



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: Service Occupation Tax, 86 Ill. Adm. Code 140
- 3) Date, Issue, and page number of the Illinois Register in which the First Notice was published: May 15, 2026; Issue 20, 50 Ill. Reg. 6913
- 4) Text and Location of any Changes Made to the Proposed Rulemaking During the First Notice Period: None.
- 5) Final Regulatory Flexibility Analysis:
 - A. Summary of the issues raised by affected small businesses during the First Notice Period: No issues were raised by small businesses.
 - 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: None.
- 6) Analysis of the Economic and Budgetary Effects of the Proposed Rulemaking: See attached.
- 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 or the requests for the opportunity to make comments were received.

C. A list of all specific criticisms and suggestions raised in the comments: No criticisms or suggestions were received.

D. The agency's evaluation of each of the specific criticisms and suggestions:

No criticisms or suggestions were received.

E. A statement that the agency has considered all comments received during the first notice period: No criticisms or suggestions were received.

9) An analysis of the expected effects of the proposed rulemaking, including:

A. Impact on the public: Persons involved in the business of selling service and transferring food for human consumption that is to be consumed off the premises where it is sold incident to the sale of service are impacted by this rulemaking.

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: No impact on small businesses regardless of whether the business is located in a municipality or county that has imposed an equivalent tax to replace State tax. These businesses must either continue collecting and remitting tax at 1% or document the sale as tax-exempt food. Any economic effects are the result of P.A. 103-0781 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 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: Public Act 103-0781 created statutory language that is being incorporated in Part 140.
 - 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 140, Service Occupation Tax

Illinois Register Citation: May 15, 2026, Issue 20, 50 Ill. Reg. 6913

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.
 - (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. The changes in the rulemaking have no economic effect.
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 will have no economic effect on businesses regardless of whether the business is located in a municipality or county that has imposed an equivalent tax to replace State tax. These businesses must either continue collecting and remitting tax at 1% or document the sale as tax-exempt food. Minor costs related to accounting and record keeping updates may arise for some businesses.

Dollar amount per person: There is no estimate of the amount per person.

Total Statewide cost: There is no estimate on the statewide cost.

- (b) If an economic effect is predicted, please briefly describe how the effect will occur. No economic impact.
- (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 amended its forms to account for the local grocery taxes, but they will be administered the same as all other sales taxes by the Department. The changes in the rulemaking do not result in increased administrative costs.

State Mandates Act Questionnaire

Agency: Illinois Department of Revenue

Part/Title: Part 140/Service Occupation Tax (86 Ill. Adm. Code 140)

Illinois Register Citation: 50 Ill. Reg. 6913

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

Municipality

County

Township

Other Unit of Local Govt.

School District

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 amends 86 Ill. Adm. Code 140 pursuant to P.A. 103-0781 to implement the elimination of the State Retailers' and Service Occupation Taxes on grocery items. This rulemaking does not impose additional expenditures on 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? (Please be specific) **This rulemaking amends 86 Ill. Adm. Code 140 pursuant to P.A. 103-0781 to implement the elimination of the State Retailers' and Service Occupation Taxes on grocery items.**

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.**