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May 15, 2023

VIA EMAIL

Senator Donald P. DeWitte
Illinois Department of Revenue Director David Harris

Re: COST Supports S.B. 2201 – Conform Tax on Illinois Lease Transactions with Other States

Dear Senator DeWitte and Director Harris:

On behalf of the Council On State Taxation (COST), I am writing to support S.B. 2201, which would change Illinois sales taxation of leases to conform to the method used in all of Illinois' surrounding states where lease payments are taxed on the lease stream, and not on the purchase price of the leased property. The only other outlier state is Maine, and we anticipate the introduction of legislation in that State to provide the same conformity as sought with this bill.

About COST

COST is a nonprofit trade association consisting of over 500 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. COST has a significant number of members that own property, have employees, and have lease transactions impacted by this legislation in Illinois.

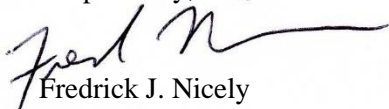
Uniform Taxation of Leases in Illinois Will Improve Compliance

S.B. 2201 changes the State's sales tax imposition from the purchase price of a leased item to the payments made during the lease stream, which is the periodic amount billed to lease an item. Taxing the lease stream is a uniform practice used by every other sales tax state except Illinois and Maine. Illinois' current tax imposition method causes problems for multistate lessors, particularly lessors that operate close to the borders of Illinois. This requires multistate lessors to maintain two sets of inventory (Illinois and non-Illinois) to avoid the tax problems caused by the different way Illinois taxes leases (as compared to its surrounding states). S.B. 2201 would eliminate this problem.

Conclusion

We encourage the Illinois Legislature to enact S.B. 2201. Please let me know if COST can provide further assistance.

Respectfully,



Fredrick J. Nicely

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director