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INSIGHTS & COMMENTARY

Jurisdiction: City of Chicago
Tax Type: Checkout Bag Tax
Issue: City of Chicago Imposes New Tax on Checkout Bags
Date: January 11, 2017

SYNOPSIS:

Beginning February 1, 2017, a Checkout Bag Tax ("Chicago Bag Tax") is imposed on the retail sale or use of checkout bags in the City of Chicago. The tax is imposed at the rate of $0.07 per checkout bag sold or used in the City. Checkout bags subject to the tax include paper or plastic carryout bags that are provided by a store to a customer for the purpose of carrying goods out of the store. However, the Chicago Bag Tax is not imposed on bags intended for use by customers inside a store such as bags used for produce, meat, flowers and baked goods. Additionally, the Chicago Bag Tax is not imposed on bags sold by the retailer for a price of at least $0.50 each or on bags used to carry items purchased pursuant to the Supplemental Nutritional Assistance Program or a similar governmental food assistance program.

The ultimate incidence and liability for payment of the tax is to be borne by the user. In most cases, the tax should be collected by each wholesaler who sells checkout bags to a store located in Chicago. If, however, a store located in Chicago receives checkout bags upon which the tax has not been collected, the store shall pay or remit the tax directly to the Department of Finance.

In the case of a checkout bag that is sold by a store to a customer, the tax should be separately stated on the receipt provided to the customer at the time of sale and identified as the "Checkout Bag Tax." In the case of a checkout bag that is given by a store to a customer, the store has the option to either: separately state the tax on the receipt provided to the customer, in which case the store shall collect the tax from the customer; or not separately state the tax on the receipt provided to the customer, in which case the store shall not collect the tax from the customer.

Every store that remits or pays the tax is eligible to retain $0.02 per checkout bag sold or used, resulting in a net remittance or payment of $0.05 per bag. Accordingly, the amount that a wholesaler should be collecting from a store and remitting to the Department should only be the net amount of $0.05 per bag, less any credit for exempt bags allowed (e.g. bags used for Supplemental Nutritional Assistance Program participants).

The tax is also due on any checkout bag inventory a retailer has on hand at the close of business day January 31, 2017. All Chicago retailers should have received a Floor Tax Return from the Department of Finance which must be filed by March 3, 2017.

As with other Chicago taxes, remittance of the tax is due on a monthly basis by the 15th of the following month and an annual return must be filed by August 15 for the prior July 1 – June 30.

INSIGHT:

This new tax impacts all retailers with a location in the City of Chicago and wholesalers selling to retailers in the City. Please contact us should you have any questions regarding the specifics or how this may impact your business please contact us.

CONTACT:

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