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## In Chicago, Taxing the Cloud Will Wait (Mostly) Until 2016

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The City of Chicago has [announced that it will be delaying the effective date](#) for its recent ruling under the Personal Property Lease Transaction Tax until January 1, 2016. [Personal Property Lease Transaction Tax Ruling #12](#) takes a broad view of how the 9 percent tax applies to cloud-based services. It was scheduled to come into effect on September 1, 2015, but after an outcry from the startup community, Chicago has pushed back the date on which it expects cloud-based providers to begin collecting and remitting tax. The additional time will allow the city to further consider potential exemptions for small businesses. Providers of information services, software as a service (SaaS), platform as a service (PaaS), and some forms of infrastructure as a service (IaaS) that have nexus with the city will now have until January 1, 2016, to begin collecting the tax. (See a detailed discussion of [Ruling #12 and its implications](#) in a previous post.) The delay could backfire for the city because taxpayers will now have more time to launch challenges to the tax.

Ruling #12 is only part of Chicago's two-pronged approach to taxing the cloud. The city had at the same time issued [Amusement Tax Ruling #5](#), which provides that charges for video streaming, audio streaming, computer game subscriptions and other forms of online entertainment, as well as temporary download rentals, are subject to the 9 percent Amusement Tax—not the Lease Transaction Tax. That ruling also was issued with a September 1, 2015, effective date. This effective date for the Amusement Tax Ruling has not been changed, and the city has indicated that no such extension is currently under consideration.

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