

ALERTS AND UPDATES

Chicago Tax Law Update

November 29, 2010

Chicago taxpayers should take note of changes the city has made to its tax laws that will affect all city taxpayers. These changes include modifying the payment dates of estimated tax payments, expanding the Chicago hotel tax and narrowing the scope of the Chicago Employers' Expense Tax on Chicago employers. These changes all take effect on July 1, 2011, for fiscal years starting on that date, and are as follows:

Monthly or Quarterly Tax Payments: Chicago has amended its Uniform Revenue Procedures Ordinance to provide that monthly (or quarterly) tax payments or estimates now have to be filed by the 15th of the following month, rather than at the end of the following month—or otherwise be subject to penalty and interest. Because of the potential 5-percent penalty and 1-percent monthly interest rate, taxpayers may want to take care to ensure that the postmark of their payments comply with this new law.

Expanded Hotel Tax: Chicago has expanded its 3.5-percent Hotel Accommodations Tax to providers of accommodations of less than seven units and also vacation rentals. However, a vacation rental is limited to non-owner-occupied dwellings—and thus excludes dwellings that are the permanent residence or domicile of the owner where the owner is not absent more than 120 days in a 12-month period; other exceptions also apply. A vacation rental does not include a monthly lease of the premises for a monthly payment.

Chicago Employers: On the heels of this year's earlier two-year freeze of the amount of Employers' Expense Tax owed by Chicago employers, Chicago has now reduced the scope of its Employers' Expense Tax by limiting the \$4 monthly tax owed per employee or commission merchant hired to those paid at least \$4,300 per calendar quarter (from \$900 per quarter). This will eliminate most part-time minimum-wage employees from the employers' tax base.

For Further Information

If you would like more information on how this may affect your company, please contact [Stanley R. Kaminski](#), any other [member](#) of the [State and Local Tax Practice Group](#) or the lawyer in the firm with whom you are regularly in contact.

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