

MEMORANDUM

DATE: April 20, 2026

TO: Michael Jacobson, President & CEO, Illinois Hotel & Lodging Association (IHLA)

FROM: Scott Guetzow, Partner

RE: Chicago Tourism Improvement District (CTID) Guidance

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Introduction

Effective May 1, 2026, the City of Chicago established the Chicago Tourism Improvement District (CTID) pursuant to City Council Ordinance 2026-0022544. The CTID imposes a 1.5% transaction charge on gross receipts from short-term lodging stays (30 days or less) at hotels with 100 or more rooms located within designated zip codes in downtown Chicago and surrounding areas (including portions of the Central Business District, South Loop, McCormick Place, Illinois Medical District, and Hyde Park). Hotels collect the CTID transaction charge and remit it to the City's Department of Finance for the benefit of Choose Chicago, the City's official destination marketing organization, to support enhanced tourism marketing, convention attraction, and related economic development initiatives. This memorandum provides guidance on the application of state and city tax principles to charges imposed under the CTID.

Questions Presented by the IHLA

This memorandum seeks to provide guidance in response to the four issues/questions presented below by the IHLA:

- **Overall taxability of the CTID transaction charge.**
- **Are reward stays subject to the CTID?**
- **Are flight crews qualifying as permanent residents exempt from CTID?**
- **Is the CTID assessed on various hotel fees?**

I. Overall taxability of the CTID Transaction Charge**a. Illinois Hotel Operators' Occupation Tax (HOOT)**

Taxes imposed and administered at the local level, including transaction charges associated with the CTID, are not subject to the Illinois Hotel Operators' Occupation Tax (HOOT) and must be excluded from the HOOT taxable base.

This treatment is supported by guidance issued by the Illinois Department of Revenue, including Form RHM-1 and its accompanying instructions. Form RHM-1, Step 1, Line 2, provides for a "Local tax deduction" in determining the HOOT taxable base. The instructions direct filers to "[e]nter the total of local hotel taxes paid directly to a local jurisdiction," excluding only specifically identified taxes (the Chicago Municipal Hotel Tax, Illinois Sports Facilities Tax (ISFT), and Metropolitan Pier and Exposition Authority (MPEA) Hotel Tax). The limited scope of these exclusions confirms that other locally administered hotel taxes and CTID charges are included within the deduction.

Accordingly, locally administered taxes, including CTID imposed charges, must be deducted from gross receipts prior to the calculation of HOOT liability. Such charges are not included in, and cannot be subject to, HOOT.

b. Chicago Hotel Accommodation Tax

The City of Chicago has advised that it will not impose its 4.5% Hotel Accommodations Tax on the 1.5% CTID charge. Moreover, the City indicated that the CTID transaction charge shall not be collected on charges that are otherwise exempt from the Chicago Hotel Accommodations Tax. The following example was provided by the City: “A hotel within the CTID has a transaction with sleeping room charges of \$1,000, and a 1.5% CTID transaction charge of \$15. They will charge the customer \$45 for the Chicago Hotel Accommodations Tax (\$1,000 * 4.5%).” The example shows that the Hotel Accommodations Tax and CTID charge are applied separately to the sleeping room charges and are not compound. Note that the “sleeping room” designation excludes CTID from being applied to meeting room and banquet room rental revenue.

c. Chicago Municipal Tax, Metro Pier and Exposition Authority Tax, and Illinois Sports Facilities Commission Tax

The City of Chicago has advised that existing taxes in effect (Chicago Municipal Tax, Metro Pier and Exposition Authority Tax, and Illinois Sports Facilities Commission Tax) should not be applied to the new 1.5% CTID transaction charge. Additionally, the 1.5% CTID charge should not be applied to any of the other pre-existing tax charges.

II. Applicability of CTID to Reward Stays

Reward stays are not subject to CTID. On August 23, 2013, the Illinois Department of Revenue issued General Information Letter ST 13-0043-GIL where they determined that the redemption of rewards points by a hotel guest is not generally subject to the Illinois Hotel Operators' Occupation Tax (HOOT). As such, reward stays are not assumed to be subject to the CTID charges either.

III. Treatment of Flight Crew Stays of 30 Days or More Under HOOT, the Chicago Hotel Accommodations Tax, and CTID

Under Illinois law, the permanent resident exemption excludes taxation receipts derived from occupancy by a person who has the right to occupy a room for 30 or more consecutive days. Where this standard is met, the occupancy is no longer treated as a taxable transient lodging transaction. As a result, such stays are exempt from the Illinois Hotel Operators' Occupation Tax (HOOT). This treatment applies equally to CTID charges. Where a stay qualifies for the permanent resident exemption, there is no assessable base upon which a CTID charge may be imposed.

For flight crew arrangements, this exemption is commonly satisfied where an airline or operator contracts for continuous occupancy rights (whether or not the same individual occupies the room each night) for a period of 30 or more consecutive days. In such cases, the hotel operator should treat the occupancy as exempt from HOOT. Because the exemption removes the transaction from the category of taxable hotel occupancy, the same treatment applies for CTID charges. An occupancy that is exempt from HOOT under the permanent resident rule is likewise exempt from CTID charges.

Hotel operators should ensure that appropriate documentation is maintained to substantiate qualification for the permanent resident exemption, including contractual terms establishing the right to continuous occupancy for the requisite period.

IV. Applicability of CTID to Hotel Fees and Ancillary Charges

CTID imposed hotel charges apply to amounts that constitute consideration for the actual short-term rental or occupancy of a hotel room. Charges that are properly characterized as part of the room rate or as a

condition of occupancy are generally subject to CTID, while amounts that are separate from the rental of the room are not.

In applying this standard, the critical distinction is between:

- 1) **lodging-related charges that are part of the consideration for occupancy**, and
- 2) **non-lodging or incidental charges**, even if incurred during a stay.

Lodging-Related Charges (Generally Subject to CTID): Charges that are required for, or directly modify, the guest's right to occupy the room are generally included in the taxable base. These may include:

- Destination and resort fees;
- Early check-in and late check-out fees (as extensions of occupancy);
- Mandatory pet fees when required as a condition of staying in the room;
- Other required surcharges which are inseparable from the room rental.
- Cancellation, attrition, and no-show fees¹

Non-Lodging or Incidental Charges (Generally Not Subject to CTID): Charges that do not constitute consideration for occupancy, even if connected to a guest stay, are generally not subject to CTID. These include:

- Food and beverage fees;
- Event tickets or admission fees;
- Smoking and damage fees;
- Sales or rentals of tangible personal property

(CTID Applicability by Revenue Category Table Immediately Follows)

¹ Illinois hotel tax statutes often employ a broad definition of "gross rental or leasing charge," which can include incidental or penalty-type amounts such as cancellation fees, attrition charges, and no-show fees, even where no occupancy occurs. This reflects a deliberate policy choice to prevent erosion of the tax base. While the CTID transaction charge is not a tax, but rather a self-assessed special charge, the City of Chicago has advised that the CTID charge will be applied to cancellation, attrition, and no-show fees viewing them as related to the right to occupy a guest sleeping room and which are similarly taxable under Chicago's Hotel Accommodations Tax.

CTID Applicability by Revenue Category (Interpretive Guidance)

Category	CTID Applies?	Reasoning / Recommendation
Base short-term room rental revenue (<30 days)	Yes	Core statutory base: 1.5% of gross short-term sleeping room rental revenue tied to occupancy.
State HOOT, Chicago Hotel Accom. Tax, MPEA Tax, ISF Tax amounts	No	State and City have confirmed that taxes are excluded from gross receipts. CTID applies only to underlying lodging revenue.
Reward / complimentary stays (points redemption)	No	The IDOR's General Information Letter ST 13-0043-GIL (8/23/2013) determined that the redemption of rewards points by a hotel guest is not generally subject to the Illinois Hotel Operators' Occupation Tax (HOOT). As such, reward stays are not assumed to be subject to the CTID charges either.
Flight crew stays \geq30 consecutive days	No	The permanent resident exemption excludes taxation receipts derived from occupancy by a person who has the right to occupy a room for 30 or more consecutive days. As a result, such stays are exempt from the Illinois Hotel Operators' Occupation Tax (HOOT). This treatment applies equally to CTID charges. Where a stay qualifies for the permanent resident exemption, there is no assessable base upon which a CTID charge may be imposed.
Destination / resort fees (mandatory, room-related)	Yes	Included where mandatory and inseparable from the charge for occupancy; treated as part of room-related revenue.
Early check-in / late checkout fees	Yes	Included as charges that extend or modify the guest's use of the room during an occupied stay.
Pet fees	Yes	Included where required as a condition of occupancy or otherwise directly tied to the room stay.
Food & beverage fees	No	Not sleeping room rental revenue; separate line of business.
Event tickets	No	Not related to room occupancy; separate transaction.
Smoking & damage fees	No	City advised CTID does not apply to smoking and damage fees because they are not currently subject to the Chicago Hotel Accommodation tax.
Sales of personal property	No	Retail transactions; not lodging revenue.
Cancellation / attrition / no-show fees	Yes	City advised CTID applies to these fees as they relate to the right to occupy a guest room and are similarly considered taxable under Chicago's Hotel Accommodations Tax.