

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

Personal Property Lease Transaction Tax Ruling #10
Subject: Affiliated Corporate Groups – Lease or Rental of Personal Property
Effective date: June 1, 2004

Formerly Ruling #14
Original effective date: April 12, 1993

Section 1. Application of the Tax.

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 2. Definitions.

A. The words “lease” or “rental” mean any transfer of the possession or use of personal property, but not title or ownership, to a user for consideration, whether or not designated as a lease, rental, license or by some other term. Code § 3-32-020(H).

B. In pertinent part, the words “lease price” or “rental price” mean the consideration for the lease or rental of personal property, valued in money, whether received in money or otherwise, including cash, credits, property and services, determined without and deduction for costs or expenses whatsoever. See Code, § 3-32-020(J).

Section 3. Affiliated Corporate Groups.

A. For purposes of this ruling and its application to the Chicago Personal Property Lease Transaction Tax Ordinance (Code, Ch. 3-32), the term “affiliated corporate group” means a parent corporation and its wholly owned subsidiary corporations, or corporations related through common ownership or control, with a person deemed owning or controlling a corporation only if the person owns or controls 100% of the corporation’s common stock with voting rights.

B. The words “lease” or “rental” shall not be construed to include any transfer of the possession or use of personal property meeting all of the following conditions:

- (1) both the lessor and the lessee are members of the same affiliated corporate group;

(2) the lease or rental price charged to the lessee by the lessor represents only an expense or cost allocation between the parties and not the generation of any profit for the lessor; and

(3) The lessor is leasing the property and previously has paid the tax either to its lessor of the property or directly to the department.

C. In the case of a lease or rental of personal property meeting all of the conditions of paragraph B of this section, no lease or rental between or among members of the affiliated corporate group shall be deemed to have occurred; rather, the property shall be deemed to have been acquired on behalf of the entire affiliated corporate group as a single entity and the lease or rental price charged between or among the members shall be deemed merely cost or expense allocations and not charges for the lease or rental of personal property.