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Automobile Renting Occupation and Use Tax

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 (IDOR), and
- keeping complete and accurate books and records for all rentals and purchases.

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 writing 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.

Taxpayer Bill of Rights

You have the right to call the Illinois Department of Revenue (IDOR) 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 IDOR notices by asking questions, paying the amount due, or providing proof to refute IDOR's findings.

You have the right to appeal IDOR 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, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

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

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

For information or forms, visit IDOR's website at: tax.illinois.gov

Contents

Legal References..... 3

Registration Information

Who must register for Automobile Renting Occupation and Use Tax? 3
If I am just starting my business, what do I do to register? 3
How do I activate a MyTax Illinois logon? 3
How will I know that I have successfully registered? 3
What if my certificate is lost, damaged, or destroyed? 4
What if I change the location of my business? 4
What if I discontinue my business or one of my locations or
change my business structure? 4
Who do I contact if I have questions about registration? 4

General Information and Requirements for Businesses who File Form ART-1

On what rentals must I collect and pay the Automobile Renting Occupation and Use Tax? 5
What are some common types of transactions that are exempt from this tax? 5
What records are required to support a deduction taken on my tax return for an
exempt transaction? 5
Is tax due on a vehicle that I sell from my rental inventory? 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
How are my tax rates determined? 6
How can I find out what tax rates I should be collecting? 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
What records must I keep about the rental transactions I make? 6
What books and records must I keep? 6
Must I maintain my books and records on paper? 6
How long must I keep books and records? 6
Are there any other requirements regarding books and records? 6

Forms and Filing Information

What form must I use to report Automobile Renting Occupation and Use Tax? 7
How do I file my Form ART-1? 7
Must I file Form ART-1 even if I have no rental receipts to report? 7
When are my return and tax payment due? 7
What if I do not file and pay by the due date? 7
Is there an incentive for paying the tax that I have collected on time? 7
What if I make a mistake on my Form ART-1? 7

Legal References

Statutory - **35 ILCS 155/1 to 155/4**

Regulatory - 86 Ill. Adm. Code Parts **180** and **190**

Registration Information

Who must register for Automobile Renting Occupation and Use Tax?

(See 86 Ill. Adm. Code Parts 180 and 190.)

You must register for Automobile Renting Occupation and Use Tax if you lease or 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.

Note: The Automobile Renting Occupation and Use Tax does not apply to any amounts paid or received for peer-to-peer car sharing, as defined in Section 5 of the Car-Sharing Program Act (**815 ILCS 312/Act**), or the privilege of sharing a shared vehicle through a car-sharing program, as defined in Section 5 of the Car-Sharing Program Act, if the shared vehicle owner paid tax upon the purchase of the automobile.

If I am just starting my business, what do I do to register my account?

Register with IDOR electronically using **MyTax Illinois**:

If you are not already registered with IDOR, select “Register a New Business (Form REG-1)” and complete the registration application.

If you choose to register using the paper application, complete and sign Form REG-1, Illinois Business Registration Application, allow 6-8 weeks for processing and submit it via email, fax, or mail to:

CENTRAL REGISTRATION DIVISION 3-222

ILLINOIS DEPARTMENT OF REVENUE

PO BOX 19030

SPRINGFIELD IL 62794-9030

Fax: 217 785-6013

Email: rev.crd@illinois.gov

For detailed information about registering your account, see **Publication 113, Retailer’s Overview of Sales and Use Tax**.

How do I activate a MyTax Illinois logon?

Once your business is registered, you can activate your MyTax Illinois logon. Please allow 24 hours from your registration confirmation email before activating a logon for MyTax Illinois. To activate a logon for a business, select the taxpayer ID type. You can use one of the following options to validate the activation:

- Owner/Officer or Responsible Party Social Security Number
- PIN previously issued by IDOR (used for certain electronic filing methods, such as Webfile and third-party tax software, separate from MyTax Illinois)
- Account Activity validation

This activation process is to help ensure only individuals who are authorized by their organization are allowed to gain access to a business’s tax information.

Once you have activated your MyTax Illinois logon, if you are a Corporation, S-Corp, Partnership, or LLC organization type and are registered for other tax accounts, you can register for the ART-1 or other new tax types through your existing MyTax Illinois logon by selecting “More...” and then selecting “Register for New Tax Accounts.”

Sole proprietorships can only register for new tax accounts by selecting “Register a New Business (Form REG-1)” and completing Form REG-1, Illinois Business Registration Application, on the MyTax Illinois home screen.

How will I know that I have successfully registered?

We will issue you a Certificate of Registration (Certificate) when you register for the Automobile Renting Occupation and Use Tax. You are required to have this Certificate if you engage in the business of selling tangible personal property. This Certificate is your permit to engage in the business of renting items subject to Automobile Renting Occupation and Use Tax. It lists your Account ID, your business name, address, the effective date, the tax for which you are registered, and the date the Certificate will expire.

MyTax Illinois is the primary method you should use to obtain and print or download a copy of your Certificate of Registration. From your MyTax Illinois logon, the Certificate of Registration is located by selecting "View more account options" in the ART-1 panel and then "View Account Letters" in the "Letters and Messages" panel. If you are unable to print or download a copy of your business's Certificate of Registration, you can also contact our Central Registration Division by email at rev.crd@illinois.gov or phone at 217 785-3707 to request a paper copy be mailed to you.

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 at mytax.illinois.gov. You can also contact our Central Registration Division to request a new certificate.

What if I change the location of my business?

If you change the location of your business or, if you are a multiple location filer and one of your locations changes, you can update your registered locations on your ART-1 account using MyTax Illinois. 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 IDOR to ensure that we allocate the tax you collected to the proper jurisdiction.

What if I discontinue my business or one of my locations or 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.

In addition, you must update your registration information with IDOR. MyTax Illinois allows you to close your existing business, register a new one, and to maintain your existing locations on your ART-1 account. You can also contact our Central Registration Division or send us a completed paper **registration form** depending on the change or update needed.

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.

Form CBS-1 must be filed with IDOR at least ten (10) days prior to the sale date or it will not be processed. See **86 Ill. Adm. Code 130.1701** for more information.

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. If you cannot find an answer, you can email IDOR from the Taxpayer Answer Center. You also can email our Central Registration Division at rev.crd@illinois.gov or call us at **217 785-3707**.

General Information and Requirements for Businesses who File Form ART-1

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

(See 86 Ill. Adm. 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 Ill. Adm. Code Section 180.101(b). The Automobile Renting Occupation Tax rate on automobile rentals is 5 percent (.05). See 86 Ill. Adm. Code Section 180.101(a).

In addition, if you are an out-of-state business maintaining a place of business in the State that rents these items 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 Automobile Renting Use Tax rate is 5 percent (.05). See 86 Ill. Adm. Code Section 190.101(a). See "How can I find out what tax rates I should be collecting?" on the next page for additional information.

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

(See 86 Ill. Adm. Code 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 IDOR, 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 **ST-9-LSE, A Guide for Reporting Sales Using Form ST-556-LSE, Transaction Return for Leases**.

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

(See 86 Ill. Adm. Code 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.

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**.

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.

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.

How can I find out what tax rates I should be collecting?

To verify your tax rates go to the **MyTax Illinois Tax Rate Finder**. If you file your return using MyTax Illinois, your rates will be populated for you for each registered location.

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

If you rent an automobile from an automobile renter authorized to collect Illinois Automobile Renting Use Tax, you must pay the tax to that rentor. However, Illinois law requires you to pay Automobile Renting Use Tax when you rent a motor vehicle and you did not pay Illinois Automobile Renting Use 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.

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 books and records must I keep?

(See **86 Ill. Adm. Code 130.801 through 130.825.**)

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.

Must I maintain my books and records on paper?

(See **86 Ill. Adm. Code 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 Ill. Adm. Code 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 IDOR 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.

Forms and Filing Information

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 or leases.

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.

How do I file my Form ART-1?

You can file Forms ART-1 and ART-2 electronically using **MyTax Illinois**. These forms are also available on our website at **tax.illinois.gov** and can be printed and mailed to the following address:

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

If you are unable to use MyTax Illinois and cannot obtain the forms from our website, please contact us using the contact information below to request paper forms be mailed to you. You may also request forms using IDOR's **Forms Ordering page**, available on our website at **tax.illinois.gov**.

Do not mail this return in combination with any other type of return. Also, do not send a paper form if you have already submitted your return using MyTax Illinois.

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 you have receipts to report. You may file a "zero" return.

When are 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: Any time a due date falls on a weekend or holiday, we adjust the due date to the next business day.

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

If you do not file your Form ART-1 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 penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes.

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

Yes. If you file your Form ART-1 and pay the tax on time, you are allowed to take a discount. For more information on the applicable discount rate, see Form ART-1 Instructions.

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, 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 original return using MyTax Illinois, you can amend your return using that system. Paper amended forms also are available on our website at tax.illinois.gov.

Contact Information: Visit our website at **tax.illinois.gov**.

For specific phone number and email contacts see our **Contact Us** page.

Call us at **1 800 732-8866, 217 782-3336, or 1 800 544-5304** (TTY).

Write us at Illinois Department of Revenue, PO Box 19001, Springfield, IL 62794-9001.

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

