



Publication 114

June 2005

Automobile Renting Occupation and Use Tax

The information in this publication is current as of the date of the publication. Please visit our web site at www.Iltax.gov to verify you have the most current revision.

This publication is written in the plain English style so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes or the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, or court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Code.

About this publication

Knowing how Illinois tax laws apply to your business can save you time, trouble, and money. The information included in this publication will supply you with general tax information involving the rental of items that are subject to Automobile Renting Occupation and Use Tax (ART), help you collect the proper amount of tax due, and help you file your returns correctly.

As an automobile renter, you are responsible for

- collecting the correct amount of tax on every rental you make,
- properly documenting the tax-exempt rentals you make,
- sending the tax you have collected and any tax you owe with your properly completed **Form ART-1, Automobile Renting Occupation and Use Tax Return**, by the due date, to the Illinois Department of Revenue, and
- keeping complete and accurate books and records for all rentals and purchases.

Taxpayer Bill of Rights

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to department notices by asking questions, paying the amount due, or providing proof to refute the department's findings.

You have the right to appeal department decisions, in many instances, within specified time periods, by asking for department review or by taking the issue to court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other department procedures, you may write us at the following address:

Problems Resolution Office
Illinois Department of Revenue
PO Box 19014
Springfield, IL 62794-9014

Get forms and other information faster and easier at Iltax.com

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Registering Your Business

Who must register for the Automobile Renting Occupation and Use Tax? (See the Illinois

Administrative Code, Title 86, Parts 180 and 190.)

You should register for this tax if you rent automobiles, motor-driven cycles, qualifying recreational vehicles, or qualifying vans for a period of one year or less.

How do I register?

Complete Form REG-1, Illinois Business Registration Application, by

- using our Illinois Business Gateway on our web site at www.Iltax.gov or
- filing a paper form with us at
CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19476
SPRINGFIELD IL 62794-9476

How will I know that I have successfully registered?

We will send you a Certificate of Registration. This certificate is your permit to engage in the business of renting items subject to ART. It lists your Illinois Business Tax (IBT) number, business name, address, effective date, the taxes you are registered for, and the date the certificate will expire.

You must display your certificate in the place of business for which it was issued and where it can be easily viewed by the public.

What if I have one business but more than one site?

If your company has more than one rental outlet (site) within Illinois, we will supply a certificate of registration for each site you list on Form REG-1. We will print each individual site address on these certificates.

Will I need to renew my certificate?

If you are required to file Automobile Renting Occupation and Use Tax returns, your certificate of registration will expire in 5 years. In most cases, we will automatically renew your certificate of registration. However, if you have an outstanding liability, we may not. We will notify you if this happens.

What if my certificate is lost, damaged, or destroyed?

If your certificate is lost, damaged, or destroyed, you must contact the Central Registration Division and request a new certificate.

What if I change the location of my business or one of my sites?

If you change the location of your business, or for multiple site filers, one of your sites, you must contact the Central Registration Division. It is important for us to update this information so the correct tax rate is preprinted on your returns.

What if I discontinue my business or one of my sites?

If you discontinue your business, you must destroy all certificates related to that business.

If you discontinue one of your sites, you must destroy the certificate for that site.

In addition, you must contact the Central Registration Division to discontinue the business or site. It is important for us to update your registration information when you go out of business or discontinue a location.

What if I change my business structure?

If you change the structure of your business, (*for example*, changing from a sole proprietor to a corporation) you must

- tell us to discontinue the old business entity, and
- register the new business entity by completing a new Form REG-1, Illinois Business Registration Application.

Note → Certificates of registration cannot be transferred.

What if I sell any or all of my business?

If, outside your usual course of business, you sell or transfer

- the major part of the stock of goods that you are in the business of renting,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business

you must complete and file Form CBS-1, Notice of Sale or Purchase of Assets.

How do I contact the Central Registration Division?

To contact our Central Registration Division, e-mail us at centreg@revenue.state.il.us, call 217 785-3707, or write us at

CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030

Business Requirements for Rentors Who File Form ART-1

On what rentals must I collect and pay the Automobile Renting Occupation and Use Tax?

(See the Illinois Administrative Code, Title 86, Parts 180 and 190.)

You must collect and pay the Automobile Renting Occupation and Use Tax if you rent or lease an automobile (item) within Illinois for a period of one year or less and the automobile (item) is

- a first division motor vehicle.
- a second division, self-contained motor vehicle designed for or permanently converted to provide living quarters for recreational, camping or travel use. The motor vehicle must have direct walk through access to the living quarters from the driver's seat.
- a van designed for the transportation of not less than 7 or more than 16 passengers.
- a motorcycle or motor driven cycle.

In addition, if you are an out-of-state business that rents to Illinois persons, corporations, firms, or associations, you are required to file this form and pay Automobile Renting Use Tax on the receipts you have collected.

Is the rental of a sports utility vehicle subject to ART?

It depends on how the vehicle is registered. Sports Utility Vehicles (SUV's) may be registered either as a first division or second division vehicle.

When registered as a first division vehicle, the rental of an SUV is subject to ART.

When registered as a second division vehicle, the rental of an SUV is not subject to ART.

Is the rental of a truck subject to ART?

No, the rental of a truck, a second division vehicle, is not subject to ART.

What are some common types of transactions that are exempt from this tax? (See the Illinois Administrative Code, Section 180.130 for a comprehensive list of exemptions.)

Some common exemptions from paying this tax are

- vehicles rented by organizations that provide a copy of an active Illinois exemption number issued by the department, and
- receipts received by automobile dealers from a manufacturer or service contract provider for the use of "loaner" vehicles, while the dealer is making a warranty or service contract repair on the person's vehicle.

Note: The rental of automobiles for a term of more than one year is subject to ROT. See Publication 113, Retailer's Overview of Sales and Use Tax.

Are other fees related to renting an automobile subject to ART?

Separately stated fees for things, such as

- additional insurance coverage,
- the cost of refueling a rented automobile, or
- a waiver from the rentor that explains they do not have the right to take action or make a claim against the rentee for any loss or damage to the automobile that was rented

are not subject to tax.

Fees that are not separately stated may be subject to tax

What factors determine the tax rates that apply to the rental transactions I make?

Generally, it is the location of your Illinois business or, if a multiple location filer, your Illinois sites that determine the rate of tax.

The rate of tax that applies to rental transactions made **within Illinois** varies based on the location where the rental is made.

For **out-of-state** rentors, if the automobile being rented (to an Illinois rentee) is delivered from an out-of-state location, the Illinois Automobile Renting Use Tax rate is 5 percent. If the automobile being rented is delivered from an Illinois warehouse, distribution center, etc., the transaction is subject to Automobile Renting Occupation Tax rather than Automobile Renting Use Tax and the (Illinois) location where the product is delivered from determines the rate of tax.

Are my tax rates preprinted on my return?

Yes, any tax rate that applies will be preprinted on your Form ART-1 and if you make taxable rentals from more than one site, the rates for each site will be printed on your Form ART-2, Multiple Site Form.

If the tax rates are not printed on your form, you may call us at 1 800 732-8866 or 217 782-3336 to obtain the correct rates for your location.

What taxes could be included in the preprinted rates?

The total tax rate on automobile rental receipts varies based on the location of your business. The tax rates that could apply are described below. Each rate prints on a separate line of the return.

- The state tax rate for automobile renting is 5 percent.
- Local governments are authorized to impose tax of up to 1 percent.
- Mass transit districts are authorized to impose tax of up to 1 percent in Cook County and the MED Districts and up to 0.25 percent in DuPage, Kane, Lake, McHenry, and Will counties.
- The Metropolitan Pier and Exposition Authority (MPEA) imposes a 6 percent tax on automobile rental receipts within Cook County. Taxi and livery are not taxed under the MPEA.

Are receipts from an out-of-state business renting vehicles for use in Illinois subject to tax?

Yes. If you are an out-of-state business that rents to Illinois persons, corporations, firms, or associations, you should be registered with us and collect Automobile Renting Use Tax on those receipts. The Illinois use tax rate on automobile rentals is 5%.

When does an Illinois rentee owe use tax and how is it reported?

Illinois law requires you to pay Automobile Renting Use Tax when you are the rentee of an automobile and you did not pay Illinois Automobile Renting Occupation Tax to the rentor. You must report use tax on Form ART-1.

How do I show this tax on my rental contracts?

State the tax collected separately from the rental price on the receipts you give your customers.

What form must I use to report the Automobile Renting Occupation and Use Tax?

If you rent automobiles, you must file Form ART-1, Automobile Renting Occupation and Use Tax Return, for each reporting period and pay the tax collected from your rentals.

We include instructions with the forms we send you.

How do I file if I have more than one rental outlet?

If you make rental transactions from more than one location (site), you will be registered accordingly and will receive Form ART-2, Multiple Site Form. You must complete and file Form ART-2, to report specific tax information for each site.

We include instructions with the forms we send you.

Must I file Form ART-1 even if I have no rental receipts to report?

Yes. You must file a processable (signed) Form ART-1 for each reporting period regardless of whether or not there are receipts to report. You may file a "zero" return.

When is my return and tax payment due?

You must file your Form ART-1 and pay any tax due on or before the 20th day of the month following the end of the reporting period. We will preprint the reporting period and due date on your Form ART-1.

Upon registration, you will be required to file on a monthly basis. We will notify you if your filing status changes. Under ART, the filing requirements for your return are either monthly or annual.

Note → Any time a due date falls on a weekend or state-recognized holiday, we adjust the due date to the next working day.

Is there an incentive for paying the tax I have collected on time?

Yes, there is an incentive that applies **only to state tax** collected. If you file your return and pay the tax on time, you are allowed to take a discount of 1.75 percent of the state portion of the tax you collected on receipts from rentals.

Where do I file my return?

You should mail your return to the address printed on the form you receive. If no address is available, please mail your return to: ILLINOIS DEPARTMENT OF REVENUE

PO BOX 19037
SPRINGFIELD IL 62794-9037

Do not mail this return in combination with any other type of return.

What if I do not file and pay by the due date?

If you do not file your return and pay the tax due by the due date, you will be assessed for any tax due (including any portion of the discount for timely filing that we have disallowed) plus penalty and interest. For detailed information about the penalties and interest that may apply, see PUB-103, Uniform Penalties and Interest.

Note → When sent through the U.S. mail, items filed with and payments made to the Department of Revenue are considered to be filed and received by the department on the date of the post office cancellation mark. Private postage meters are not used to establish the date of receipt.

If items are filed with or payments made to the Department of Revenue but are not sent through the U.S. mail, they are considered to be filed on the date the department receives them.

What if I make a mistake on my return?

If, after you file your Form ART-1, you find you made a mistake that resulted in an overpayment or an underpayment, or you forgot to send any necessary attachments, you must file an amended return (Form ART-1-X). If you have more than one site, you must also file Form ART-2-X. Amended returns are available

- on our Web site at www.ILtax.gov; or
- by calling our 24-hour Forms Order Line at **1 800 356-6302**.

For help completing your amended return, please call the Sales Tax Processing Division at 217-782-7517.

For all other questions, you may visit our Web site at www.ILtax.gov or contact the department at the numbers listed at the end of this publication.

Keeping Complete and Accurate Books and Records and Miscellaneous Information

What books and records must I keep?

(See the Illinois Administrative Code, Section 130.810.)

If you rent or lease automobiles in Illinois for a period of one year or less, you must keep

- books and records of all your rental receipts;
- documents about inventory changes, shipments, or other transactions;
- accounts receivable records;
- accounts payable records;
- summaries or ledger accounts;
- records or working papers that are used in the preparation of your tax returns; and
- a copy of the tax returns you file.

What records must I keep about the rental transactions I make?

At minimum, you must keep

- the cash register tapes and other data that provide a daily record of the gross amount of rental transactions; and
- a yearly inventory of the value of the stock on hand.

These records must distinguish taxable from non-taxable transactions. You must keep these records for all rental transactions, whether you believe they are taxable or not.

What records are required to support a deduction taken for an exempt transaction on my tax return?

(See the Illinois Administrative Code, Section 130.810.)

In order to support each deduction, your records must include

- the rentor's name and address;
- the character (for example, a rental to an exempt organization) of each transaction;
- the date of each transaction;
- the amount of receipts from each transaction; and
- any other information that establishes the non-taxable nature of the transaction.

Must I maintain my books and records on paper?

(See the Illinois Administrative Code, Section 130.805.)

No. You can also maintain books and records by microfilm, microfiche, or by using an Automated Data Processing System. In general, these records are acceptable as long as they are authentic, accessible, readable, and able to be reproduced.

How long must I keep books and records?

(See the Illinois Administrative Code, See Section 130.815.)

In general, you must keep books and records that document receipts for the tax period covered by your return for three and one half years after you have filed an original or amended return.

If a Notice of Tax Liability or Notice of Assessment has been issued, you must keep books and records that document receipts for the tax period for which the notice was issued. Keep these records until the liability has been finalized or discharged.

Are there any other requirements?

Your books and records must

- be available for inspection by the Illinois Department of Revenue during normal business hours;
- be kept in the English language;
- be kept in Illinois unless you have received written permission from us to keep them in another location; and
- contain information regarding the deductions you claim.

Is tax due on a vehicle I sell from my rental inventory?

Yes. You should collect Retailers' Occupation Tax when you sell a vehicle that has been in your rental inventory. The sales transaction should be reported on Form ST-556.

Office locations

Maine North Regional Building
9511 Harrison Street FA 203
Des Plaines, Illinois 60016-1563
847 294-4200

200 South Wyman Street
Rockford, Illinois 61101-1237
815 987-5210

James R. Thompson Center
Concourse Level
100 West Randolph Street
Chicago, Illinois 60601-3274
312 814-5232

Willard Ice Building
101 West Jefferson
Springfield, Illinois 62702
800 732-8866
217 782-3336

15 Executive Drive
Business Center One, Suite 2
Fairview Heights, Illinois 62208-1331
618 624-6773

2309 W. Main
Suite 114
Marion, Illinois 62959-1196
618 993-7650

Out-of-state office location

Century Plaza
45 Eisenhower Drive
Suite 2
Paramus, New Jersey 07352-1416
201 845-0255

For information or forms

Visit our web site at www.Iltax.gov

Call us at **1 800 732-8866** or **217 782-3336**.

Call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Call our 24-hour Forms Order Line at **1 800 356-6302**.