

**Illinois Department of Revenue  
Regulations**

**Title 86 Part 100 Section 100.3450 Apportionment of Business Income of Transportation Companies (IITA Section 304(d))**

**Section 100.3450 Apportionment of Business Income of Transportation Companies (IITA Section 304(d))**

a) In General

- 1) *For taxable years ending prior to December 31, 2008, business income of a transportation company shall be apportioned to this State by multiplying that income by a fraction, the numerator of which is the revenue miles of the person in this State, and the denominator of which is the revenue miles of the person everywhere. (IITA Section 304(d)(1))*
- 2) *For taxable years ending on or after December 31, 2008:*
  - A) *Business income derived from providing transportation services other than airline services shall be apportioned to this State by using a fraction:*
    - i) *the numerator of which shall be:*
      - *all receipts from any movement or shipment of people, goods, mail, oil, gas, or any other substance (other than by airline) that both originates and terminates in this State, plus*
      - *that portion of the person's gross receipts from movements or shipments of people, goods, mail, oil, gas, or any other substance (other than by airline) that originates in one state or jurisdiction and terminates in another state or jurisdiction, that is determined by the ratio that the miles traveled in this State bears to total miles everywhere; and*
    - ii) *the denominator of which shall be all revenue derived from the movement or shipment of people, goods, mail, oil, gas, or any other substance (other than by airline) (IITA Section 304(d)(3)); and*
  - B) *Business income derived from furnishing airline transportation services shall be apportioned to this State by multiplying that income by a fraction, the numerator of which is the revenue miles*

*of the person in this State, and the denominator of which is the revenue miles of the person everywhere. (IITA Section 304(d)(4))*

b) Definitions

- 1) Miles Transported or Traveled. For purposes of determining the distance transported or traveled relative to the movement or shipment of people, goods, oil, gas or any other substance:
  - A) In the case of transportation by land, unless the taxpayer maintains specific records of miles or routes actually traveled by a vehicle in a particular trip, the miles transported or traveled is the standard distance in miles between the points of pickup and delivery. Distances may be rounded to the nearest mile.
  - B) In the case of transportation by water, unless the taxpayer maintains specific records of miles or routes actually traveled by a vessel in a particular trip, the miles transported or traveled is the standard distance in miles between the points of pickup and delivery. Distances may be rounded to the nearest mile.
  - C) In the case of transportation by pipeline, distances may be rounded to the nearest mile.
  - D) In the case of transportation by air, the miles transported in a flight is the air distance in miles on the most common route between the airports. Distances may be rounded to the nearest mile or tens of miles.
- 2) Revenue Mile. A "revenue mile" is:
  - A) *the transportation of one net ton of freight the distance of one mile for consideration;*
  - B) *the transportation of one passenger the distance of one mile for consideration;*
  - C) *the transportation by pipeline of one barrel of oil the distance of one mile for consideration;*
  - D) *the transportation by pipeline of 1,000 cubic feet of gas the distance of one mile for consideration; or*
  - E) *the transportation by pipeline of any specified quantity of a substance other than oil or gas the distance of one mile for consideration. (IITA Section 304(d)(1) and (4))*

- 3) In this State. A revenue mile or a mile traveled is "in this State" whenever the transportation occurs within the geographic boundaries of the State of Illinois.
  - A) In the case of interstate transportation by land, the revenue miles or miles traveled in this State are the miles determined under subsection (b)(1)(A) between the point or points where the route used in determining those miles intersect the Illinois border and the point, if any, in Illinois where the route begins or ends.
  - B) In the absence of evidence to the contrary, the number of miles of transportation within this State by a vessel operating on water that is not wholly within or without this State shall be 50% of the total number of transportation miles on that water.
  - C) In the case of interstate transportation by airline, the revenue miles in this State are the miles determined under subsection (b)(1)(D) between the point where the route used in determining those miles intersects the Illinois border and the airport in Illinois where the flight begins or terminates. Revenue miles in a flight that neither begins nor terminates in Illinois ("flyover miles") may not be included in the numerator. (Northwest Airlines, Inc. v. Department of Revenue, 295 Ill. App. 3d 889, 692 N.E.2d 1264 (1998), appeal denied, 179 Ill. 2d 589, 705 N.E. 2d 440.)
  
- 4) Gross Receipts from Furnishing Transportation Services by Airline and by Other Means. For taxable years ending on or after December 31, 2008, in a transaction in which the taxpayer transports a passenger or freight both by airline and by any other mode of transportation, the gross receipts from furnishing airline transportation services in the transaction shall equal the total gross receipts from the transaction times a fraction equal to the miles traveled by airline in the transaction divided by the total miles traveled in the transaction and the gross receipts from furnishing transportation services (other than by airline) shall equal the remaining gross receipts from the transaction; provided that:
  - A) the taxpayer may use any other reasonable method supported by its books and records for allocating gross receipts from the transaction between airline transportation and the other modes of transportation; and
  - B) if the miles traveled by airline equal more than 95% of the total miles traveled, the entire transaction is deemed to be transportation by airline.

- 5) Freight. "Freight" means any item, other than an individual passenger, that is transported for consideration.
- c) Computation of Apportionment Factor of a Transportation Company, other than for Furnishing Transportation Services by Airline, for Taxable Years Ending on or after December 31, 2008. For each taxable year ending on or after December 31, 2008, the *business income* of a transportation company shall be apportioned to Illinois by multiplying the company's business income by an apportionment factor equal to:
- 1) the sum of:
    - A) *the gross receipts from the provision of transportation services (other than transportation by airline) when the transportation service both originates and terminates in Illinois; and*
    - B) *the gross receipts from the provision of transportation services (other than transportation by airline) when the transportation service originates in one state or jurisdiction and terminates in a different state or jurisdiction, multiplied by the quotient of:*
      - i) *the miles traveled in this State in providing transportation services that originated in one state or jurisdiction and terminated in a different state or jurisdiction, divided by*
      - ii) *the total miles traveled in providing transportation services that originated in one state or jurisdiction and terminated in a different state or jurisdiction;*
  - 2) divided by the taxpayer's *total gross receipts from the provision of transportation services (other than transportation by airline)*. (IITA Section 304(d)(3))

EXAMPLE A: During its taxable year ending December 31, 2008, Transportation Company made the following trips transporting goods on behalf of its customers:

Trip:	Miles Traveled			Gross Receipts
	Outside Illinois	Within Illinois	Total	
Iowa to Minnesota	600	0	600	\$700
Iowa to Wisconsin	400	0	400	300
Iowa to Illinois	50	140	190	400
Iowa to Indiana	50	300	350	600
Iowa Intrastate	220	0	220	320
Illinois Intrastate	0	200	200	400

TOTALS	1,320	640	1,960	\$2,720
Less IA Intrastate	(220)	0	(220)	(\$320)
Less IL Intrastate	0	(200)	(200)	(\$400)
Interstate Totals	1,100	440	1,540	\$2,000

Based on the foregoing, Transportation Company's apportionment factor is 35.6985%, computed as follows:

#### ILLINOIS NUMERATOR

Trip:	Miles Traveled			Gross Receipts
	Outside Illinois	Within Illinois	Total	
Totals	1,320	640	1,960	\$2,720
Less Iowa Intrastate	(220)	0	(220)	(320)
Less Illinois Intrastate	0	(200)	(200)	(400)
Interstate	1,100	440	1,540	\$2,000
Illinois Intrastate Receipts				\$400
Illinois Interstate Miles		440		
Everywhere Interstate Miles		1,540		
Fraction IL/Everywhere Miles		28.5714%		
Interstate Receipts		\$2,000		
Illinois Share of Interstate Receipts				\$571
Numerator				\$971

#### DENOMINATOR

Total Receipts	\$2,720
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#### FACTOR

Numerator/Denominator	35.6985%
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The numerator is:

\$400 in gross receipts from the trip that both originated and terminated in Illinois, plus

\$571 Illinois portion of gross receipts from interstate trips. The \$571 Illinois portion of gross receipts from interstate trips is computed by multiplying the \$2,000 in total gross receipts from those trips by a fraction equal to the 440 miles traveled in Illinois in those trips divided by the 1,540 in total miles traveled during those trips. The 35.6985% factor is the \$971 numerator divided by the \$2,720 in gross receipts for all trips.

- d) **Transportation Companies Providing Transportation Services that use Different Measures for Apportioning Income.** For all taxable years, in cases in which a transportation company transports both passengers and freight or transports by pipeline and by other means, and in taxable years ending on or after December 31, 2008, in cases in which a transportation company provides transportation services by airline and by any other means, the company's apportionment fraction shall be determined by computing a separate apportionment fraction under subsection (a)(1), (a)(2)(A) or (a)(2)(B), whichever is applicable, for its air and surface transportation services, and for its passenger and freight transportation services within each type, and combining those separate fractions, weighted by:
- 1) *in the case of transportation by railroad, the transportation company's operating income from transportation of passengers and from transportation of freight, as reported to the Interstate Commerce Commission or the Surface Transportation Board; and*
  - 2) *in all other cases, by the gross receipts derived from the transportation services related to each separate fraction. (IITA Section 304(d)(1)(A) and (B) and (2)(A) and (B))*

**EXAMPLE A:** Taxpayer transports freight and passengers by railroad with total income of \$100. Taxpayer derived \$60 in operating income from transporting freight, \$30 in operating income from transporting passengers and \$10 in income from nontransportation activities. Taxpayer's apportionment fraction for its freight transportation business is 15% and its apportionment fraction for passenger transportation is 45%. Taxpayer's apportionment factor is 25%, computed as follows: 15% times (\$60/\$90) plus 45% times (\$30/\$90).

	Col A	Col B	Col C	Col D	Col E
Example:	Income	Operating Income	Apportionment Fraction	Weighting	IL Factor C times D
Transporting freight	\$60	\$60	15.00%	(60/90)	10.00%
Transporting passenger	\$30	\$30	45.00%	(30/90)	15.00%
Nontransportation receipts	\$10	\$0	0.00%	0	0.00%
Subtotals	\$100	\$90	~~	~~	25.00%

**EXAMPLE B:** Taxpayer transports freight by air and ground service for its taxable year ending June 30, 2009. Taxpayer uses trucks to provide its ground transportation services. Taxpayer has total gross receipts of \$1,600. Taxpayer derived \$600 from transporting freight by truck and \$1,000 from transporting freight by air. Using the gross receipts methodology set forth in subsections (a)(2)(A) and (c), Taxpayer's apportionment factor for its ground transportation services is 12%. Using the revenue miles methodology in subsection (a)(2)(B),

Taxpayer's apportionment factor for its air transportation service is 22%.  
 Taxpayer's apportionment factor is 18.25%, computed as follows: 12% times (\$600/\$1600) plus 22% times (\$1000/\$1600).

	Col A	Col B	Col C	Col D	Col E
Example:	Gross Receipts	Transportation Receipts	Apportionment Fraction	Weighting	IL Factor C times D
Transporting ground	\$600	\$600	12.00%	(600/1600)	4.50%
Transporting air	\$1000	\$1000	22.00%	(1000/1600)	13.75%
Nontransportation receipts	\$100	\$0	0.00%	0	0.00%
Subtotals	\$1700	\$1600	~~	~~	18.25%

(Source: Added at 39 Ill. Reg. 15594, effective November 18, 2015)