

Hotel & Rental Car Surcharge for Youth Employment

Hotel & Rental Car Surcharge: The City currently receives revenue from two hotel taxes and three rental car taxes/fees.

Background

The City receives revenue from two hotel-specific taxes¹:

- The hotel accommodations tax of 4.5%, which is controlled and administered by the City with revenues flowing into the City's corporate fund.
- The municipal hotel operators' occupation tax of 1%, which is controlled and administered by the State, with a share distributed to the City. These distributions from the State flow into the City's special events and hotel operators' occupation tax fund, and can be used only to fund the promotion of tourism and cultural and recreational activities in Chicago.

The City receives revenue on automobile rentals from three sources²:

- The motor vehicle lessor tax, which is \$2.75 per vehicle per rental period and is controlled and administered by the City with revenues flowing to the City's corporate fund.
- The personal property lease transaction tax which is 9% of all taxable lease charges and is controlled and administered by the City with revenues flowing to the City's corporate fund.
- The municipal auto rental occupation and use tax which is 1% on taxable rental charges and controlled and administered by the State with revenue distributed to the City.

Revenues from these taxes are impacted by tourism as well as trends in the broader economy. Additional information on the revenue history for these taxes can be found on pages 15, 17, and 28 of the 2015 Annual Financial Analysis.

Revenue Impact

In 2014 the City received \$100.4 million in revenue from the City's hotel accommodation tax and \$21.2 million from the municipal hotel operators' occupation tax. It is estimated that a \$1 per room per day surcharge could generate between \$10 million and \$12 million in annual revenue.

In 2014 the City received \$6.4 million in revenue from the motor vehicle lessor tax and \$4.1 million from the municipal auto rental occupation and use tax. It is estimated that a \$1 per vehicle per day surcharge could generate between \$7 million and \$10 million in revenue, whereas increasing the current motor vehicle lessor tax of \$2.75 per vehicle per transaction by \$1.00 would generate an estimated \$2 million in additional revenue.

¹ In addition to the two taxes discussed in this document, hotel rental in Chicago is also subject to the following: the Illinois Sports Facilities Authority Hotel Operator's Tax, the Metropolitan Pier and Exposition Authority (MPEA) Hotel Tax, and the State of Illinois Hotel Tax. The effective hotel tax rate in the city is 16.4%.

² In addition to the taxes discussed in this document, automobile rental in Chicago is also subject to the following: State of Illinois Automobile Renting Occupation and Use Tax and the Metropolitan Pier and Exposition Authority (MPEA) Automobile Renting Occupation and Use Tax. The effective automobile rental rate in the City is 21% plus \$2.75 per rental transaction.

Legal Authority

The City has the authority to increase its hotel accommodations tax and its personal property lease tax, and revenue from these taxes may be used for general operational purposes and City services, including youth employment programs.

Other Cities

The below comparisons to other cities take into account the full tax rate applied, including all taxing bodies (state, county, etc).

2014 Hotel rental tax rates in other cities

City	Total Rate
New York City	17.88%
Houston	17.0%
Chicago	16.39%
San Francisco	15.55%
Las Vegas	12.9%
Orlando	12.5%

2014 Car rental tax rates in other cities

City	Total Rate
Chicago	24.91%
Las Vegas	20.1%
New York City	19.88%
Houston	15.0%
Orlando	10.07%
San Francisco	8.5%