

Local Hotel Operators' Occupation Taxes are generally outside of the jurisdiction of the Illinois Department of Revenue and are administered by the municipality imposing the tax. See 65 ILCS 5/8-3-14 . (This is a GIL.)

December 7, 2015

Dear Xxxxx:

This letter is in response to your letter received July 13, 2015, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I have a taxing question regarding non-for-profit hospitals. I know these types of business entities are exempt from sales and property taxes once they are granted non-for-profit status. However, I was wondering if it is legal for a municipality to institute an excise tax similar to a municipal hotel room tax. My idea would be to institute a room tax on hospital patients residing outside the zip codes that serve the municipality in question. That way the city's burden of providing police, fire, and certain public works services would be equally spread across all patients served by the hospital in question. I appreciate your review of this idea as I was unable to determine from your website if non-for-profit status exempts a business entity from all forms of taxes. You can email your reply or a written reply can be sent to me.

Thanks in advance for your help on this matter.

**DEPARTMENT'S RESPONSE:**

Local Hotel Operators' Occupation Taxes are generally outside of the jurisdiction of the Illinois Department of Revenue and are administered by the municipality imposing the tax. See 65 ILCS 5/8-3-14. A municipality seeking to impose such a tax should consult with its local State's Attorney's Office about the legal implications of imposing such a tax on hospital patients living outside the

municipality. Section 8-11-6a of the Illinois Municipal Code also provides some guidance on what taxes a municipality is preempted from imposing as well as taxes a municipality is not preempted from imposing. (65 ILCS 5/8-11-6a) The sales tax exemption number (“E number”) issued to a hospital under the Retailers’ Occupation Tax Act and Use Tax Act (See 35 ILCS 120/2-5(11) and 35 ILCS 120/2-9) evidences only that the Department recognizes the hospital as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of its organizational purpose and that the hospital is allowed to engage in a very limited amount of retail selling without incurring Retailers’ Occupation Tax liability. See 86 Ill. Adm. Code 130.2005. I am unable to speak to the impact of a property tax exemption.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Samuel J. Moore  
Associate Counsel

SJM:mdb