Effective 1/1/2026

Determining Service Occupation and Use Tax Liability in Illinois

As a serviceperson, ...

* The **"Tax remittance threshold"** is $100,000 or more in cumulative gross receipts from sales of service to Illinois customers. 86 Ill. Adm. Code 131.115

Note: In this document, "**TPP being transferred to a customer during a sale of service**" refers to TPP transferred by means of retail sales, leases, and rentals during a sale of service.

Illinois Department of Revenue

...are your sales of service made through a Marketplace?

Yes, all my sales of service are through a marketplace.

Yes, but not all. Marketplace sales of service → Has the Marketplace Facilitator met $100,000 tax remittance threshold*? Sales of service outside of the marketplace → Do you have physical presence in IL?

No. → Do you have physical presence in IL?

Has the Marketplace Facilitator met $100,000 tax remittance threshold*?

Note: When making the threshold determination, the marketplace facilitator must include their own gross receipts for sales of service to Illinois customers and all marketplace servicepersons' gross receipts for sales of service to Illinois customers contracted through the marketplace.

Yes. → If the marketplace facilitator meets the $100K threshold*:

- the marketplace facilitator is responsible for any potential taxes on sales of service made through the marketplace, not you. You must obtain certification from the marketplace facilitator stating that the marketplace facilitator is responsible for any taxes on sales of service made through the marketplace. 86 Ill. Adm. Code 131.145(b) and (c)
- State and local SOT on TPP transferred to a customer during a sale of service made over a marketplace are incurred at the tax rate in effect at the purchaser's location and is based off of 50% of the marketplace serviceperson's entire bill.

No. → If the marketplace facilitator does not meet the $100K threshold*:

- You are responsible for any taxes imposed on your sales of service made through the marketplace.
- Your sales of service through the marketplace must be included in your gross receipts when comparing your own sales of service against the tax remittance threshold (for servicepersons without IL presence).

→ Do you have physical presence in IL?

Do you have physical presence in IL?

Yes. → Is your cost ratio 35% or greater?

No. → Do you meet the **$100,000 tax remittance threshold***?

Note: Use your gross receipts for sales of service to Illinois customers when making the threshold determination.

Yes. You are a "remote" serviceperson. → Is your cost ratio 35% or greater?

No. → No tax liability, but you may voluntarily collect and remit 6.25% **Service Use Tax**

Is your cost ratio 35% or greater (75% or greater for servicepersons transferring prescription drugs or engaged in graphic arts production)?

To determine your cost ratio:

Annual cost of TPP transferred to a customer during a sale of service

DIVIDED BY

the total annual receipts from all sales of service (including labor charges)

Yes. → You are required to register with IDOR and remit **SOT** on any TPP transferred to an Illinois customer during a sale of service.

The SOT is calculated on:

- **if separately stated** - the selling price of the TPP being transferred to a customer during a sale of service

  OR

- **if not separately stated** - 50% of the serviceperson's entire bill including labor charges (but never less than the cost price of the TPP being transferred).

No. → You are a **"de minimis" serviceperson.** Do you make retail sales to Illinois customers?

Yes. → You are required to register with IDOR and remit **SOT** on any TPP transferred to an Illinois customer during a sale of service.

The SOT is calculated:

- on the cost price of the TPP being transferred to a customer during a sale of service

  OR

- *if you do not want to be regarded as a de minimis serviceperson -*
  - on the selling price of the TPP being transferred, **or**
  - on 50% of the entire sales of service bill (but never less than the cost price of the TPP).

No.

If you are a **de minimis** serviceperson with **IL presence**. →

One of the following options is required.

1. You may opt to pay **Use Tax** on the cost price of the TPP being transferred to a customer during a sale of service[1]. The use tax is remitted to:
   - the supplier, if the supplier is registered to collect use tax,

     OR

   - IDOR, if the supplier is not registered to collect use tax (the serviceperson must register with IDOR).

   [1] If you acquired TPP from another state and you remitted use tax for the TPP to that other state, you will have no IL Use Tax obligation if the tax was paid at a rate equal to or greater than 6.25%. If use tax was paid to another state in an amount less than 6.25%, you would owe use tax to Illinois for the difference.
2. You may opt to collect and remit SOT as if you were not a de minimis serviceperson. SOT is calculated on either the selling price of the TPP being transferred or 50% of the entire sale of service bill (but never less than the cost price of the TPP).

If you are a **remote de minimis** serviceperson. →

One of the following options is required.

1. You may opt to pay **Use Tax** on the cost price of the TPP being transferred to a customer during a sale of service. The use tax is remitted to the supplier, and, since the serviceperson's purchase of TPP will occur outside of Illinois, no Illinois UT will be owed by the serviceperson in this situation. If you select this option, you may voluntarily register with IDOR and collect and remit Service Use Tax on behalf of your customer.
2. You may opt to register with IDOR and collect and remit **SOT** as if you were not a de minimis serviceperson by calculating the SOT on either the selling price of the TPP being transferred or 50% of the entire sales of service bill (but never less than the cost price of the TPP).

Key:

TPP = Tangible Personal Property

SOT = Service Occupation Tax

ROT = Retailers' Occupation Tax

IDOR = Illinois Department of Revenue

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