



# Publication 114

March 2014

## *Automobile Renting Occupation and Use Tax*

The information in this publication is current as of the date of the publication. Please visit our website at **tax.illinois.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 Illinois Administrative 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 supplies you with general tax information involving the rental of items that are subject to Automobile Renting Occupation and Use Tax to help you collect the proper amount of tax due and to help you file your returns correctly.

As a business renting motor vehicles, 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, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right 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 Illinois Department of Revenue forms and information at [tax.illinois.gov](http://tax.illinois.gov)**

# Contents

## **Registering Your Business**

Who must register for Automobile Renting Occupation and Use Tax?.....	4
How do I register?.....	4
How will I know that I have successfully registered?.....	4
Will I need to renew my certificate?.....	4
What if my certificate is lost, damaged, or destroyed?.....	4
What if I change the location of my business or one of my sites?.....	4
What if I discontinue my business or one of my business locations, change my business structure, or sell any or all of my business?.....	4
Who do I contact if I have questions about registration?.....	4

## **Requirements for Businesses That Rent Motor Vehicles and File Form ART-1**

On what rentals must I collect and pay the Automobile Renting Occupation and Use Tax?..	5
What form must I use to report Automobile Renting Occupation and Use Tax?.....	5
What are some common types of transactions that are exempt from this tax?.....	5
Are other fees related to renting a motor vehicle subject to Automobile Renting Occupation and Use Tax?.....	5
What factors determine the tax rates that apply to the rental transactions I make?.....	5
Are my tax rates preprinted on my return?.....	5
How are my tax rates determined?.....	6
When does someone owe Automobile Renting Use Tax, and how is it reported?.....	6
How do I show Automobile Renting Occupation and Use Tax on my rental contracts?.....	6
Must I file Form ART-1 even if I have no rental receipts to report?.....	6
When is my return and tax payment due?.....	6
Is there an incentive for paying the tax I have collected on time?.....	6
How do I file my return?.....	6
What if I do not file and pay by the due date?.....	6
What if I make a mistake on my return?.....	6

**Keeping Complete and Accurate Books and Records and Miscellaneous Information**

What books and records must I keep?.....7  
What records must I keep about the rental transactions I make?.....7  
What records are required to support a deduction taken on my tax return for an exempt transaction?.....7  
Must I maintain my books and records on paper?.....7  
How long must I keep books and records?.....7  
Are there any other requirements?.....7  
Is tax due on a vehicle I sell from my rental inventory?.....7

**Office locations**.....8

# Registering Your Business

## Who must register for Automobile Renting Occupation and Use Tax?

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

You should register for Automobile Renting Occupation and Use Tax if you rent automobiles, pickup trucks, sport utility vehicles (SUVs), motorcycles and motor-driven cycles, qualifying motor homes or recreational vehicles, or qualifying vans for periods of one year or less.

## How do I register?

Complete Form REG-1, Illinois Business Registration Application

- electronically using MyTax Illinois, available on our website at [tax.illinois.gov](http://tax.illinois.gov) or
- by filing a paper Form REG-1 to be mailed in or faxed to:

**CENTRAL REGISTRATION DIVISION 3-222  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19030  
SPRINGFIELD IL 62794-9030  
Fax: 217 785-6013**

## 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 Automobile Renting Occupation and Use Tax. It lists your Illinois account ID, business name, address, effective date, the tax for which you are registered, 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.

If your company has more than one rental outlet within Illinois, we will supply a certificate of registration for each site from which you make rentals. We will print the individual site address on each certificate so that you can display the appropriate certificate in the place of business for which it was issued.

## Will I need to renew my certificate?

Your certificate of registration expires after five years. Unless we notify you otherwise, we will automatically renew your certificate of registration.

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

If your certificate is lost, damaged, or destroyed, you can print a replacement using MyTax Illinois, available on our website at [tax.illinois.gov](http://tax.illinois.gov). You can also contact our Central Registration Division to 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, change the location of one of your sites, you can update your registered locations using MyTax Illinois, available on our website at [tax.illinois.gov](http://tax.illinois.gov). You can also contact our Central Registration Division. It is important for you to keep this information up to date to ensure you are filing using the correct tax rate. This is also important to the Department to ensure that we issue local tax allocations to the proper jurisdiction.

## What if I discontinue my business or one of my business locations, change my business structure, or sell any or all of my business?

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.

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.

In addition, you must update your registration information with the Department. MyTax Illinois, available on our website at [tax.illinois.gov](http://tax.illinois.gov), allows you to close your existing business and register a new one or to maintain your registered locations. You can also contact our Central Registration Division so that we can update our records. It is very important for you to notify us when you go out of business or discontinue a location.

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

## Who do I contact if I have questions about registration?

For registration questions, see our Taxpayer Answer Center, available on our website at [tax.illinois.gov](http://tax.illinois.gov). If you cannot find an answer, you can email the Department from the Taxpayer Answer Center. You also can call our Central Registration Division at **217 785-3707**.

# Requirements for Business That Rent Motor Vehicles and File Form ART-1

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

*(See 86 Illinois Administrative Code Parts 180 and 190.)*

You must collect and pay Automobile Renting Occupation Tax if you rent or lease automobiles, pickup trucks, sport utility vehicles (SUVs), motorcycles and motor-driven cycles, qualifying motor homes and recreational vehicles, and qualifying vans within Illinois for a period of one year or less. See 86 Illinois Administrative Code Section 180.101(b).

In addition, if you are an out-of-state business that rents to Illinois persons, corporations, firms, or associations, you are required to collect and pay Automobile Renting Use Tax on the receipts you have collected. The Illinois use tax rate on automobile rentals is 5 percent (.05).

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

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.

If you make rental transactions from more than one location, you also must complete and file Form ART-2, Multiple Site Form, to report specific tax information for each site.

## ***What are some common types of transactions that are exempt from this tax?***

*(See 86 Illinois Administrative Code Section 180.130 for a comprehensive list of exemptions.)*

Some common exemptions from this tax are:

- vehicles rented by organizations that have been issued an active Illinois exemption number by the Department, and
- receipts received by automobile dealers from manufacturers or service contract providers for the use of "loaner" vehicles while dealers make warranty or service contract repairs on customers' vehicles.

**Note:** Sales of vehicles that will be rented for terms of more than one year are subject to Retailers' Occupation Tax or Use Tax. See Publication 113, Retailer's Overview of Sales and Use Tax and Prepaid Wireless E911 Surcharge.

## ***Are other fees related to renting a motor vehicle subject to Automobile Renting Occupation and Use Tax?***

Separately stated fees are not subject to tax. Such separately stated items may include:

- additional insurance coverage,
- the cost of refueling a rented automobile, or
- a waiver from the rental business that explains it does not have the right to take action or to make a claim against the party renting the motor vehicle for any loss or damage to the automobile that was rented.

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 you are a multiple location filer, each of your Illinois sites that determine the rate of tax.

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

For **out-of-state** rental businesses, if the automobile being rented to someone in Illinois is delivered from an out-of-state location, the Illinois Automobile Renting Use Tax rate is 5 percent (.05). If the automobile being rented is delivered from an Illinois warehouse or distribution center, the transaction is subject to Automobile Renting Occupation Tax rather than Automobile Renting Use Tax, and the Illinois location from which the product is delivered determines the rate of tax.

## ***Are my tax rates preprinted on my return?***

Yes. If you receive preprinted returns from us, we will print the appropriate tax rate on your Form ART-1 or, if you make taxable rentals from more than one site, on your Form ART-2, Multiple Site Form.

If you do not receive preprinted forms and need to verify your tax rate, you can use our Tax Rate Database, available on our website at [tax.illinois.gov](http://tax.illinois.gov), or call us at **1 800 732-8866** or **217 782-3336**.

**How are my tax rates determined?**

The following are the tax rates that could apply to your rental transactions:

- The state tax rate for automobile renting is 5 percent (.05).
- Local governments are authorized to impose tax of up to 1 percent (.01).
- The Metro-East Mass Transit District (MED) is authorized to impose tax of up to 1 percent (.01) in those counties comprising the MED District.
- The Regional Transportation Authority (RTA) is authorized to impose tax of up to 1 percent (.01) in Cook County and up to 0.25 percent (.0025) in DuPage, Kane, Lake, McHenry, and Will counties.
- The Metropolitan Pier and Exposition Authority (MPEA) imposes a 6 percent (.06) tax on automobile rental receipts within Cook County. Taxi and livery services are excluded from the MPEA tax.

Each tax listed above is separately calculated on the return.

**When does someone owe Automobile Renting Use Tax, and how is it reported?**

Illinois law requires you to pay Automobile Renting Use Tax when you rent a motor vehicle and you did not pay Illinois Automobile Renting Occupation Tax to a rental business. You must report use tax on Form ART-1.

**How do I show Automobile Renting Occupation and Use Tax on my rental contracts?**

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

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

Yes. You must file a processable (*i.e.*, signed) Form ART-1 for each reporting period regardless of whether you have receipts to report.

**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.

You must file Form ART-1 on a monthly basis, unless we notify you otherwise.

**Note:** If the due date falls on a weekend or state holiday, your return and payment is due the next business day.

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

Yes. If you file your return and pay the tax on time, you are allowed to take a discount of 1.75 percent (.0175) of the state portion of the tax you collected on receipts from rentals.

**How do I file my return?**

You can file Forms ART-1 and ART-2 using MyTax Illinois, available on our website at [tax.illinois.gov](http://tax.illinois.gov). You can also mail your return to the following address:

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19037  
SPRINGFIELD IL 62794-9037**

Do not mail Form ART-1 in the same envelope with any other type of return. Also, do not submit a paper form if you have already sent your return using MyTax Illinois.

**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, we will assess you for any tax due (including any portion of disallowed timely filing discount) plus penalty and interest. For detailed information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes.

**What if I make a mistake on my return?**

If you made a mistake on your original Form ART-1, you must file Form ART-1-X, Amended Automobile Renting Occupation and Use Tax Return. If the mistake occurred on your original Form ART-2, you must also file Form ART-2-X, Amended Multiple Site Form. If you filed your return using MyTax Illinois, you can amend your return using that system. MyTax Illinois is available on our website at [tax.illinois.gov](http://tax.illinois.gov). Amended forms also are available on our website.

# Keeping Complete and Accurate Books and Records and Miscellaneous Information

## **What books and records must I keep?**

(See 86 Illinois Administrative Code Section 130.810.)

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
- copies 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 nontaxable transactions. You must keep these records for all rental transactions, regardless of whether you believe they are taxable.

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

(See 86 Illinois Administrative Code Section 130.810.)

In order to support each deduction, your records must include

- the name and address of the rental business;
- the character of each transaction (e.g., a rental to an exempt organization);
- the date of each transaction;
- the amount of receipts from each transaction; and
- any other information that establishes the nontaxable nature of the transaction.

## **Must I maintain my books and records on paper?**

(See 86 Illinois Administrative Code Section 130.805.)

No. You can also maintain books and records on electronic media. 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 86 Illinois Administrative Code 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?**

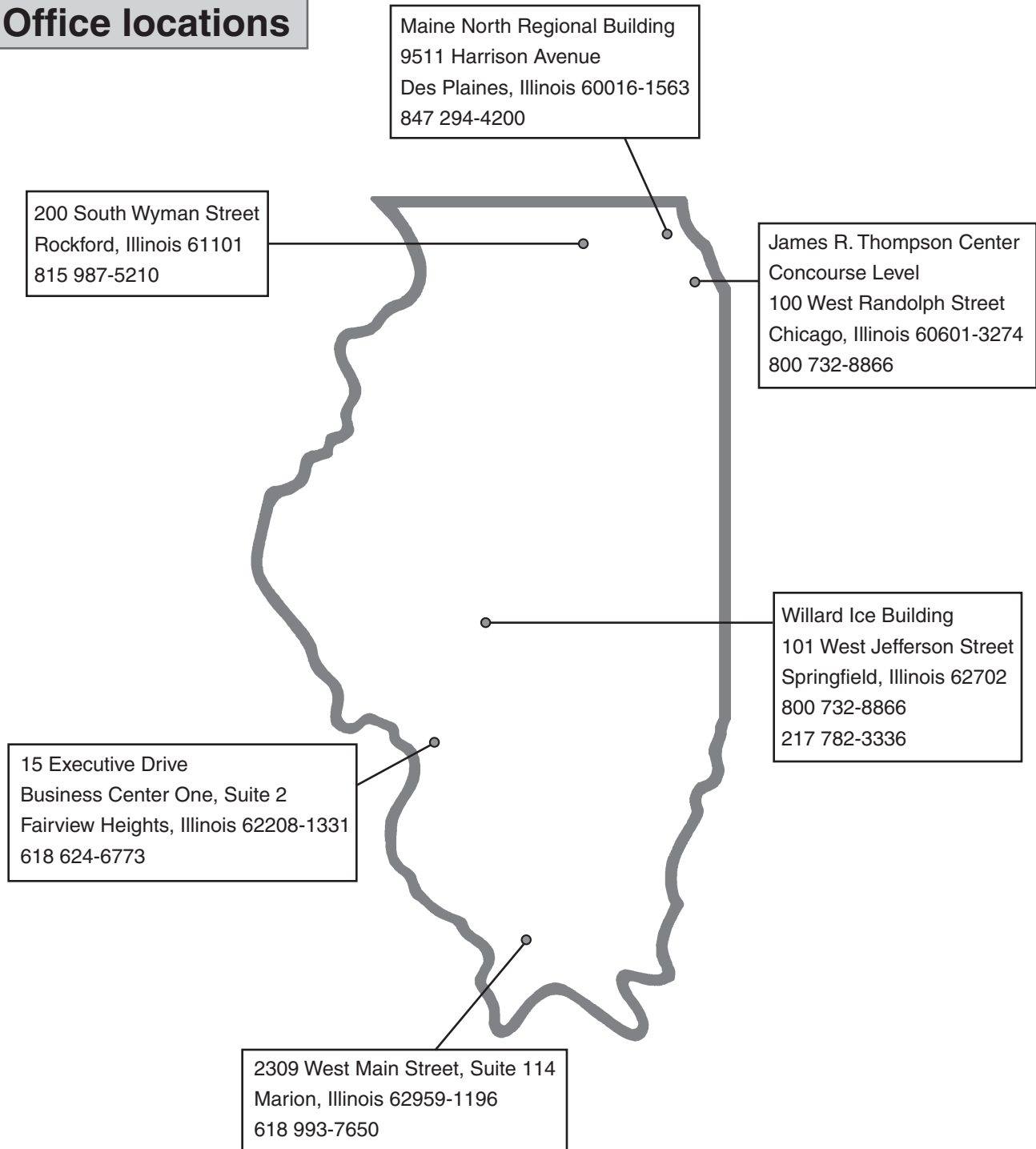
Your books and records must

- 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, Sales Tax Transaction Return.

## Office locations



### For information or forms

Visit our website at [tax.illinois.gov](http://tax.illinois.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**.