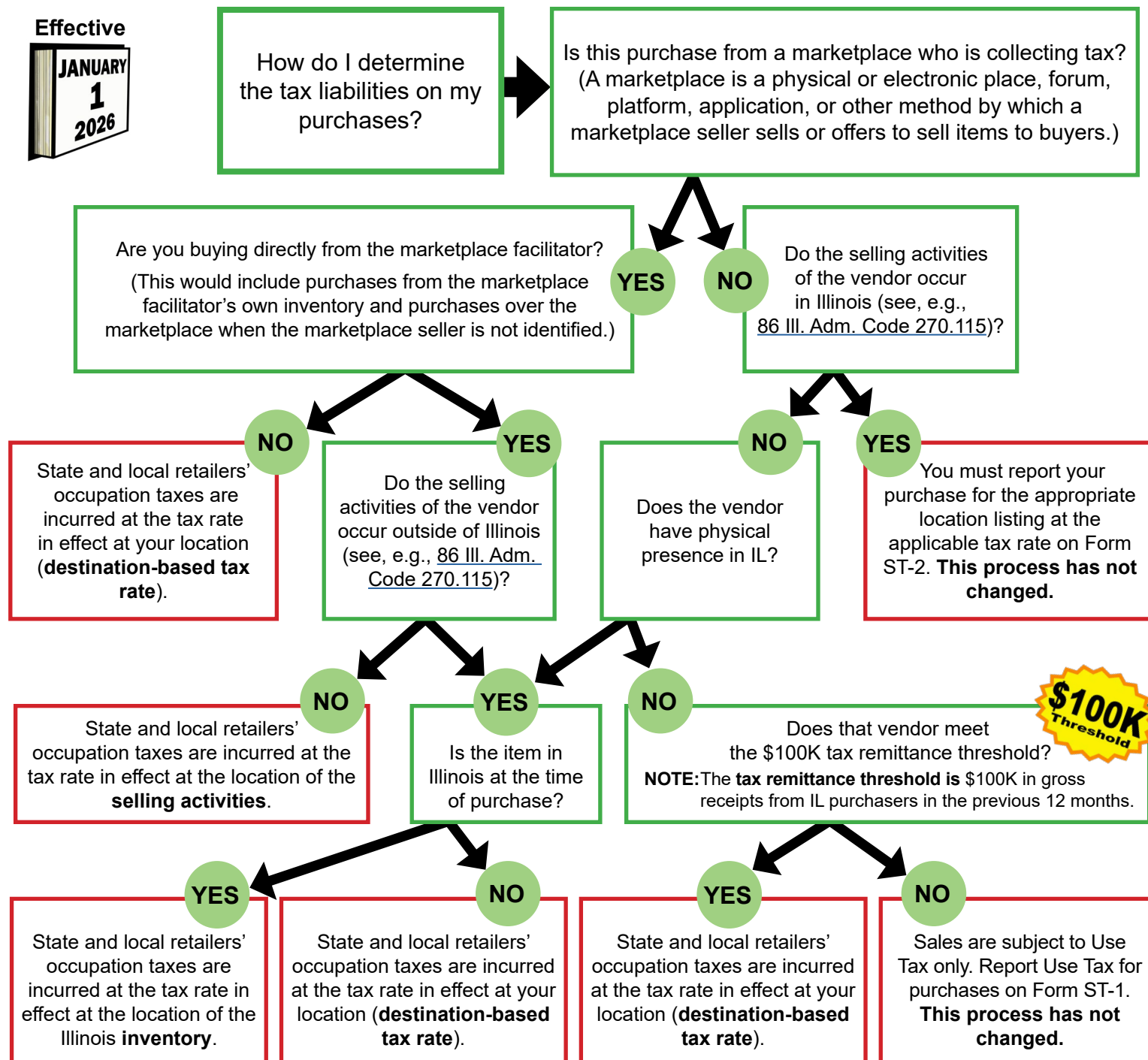


Direct Payment Permit Holder Tax Determination Flowchart

This flowchart only applies to taxpayers who hold a Direct Payment Permit (Form ST-46) making purchases in Illinois.

Effective



Illinois Department of Revenue

The **Direct Payment Program** is an arrangement between the Illinois Department of Revenue (IDOR) and taxpayers which represents a cost-saving alternative to traditional sales and use tax compliance methods. Direct Pay is a term often used interchangeably with Managed Compliance Agreement (MCA) or Single Use Tax Compliance Agreement (SUTCA). In Illinois, approval for a Direct Pay Permit involves a thorough review process, typical of a sales and use tax audit. The Direct Payment Program applies only to retailers' occupation tax, applicable local taxes, and use tax. IDOR's Audit Bureau administers the program and addresses all related inquiries.

Under this program, approved taxpayers receive a Direct Pay Permit (Form ST-46). Through established guidelines, a taxpayer is then allowed to purchase items without initially paying tax to their supplier(s) on these transactions. Instead, the permit holder performs a monthly determination of appropriate State and local taxes due on the cumulative transactions and remits directly to the Department on their own sales tax return. [\[35 ILCS 120/2-10.5\]](#)

The information in this document is current as of the effective date listed. The contents of this document are informational only and do not take the place of statutes, rules and regulations, or court decisions.

For questions regarding this flowchart, contact
REV.IllinoisDirectPaymentProgram@Illinois.gov

Definitions

“Marketplace” means a physical or electronic place, forum, platform, application, or other method by which a marketplace seller sells or offers to sell items [\[35 ILCS 120/1\]](#)

“Marketplace facilitator” means a person who, pursuant to an agreement with an unrelated third-party marketplace seller, directly or indirectly through one or more affiliates facilitates a retail sale by an unrelated third-party marketplace seller by:

1. Listing or advertising for sale by the marketplace seller in a marketplace, tangible personal property that is subject to tax under the Retailers' Occupation Tax Act (ROTA); and
2. Either directly or indirectly, through agreements or arrangements with third parties, collecting payment from the customer and transmitting that payment to the marketplace seller regardless of whether the marketplace facilitator receives compensation or other consideration in exchange for its services. A marketplace that provides functionality for connecting to a payment mechanism meets this requirement.

A person who provides advertising services, including listing products for sale, is not considered a marketplace facilitator, so long as the advertising service platform or forum does not engage, directly or indirectly through one or more affiliated persons, in the activities described in paragraph (2) of this definition of “marketplace facilitator”. [\[35 ILCS 120/1\]](#)

Marketplace facilitators meeting the tax remittance threshold are required to register with IDOR, file returns, and remit tax for all sales made through the marketplace to Illinois purchasers, including their own sales and sales made on behalf of marketplace sellers. A marketplace facilitator shall certify to each marketplace seller that the marketplace facilitator will:

1. Assume the rights and duties of a retailer under the ROTA and all applicable local retailers' occupation taxes administered by the Department with respect to sales made by the marketplace seller through the marketplace; and
2. Remit taxes imposed by the ROTA and all applicable local retailers' occupation taxes administered by the Department for sales made through the marketplace. [\[35 ILCS 120/2\(d\)\]](#)

“Marketplace seller” means a person that makes sales through a marketplace operated by an unrelated third-party marketplace facilitator. A person that is an affiliate of a marketplace facilitator is not a marketplace seller. [\[35 ILCS 120/1\]](#)

“ROT” or “Retailers' Occupation Tax” means the tax levied under the Retailers' Occupation Tax Act and all applicable local retailers' occupation taxes collected by IDOR in conjunction with the State retailers' occupation tax. [\[35 ILCS 185/5-10\]](#)

“Destination rate” means the total State and local retailers' occupation tax rate calculated for a sale using the rate in effect at the Illinois location to which the tangible personal property is shipped or delivered or at which possession is taken by the purchaser. [\[86 Ill. Adm. Code 131.155\]](#)

“Origin rate” means the total State and local retailers' occupation tax rate calculated for a sale using the rate in effect at the Illinois location at which the sales are determined to occur. [\[86 Ill. Adm. Code 270.115\]](#)

“Physical presence” in Illinois means having or maintaining within Illinois, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of business, or any agent or other representative operating within IL under the authority of the retailer, or its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily, or whether such retailer, or its subsidiary, is licensed to do business in Illinois. [\[35 ILCS 105/2 \(1\)\]](#)

For other forms of physical presence, see [35 ILCS 105/2 \(1.1\) and \(1.2\)](#).

“Tax remittance threshold” means the nexus standards used to determine tax collection obligations for remote retailers that meet the selling threshold but have no physical presence in the State. These standards are based on the Supreme Court case, South Dakota v. Wayfair, Inc., No. 17-494 (U.S. June 21, 2018) and are virtually identical to those upheld in the Wayfair decision. Beginning January 1, 2026, remote retailers that meet or exceed the threshold of \$100,000 or more in cumulative gross receipts from retail sales in the previous 12 months shall be liable for all applicable State and locally imposed retailers' occupation taxes administered by IDOR on all retail sales to Illinois purchasers. [\[86 Ill. Adm. Code 131.115\]](#)

Likewise, marketplace facilitators making retail sales in Illinois are subject to state and local ROT if the threshold of \$100,000 or more in cumulative gross receipts from retail sales are made to purchasers in Illinois through the marketplace by the marketplace facilitator and by marketplace sellers in the previous 12 months. [\[86 Ill. Adm. Code 131.135\]](#)

For further information and examples, see [86 Ill. Adm. Code 131](#).

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