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Hertz Corporation v. City of Chicago

Supreme Court of Illinois - January 20, 2017 - N.E.3d - 2017 IL 119945 - 2017 WL 243395

Car rental companies brought declaratory judgment actions against city, asserting that ruling by city's department of revenue as to tax on use of vehicles leased by city residents was unconstitutional.

The Circuit Court declared ruling facially unconstitutional and entered permanent injunction. City appealed. The Appellate Court reversed. Companies sought to appeal, which was allowed.

The Supreme Court of Illinois held that city department of revenue ruling regarding applicability of personal property tax to cars rented from agencies outside of city violated home rule article of state constitution.

Ruling had an extraterritorial effect, and therefore city department of revenue ruling determining that suburban car rental agencies located within three miles of city were responsible for paying tax on use of personal property within city borders unless lessee was exempt from paying tax based upon use of leased vehicle outside of city violated home rule article of state constitution. No part of the transactions took place within city's borders, and 100 percent of the cost of a car's rental was taxed even though ruling required that the car be driven in city for only 50 percent of the time to be subject to the tax.

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