

Effective
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Direct Payment Permit Holder Tax Determination Flowchart

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



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

How do I determine the tax liabilities on my purchases?

Is this purchase from a marketplace who is collecting tax?
(A marketplace is a physical or electronic place, forum, platform, application, or other method by which a marketplace seller sells or offers to sell items to buyers.)

YES
Are you buying directly from the marketplace facilitator?
(This would include purchases from the marketplace facilitator's own inventory and purchases over the marketplace when the marketplace seller is not identified.)

NO
Do the selling activities of the vendor occur in Illinois (see, e.g., [86 Ill. Adm. Code 270.115](#))?

NO
State and local retailers' occupation taxes are incurred at the sales tax rate in effect at your location (**destination-based tax rate**).

YES
Do the selling activities of the vendor occur outside of Illinois (see, e.g., [86 Ill. Adm. Code 270.115](#))?

NO
Does the vendor have physical presence in IL?

YES
You must report your purchase for the appropriate location listing at the applicable tax rate on Form ST-2. **This process has not changed.**

NO
State and local retailers' occupation taxes are incurred at the tax rate in effect at the location of the **selling activities**.

YES
Is the item in Illinois at the time of purchase?

NO
Does that vendor meet a tax remittance threshold*? **\$100k or 200 Transactions**

* The tax remittance thresholds are:
• \$100K in gross receipts from IL purchasers or
• 200 or more separate transactions to IL purchasers

YES
State and local retailers' occupation taxes are incurred at the tax rate in effect at the location of the Illinois **inventory**.

NO
State and local retailers' occupation taxes are incurred at the sales tax rate in effect at your location (**destination-based tax rate**).

YES
State and local retailers' occupation taxes are incurred at the sales tax rate in effect at your location (**destination-based tax rate**).

NO
Sales are subject to Use Tax only. Report Use Tax for purchases on Form ST-1. **This process has not changed.**

Definitions

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. [\[35 ILCS 120/2-10.5\]](#)

"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; 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 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 either of the tax remittance thresholds 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 assume the rights and duties of a retailer under the ROT Act and all applicable local retailers' occupation taxes administered by IDOR with respect to sales made by the marketplace seller through the marketplace. [\[86 Ill. Adm. Code 131.145\]](#)

"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 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 thresholds" means the nexus standards used to determine tax collection obligations for remote retailers that meet specific selling thresholds 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. Remote retailers that meet or exceed either of the following thresholds 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\(a\)\]](#) The thresholds are:

1. The cumulative gross receipts from sales of tangible personal property to purchasers in Illinois are \$100,000 or more; or
2. The remote retailer enters into 200 or more separate transactions for the sale of tangible personal property to purchasers in Illinois.

Likewise, marketplace facilitators selling tangible personal property at retail in Illinois is subject to state and local ROT if either of the following tax remittance thresholds is met or exceeded. [\[86 Ill. Adm. Code 131.135\(a\)\]](#) The thresholds are:

1. \$100,000 or more in cumulative gross receipts from sales of tangible personal property to purchasers in Illinois made through the marketplace by the marketplace facilitator and by marketplace sellers; or
2. 200 or more separate transactions for the sale of tangible personal property to purchasers in Illinois by the marketplace facilitator and marketplace sellers selling through the marketplace.

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.