

Chicago Personal Property Lease Transaction Tax Refund Opportunities



Real Tax Savings
Starts with Proper
Tax Planning

Contents

Overview: Software as a Service and its Taxability in the City of Chicago	2
Potential Refund Opportunities: Employee Location	2
Industries of Interest: Red Flags	3
Next Steps: We Are Here to Help.....	3

Overview: Software as a Service and its Taxability in the City of Chicago

As software has continued to develop over time, Chicago has taxed virtually all software used as a service (“SaaS”), including subscriptions and online versions, as well as cloud computing services provided to users located within the city. Although Illinois does not tax many subscriptions, online, or cloud-based products, Chicago applies a personal property lease transaction tax (“PPLTT”) to purchases of software and cloud-based products not taxed at the state level to a 9% lease tax rate.



SaaS-type services go by many names, including platform, desktop, and information as a service. Software use is deemed to occur at the location where the service is accessed. Therefore, the PPLTT applies to all charges for software accessed as a service in Chicago.

Potential Refund Opportunities: Employee Location

Along with the additional tax revenue opportunities changes in software have created, there also are areas for potential savings. For example, the Chicago PPLTT applies only to users accessing the service in Chicago. Most software companies tend to charge tax on the entire purchase based on invoice address.

Additionally, with increased remote work, the taxation of these purchases can fail to account for the large number of employees who may work outside the city limits. At a 9% tax rate, the savings for some businesses could be significant.

Industries of Interest: Red Flags

In short, there could be substantial refunds for companies that meet certain criteria, such as:

- Companies that are headquartered or have a large physical location in Chicago.
- 300 or more employees, with many located outside of Chicago.
- SaaS invoices billed to a company location in Chicago.
- Professional or other service firms (i.e., financial, banking, insurance, commercial real estate, law, accounting).

Although refund opportunities can vary depending on one's industry and location, Chicago businesses should consider reviewing SaaS purchases if the business has employees located outside Chicago, but invoices billed to a Chicago address.

Next Steps: We Are Here to Help

How to obtain refunds depends on your specific facts and circumstances. Once we determine what is purchased and where it is used qualifies for an exemption, we follow the refund process required in Chicago. Additionally, once the exempt purchases have been identified, taxpayers can update and exclude non-Chicago work location purchases to reduce their PPLTT prospectively.

Let us know if you have any questions or want more information. We are ready to assist you with your tax refund claims.

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right size
right solutions

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