

CITY OF CHICAGO
DEPARTMENT OF REVENUE
PERSONAL PROPERTY LEASE TRANSACTION TAX RULING

Personal Property Lease Transaction Ruling #6
Subject: Leases of Personal Property in the Video Rental Business
Effective date: June 1, 2004

Formerly Ruling #10
Original effective date: November 1, 1988

Section 1. Pursuant to section 3-32-030(A) of the Chicago Municipal Code (“Code”), the Chicago Personal Property Lease Transaction Tax (the “lease tax” or “tax”) is imposed upon (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. Section 3-32-020(O) defines personal property as including all property other than real property. The tax, therefore, applies to the lease or rental of audio and/or visual tapes, as well as, the lease or rental of hardware-type equipment (*i.e.*, VCR’s, TV’s, etc.). Hence, the lease or rental price of such personal property is subject to the lease tax.

Section 2. Late, membership and club fees are also taxable under Section 3-32-030(A) except when it is demonstrated that such fees are not part of the consideration for the lease or rental of personal property. For example:

A. In addition to the agreed lease or rental price, a late fee of \$2.00 per day is charged, when the video tape leased or rented is not return when due. Such late fee is subject to the lease tax because it represents compensation for the extended lease or rental of the personal property.

B. A fee is charged to become a member of a particular group/club wherein the benefits to be derived from membership include the ability to lease or rent video tapes for free, at a discount, or in advance of others. Such membership/club fees are taxable because they represent payments which are part of the consideration for the lease or rental of personal property. Part of this fee might be excluded from tax, however, if it is clearly shown that benefits unrelated to the lease or rental of the tapes are provided for part of the fee.

Section 3. When audio or video tapes are offered by a video rental store for lease or rental, even though at a later date they are subsequently sold, the lease or rental of such personal property, prior to such sale, is subject to the lease tax. It should be noted that withdrawal of tapes from the lease or rental market for purpose of retail sale converts such property to sales property, and as such, any subsequent sale is taxable under the Home Rule Municipal Retailer’s Occupation Tax (MROT) (Code Section 3-40-010), which is administered by the Illinois Department of Revenue (IDOR), at the sales price.