boxes involves both a sale of service and a lease of personal property, the Department of Revenue has determined that approximately **25%** of the charge is attributable to the rental portion and therefore, subject to the Personal Property Lease Transaction Tax. The Department of Revenue will not assess additional taxes on mail box lessors who timely remit the tax based on **25%** of the consideration charged for the lease or rental of mail boxes.

Example: A mail box Lessor charges his customer \$100 for the lease or rental of a mail box. The lessor computes the tax due using the safe harbor rate as follows:

\$100 charge * 25% safe harbor rate =
\$25 taxable amount

\$25 taxable amount * 6% tax rate =
\$1.50 tax due

Lessors who choose not to rely on this 25% safe harbor rate must report 100% of lease or rental charges and then deduct all non-lease charges to compute the taxable amount. If upon audit the Department determines that the non-lease charges were overstated, additional taxes due will be assessed, along with applicable penalties and interest.

What are the payment and filing requirements for mail box lessors?

For all periods beginning after **August 31, 2003**, all lessors are required to collect and remit the Personal Property Lease Transaction Tax and file applicable returns pursuant to the Uniform Revenue Procedures Ordinance (3-4) on all transactions involving the lease or rental of mail boxes.

Specifically, on or before the last day of each calendar month, every lessor required to collect the Personal Property Lease Transaction Tax must remit the tax along with a remittance coupon relating to the tax collected during the preceding calendar month. For example, the September 2003 tax remittance is due on or before October 31, 2003. Each lessor is allowed to retain 1% of the Personal Property Lease Transaction Tax it collects to reimburse itself for expenses incurred in connection with accounting for and remitting the tax to the Department of Revenue; provided that this service fee shall not be allowed for taxes not timely remitted to the Department. (3-32-070(A))

In addition, a return must be filed with the Department on an annual basis on

or before August 15 of each year. Annual returns must report tax liabilities and other applicable information for the 12-month period ending the immediately preceding June 30 (the "annual tax year"). (3-4-186(A)) With regard to the Personal Property Lease Transaction Tax due for the lease or rental of mail boxes, the first annual tax year shall cover September 1, 2003 through June 30, 2004. Thereafter, the tax year shall cover July 1 of a given year through June 30 of the following year with the return due on or before August 15.

Questions?

If you have questions or need more information, please write or call us. Our address and telephone number are:

**City of Chicago
Department of Revenue
Customer Service Unit
333 South State Street, Ste. LL30
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(312) 747-IRIS (4747)**

You may also visit our web site www.cityofchicago.org/revenue for more information on compliance with City of Chicago taxes.

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