



Purpose:

To explain to hotel operators the deductions that are allowable under the hotel taxes collected by the Illinois Department of Revenue.

Objectives:

- To identify the hotel taxes that are collected by the Illinois Department of Revenue
- To identify who is responsible for paying the hotel taxes
- To identify allowable deductions under the hotel taxes
- To answer frequently asked questions regarding hotel tax deductions

General Information:

This publication explains the proper reporting of allowable deductions for the hotel taxes collected by the Illinois Department of Revenue (IDOR).

Throughout this publication, the term “hotel tax” refers to all IDOR-collected hotel taxes to which you are subject.

What hotel taxes does the IDOR collect?

The IDOR collects the following state and Chicago area hotel taxes on Form RHM-1, Hotel Operators’ Occupation Tax Return:

State tax

- Illinois Hotel Operators’ Occupation Tax (HOOT)

Chicago area taxes

- Metropolitan Pier and Exposition Authority (MPEA) Hotel Tax
- Chicago Municipal Hotel Tax (CMHT)
- Illinois Sports Facilities Tax (ISFT).

The IDOR does not collect any local hotel taxes other than the Chicago area taxes listed above. All other local taxes are paid directly to the local taxing authority.

Upon whom are these taxes imposed?

The state and Chicago area hotel taxes collected by the IDOR are imposed on persons in the occupation of renting, leasing, or letting rooms to the public for living quarters for periods of less than 30 days (i.e., hotel operators).

The HOOT is imposed on all hotel operators whose businesses are located in Illinois.

The CMHT and ISFT are imposed on hotel operators whose businesses are located in the city of Chicago.

The MPEA Hotel Tax is imposed on hotel operators whose businesses are located within the MPEA boundaries.

Depending on the location of your business, you may be subject to one or more of these hotel taxes.

What deductions are allowable under these taxes?

You may take the following deductions on Form RHM-1:

- local hotel tax paid directly to a local jurisdiction and not collected by the IDOR
- receipts from permanent residents
- receipts from foreign diplomats
- receipts from student housing not applicable to hotels
- receipts associated with display rooms, public rooms, sampler rooms, meeting rooms, dressing rooms for swimming pools, offices, and private dining rooms
- receipts from the sale of food and beverages
- receipts from the use of a telephone
- receipts associated with barber shops, laundry services, vending services, ticket sales, valet parking, garage rent, promotions, photos, magazines, and sundries

- room adjustment charges, allowances, and discounts
- bad debts and uncollectables
- intracompany sales
- refunds

Each of these items is deductible under all IDOR-collected state and Chicago area hotel taxes.

If an item is not listed above, it most likely is not an allowable deduction on Form RHM-1.

Note: Receipts from the sale of food and beverages, prepaid phone cards, barber shop services, laundry services, vending services, promotions, photos, magazines, and sundries may be subject to Illinois Sales Tax.

Are receipts from “no shows” deductible on Form RHM-1?

No. When a guest becomes liable for paying a charge to rent a room, the receipts from the rental are subject to hotel tax, regardless of whether the person actually occupies the room.

Do I include all hotel taxes I collected on Form RHM-1, Line 1, Total receipts?

Yes. You must include all state, Chicago area, and local hotel taxes you collected in your total receipts on Form RHM-1, Line 1.

If you collected a local hotel tax, you may deduct that tax on Line 2, Local tax deduction, because you pay it directly to the local jurisdiction. You may not deduct the amount you collected for the MPEA Hotel Tax, CMHT, or ISFT on Line 2.

Who is a “permanent resident?”

A permanent resident is a person who has the right to occupy any room in a hotel for at least 30 consecutive days.