

Sales/Use/Indirect:

Illinois DOR Proposes Rule Changes Reflecting Taxation of Receipts from Leases and Rentals of TPP

Proposed Amended Rule 130.101, New Rule 130.102, New Rule 130.103, Amended Rule 130.110, Amended Rule 130.115, Amended Rule 130.201, Amended Rule 130.205, Amended Rule 130.210, Amended Rule 130.220, Amended Rule 130.305, Amended Rule 130.311, Amended Rule 130.330, Amended Rule 130.340, Amended Rule 130.350, Amended Rule 130.351, New Rule 130.454, Amended Rule 130.455, Amended Rule 130.1934, Amended Rule 130.1946, Amended Rule 130.1947, Amended Rule 130.1948, Amended Rule 130.1957, Amended Rule 130.2010, Amended Rule 130.2011, Amended Rule 130.2012, Amended Rule 130.2013, and New Rule 130.ILLUSTRATION E, Ill. Dept. of Rev. (5/16/25). The Illinois Department of Revenue (Department) proposed various amended and new administrative rules reflecting legislation enacted in 2024 [see H.B. 4951 (2024), and previously issued Multistate Tax Alert for more details on this 2024 legislation] that generally imposes Illinois sales and use tax upon certain leases of tangible personal property entered into or renewed on or after January 1, 2025. Under Illinois law, as of January 1, 2025, if a business leases or rents tangible personal property in the ordinary course of its business, it is considered a “retailer” subject to Illinois’ sales and use tax laws and must register with the Department and pay tax on its lease and rental receipts. Comments on these proposed rule changes are due no later than 45 days after their May 16, 2025 publication.

[URL: https://www.ilsos.gov/departments/index/register/volume49/register_volume49_20.pdf](https://www.ilsos.gov/departments/index/register/volume49/register_volume49_20.pdf)

[URL: https://www.ilga.gov/legislation/BillStatus.asp?DocNum=4951&GAID=17&DocTypeID=HB&LegId=152864&SessionID=112&GA=103](https://www.ilga.gov/legislation/BillStatus.asp?DocNum=4951&GAID=17&DocTypeID=HB&LegId=152864&SessionID=112&GA=103)

[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-illinois-fiscal-year-2025-state-budget-tax-highlights.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-illinois-fiscal-year-2025-state-budget-tax-highlights.pdf)

Note that a recently posted Department general information letter (ST 25-0012-GIL (3/14/25)) also addresses the imposition of Illinois sales and use tax on certain leases of tangible personal property entered into or renewed on or after January 1, 2025, including:

[URL: https://tax.illinois.gov/content/dam/soi/en/web/tax/research/legalinformation/letterulings/st/documents/2025/st25-0012-gil.pdf](https://tax.illinois.gov/content/dam/soi/en/web/tax/research/legalinformation/letterulings/st/documents/2025/st25-0012-gil.pdf)

1. Application of the “true object” test in determining whether a transaction is a retail lease transaction or a transfer by lease of tangible personal property incident to a sale of service;
2. If the true object of a transaction is the lease or rental of tangible personal property, how any service charges that are “inseparably linked to the lease or rental of the tangible personal property” are considered part of the lessor’s costs of doing business and are includable in the lessor’s taxable gross receipts; and
3. How to source retail leases and sales of services.

Please contact us with any questions.

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