**Section 125.110 Taxes Imposed**

a) Rental Purchase Agreement Occupation Tax

1) Beginning January 1, 2018, the RPOT *is imposed upon persons engaged in this State in the business of renting merchandise under a rental-purchase agreement in Illinois at the rate of 6.25% of the gross receipts received from the business.* [35 ILCS 180/10]

2) In computing RPOT liability, no deductions can be made by a merchant from gross receipts or rental prices on account of the cost of property rented, the cost of materials used, labor or service costs, incoming freight or transportation costs, overhead costs, processing charges, salesmen's commissions, interest paid by the taxpayer, or any other expenses whatsoever. Costs of doing business are an element of the merchant's gross receipts and are subject to the RPOT even if separately stated on the bill to the consumer.

3) *In the case of rental transactions in which the consideration is paid to the merchant on an installment basis, the amounts of such payments shall be included by the merchant in gross receipts or rent only as and when payments are received by the merchant.* [35 ILCS 180/5]

4) The RPOT is solely the responsibility of the merchant.

5) When trustees, receivers, executors, or administrators (whether appointed by a Federal or a State court), by virtue of their appointment, continue to operate, manage, or control a business and engage in the business of renting merchandise under lease terms of 4 months or less, they are liable for the RPOT.

b) Rental Purchase Agreement Use Tax

1) The RPUT *is imposed upon the privilege of using, in this State, merchandise which is rented from a merchant. Such tax is at the rate of 6.25% of the rental price paid to the merchant under any rental purchase agreement.*

2) The RPUT must *be collected from the consumer by a merchant maintaining a place of business in this State and remitted to the Department. Merchants shall collect the tax from consumers by adding the tax to the rental price of the merchandise. The* RPUT *shall, when collected, be stated as a distinct item separate and apart from the rental price of the merchandise.*

3) When the RPUT is not paid to a merchant it shall be paid to the Department directly by any person using such merchandise within this State. [35 ILCS 180/15]

c) How To Determine Effective Rate

RPOT liability is computed by applying to the gross receipts the tax rate in effect at the time a consumer takes possession of rented merchandise. Where a rate change takes effect during a consumer's possession, all rental receipts received from that consumer after the effective date of the rate change are subject to the new rate. If a consumer takes possession after a rate change in a rental transaction in which the merchant received rental receipts before the date of the rate change and the tax was paid on such receipts when received by the merchant at the rate in effect when the merchant received those receipts, no additional tax will be due or credit allowed because the consumer took possession after the effective date of the rate change.