

## Real Property Lease Tax

**Real Property Lease Tax:** The City does not currently impose a tax on the leasing of real property.

### Background

Real property leases fall into four general categories: Commercial, Industrial, Retail, and Residential. The table below shows occupied space and total annual rent by lease type.<sup>1</sup>

	Occupied space	Average monthly rent	Total Annual Rent
Commercial (sqft)	188 million square feet	\$27/sqft	\$5 billion
Industrial (sqft)	176 million square feet	\$5/sqft	\$.8 billion
Retail (sqft)	122 million square feet	\$21/sqft	\$2.5 billion
Residential (units)	555,000 units	\$866/unit	\$5.8 billion

### Revenue Impact

A 0.5% tax on all leases could generate \$23 million from residential leases, \$20 million from commercial leases and \$56 million in total revenues. A 2.25% tax on all leases could generate \$104 million from residential leases, \$90 million from commercial leases and \$254 million in total revenues.

The table below shows total annual rent and the impact of these two tax rates on potential revenue for the City.

	Total Annual Rent	.5% Lease Transaction	80% Collection Rate (.5% tax)	2.25% Lease Transaction	80% Collection Rate (2.25% tax)
Commercial	\$5,025,503,781	\$25,127,519	\$20,102,015	\$13,073,835	\$90,459,068
Industrial	\$818,802,006	\$4,094,010	\$3,275,208	\$18,423,045	\$14,738,436
Retail	\$2,495,779,666	\$12,478,898	\$9,983,119	\$56,155,042	\$44,924,034
Residential	\$5,767,560,000	\$28,837,800	\$23,070,240	\$129,770,100	\$103,816,080
<b>Total</b>	<b>\$14,107,645,453</b>	<b>\$70,538,227</b>	<b>\$56,430,582</b>	<b>\$317,422,023</b>	<b>\$253,937,618</b>

### Legal Authority

In 1985, the City passed such a tax, and it was held invalid by a Circuit Court judge. The Circuit Court judge held that the City did not have the home rule authority to impose the tax, and he also held that it violated the Uniformity Clause of the Illinois Constitution, Art. IX Sec. 2. Such a tax might also be held to violate the requirements (a) that taxes upon real property shall be levied uniformly by valuation ascertained as the General Assembly shall provide by law and (b) that the rate of tax of the highest class of property in a county shall not exceed two and one-half times the rate of tax of the lowest class. Ill. Const. Article IX Section 4.

<sup>1</sup> Residential information is from the American Housing Survey by the U.S. Census, 2011. Commercial, Industrial, and Retail information is from CoStar.