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Bulletin

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Religious Organizations that Possess an Active Exemption Identification Number Who Act as Hotel Operators

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217 782-7517

To: Religious Organizations that possess an active Exemption Identification Number and who act as hotel operators by renting, leasing, or letting rooms

Religious organizations that act as hotel operators are subject to the Hotel Operators' Occupation Tax when they rent, lease, or let rooms. Effective July 1, 2017, Public Act 100-213 exempts their rentals in two limited situations.

An organization that possesses an active Exemption Identification Number¹ issued by the Department because it is an organization organized and operated exclusively for religious purposes is exempt from the Hotel Operators' Occupation Tax under the following situations:

- (1) when it rents, leases, or lets rooms in furtherance of the purposes for which it is organized and operated; or
- (2) when it rents, leases, or lets rooms to another entity that
 - (a) possesses an active Exemption Identification Number issued by the Department because it is an organization that is organized and operated exclusively for religious purposes, and
 - (b) rents the rooms in furtherance of the purposes for which it is organized and operated.

All other rentals made by the religious organization are subject to the Hotel Operators' Occupation Tax (absent a different exemption).

See the examples on the next page that illustrate when a rental is exempt and when a rental is taxable.

¹You can verify if an Illinois Exemption Identification Number is valid and active by visiting MyTax Illinois at mytax.illinois.gov.

Example 1

Religious organization operates a retreat center and organizes and conducts an event in furtherance of its organizational purposes (exempt under Situation (1)).

A religious organization operates a retreat center and organizes and conducts a three-day marriage counseling seminar and rents rooms to the participants. The religious organization is organized and operated exclusively for religious purposes and has an active Exemption Identification Number. The seminar is in furtherance of its organizational purposes. The receipts from these rentals would not be subject to the Hotel Operators' Occupation Tax.

Example 2

Religious organization operates a retreat center and makes a rental to another exempt religious organization that conducts an event in furtherance of its organizational purposes (exempt under Situation (2)).

Religious Organization A operates a retreat center and rents a block of rooms to Religious Organization B. Organization B is organized and operated exclusively for religious purposes, possesses an active Exemption Identification Number, and rents a block of rooms for the participants of a spiritual seminar it has organized and will conduct. The seminar furthers the organizational purposes of Organization B. Organization A's receipts from these rentals are not subject to the Hotel Operators' Occupation Tax.

Note: In the above example, if the sleeping accommodations are paid for by the individual participants and not by Organization B, Organization A must keep records demonstrating that the individual to whom the room was rented was a participant in the seminar conducted by Organization B.

Example 3

Religious Organization A does not organize and conduct an event. It rents a block of rooms to Organization B, which does not possess an active Exemption Identification Number and is not an entity organized and operated for exclusively religious purposes. Organization B conducts an event that is in furtherance of the organizational purposes of Organization A (exempt under Situation (1)).

Religious Organization A operates a retreat center. It is organized and operated exclusively for religious purposes and has an active Exemption Identification Number. Organization A's organizational documents demonstrate it is organized, in part, to partner with school districts to provide one-on-one support to students to help them overcome the educational and societal challenges they face both in and out of school. Organization B is a not-for-profit organization that provides funds and support to school districts that serve at-risk students. Organization A rents a block of rooms to Organization B for participants attending a seminar that Organization B will conduct, highlighting the challenges students are currently facing in society. Because the seminar conducted by Organization B is made in furtherance of Organization A's organizational purposes, the receipts from the rentals to Organization B would not be subject to the Hotel Operators' Occupation Tax.

Note: In the above example, Organization A must keep records demonstrating the seminar was in furtherance of its organizational purposes. In addition, if the sleeping accommodations are paid for by the individual participants and not by Organization B, Organization A must keep records demonstrating that the individual was a participant in the seminar conducted by Organization B.

Example 4

Religious organization operates a retreat center and makes rentals to individuals or not-for-profit groups that are not in furtherance of its organizational purposes (taxable because the rentals do not meet the requirements of either Situations (1) or (2)).

A religious organization operates a retreat center, is organized and operated exclusively for religious purposes, and has an active Exemption Identification Number. It rents a block of rooms to persons who will be attending a wedding reception at the center, or rents a block of rooms to a not-for-profit organization that conducts a sports medicine seminar. The receipts from either of those rentals do not qualify for the exemption in Section 3(d-5) of the Hotel Operators' Occupation Tax because the rentals are neither made in furtherance of the organizational purposes of the religious organization operating the retreat center, nor made to a religious organization with an active Exemption Identification Number.

See the next page for registration requirements and documents necessary to support the valid exemption.

How does a religious organization register for the Hotel Operators' Occupation Tax?

Register with the Department electronically using MyTax Illinois, available at mytax.illinois.gov:

To register your business with Illinois, click on "Registration," and then "Register a New Business" to complete Form REG-1, Illinois Business Registration Application and Schedule REG-1-L, Business Site Location Information. After you receive an email that the application has been processed, allow one business day before signing up for a MyTax Illinois account. To create a MyTax Illinois account, return to MyTax Illinois, click the "Sign up Now" button, and then submit the requested information.

If you already have a MyTax Illinois account, you can register for new tax types by simply logging into your MyTax Illinois account and clicking on "Register for New Tax Accounts" to complete the registration.

Contact our Central Registration Division at 217 785-3707 for information or assistance with registering your business.

What records must a religious organization maintain to document that it is not subject to the Hotel Operators' Occupation Tax?

A. When an operator of a retreat center conducts an event in furtherance of its organizational purposes and rents rooms to persons attending that event, the operator must obtain and maintain the following:

- the names of the persons who attended the event;
- the form of payment and from whom the payment was received;
- documents demonstrating the nature of the event (*e.g.*, brochures, pamphlets, or agendas);
- documents demonstrating how the rental of the rooms was in furtherance of the operator's organizational purposes;
- the date(s) of the room rentals; and
- any contracts between the person renting the room and the operator.

B. When an operator of a retreat center is not conducting an event and rents to another organization that conducts an event that furthers the operator's organizational purposes, the operator must obtain and maintain the following:

- the name, address, and phone number of the organization conducting the event;
- the form of payment and from whom the payment was received;
- documents demonstrating the nature of the event (*e.g.*, brochures, pamphlets, or agendas);
- documents demonstrating how the use of the rooms furthered the organizational purposes of the operator;
- a certification by the operator that the room rentals were in furtherance of the operator's organizational purposes;
- the date(s) of the room rentals; and
- any contracts between the person renting the room, the organization conducting the event, and the operator.

C. When an operator of a retreat center rents rooms to an organization organized and operated exclusively for religious purposes that conducts an event in furtherance of its organizational purposes, the operator must obtain and maintain the following:

- the name, address, and phone number of the religious organization conducting the event;
- the religious organization's active Exemption Identification Number;
- the names of the persons who attended the event;
- the form of payment and from whom the payment was received;
- documents demonstrating the nature of the event (*e.g.*, brochures, pamphlets, or agendas) and how the use of the rooms furthered the organizational purposes of the religious organization renting the rooms;
- a certification that the room rentals were in furtherance of the organizational purposes of the religious organization that rented the rooms;
- the date(s) of the room rentals; and
- any contracts between the organization renting the room and the operator.