



INFORMATIONAL BULLETIN

■ Ground Transportation Tax and Metropolitan Pier & Exposition Authority Airport Departure Tax

TO: Ground Transportation Providers

The purpose of this Informational Bulletin is to discuss the application of the Ground Transportation Tax and the Metropolitan Pier & Exposition Authority Airport Departure Tax, including the issue of how trips that cross state lines will be treated under each of the taxes.

1. The Ground Transportation Tax (GTT)

Scope of the tax.

Subject to certain exemptions discussed in this bulletin, the GTT is imposed by the City of Chicago (City) on all persons engaged in the occupation of providing ground transportation vehicles for use in the City. (Municipal Code (Code) § 3-46-030(A)).

Rate of the tax.

The rate of the tax is a flat amount for each day that a ground transportation vehicle is used in the City to provide ground transportation: (a)

\$3.00 for taxicabs; (b) \$3.50 for vehicles, other than taxicabs, with a seating capacity of 10 or fewer passengers; (c) \$6.00 for vehicles with a seating capacity of 11 to 24 passengers; and (d) \$9.00 for vehicles with a seating capacity of more than 24 passengers. (Code § 3-46-030(B)).

In determining the applicable rate, it is presumed that the seating capacity of a vehicle is the seating capacity designated by the vehicle's manufacturer. (§ 3-46-030(B)(2)).

Exemptions.

In accordance with federal law, the GTT includes an exemption for the use of a vehicle (other than a taxicab) for "the transportation of a passenger traveling in interstate commerce by motor carrier." (See § 3-46-060(B); 49 U.S.C. § 14505). In general, this means that ground trips that carry passengers across the Illinois state line are treated as exempt interstate trips. See Tri-State Coach Lines, Inc. v. Metropolitan Pier and Exposition Authority, 315 Ill. App. 3d 179 (1st Dist. 2000). There is an exception, however, for trips that take place solely

within Chicago's "commercial zone," an area that extends 20 miles beyond Chicago's municipal limits. See 49 C.F.R. § 372.233(b).¹ This means that a trip taking place solely within the commercial zone is not exempt, even if it crosses the Illinois state line.

If a trip crosses the Illinois state line and begins or ends outside the commercial zone (or, in the case of a round trip, extends beyond the commercial zone), then it is exempt. The fact that such a trip also includes the pick-up or drop-off of a passenger within the commercial zone will not change the trip from exempt to taxable. However, if the same vehicle makes a separate trip that is taxable, then the full amount of the GTT will apply for that day, because the tax is a flat amount for each day that a taxable trip is made. For these

¹ This area includes the following municipalities in northwest Indiana: Dyer, East Chicago, Gary, Griffith, Hammond, Highland, Merrillville, Munster, Schererville and Whiting. Upon request, the Department of Revenue will confirm for taxpayers whether or not specific other locations are also within the commercial zone.

purposes, two trips will be viewed as separate unless they are both part of a single planned journey, such as a federally

authorized regular route or a charter route agreed to in advance by contract.

Here are some examples of how these rules work:

1. A vehicle takes passengers from Gary, Indiana (within Chicago's commercial zone) to downtown Chicago. The trip takes place solely within the commercial zone and is taxable, even though it crosses the Indiana-Illinois state line.
2. A vehicle takes passengers from Indianapolis, Indiana (outside Chicago's commercial zone) to downtown Chicago. The trip is exempt.
3. A vehicle takes passengers from Indianapolis to downtown Chicago, but it makes a stop along the way in Gary to pick up and/or drop off some passengers. The trip is exempt.
4. A vehicle takes passengers from downtown Chicago to Indianapolis and then returns them to downtown Chicago. The entire round trip is exempt, whether the return trip takes place that day or on a

different day.

5. A vehicle takes passengers from Indianapolis to downtown Chicago, where all of the passengers get out of the vehicle. In a separate trip, the vehicle then picks up passengers who are going from downtown Chicago to Rockford, Illinois. This second trip is taxable, as it does not cross state lines, so the full amount of the GTT is owed for the day.
6. A vehicle takes passengers from Gary through Chicago, makes no stops in Chicago, and ends its trip in Evanston. The trip is not taxable, as there is no pick-up or drop-off in Chicago.
7. A vehicle takes passengers from Gary to downtown Chicago, picks up and/or drops off some passengers in downtown Chicago, and travels on to Evanston, Illinois (within Chicago's commercial zone). The trip is taxable, as there is a pick-up and/or drop-off in Chicago, and the entire trip takes place within Chicago's commercial zone.
8. A business provides federally authorized regular route service from Indianapolis to downtown Chicago, with stops along the way. If the business, as a part of this regular route service, ordinarily carries passengers across the Illinois state line from outside Chicago's commercial

zone, so that the trips are ordinarily exempt, the Department of Revenue will, as an administrative convenience, treat all such trips as exempt, even if on an occasional trip no passengers get on until the vehicle is inside the commercial zone.

In applying the interstate exemption discussed above, the Department of Revenue reserves the right to scrutinize the operations of a given business to ensure that reported trips are for legitimate business purposes, as opposed to sham operations designed to avoid taxation.

The GTT also includes exemptions for: (a) a vehicle that is operated by a not-for-profit organization, to the extent that it is used solely for the purposes for which the organization is dedicated (§ 3-46-060(C)); and (b) a vehicle that is provided to a not-for-profit organization or to a governmental body, to the extent that (1) the vehicle is used solely for the purposes for which the organization is dedicated or for governmental purposes and (2) the applicable consideration is billed to and paid directly by the not-for-profit organization or the governmental body and not by any of the passengers (§ 3-46-060(D)). The GTT further includes an exemption for

ground transportation vehicles that transport students to or from school-related activities or events. (§ 3-46-060(A)).

Books and Records.

Every person required to pay the tax must keep accurate books and records, including original source documents and books of entry, denoting transactions that gave rise, or may have given rise, to any tax liability, exemption or deduction. (§ 3-46-080(A)). Thus, for example, all businesses must keep trip logs or similar records showing the number of days their vehicles were used in the City and the details of each trip, such as the identity of the vehicle, pick-up locations and drop-off locations. Where a vehicle is licensed in the City, it will be presumed that the vehicle was used in the City on every day of any period for which no accurate books were kept as required. (§ 3-46-080(B)). For such a vehicle, in order to avoid taxation for a given day, it is required that records affirmatively show that the vehicle was not used in the City on that day - for example, repair records, records showing vacation days, or records showing that all trips took place outside the City.

2. **The Metropolitan Pier & Exposition Authority Airport Departure Tax (MPEA Tax)**

Scope of the tax.

The MPEA Tax is imposed by the MPEA on all persons, other than a governmental agency, engaged in the business of providing ground transportation to passengers for hire. (MPEA Ordinance § 1-3). Through an intergovernmental agreement, the Department of Revenue collects this tax for the MPEA. (MPEA Ordinance § 1-14).

The tax is imposed on each departure from a commercial service airport in the City (O'Hare or Midway) with passengers for hire. (MPEA Ordinance § 1-3). This includes departures not only to destinations in Illinois but also to destinations in other states. See Tri-State Coach Lines, Inc. v. Metropolitan Pier and Exposition Authority, 315 Ill. App. 3d 179 (1st Dist. 2000).

Airport departures involving a charge are taxable, even where the passengers are employees, customers or trainees of airlines or other airport businesses. Airport departures from any point within the geographical boundaries of the airport are

taxable, including departures that originate at hotels or other business establishments located within the airport, provided that the vehicle then departs the airport itself.

Rate of the tax.

The rate of the tax, for each airport departure, is: (a) \$2.00 for a taxi or livery vehicle; (b) \$9.00 for a bus or van with a capacity of 1-12 passengers; (c) \$18 for a bus or van with a capacity of 13-24 passengers; (d) \$27 for a bus or van with a capacity of over 24 passengers; and (e) \$1 per passenger for a bus or van operated by a person regulated by the Illinois Commerce Commission or by the Interstate Commerce Commission or its successor agencies, operating scheduled service from the airport, and charging fares on a per passenger basis. As with the GTT, in determining the applicable rate, the Department of Revenue will presume that the seating capacity of a vehicle is the seating capacity designated by the vehicle's manufacturer.

Books and Records.

As with the GTT, every person required to pay the tax must keep accurate books and records, including original source documents and books of entry, denoting transactions that

gave rise, or may have given rise, to any tax liability, exemption or deduction. Thus, for example, all businesses must keep trip logs or similar records showing the number of departures from the airports and the details of each trip, such as the identity of the vehicle. Also, all businesses should keep their copies of airport access permits, and all access permits must contain complete and accurate information. Furthermore, all businesses whose tax liability is measured by the number of passengers (those in rate category "e" above) must also keep canceled passenger tickets and/or other records showing the number of passengers on each trip and the pick-up locations of any passengers picked-up outside the airports. Specific types of records that must be kept for each rate category are listed in Section 1-10(D) of the MPEA Ordinance.

Questions?

If you have questions or need more information, please write or call us. Our address and telephone numbers are:

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