



ILLINOIS REVENUE

David Harris
Director





Presentation to

Taxpayers' Federation of Illinois 2025 Spring Meeting

May 7, 2025



Disclaimer

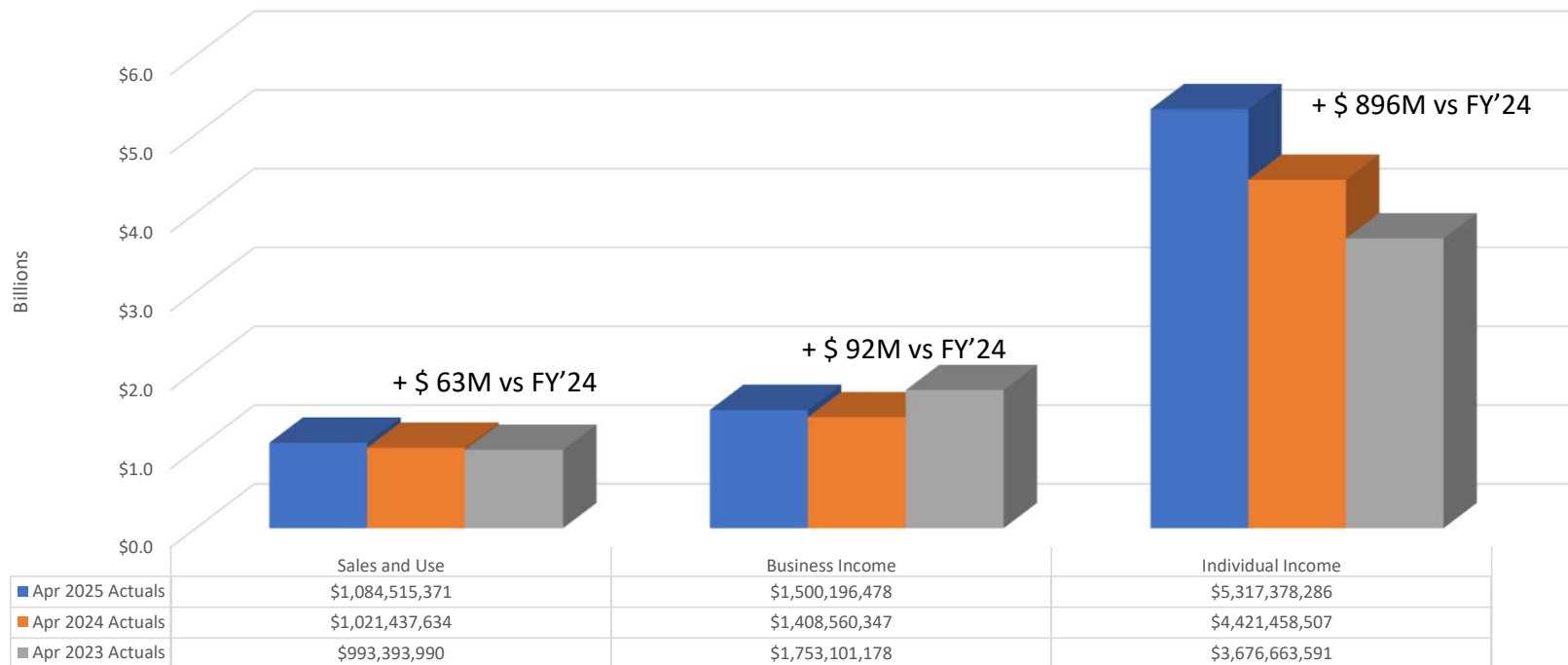
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IDoR Staff Present Today

- Jim Nichelson, Chief of Staff
- Bridget DiBattista, General Counsel
- Alexis Overstreet, Deputy General Counsel – Sales Tax

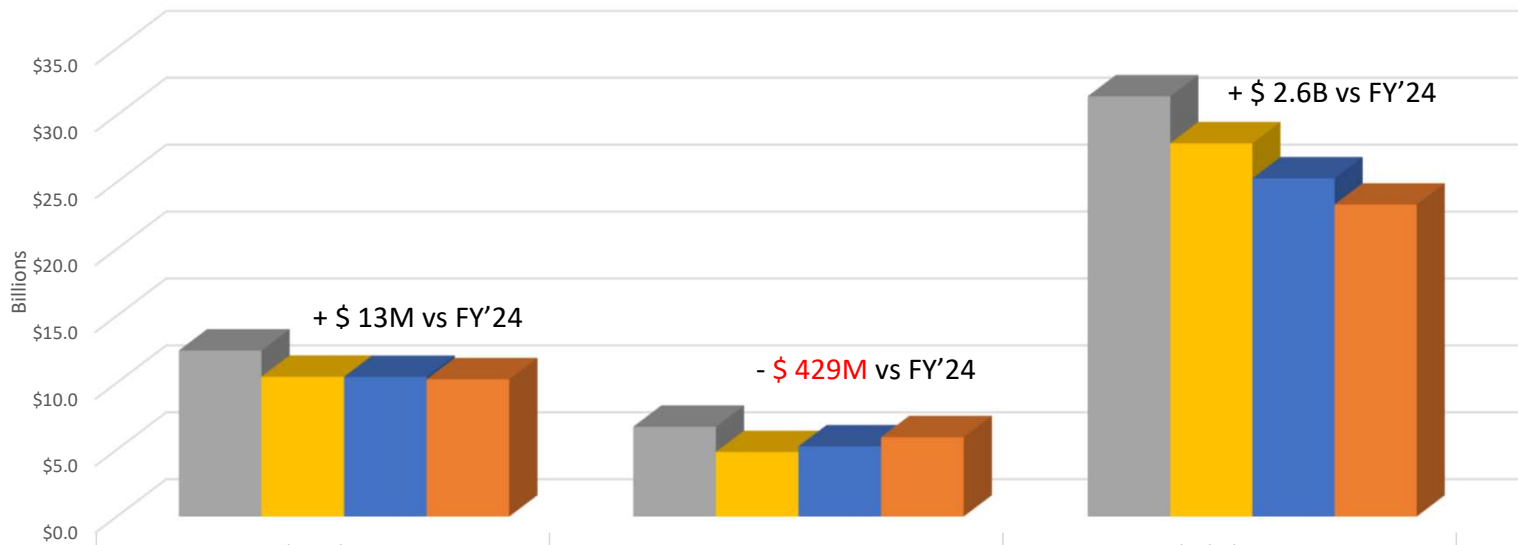
Big Three Tax Receipts (Gross): April FY'25 vs April FY'24 & April FY'23

April Sales and Income Tax Receipts



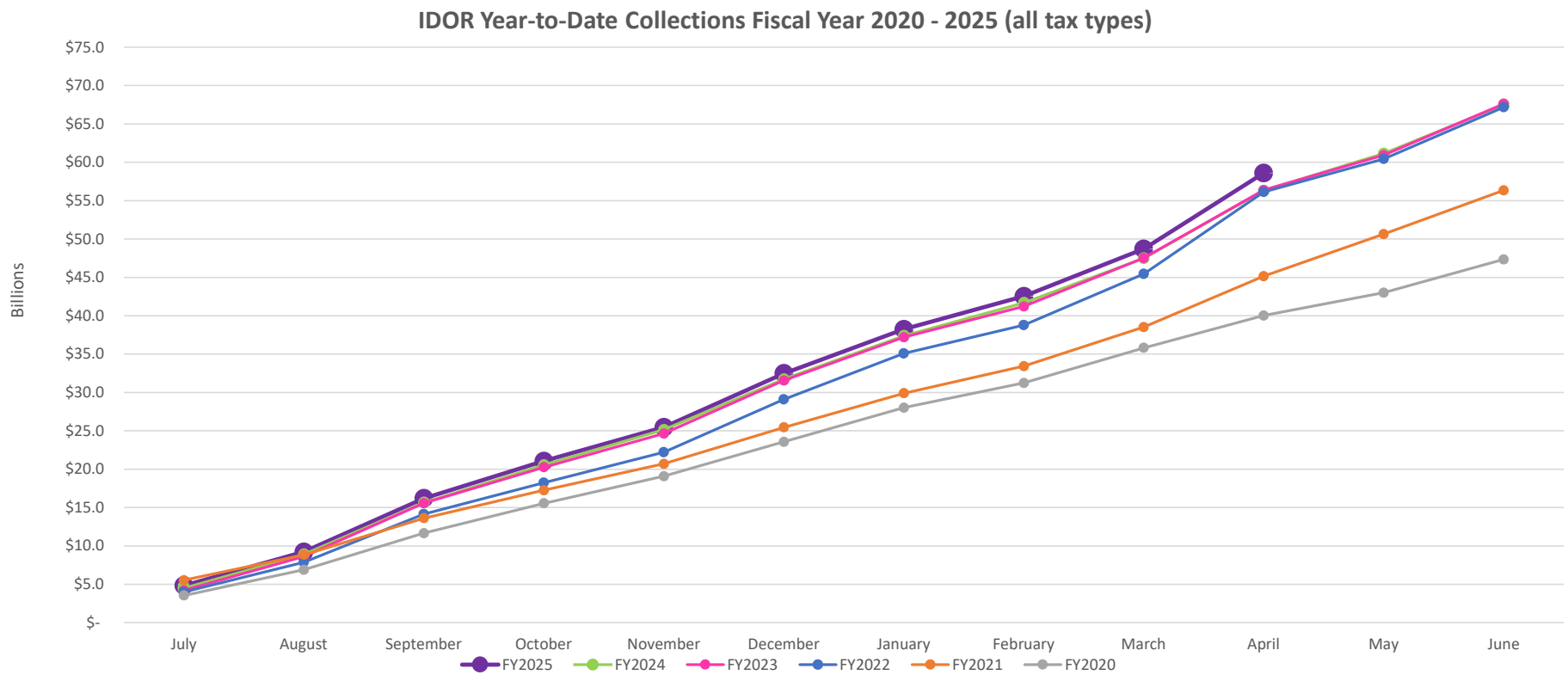
FY'25 Tax Receipts to Date – Big Three

Fiscal Year-to-Date (Jul-Apr) Sales and Income Tax Receipts



	Sales and Use	Business Income	Individual Income
■ FY25 Forecast (Gross)	\$12,408,000,000	\$6,714,900,000	\$31,410,000,000
■ FY25 YTD Actuals	\$10,454,737,794	\$4,823,860,807	\$27,906,349,019
■ FY24 YTD Actuals	\$10,441,176,924	\$5,252,925,338	\$25,276,211,332
■ FY23 YTD Actuals	\$10,259,552,237	\$5,938,217,985	\$23,315,467,828

Total Tax Collections - Historical



FY'25 Enacted General Funds Budget

(in Millions)

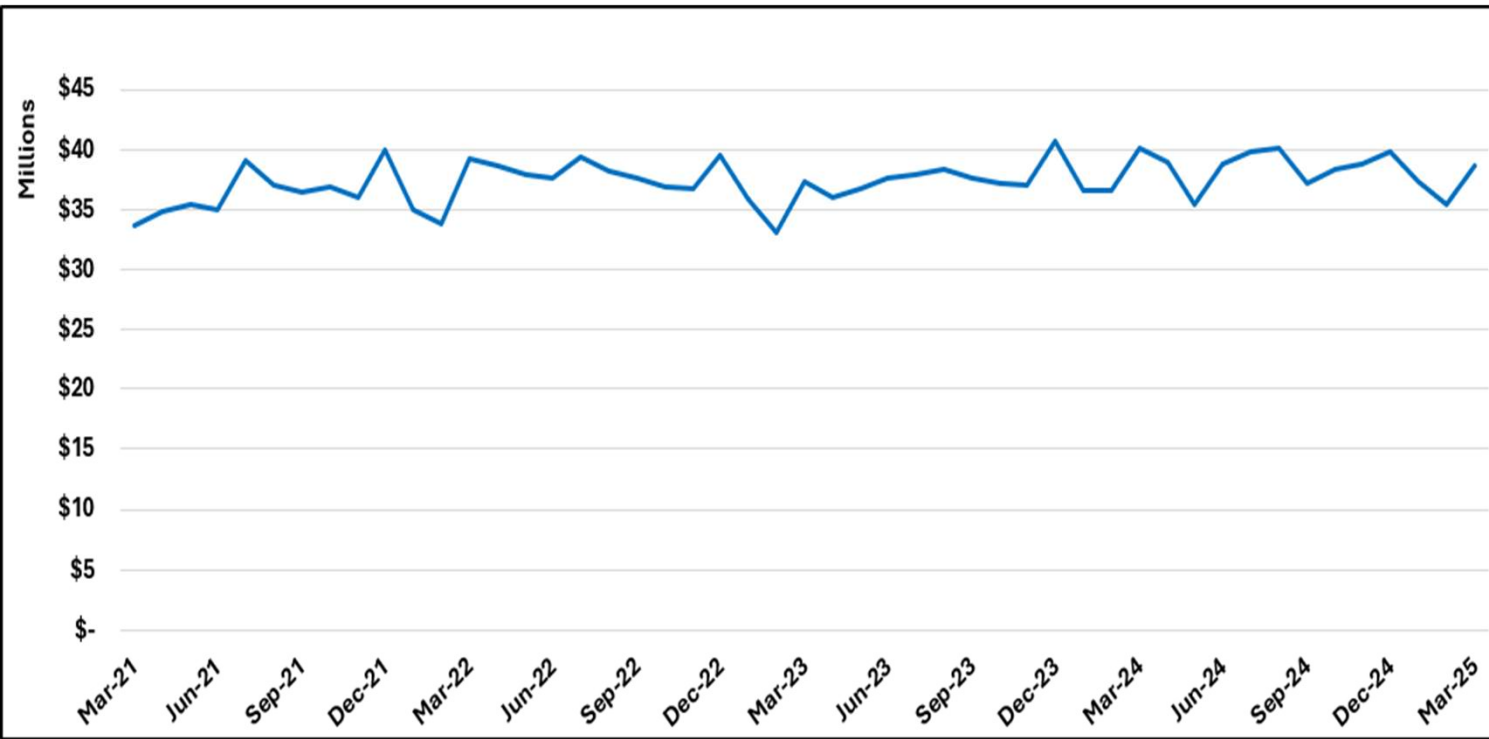
• Estimated Revenues:	\$53,281
• Estimated Expenditures:	<u>\$53,070</u>
• Surplus:	<u>\$ 211</u>
• Contribution to Budget Stabilization Fund:	<u>\$ 198</u>
• Adjusted Base Surplus:	<u>\$ 13</u>

FY'26 Proposed General Funds Budget

(in Millions)

• Estimated Revenues:	\$54,453
• Estimated Expenditures:	<u>\$54,234</u>
• Surplus:	<u>\$ 218</u>
• Contribution to Budget Stabilization Fund:	<u>\$ 154</u>
• Adjusted Base Surplus:	<u>\$ 64</u>

Cannabis Tax Receipts



Total Receipts by CY:

CY'20	\$ 191,526,635
CY'21	\$ 417,128,356
CY'22	\$ 450,463,951
CY'23	\$ 445,484,751
CY'24	\$ 460,347,774
CY'25	\$ 111,333,621

TOTAL \$1,965,731,848

Tax Revenues to Locals (to date):

MCAN : \$ 163,034,440
 CCAN : \$ 153,709,892

Gaming Tax Receipts

Non-IDoR Revenue Sources

Casino / Video Gaming Terminals / Lottery / Sports Wagering

	<u>Casino</u>	<u>VGTs</u>	<u>Lottery</u>	<u>Sports Wgng</u>
FY'17	\$ 475 million	\$ 360 million	\$ 738 million	
FY'19	\$ 454 million	\$ 478 million	\$ 735 million	
FY'21	\$ 152 million	\$ 657 million	\$ 786 million	\$ 57 million
FY'22	\$ 272 million	\$ 895 million	\$ 833 million	\$ 92 million
FY'23	\$ 306 million	\$ 959 million	\$ 872 million	\$ 142 million
FY'24	\$ 331 million	\$ 997 million	\$ 886 million	\$ 166 million

FY'24 Total: **\$2.09 Billion** (+ 4.8%) Source: COGFA "Wagering in Illinois" 2024 Update

Legal Updates

Bridget DiBattista
General Counsel

Alexis Overstreet
Deputy General Counsel

Litigation Update

PepsiCo, Inc. v. Dep't of Revenue, 2025 IL App (1st) 230913

- Held: “The dispute here centers on whether [Frito-Lay North America, Inc.] was properly excluded from PepsiCo’s unitary business group under the 80/20 rule. The answer turns on whether PepsiCo properly classified the expatriates as employees of [PepsiCo Global Mobility, LLC] [T]he evidence demonstrates that PGM was not the expatriates’ employer.”
- “[W]e believe that PepsiCo failed to demonstrate that it exercised ordinary business care and prudence when it formed PGM and then treated FLNA as an 80/20 company for purposes of calculating its Illinois state income taxes.”

Senate Bill 1956

Synopsis As Introduced

Amends the Illinois Income Tax Act. Makes changes in provisions concerning (i) an addition modification for interest paid, accrued, or incurred to a person who would be a member of the taxpayer's unitary business group but for the fact that the person is ordinarily required to apportion business income under different provisions of the Act and (ii) an addition modification for intangible expenses and costs otherwise allowed as a deduction in computing the taxpayer's base income that were paid, accrued, or incurred to a person who would be a member of the taxpayer's unitary business group but for the fact that the person is ordinarily required to apportion business income under different provisions of the Act. Effective immediately.

Senate Bill 1739

Synopsis As Introduced

Amends the Illinois Income Tax Act. Provides that, for the purpose of allocating gains and losses from sales or exchanges of shares in a Subchapter S corporation or from interests in certain partnerships, those gains and losses shall be allocated in proportion to the average of the pass-through entity's Illinois apportionment factor in the year of the sale or exchange and the 2 tax years immediately preceding the year of the sale or exchange. Provides that, if the pass-through entity was not in existence during both of the preceding 2 years, then only the years in which the pass-through entity was in existence shall be considered when computing the average.

Rulemakings

- Illinois Gives Tax Credit
 - Second Notice filed
- Amendments to 100.3405 and 100.9710 based on P.A. 103.592, Article 85 (statutory change to method by which financial organizations apportion investment income)
 - First Notice to be filed

Lease Tax - Common Questions

- Retail leases vs. transfers by lease as an incident of a sale of service
- Rentals as part of providing an amusement or renting space
- Sourcing

Lease Tax - Retail vs. Sales of Service

- True Object Test (Substance of the Transaction)
- Service Occupation Tax (SOT) Analysis:
 - SOT on separately stated selling price
 - SOT on 50% of the entire billing
 - SOT on cost price
 - Use Tax to supplier on cost price
- How do I calculate my cost price?
 - Cost of tpp transferred divided by its useful life multiplied by length of lease
 - \$5,000 dumpster / 5-year useful life = \$1,000/year cost price
 - \$1,000 / 12 months = \$83.33 / month

Lease Tax - Amusements and Rentals of Space

- True Object Test – true object is the amusement or rental of space
 - Invoice with separately stated charges:
 - Charges for the amusement or space are not subject to lease tax
 - Charges for the rental of equipment are subject to lease tax
 - Invoice with combined charges:
 - Amusement or space provider pays Use Tax to their supplier on all tangible personal property rented
- Examples: Golf courses, mini golf, karaoke, batting cages, conference rooms with audio equipment rental / seating rental / etc.

Lease Tax - Amusements and Rentals of Space

- True object is the tangible personal property
 - Is the service charge inseparably linked to the tangible personal property?
 - If yes, lease tax applies to total amount charged
 - If no, service charge is not subject to lease tax
- Inseparable Link exists when:
 - the service charges are not separately identified to the lessee on the contract or invoice **OR**
 - the service charges are separately identified on the contract or invoice, but no option offered to lease the property without the payment of service charges added to the lease price of an item (e.g., lessor does not offer the lessee the option to lease the item separately from the related service, or the lessor does not offer, or the lessee does not qualify for, a free service option).

Lease Tax - Sourcing

- Destination Sourcing
 - Recurring periodic payments; AND
 - Delivery of the item to the lessee
- Periodic Payments - lease agreement provides fixed or indeterminate term and requires consideration to be broken into multiple payments due over multiple return periods
- Sourcing for all other sales:
 - Retail leases - sourcing rules under the Retailers' Occupation Tax Act. See 86 Ill. Adm. Code 270.115.
 - Leases incident to sales of service – sourcing rules under Service Occupation Tax Act. See 86 Ill. Adm. Code 280.115.

Lease Tax – Non-Taxable/Exempt Transactions

- Rentals of Real Estate
- Rentals with Operators
- Enumerated Exemptions in P.A. 103-592
 - Licenses of Software
 - Tangible personal property subject to home rule tax on leases adopted prior to 2023

Lease Tax - Guidance

- Rules – First Notice will be published in the Illinois Register May 16, 2025
- FY 2025 - 15
- FY 2025 - 17
- Frequently Asked Questions
- General Information Letters
- Private Letter Rulings

Sales Tax on Tariffs

- IF the importer is the retailer – tariffs are part of the cost of doing business
 - Includable in gross receipts
 - Same if importer is a wholesaler
 - Same if listed as separate line item on invoice
 - Same if separately invoiced
 - Tax rate and exemption status follows the tangible personal property
- IF the importer is the end user – tariffs are not part of the selling price for Use Tax purposes
- See ST 25-0022-GIL

General Updates

- Non-home rule municipal sales tax – no referendum required
- Groceries
- ST-1 revisions for groceries
- Hotel Re-renters tax effective July 1, 2024



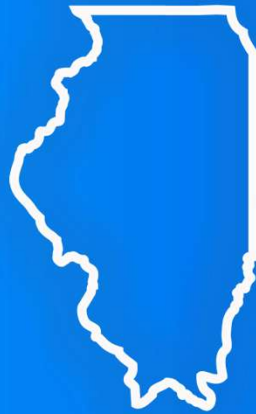
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