

Persons engaged in the business of leasing tangible personal property at retail in Illinois are subject to State and local retailers' occupation tax on the gross receipts from leases of tangible personal property made in the course of business. (This is a GIL).

June 10, 2026

NAME
TITLE
COMPANY
ADDRESS

Dear NAME:

This letter is in response to your letter dated April 13, 2026, in which you requested 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 <https://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.

INQUIRY:

Background

Our client (the "Applicant") respectfully requests a written interpretation of Illinois tax law from the Illinois Department of Revenue pursuant to 2 Ill. Adm. Code 1200.120. The Applicant is engaged in the business of renting and leasing commercial semi-trailers to transportation and logistics companies. The Applicant maintains a nationwide fleet of approximately 90,000 trailers that are registered in multiple jurisdictions and operate throughout the United States.

Historically, Illinois treated lessors of such property as the "end-users," imposing tax up-front on the purchase price. However, with the enactment of Public Act 103-592 (effective January 1, 2025), Illinois has transitioned to a "lease-stream" tax for many types of tangible personal property. The Applicant seeks to clarify how this new regime interacts with their interstate semitrailers.

Question Presented

1. Does the new "lease-stream" tax imposed by P.A. 103-592 apply to "semitrailers" as defined in Section 1-187 of the Illinois Vehicle Code?
2. For vehicles subject to the new lease-stream tax (e.g., trailers that are not semitrailers), does the tax apply if the unit is registered under IRP in a base jurisdiction other than Illinois?
3. For vehicles subject to Illinois Use Tax at the time of purchase, may the Applicant claim a credit under 35 ILCS 105/3-55 for sales or use tax paid to other states, and how should that credit be applied when the other state's tax is based on registration, first use, or situs?

Discussion

The Retailers' Occupation Tax Act imposes a tax on persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption.¹ Complementing this tax, the Illinois Use Tax is imposed on the privilege of using, in this State, tangible personal property purchased at retail from a retailer, regardless of the location of the sale.² Together, these taxes comprise what is commonly referred to as Illinois "sales tax."

Illinois generally treats leases of tangible personal property as continuing sales, with tax imposed on the lessor as the user of the property, unless a specific statutory exception applies. With respect to vehicles, Illinois law provides that the lessor is considered the user of the vehicle and is therefore subject to Use Tax. Although the tax is legally imposed on the lessor, it is customary for the lessor to pass the tax through to the lessee as a

¹ 86 Ill. Adm. Code 130.101.

² 86 Ill. Adm. Code 150.101.

reimbursement of costs. This tax may be collected up front at lease inception, capitalized into the lease, or recovered through periodic lease payments.

Under the Retailers' Occupation Tax Act, as amended by P.A. 103-592, a lease is now generally considered a "sale at retail." Informational Bulletin FY 2025-15 clarifies that this change does not apply to items required to be titled or registered with an Illinois agency, specifically citing semitrailers (as defined in 625 ILCS 5/1-187) as exempt from the lease-stream tax. The Applicant seeks confirmation that for its semitrailers, the tax treatment remains unchanged: the lessor is the user, tax is due up-front on the purchase price, and lease receipts are not taxable. Conversely, the Applicant seeks to confirm if "trailers" (other than semitrailers) are now subject to the lease-stream tax per FY 2025-17.

Moreover, the Applicant's trailers are used in interstate commerce and frequently travel in and out of Illinois. Many trailers are registered under the IRP, which allows commercial vehicles to be registered in a base jurisdiction while operating across multiple states without separate registration in each state. Other trailers may be registered directly in Illinois. The Applicant requests guidance on whether IRP registration in another state creates a presumption of "out-of-state use" that exempts the lease receipts from Illinois tax, even if the trailer physically enters Illinois. Absent such guidance, the Applicant is concerned that applying tax to all lease transactions involving trailers that merely transit Illinois could result in multiple taxation and an added administrative burden.

Finally, the Applicant seeks confirmation regarding the availability of credits for sales or use tax paid to other states with respect to the Applicant's semitrailers. Illinois law generally provides a credit against Illinois Use Tax for tax paid to another state.³ Given that the Applicant operates a nationwide fleet and may pay sales or use tax in other jurisdictions based on registration, first use, or situs rules, the Applicant requests clarification how such credits may be applied.

The Applicant respectfully requests the Department's written interpretation addressing the foregoing questions to ensure proper compliance with Illinois sales and use tax law. Clear guidance on these subjects would help the Applicant better understand its obligations and ensure that its tax compliance is handled correctly.

³ 86 Ill. Adm. Code 150.310.

DEPARTMENT'S RESPONSE:

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. In Illinois, Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales" tax in Illinois.

Effective January 1, 2025, persons engaged in the business of leasing tangible personal property at retail ("lessors") in Illinois are subject to State and local Retailers' Occupation Tax on the gross receipts from leases of tangible personal property made in the course of business. See 35 ILCS 120/2. A "lease" is defined as a transfer of the possession or control of, the right to possess or control, or a license to use, but not title to, tangible personal property for a fixed or indeterminate term for consideration, regardless of the name by which the transaction is called, but does not include a lease entered into merely as a security agreement that does not involve a transfer of possession or control from the lessor to the lessee. On and after January 1, 2025, for purposes of State and local retailers' occupation taxes, the term "sale" includes a lease. See 35 ILCS 120/1. This includes the extension of all exemptions from Retailers' Occupation Tax and Use Tax to leases. See 35 ILCS 120/2-5; 35 ILCS 105/3-5; and 35 ILCS 105/3-55. The tax applies to lease receipts received on or after January 1, 2025, for leases in effect, entered into, or renewed on or after that date. The lessor must remit for each tax return period the tax applicable to lease receipts received during that tax return period. See 35 ILCS 120/2.

The inclusion of leases in the tax imposed under the Retailers' Occupation Tax Act by Article 75 of Public Act 103-592 does not, however, extend to motor vehicles, watercraft, aircraft, and semitrailers, as defined in Section 1-187 of the Illinois Vehicle Code, that are required to be registered with an agency of this State. The taxation of these items continues as prior to January 1, 2025 (i.e., dealers owe retailers' occupation tax, lessors owe use tax, and lessees of these items are not subject to retailers' occupation or use tax). If the lessors already paid taxes in another state with respect to the acquisition of these specific vehicles, they would be exempt from Use Tax to the extent of the amount of such tax properly due and paid in such other state. See 86 Ill. Adm. Code 150.310(a)(3). Beginning January 1, 2025, the tax on leases does, however, extend to trailers that are not semitrailers as defined in Section 1-187 of the Illinois Vehicle Code and items that are required to be titled with an agency of this State but not required to be registered with an agency of this State, such as all-terrain vehicles ("ATVs") and off-road motorcycles.

"Semitrailer" is defined as "every vehicle without motive power, other than a pole trailer, designed for carrying persons or property and for being drawn by a motor vehicle and so constructed that some part of its weight and that of its load rests upon or is carried by

another vehicle.” 625 ILCS 5/1-187. All other trailers are subject to tax under Article 75 of Public Act 103-592. “Trailer” is defined as “every vehicle without motive power in operation, other than a pole trailer, designed for carrying persons or property and for being drawn by a motor vehicle and so constructed that no part of its weight rests upon the towing vehicle.” 625 ILCS 5/1-209. If a trailer meets the definition of a “semitrailer”, it is not subject to sales tax on lease payments beginning January 1, 2025. However, if the trailer meets the definition of a “trailer”, it is subject to tax on lease payments. The difference is whether the trailer is constructed so that no part of its weight rests upon the towing vehicle.

Sourcing

The lease of tangible personal property that is subject to the tax on leases is sourced as follows:

- i) For a lease that requires recurring periodic payments and for which the property is delivered to the lessee by the lessor, each periodic payment is sourced to the primary property location for each period covered by the payment. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location is not altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.
- ii) For all other leases, including a lease that does not require recurring periodic payments and any lease for which the lessee takes possession of the property at the lessor’s place of business, the payment is sourced as otherwise provided under this Act for sales at retail other than leases.

35 ILCS 120/2-12(5.5).

A lease requires recurring periodic payments if the lease agreement for the property provides for a fixed or indeterminate term and requires consideration to be broken into multiple payments due over the course of multiple return periods. If a lease agreement is fixed in duration and requires a single payment to be made in consideration for the lease of a specified item or items, the lease does not require recurring periodic payments

If a lease does not require recurring periodic payments or if the lessee takes possession of the property at the lessor’s place of business, pursuant to 35 ILCS 120/2-12(5.5), the payment is sourced as otherwise provided under the Retailers’ Occupation Tax

Act. Because the tax is imposed on the retail business of selling and not on specific sales, the jurisdiction in which the sale takes place is not necessarily the jurisdiction where the retailers' occupation tax is owed. Rather, it is the jurisdiction where the seller is engaged in the business of selling that can impose the tax. *Automatic Voting Machs. v. Daley*, 409 Ill. 438, 447 (1951).

Important to note, if tangible personal property is subject to the International Registration Plan (IRP), registration under IRP would not exempt leases of that tangible personal property from Illinois sales tax. As stated above, exemptions that are applicable under the Retailers' Occupation Tax and the Use Tax are also applicable to leases, which does not include IRP registration. Retailers must use the sourcing rules described in this letter to determine proper taxability for Illinois sales and leases. The Illinois Department of Revenue has created administrative rules that govern the sourcing of local retailers' occupation taxes. See, for example, 86 Ill. Adm. Code 270.115. The rules provide that:

The occupation of selling is comprised of "the composite of many activities extending from the preparation for, and the obtaining of, orders for goods to the final consummation of the sale by the passing of title and payment of the purchase price". *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321 (1943). Thus, establishing where "the taxable business of selling is being carried on" requires a fact-specific inquiry into the composite of activities that comprise the retailer's business. *Hartney Fuel Oil Co. v. Hamer*, 2013 IL 115130, paragraph 32 (citing *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321-22 (1943)). 86 Ill. Adm. Code 270.115(b)(2).

Some retailers are engaged in retail operations with selling activities in multiple jurisdictions within the State, or in jurisdictions located in more than one state. The selling activities that comprise these businesses "are as varied as the methods which men select to carry on retail businesses." *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321 (1943). Consequently, "it is...not possible to prescribe by definition which of the many activities must take place in [a jurisdiction] to constitute it an occupation conducted in [that jurisdiction] It is necessary to determine each case according to the facts which reveal the method by which the business was conducted." *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321-22 (1943); see also *Hartney Fuel Oil Co. v. Hamer*, 2013 IL 115130, paragraph 36. See, for example, 86 Ill. Adm. Code 270.115(b)(3).

A seller incurs Retailers' Occupation Tax in a given taxing jurisdiction if its predominant and most important selling activities take place in that jurisdiction. Isolated or limited business activities within a jurisdiction do not constitute engaging in the business of selling in that jurisdiction when other more significant selling activities occur outside the jurisdiction, and the business predominantly takes advantage of government services provided by other jurisdictions. *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 322- 23 (1943);

Hartney Fuel Oil Co. v. Hamer, 2013 IL 115130, paragraphs 30 through 35. See, for example, 86 Ill. Adm. Code 270.115(b)(5). The Department's regulations enumerate several "primary selling activities" and "secondary selling activities" to aid in this inquiry, which are listed at 86 Ill. Adm. Code 270.115(c)(1) and (4). "Primary selling activities" include:

- A) Location of sales personnel exercising discretion and authority to solicit customers on behalf of a seller and to bind the seller to the sale;
- B) Location where the seller takes action that binds it to the sale, which may be acceptance of purchase orders, submission of offers subject to unilateral acceptance by the buyer, or other actions that bind the seller to that sale;
- C) The location where payment is tendered and received, or from which invoices are issued with respect to each sale;
- D) Location of inventory if tangible personal property that is sold is in the retailer's inventory at the time of its sale or delivery; and
- E) The location of the retailer's headquarters, which is the principal place from which the business of selling tangible personal property is directed or managed. In general, this is the place at which the offices of the principal executives are located. When executive authority is located in multiple jurisdictions, the place of daily operational decision making is the headquarters.

See, for example, 86 Ill. Adm. Code 270.115(c)(1). If three primary selling activities occur in the same location, that is the jurisdiction where you are engaged in the business of selling. If the primary selling activities occur in multiple jurisdictions, but no individual jurisdiction has more than two primary selling activities, you must consider the listed secondary selling activities to determine the jurisdiction where you are engaged in the business of selling. "Secondary selling activities" include:

- A) Location where marketing and solicitation occur;
- B) Location where the seller engages in activities necessary to procure goods for sale;
- C) Location of the retailer's officers, executives or employees with authority to set prices or determine other terms of sale if

determinations are made in a location different than that identified in subsection (c)(1)(A);

- D) Location where purchase orders or other contractual documents are received when purchase orders are accepted, processed or fulfilled in a location or locations different from where they are received;
- E) Location where title passes; and
- F) Location where the retailer displays goods to prospective customers, such as a showroom.

See 86 Ill. Adm. Code 270.115(c)(4).

Every retailer in this State must determine the taxing jurisdictions where it is engaged in the business of selling with respect to each of its sales by applying the standards set forth in Section 270.115(c), except when a retailer is engaged in particular selling activities identified by a statute that specifies the taxing jurisdiction where retailers engaged in those activities shall remit retailers' occupation tax. See 86 Ill. Adm. Code 270.115(c). If you are engaged in any special selling activity where your remittance of retailers' occupation tax would be directed by statute rather than these rules, please refer to the applicable statute.

Except as provided in subsection (d), a retailer that is not engaged in the business of selling in a jurisdiction under subsection (c)(2) is engaged in the business of selling in the jurisdiction where its inventory is located under subsection (c)(1)(D), or where its headquarters is located under subsection (c)(1)(E), whichever jurisdiction is the location where more selling activities occur, considering both primary and secondary selling activities. A retailer that is not engaged in the business of selling in a jurisdiction under subsection (c)(2) or (c)(5) is presumed to be engaged in the business of selling at the location of its headquarters absent clear and convincing evidence to the contrary. See 86 Ill. Adm. Code 270.115(c)(5) and (6).

For example, if a retailer is engaged in the business of leasing tangible personal property in the City of Chicago, then, if the lease of the tangible personal property is subject to the Chicago Personal Property Lease Transaction Tax, the lease is exempt from Illinois Retailers' Occupation Tax and locally imposed retailers' occupation taxes administered by the Illinois Department of Revenue, (i.e., Chicago's Home Rule Municipal Retailers' Occupation Tax, Cook County's Home Rule County Retailers' Occupation Tax Act, and the Regional Transportation Authority Retailers' Occupation Tax). If, however, the lease is not subject to Chicago's Personal Property Lease Transaction Tax, then it is subject to State and local retailers' occupation taxes. In that case, if the lease contract requires recurring

periodic payments and the tangible personal property is delivered to the lessee, then the rate of tax on each periodic payment is the rate in effect at the primary property location for each period covered by the payment. If the lease contract does not require recurring periodic payments, or if the tangible personal property is not delivered to the customer, then the rate of tax is determined by the State and local retailers' occupation tax rate in effect at the location where the primary selling activities occur as listed above (or as otherwise provided above if less than three primary selling activities occur in one location).

Moreover, with the inclusion of leases in the tax imposed under the Retailers' Occupation Tax Act and Use Tax Act by Public Act 103-592, lessees are now the end-users of leased tangible personal property and would be the party with Use Tax obligations for use in Illinois. However, to prevent actual or likely multistate taxation, the tax imposed by the Use Tax Act does not apply to the use of tangible personal property in Illinois by a nonresident individual and brought into Illinois by the individual for that individual's own use while temporarily within this State or while passing through this State. 86 Ill. Adm. Code 150.310(a)(1). This includes such activities as stopping for fuel, energy, food, or overnight lodging in Illinois.

I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at 800-732-8866.

Very truly yours,

A handwritten signature in black ink, appearing to read 'GE', is centered below the closing. The signature is fluid and stylized.

George L. Encarnacion, Jr.
Associate Counsel

GLE:sce