



Illinois Department of Revenue

Legal Services Office
101 W. Jefferson St. MC 5-500
Springfield, IL 62702

SECOND NOTICE OF PROPOSED RULEMAKING

- 1) Agency: Illinois Department of Revenue
- 2) Title and Ill. Adm. Code Citation of Proposed Rulemaking: Leveling the Playing Field for Illinois Retail Act, 86 Ill. Adm. Code 131
- 3) Date, Issue, and page number of the Illinois Register in which the First Notice was published: May 29, 2026; Issue 22, 50 Ill. Reg. 7482
- 4) Text and Location of any Changes Made to the Proposed Rulemaking During the First Notice Period: No changes made.
- 5) Final Regulatory Flexibility Analysis:
 - A. Summary of the issues raised by affected small businesses during the First Notice Period: Small businesses did not raise any issues during the First Notice Period.
 - B. Description of actions taken on any alternatives to the proposed rule suggested by small businesses during the First Notice Period, including reasons for rejecting alternatives not utilized: Not applicable.
- 6) Analysis of the Economic and Budgetary Effects of the Proposed Rulemaking: See attached Agency Analysis.
- 7) Response to Recommendations Made by the Administrative Code Division for Changes in the Rule to Make It Comply with the Codification Scheme: All changes requested by the Administrative Code Division have been made.
- 8) Evaluation of the comments received by the agency from interested persons during the first notice period (but not including any questions raised by the Joint Committee in a preliminary review) including:
 - A. Date of any public hearing held during the first notice period. Name of the person or group requesting a hearing: No public hearing requested.

- B. The names and addresses of all individuals or groups making comments or requesting the opportunity to make comments: No comments received.
 - C. A list of all specific criticisms and suggestions raised in the comments: No comments received.
 - D. The agency's evaluation of each of the specific criticisms and suggestions:
No comments received.
 - E. A statement that the agency has considered all comments received during the first notice period: The Department has reviewed and considered all comments received during the first notice period.
- 9) An analysis of the expected effects of the proposed rulemaking, including:
- A. Impact on the public: The general public will be impacted to the extent an Illinois customer makes a purchase of a service, tangible personal property is transferred as an incident of that sale of service, and the sale is sourced outside of Illinois. Previously, this transaction would be subject to Service Use Tax at a rate of 6.25%. Under Article 25 of Public Act 104-0006, the transaction will be subject to State and local service occupation taxes.
 - B. Changes in the agency's programs or structure resulting from implementation of the rulemaking: None.
 - C. Impact of proposed rule on small businesses. Methods used by Agency to comply with 5 ILCS 100/5-30, including reasons for rejecting any methods not utilized: The Public Act that this rule implements will affect businesses that act as servicepersons who transfer tangible personal property to Illinois customers from outside of this State. These servicepersons must now remit Service Occupation Tax, if applicable, using the tax rate in effect at the location to which the tangible personal property is shipped or delivered. This rulemaking also removes the 200-transaction tax remittance threshold for establishing nexus from the Retailers' Occupation Tax Act. Any economic effects are the result of P.A. 104-0006 that this rulemaking is implementing and are not the result of this rulemaking itself. No additional skills are required to comply. The Department is currently administering the tax as required by the

statute, and therefore, the methods described in 5 ILCS 100/30 are not legal or feasible in meeting the requirements of the Retailers' Occupation Tax Act and Service Occupation Tax Act. The Department published the proposed rulemaking in the Illinois Register and on the Department's website.

- 10) A justification and rationale for the proposed rulemaking, including:
- A. Any changes in statutory language requiring the proposed rulemaking: Article 25 of Public Act 104-0006.
 - B. Any changes in agency policy, procedures, or structure requiring the proposed rulemaking: None
 - C. Relationship to any relevant federal rules, regulations, or funding requirements: None
 - D. Court orders or rulings which are related to the rulemaking: None
 - E. A complete explanation of any other reasons for the proposed rulemaking: No other reasons exist.
- 11) Does this rulemaking include an incorporation by reference pursuant to Section 5-75 of the Illinois Administrative Procedure Act? No.

Agency Personnel Who Will Respond to Joint Committee Questions Regarding the Proposed Rulemaking:

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AGENCY ANALYSIS OF ECONOMIC AND BUDGETARY EFFECTS OF PROPOSED RULEMAKING

Agency: Department of Revenue

Part/Title: 86 Ill. Adm. Code 131, Leveling the Playing Field for Illinois Retail Act

Illinois Register Citation: May 29, 2026, Issue 22, 50 Ill. Reg. 7482

Please attempt to provide as dollar-specific responses as possible and feel free to add any relevant narrative explanation.

1. Anticipated effect on State expenditures and revenues.

- (a) Current cost to the Agency for this program/activity. The cost to administer the sales tax is \$79,555,400 per year. Enforcement of the provisions of these rules is part of the Department's overall costs of enforcing and administering the Leveling the Playing Field for Illinois Retail Tax Act.
- (b) If this rulemaking will result in an increase or decrease in cost, specify the fiscal year in which this change will first occur and the dollar amount of the effect.
No specific increase or decrease in costs is anticipated.
- (c) Indicate the funding source, including Fund and appropriation lines, for this program/activity. The funding source for the Department's compliance costs is the Tax Compliance and Administration Fund and the General Revenue Fund.
- (d) If an increase or decrease in the costs of another State agency is anticipated, specify the fiscal year in which this change will first occur and the estimated dollar amount of the effect. None.
- (e) Will this rulemaking have any effect on State revenues or expenditures not already indicated above? Specify effects and amounts. No.

2. Economic effect on persons affected by the rulemaking.

- (a) Indicate the economic effect and specify the persons affected:

Positive ____ Negative ____ No effect X

Persons affected: The changes in this rulemaking have minimal economic effect. The public act that this rulemaking is implementing may have a negative effect on Illinois service customers and a positive effect on local governments.

Dollar amount per person: Unknown.

Total Statewide cost: Unknown.

- (b) If an economic effect is predicted, please briefly describe how the effect will occur. Illinois customers who purchase services as an incident of which tangible personal property is transferred will pay State Service Occupation Tax plus any locally imposed service occupation taxes on sales of service that are sourced outside of this State. Local governments will gain revenue as a result of this sourcing change.
- (c) Will the rulemaking have an indirect effect that may result in increased administrative costs? Will there be any change in requirements such as filing, documentation, reporting or completion of forms? Compare to current requirements. The Department is currently administering this tax pursuant to the statute as amended by Public Act 104-0006. The Department updated its forms to accommodate for the registering at multiple locations for service persons making sales into this State from outside of the State. The Department has handled Retailers' Occupation Tax in this same way since January 1, 2021. As such, implementation for the Service Occupation Tax was minimal. Bulletins and guidance was needed to alert taxpayers of the change.

State Mandates Act Questionnaire

Agency: Illinois Department of Revenue

Part/Title: Part 131/Leveling the Playing Field for Illinois Retail Tax Act (86 Ill. Adm. Code 131)

Illinois Register Citation: 50 Ill. Reg. 7482

1. Does this rulemaking affect any of the following: **No.**

Municipality

Other Unit of Local Govt.

County

School District

Township

Community College Dist.

2. Does this rule require any of the above entities to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues? **No.**

If no, please explain why the rule does not necessitate such additional expenditures. **This rulemaking does not concern local governments.**

3. Were any alternatives that do not necessitate additional expenditures considered? **No additional expenditures required.**
4. What are the policy objectives of the rulemaking? **This rulemaking extends the sourcing provisions previously only in effect for retail sales to cover servicepersons and Service Occupation Tax. This rulemaking also removes the 200-transaction tax remittance threshold for establishing nexus.**
5. Please explain why the policy objectives of this rule cannot be achieved in the absence of the rule or through a rule that does not create a State Mandate. **This rulemaking does not create a State Mandate.**