



The Civic Federation

Research * Information * Action * Est. 1894

SELECTED CONSUMER TAXES IN THE CITY OF CHICAGO

This brief provides a compilation of selected consumer taxes, including rates and descriptions, in place in the City of Chicago as of December 1, 2009.

December 18, 2009

The Civic Federation • 177 N. State Street • Chicago IL 60601 • civicfed.org

The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

ACKNOWLEDGEMENTS

The Civic Federation would like to express our appreciation to Jerilynn Gorden, Deputy General Counsel at the Illinois Department of Revenue; Andy Chupick, Research Analyst at the Illinois Department of Revenue; Hans Zigmund, Research Economist at the Illinois Department of Revenue; Sarah Franklin, Senior Research Associate at the Illinois Legislative Research Unit; Chief Revenue Analyst at the City of Chicago Juliet Azimi; and Rich Velazquez, Special Counsel to Cook County President Todd Stroger for their assistance with this report.

Copyright © 2009
The Civic Federation
Chicago, Illinois

Selected Consumer Taxes in Chicago as of December 1, 2009

see accompanying narrative for details

	Federal	State	RTA ¹	Cook County Home Rule	City of Chicago Municipal	City of Chicago Home Rule	MPEA ²	ISFA ³	TOTAL
Airport Departure Tax	--	--	--	--	--	--	\$1.00 to \$27.00	--	\$1.00 to \$27.00
Amusement Tax	--	--	--	1% to 1.5% live, 3% other	--	5% live, 9% other	--	--	6.00% to 12%
Automobile Rental Tax	--	5.00%	--	--	--	\$2.75 per transaction	6.00%	--	11.00% + \$2.75
Bottled Water Tax (per bottle)	--	--	--	--	--	\$0.05	--	--	\$0.05
Cigarette Tax (per pack)	\$0.39	\$0.98	--	\$2.00	--	\$0.68	--	--	\$4.05
Electricity Infrastructure Fee per kwh (range)	--	--	--	--	\$0.0053 to \$0.0026	--	--	--	\$0.0053 to \$0.0026
Electricity Use Tax per kwh (range)	--	\$0.0033 to \$0.00202	--	--	--	\$0.0061 to \$0.0030	--	--	\$0.0094 to \$0.00502
Fountain Soft Drink Syrup Tax	--	--	--	--	--	9.00%	--	--	9.00%
Hotel Operator Tax	--	6.17%	--	--	1.08%	3.50%	2.50%	2.14%	15.39%⁴
Liquor Tax per gallon									
Beer	\$0.58	\$0.231	--	\$0.06	--	\$0.29	--	--	\$1.16
Wine	\$1.07 to \$3.40	\$1.39	--	\$0.16 to \$0.30	--	\$0.36 to \$0.89	--	--	\$2.98 to \$5.98
Distilled Liquor (per 100 proof gallon)	\$13.50 ⁵	\$8.55	--	\$2.00	--	\$2.68	--	--	\$26.73
Motor Fuel per gallon (also subject to sales tax)									
Gasoline⁶	\$0.184	\$0.201	--	\$0.06	--	\$0.05	--	--	\$0.50
Diesel⁶	\$0.244	\$0.226	--	\$0.06	--	\$0.05	--	--	\$0.58
Natural Gas Utility Tax	--	lesser of \$0.024 per therm sold to each customer or 5% of gross revenue from each customer	--	--	8.00% ⁷	--	--	--	<13.00%

Table is continued on the next page...

Note: "Municipal" refers to taxing authority granted by state law to municipalities and is distinct from taxes imposed by virtue of home rule status.

¹Regional Transportation Authority (Chicago Transit Authority, Metra, Pace).

²Metropolitan and Pier Exposition Authority taxes are levied on different geographic areas. The restaurant tax is in the downtown Chicago area and airports, the hotel tax is throughout Chicago, the airport departure fee is at airports, and the automobile rental tax is throughout Cook County.

³Illinois Sports Facilities Authority (U.S. Cellular Field and Soldier Field).

⁴This figure represents the effective rate of this tax. See the narrative for more detail on this tax.

⁵Only the federal government considers the proof of the distilled alcohol. It taxes \$13.50 per gallon of 100-proof liquor. See the narrative for an explanation of the details of this tax.

⁶Includes \$0.003 for Underground Storage Tank Tax and \$0.008 for environmental impact fee.

⁷Large institutions that purchase from providers other than Peoples Energy are subject to \$0.063 per therm instead of 8%.

Source: Illinois Legislative Research Unit 2009 Tax Handbook for Legislators; City of Chicago Department of Revenue website; Cook County Department of Revenue website; Illinois Department of Revenue website; Code of Ordinances of Cook County, Illinois. Codified through Ordinance No. 09-O-54, enacted July 21, 2009. (Supplement No. 8); Municipal Code of Chicago, Republication current through Council Journal of June 30, 2009.

Selected Consumer Taxes in Chicago as of December 1, 2009 <i>continued from previous page</i>									
	Federal	State	RTA ¹	Cook County Home Rule	City of Chicago Municipal	City of Chicago Home Rule	MPEA ²	ISFA ³	TOTAL
New Motor Vehicle Tax (per 4-wheel vehicle)	--	--	--	\$15.00	--	--	--	--	\$15.00
Parking Tax, daily rate range	--	--	--	\$0.50 to \$1.00 depending on price	--	\$0.00 to \$3.00 depending on price	--	--	\$0.50 to \$4.00 depending on price
Personal Property Lease Transaction Tax	--	--	--	--	--	8.00%	--	--	8.00%
Real Estate Transfer Tax	--	\$0.50 per \$500 (0.1%)	--	\$0.25 per \$500 (0.05%)	\$1.50 per \$500 (0.30%) ⁴	\$3.75 per \$500 (0.75%)	--	--	\$6.00 per \$500 (1.2%)
Restaurant Tax (also subject to sales tax)	--	--	--	--	--	0.25%	1.00%	--	1.25%
Sales Tax									
General Merchandise (including motor fuel & restaurant purchases)	--	5.00%	1.25% ⁵	1.75% ⁶	1.00%	1.25%	--	--	10.25%⁶
Food & Drugs	--	--	1.25%	--	1.00%	--	--	--	2.25%
Soft Drink Tax	--	--	--	--	--	3.00%	--	--	3.00%
Telecommunications Tax	3.00%	7.00%	--	--	--	7.00%	--	--	17.00%
911 Service per connection per month	--	--	--	--	--	\$2.50	--	--	\$2.50
Tire Fee per new tire	--	\$2.50	--	--	--	\$1.00	--	--	\$3.50
Wheel Tax (Vehicle Registration) per small passenger automobile per year	--	\$79.00	--	⁷	--	\$75.00	--	--	\$154.00

Note: "Municipal" refers to taxing authority granted by state law to municipalities and is distinct from taxes imposed by virtue of home rule status.

¹Regional Transportation Authority (Chicago Transit Authority, Metra, Pace).

²Metropolitan and Pier Exposition Authority taxes are levied on different geographic areas. The restaurant tax is in the downtown Chicago area and airports, the hotel tax is throughout Chicago, the airport departure fee is at airports, and the automobile rental tax is throughout Cook County.

³Illinois Sports Facilities Authority (U.S. Cellular Field and Soldier Field).

⁴The \$1.50 per \$500 tax is transferred to the Chicago Transit Authority.

⁵This includes a 1.0% tax by the RTA and the 0.25% county share of sales tax which in Cook County is distributed to the RTA.

⁶Cook County voted to repeal 0.5 percentage point of its home rule sales tax, effective July 1, 2010.

⁷Cook County levies wheel taxes in unincorporated portions of the county.

Sources: Illinois Legislative Research Unit 2009 Tax Handbook for Legislators; City of Chicago Department of Revenue website; Cook County Department of Revenue website; Illinois Department of Revenue website; Code of Ordinances of Cook County, Illinois. Codified through Ordinance No. 09-O-54, enacted July 21, 2009. (Supplement No. 8); Municipal Code of Chicago, Republication current through Council Journal of June 30, 2009.

Description of Selected Consumer Taxes in Chicago

Airport Departure Tax

This tax is applied to businesses engaged in providing ground transportation for hire to passengers departing from a commercial service airport in Chicago, and is passed on to consumers. Tax rates range from \$2.00 to \$27.00 depending on vehicle capacity and type. The tax for vans and buses regulated by the Illinois Commerce Commission or Interstate Commerce Commission is \$1.00.

(70 ILCS 210/13)

Amusement Tax

In Cook County an Amusement Tax of 1% of admission fees or other charges is applied for live theatrical, musical, or other cultural performances with capacity of 750-5,000 persons. A 1.5% tax is applied to all such performances with capacity over 5,000 persons. The tax does not apply to such performances with capacity under 750. A tax of 3% applies to other exhibitions, performances, presentations, and shows such as movies and sports. The tax does not apply to amateur productions, benefits for non-profit organizations (up to two events not exceeding 14 calendar days), non-profit professional orchestras and operas, participatory activities (e.g., amusement parks, sports games), or amusement viewed in the home (e.g., cable television).

(Cook County Code of Ordinances Chapter 74 Article X)

In Chicago an Amusement Tax of 5% of admission fees and other charges is applied for live theatrical, musical, or other cultural performances with capacity over 750 persons. A 9% tax applies to all other performances and participatory events including movies, sports, amusement parks, circuses, pleasure boat rides, dancing, bowling, tennis, weightlifting, etc. Activities that are primarily educational rather than recreational are excluded. Initiation fees and memberships to health clubs are not taxed, but per-event or per-admission fees are taxed at 9%. Cable television is also taxed at 9% of charges.

(City of Chicago Municipal Code Chapter 4-156)

The City Council increased the amusement tax by 1% for both live performances and other events with the approval of the FY2009 City Budget which took effect on January 1, 2009. The tax was expanded to include ticket resellers with the November 13, 2007 approval of the FY2008 City Budget.

Automobile Rental Tax

This applies to the lessee of any automobile, van with capacity of 7-16 passengers, or recreational vehicle for the privilege of using Illinois highways. This tax is collected by the lessor, who can be relieved of the duty of paying the Automobile Renting Occupation Tax on gross receipts from the transaction. These taxes apply only to rental agreements for periods up to 1 year, such as short-term rentals at airports, motels, etc. Rentals to governments, non-profits providing recreation to persons over age 55, rentals where lessor retains possession of the vehicle (e.g., limousine service), and rentals of demonstration cars by automobile dealers are exempt.

(35 ILCS 155/1ff.)

*(70 ILCS 210/13(d))
(City of Chicago Municipal Code Chapter 3-48)*

Bottled Water

This tax was created with the November 13, 2007 approval of the FY2008 City Budget. It is a tax of five cents on any size bottle of water sold in the City of Chicago.
(City of Chicago Municipal Code Chapter 3-43)

Cigarette Tax (per pack)

Cigarette packs have 20 cigarettes. State and local laws also specify tax per cigarette, but per pack is used here for simplicity. The state and federal governments also tax other tobacco products (e.g. snuff, pipe tobacco, chewing tobacco, roll-your-own tobacco). There is no City of Chicago tax on these products.

*(26 USC Sec. 5701)
(35 ILCS 130/1ff. and 35 ILCS 135/1ff.)
(65 ILCS 5/8-11-3)
(Cook County Code of Ordinances Chapter 74 Article X)
(City of Chicago Municipal Code Chapter 3-43)*

Electricity Infrastructure Maintenance Fee (per kilowatt hour)

This fee is imposed on electricity deliverers as compensation for using public rights of way in the City of Chicago and is passed on to consumers. It is charged on a monthly basis per kilowatt hour of usage, ranging from 0.053¢ for the first 2,000 kwh to 0.26¢ for amounts over 20 million kwh.

*(35 ILCS 645/5-5)
(City of Chicago Municipal Code Chapter 3-54)*

Electricity Use Tax (per kilowatt hour)

This tax applies to electricity usage per kilowatt hour per month and is reflected on electric bills. The tax rates vary based on usage for residential customers (non-residential customers pay as a percentage of the purchase price). As with the Electricity Infrastructure Maintenance Fee, this tax is applied using a range based on monthly kilowatt hours of usage.

*(35 ILCS 640/2-1ff. and 220 ILCS 5/9-222)
(City of Chicago Municipal Code Chapter 3-53)*

Fountain Soft Drink Syrup Tax

This tax of 9% of syrup price is applied to businesses that sell soft drink syrup to retailers located in Chicago or retailers selling fountain soft drinks in the City of Chicago where the tax was not remitted to the distributor.

(City of Chicago Municipal Code Chapter 3-45)

Hotel Operators' Tax

This rate is expressed as an effective rate because three levels of government tax gross hotel operator receipts while two levels tax net receipts. The State, Municipal, and Illinois Sports Facilities Authority hotel taxes are all taxes on gross receipts including tax receipts. In order to compensate for this structure and not double-tax, the rates are expressed a fraction of total receipts, excluding the receipts from collecting the Metropolitan Pier and Exposition Authority tax and the City of Chicago home rule hotel tax. The latter two taxes are applied to net receipts or base charges paid by guests.

Hotel Operators' Tax: Effective Rates			
State	$(6\% \times 94\%) \times (1\% \text{ Municipal} + 2\% \text{ ISFA}) + 6\%$	=	6.17%
Municipal	$(1\% \times 99\%) \times (6\% \text{ State} + 2\% \text{ ISFA}) + 1\%$	=	1.08%
ISFA	$(2\% \times 98\%) \times (6\% \text{ State} + 1\% \text{ Municipal}) + 2\%$	=	2.14%
MPEA			2.50%
City of Chicago			3.50%
TOTAL			15.39%

Source: Calculations provided by Jerilynn Gorden, Deputy Counsel, Illinois Department of Revenue, December 14, 2009. See also IDoR regulations, <http://www.revenue.state.il.us/LegalInformation/regs/part480/480-101.pdf>

The Hotel Operator's Tax is the only tax available to the Illinois Sports Facilities Authority. The City of Chicago tax also applies to on-line sales. The Chicago City Council amended the law to clarify that the law applies to on-line sales on November 13, 2007 with the approval of the FY2008 City Budget. Permanent residents of a lodging place are exempt from the tax.

(35 ILCS 145/3)

(65 ILCS 5/8-3-13)

(70 ILCS 3205/19)

(70 ILCS 210/13(c))

(City of Chicago Municipal Code Chapter 3-24)

Liquor Tax (per gallon)

This tax is applied to the making or distribution of alcoholic beverages in Illinois and is passed on to consumers. There are different rates for beer, wine, and liquor based on alcohol content. The federal tax on distilled liquor, which taxes distilled alcohol at a rate of \$13.50 per one gallon of 100-proof liquor, is the only tax on alcohol in Chicago that considers the proof of the distilled alcohol.

The composite per gallon rates increased when a tax increase levied by the State of Illinois took effect on September 1, 2009. The new rates per gallon are reflected in the following list: \$1.16 per gallon of beer, \$2.98 per gallon of liquor 14% or less in alcohol, \$5.98 for liquor over 14% but under 20% in alcohol. The composite tax rate for liquor over 20% alcohol content varies depending on the proof of the alcohol. The composite tax on 1 gallon of 100-proof alcohol equals \$26.73. The taxes on a 750 ml bottle of 80-proof liquor would be \$2.14 in federal taxes, \$1.69 in state taxes, \$0.40 in county taxes, and \$0.53 in city taxes totaling a composite tax of \$4.76.

(26 USC Sec. 5001)

*(235 ILCS 5/8-1ff.)
(Cook County Code of Ordinances Chapter 74 Article IX)
(City of Chicago Municipal Code Chapter 3-44)*

Motor Fuel Tax (per gallon)

The fuel tax is included in the retail price of diesel, gasoline, and special fuel (aircraft fuel is exempt). The state tax includes \$0.003 per gallon for the Underground Storage Tank Fund and a \$0.008 per gallon environmental impact fee. Most motor fuel is also subject to the sales tax on general merchandise. However, there are several point-of-sale exemptions. Gasohol is 20% exempt; majority blended ethanol is 100% exempt; biodiesel blends with less than 11% bio-content are 20% exempt; and biodiesel blends with 11% or more bio-content are 100% exempt.
*(26 USC Sec. 4081 and 26 USC Sec. 4041)
(35 ILCS 505/1ff.)
(35 ILCS 505/2a and 415 ILCS 125/301 ff.)
(Cook County Code of Ordinances Chapter 74 Article XII)
(City of Chicago Municipal Code Chapter 3-52)*

Natural Gas Utility Tax

The state rate for the natural gas tax is the lesser of \$0.024 per therm of gas sold to each customer or 5% of gross revenue from each customer. The City of Chicago rate is 8.00% of gross receipts. These taxes are passed on to consumers on their gas bills.
*(35 ILCS 615/1ff. and 220 ILCS 5/9-222)
(35 ILCS 173/5-1ff.)
(65 ILCS 5/8-11-2.)*

New Motor Vehicle Tax

Cook County applies this tax to all sales of new motor vehicles in the county. Different rates apply per number of wheels, but a standard 4-wheel passenger car is chosen for the example in this chart. The range is from \$7.50 on a 2-wheeled vehicle to \$22.50 on a truck or trailer. This tax is imposed in addition to all other applicable sales taxes.
(Cook County Code of Ordinances Chapter 74 Article VI)

Parking Tax

This tax applies to businesses that operate parking lots, which must collect the tax from customers. The tax rates vary by the hourly rate of parking, and there are different tax schedules for daily, weekly, and monthly parking fees. The fee for the top-tier of the parking tax increased from \$2.25 to \$3.00 with the adoption of the FY2009 City Budget.
(City of Chicago Municipal Code Chapter 4-236)

Personal Property Lease Transaction

The City of Chicago applies to businesses or individuals that either are a lessor or lessee of personal property, including leases for automobiles, used in Chicago at a rate of 8.00%. The lessor does not bear the burden of the tax, but is responsible for collecting the tax from the

lessee. The rate increased from 6.00% to 8.00% with the November 13, 2007 approval of the FY2008 City Budget. There are various exemptions such as the lease of motion picture films (subject to Amusement Tax instead), lease of rolling stock used for interstate commerce, and leases where the lessor and lessee are part of the same related group.

(City of Chicago Municipal Code Chapter 3-32)

Real Estate Transfer Tax

This tax is imposed upon the privilege of transferring title to, or beneficial interest in, real property. The state and county taxes are owed by the seller. Of the City of Chicago home rule tax, 3.75% is paid by the buyer and 1.50% is paid by the seller. There are various exemptions; for example, sales under \$500 are not taxed, nor are bankruptcies or Enterprise Zone transfers. This tax includes a new portion of \$1.50 per \$500 of the transfer price paid to the Chicago Transit Authority, which took effect on April 1, 2008.

(35 ILCS 200/31-1ff.)

(Cook County Code of Ordinances Chapter 74 Article III)

(City of Chicago Municipal Code Chapter 3-33)

Restaurant Tax

The Restaurant Tax is imposed on the selling price of all food and beverages sold at retail by a place for eating. The City of Chicago and the Metropolitan Pier and Exposition Authority levy a Restaurant Tax, for a combined rate of 1.25% in the MPEA area (noted under the table below). This rate is in addition to the sales tax on general merchandise, which applies to prepared food purchases. The following table shows the total tax rate levied on prepared foods, including the sales tax and restaurant tax.

Taxes on Prepared Food As of December 1, 2009		
	Chicago MPEA¹	Chicago not MPEA
State Sales	5.00%	5.00%
Municipal Sales²	1.00%	1.00%
County Sales (to RTA)³	0.25%	0.25%
Cook County Home Rule Sales	1.75%	1.75%
RTA (Sales)	1.00%	1.00%
City Home Rule Sales	1.25%	1.25%
MPEA Restaurant	1.00%	0.00%
Chicago Restaurant	0.25%	0.25%
Composite Rate	11.50%	10.50%

¹The MPEA area consists of Stevenson Expressway (south), Ashland Avenue (west), Surf Street (north), Lake Michigan (East), O'Hare Airport and Midway Airport.

²This rate also applies to county unincorporated areas.

³In Cook County only, this portion is allocated to the RTA rather than to the county.

Recent changes that have impacted the composite restaurant tax rates include:

- MPEA restaurant tax imposed October 1, 1992;
- Chicago restaurant tax imposed April 1, 2004;

- Chicago home rule sales tax increase of 0.25%, effective July 1, 2005 (see sales taxes section of the narrative for more detail on changes in this tax);
- RTA sales tax increase of 0.25%, effective April 1, 2008 (see sales taxes section of the narrative for more detail on changes in this tax); and
- Cook County home rule sales tax increase of 1.0%, effective July 1, 2008 (see sales taxes section of the narrative for more detail on changes in this tax).

(70 ILCS 210/13)

(City of Chicago Municipal Code Chapter 3-30)

Sales Taxes

“Sales” taxes in Illinois are actually composed of two matching pairs of taxes: retailers’ occupation and use taxes, and service occupation and use taxes. For simplicity, we refer to them as sales taxes. The sales tax on general merchandise applies to tangible items except food and drugs but including alcoholic beverages, soft drinks, and food prepared for immediate consumption. Various exemptions apply. The sales tax on food and drugs applies to food purchased for consumption off the premises, prescription and non-prescription drugs. The 1.00% municipal tax is collected by the state and distributed to municipalities. For all counties in Illinois except Cook County a 0.25% county tax is collected by the state and distributed to counties. In Cook County the 0.25% tax is collected and allocated to the Regional Transportation Authority.

The following table summarizes local government sales tax rates in Chicago, Suburban Cook County, DuPage County and other collar counties (e.g., Kane, Lake, McHenry and Will Counties) and their composite sales tax rates.

Sales Tax on General Merchandise As of December 1, 2009				
	Chicago	Suburban Cook County	DuPage County	Other Collar County
State	5.00%	5.00%	5.00%	5.00%
Municipal*	1.00%	1.00%	1.00%	1.00%
County (to RTA)**	0.25%	0.25%	0.25%	0.25%
Cook County Home Rule	1.75%	1.75%	0.00%	0.00%
RTA	1.00%	1.00%	0.75%	0.75%
DuPage Water	0.00%	0.00%	0.25%	0.00%
City Home Rule	1.25%	0.00% to 1.25%	0.00% to 1.00%	0.00% to 1.25%
Composite Rate	10.25%	9.00% to 10.25%	7.25% to 8.25%	7.00% to 8.25%

*This rate also applies to county unincorporated areas.

**In Cook County only, this portion is allocated to the RTA rather than to the county.

Note: City home rule sales taxes must be implemented in 0.25% increments.

Source: Illinois Legislative Research Unit 2009 Tax Handbook for Legislators, p. 121.

Recent changes that have impacted the composite sales tax rates of these regions include:

- Chicago home rule was imposed at 1.00% on August 1, 1981, and increased 0.25% on July 1, 2005;
- RTA tax increased 0.25% on both general and food/drugs (+ an additional 0.25% in collars for their road projects), effective April 1, 2008;

- Cook County home rule was imposed at 0.75% on September 1, 1992 and increased to 1.75% effective July 1, 2008;
- Cook County home rule tax will total 1.25% as of July 1, 2010 with the 0.5 percentage point reduction in the levy approved by the Cook County Board of Commissioners on November 17, 2009.

The past 30 years, the sales tax rate in the City of Chicago has more than doubled. The following table summarizes sales composite sales tax rates in the City of Chicago from 1969 to 2010.

City of Chicago Composite Sales Tax Rates: 1969-2010									
	1969	1981	1983	1984	1990	1992	2005	2008	2010*
State	4.00%	4.00%	4.00%	5.00%	6.25%	6.25%	6.25%	6.25%	6.25%
Chicago		1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
RTA			0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%
Cook County						0.75%	0.75%	1.75%	1.25%
Total	4.00%	5.00%	5.75%	6.75%	8.00%	8.75%	9.00%	10.25%	9.75%

*This composite tax rate will take effect on July 1, 2010 when a 0.5 percentage point reduction of Cook County's portion of the sales tax takes effect and provided that no other governments increase their portion of the sales tax levy and no new sales tax levies are created.

Source: Civic Federation, Legislative Research Unit, 2009 Tax Handbook for Legislators, p. 116.

The following table notes local government sales taxes on food and drugs levied in Chicago and their composite rate.

Sales Tax on Food and Drugs As of December 1, 2009				
	Chicago	Suburban Cook County	DuPage County	Other Collar County
Municipal*	1.00%	1.00%	1.00%	1.00%
RTA	1.25%	1.25%	0.75%	0.75%
Composite Rate	2.25%	2.25%	1.75%	1.75%

*This rate applies also applies to county unincorporated areas.

Source: Illinois Legislative Research Unit 2009 Tax Handbook for Legislators, p. 121.

Recent changes that have impacted the composite sales tax rate on food and drugs in Chicago include an RTA tax increase effective April 1, 2008 (see note under General Merchandise above).

Sales taxes in the City of Chicago are the highest in the nation compared with other major U.S. cities. The following table notes sales tax rates in other major U.S. cities.

Sales Tax Rates for Selected Cities in the United States as of November 1, 2009	
Chicago, IL	10.25%
Birmingham, AL	10.0%
Los Angeles, CA	9.75%
Seattle, WA	9.5%
Memphis, TN	9.25%
New Orleans, LA	9.0%
New York City, NY	8.875%
Oklahoma City*, OK	8.375%
Phoenix, AZ	8.3%
Houston, TX	8.25%

*Sales tax rate for Oklahoma City only reflects the tax rate for the part of Oklahoma City located within Oklahoma County.

Source: Websites of the Louisiana Association of Tax Administrators, Washington State Department of Revenue, California State Board of Equalization, New York City Department of Finance, Oklahoma Tax Commission, City of Phoenix, Office of the Texas Comptroller, Telephone Communications between the Civic Federation and Birmingham Chamber of Commerce and Memphis Chamber of Commerce, 7/22/09.

(35 ILCS 105/1 ff. – use tax)

(35 ILCS 120/1 ff. – retailers’ occupation tax)

(35 ILCS 110/1 ff. – service use tax)

(35 ILCS 115/1 ff. – service occupation tax)

(70 ILCS 3615/4.09(b)(1))

(65 ILCS 5/8-11-1.1 and 65 ILCS 5/8-11-1.3)

(Cook County Code of Ordinances Chapter 74 Article IV and V)

(City of Chicago Municipal Code Chapter 3-40-10)

Soft Drink Tax

The Chicago Home Rule Municipal Soft Drink Retailers’ Occupation Tax allows the city to collect a 3% tax on gross receipts from sellers of soft drinks (soda water, carbonated water, colas, and drinks containing less than 50% juice). It includes sales from vending machines but excludes fountain drinks. The state collects this revenue and distributes it to Chicago.

(65 ILCS 5/8-11-6b)

(City of Chicago Municipal Code Chapter 3-45-040)

Telecommunications Tax

This tax applies to transmission of phone, wire, computer exchange, and similar communications. The City of Chicago and State of Illinois both impose a 7% rate. The City also levies a tax of \$2.50 per phone connection per month for 911 emergency services (*City of Chicago Municipal Code Chapter 3-64 and 7-50*). The rate increased from \$1.25 to \$2.50 with the November 13, 2007 approval of the FY2008 City Budget.

The City no longer offers a reduced rate of 6.5% for the telecommunications tax, which was once available to wireless telecommunications retailers via a settlement reached in a class action law suit, PrimeCo v. ICC. Under the settlement, wireless retailers were entitled to a reduced telecommunications tax rate of 6.5% until the City's Department of Revenue determined \$30 millions in savings were realized. The Department found that full savings had been realized in May of 2009 and the reduced rate for wireless retailers was abolished as of June 1, 2009.

(26 USC Sec. 4251)

(35 ILCS 630/1 ff.)

(City of Chicago Municipal Code Chapter 3-73)

Tire Fee

The City of Chicago Tire Fee applies to the retail sale of new tires at a rate of \$1.00 per tire, and is in addition to the sales tax. It went into effect in 2005. The State levies a \$2.50 tax on all new or used tires, except tires sold by mail, tires sold while mounted on a vehicle and repossessed tires.

(415 ILCS 5/55.8)

(City of Chicago Municipal Code Chapter 11-4-142)

Wheel Tax

The City of Chicago Wheel Tax is the equivalent of the state vehicle registration tax and is due annually. There are different rates for different sizes and types of vehicles. Cook County also imposes a wheel tax on vehicles in unincorporated parts of the county. The rates increased for large passenger vehicles and trucks increased with the November 13, 2007 approval of the FY2008 City Budget. The per small passenger automobile rate collected by the State for vehicle registration increased by \$1.00 from \$78.00 to \$79.00 on July 1, 2009 with the adoption of the FY2010 State budget.

(625 ILCS 5/2-119, 625 ILCS 5/3-801 to 5/3-834, and 625 ILCS 5/6-118)

(City of Chicago Municipal Code Chapter 3-56)

APPENDIX: SELECTED NON-CONSUMER TAXES

Employer's Expense Tax ("Head Tax")

This tax applies to businesses that employ 50 or more full-time workers or employees that perform 50% or more of their work service per calendar quarter in the City of Chicago. Employees must earn more than \$900 in a calendar quarter to be considered taxable. The tax does not apply to domestic service in a private home, newspaper delivery when the individual is under the age of 18 years, employees who are immediate family, insurance company personnel, not for profit, educational and charitable organizations, agricultural labor, independent contractors, or partners. The tax is \$4.00 per employee per month. Chicago Mayor Richard M. Daley has proposed suspending this tax in 2010 and 2011 for new hires.¹
(City of Chicago Municipal Code Chapter 3-20)

Ground Transportation Taxes

This tax applies to businesses that provide ground transportation vehicles for hire in Chicago to passengers for a charge or other consideration in whatever form. In 2004, the taxi medallion tax changed from \$3/day to \$78/month. Other vehicles for hire are taxed at different daily rates ranging from \$3.50 to \$9.00 based on capacity.
(City of Chicago Municipal Code Chapter 3-46)

Property Tax

The property tax applies to the equalized assessed value of real property. The most recent available rates are for tax year 2008 (payable in 2009). The full composite tax rate for Chicago real estate was 4.816% in tax year 2008.
(See <http://www.cookcountyclerk.com/tsd/DocumentLibrary/2008TaxRates.pdf>)

¹ Fran Spielman, "Daley floats waiver of employee head tax," *Chicago Sun-Times*, December 10, 2009.