



informational

Bulletin

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Destination-Based Retailers' Occupation Tax Changes

To: All Retailers Remitting Destination-Based Retailers' Occupation Tax to Illinois

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

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Effective January 1, 2026,

- The 200-transaction threshold for requiring remote retailers and marketplace facilitators to collect and pay destination-based sales tax will be removed.

Beginning January 1, 2026,

- For destination-based sales, if a taxpayer fails to provide sufficient information to determine the proper location:
 - The Illinois Department of Revenue (IDOR) will assess tax on the gross receipts of such sales to undetermined tax locations **at the rate of 15%**.
 - These sales will be assigned to undetermined tax locations.
 - Unprocessable penalties will **not** apply to such sales.

Note: Prior to January 1, 2026, such sales were subject to unprocessable return penalties under the Uniform Penalty and Interest Act (UPIA). As of January 1, 2026, this 15% undetermined location rate **may** be used during an audit by IDOR for any periods under audit, including reporting periods prior to January 2026.

See **Public Act 104-0006**.

How does the removal of the 200-transaction threshold affect remote retailers and marketplace facilitators?

Prior to the effective date of P.A. 104-0006, remote retailers and marketplace facilitators were considered retailers engaged in the occupation of selling tangible personal property (TPP) at retail in Illinois and were subject to State and local Retailers' Occupation Tax (ROT) if either of the following thresholds were met during a 12-month lookback period:

1. \$100,000 or more in cumulative gross receipts from sales of TPP to purchasers in Illinois; or
2. 200 or more separate transactions for the sale of TPP to purchasers in Illinois.

On or after January 1, 2026, the **only** threshold used to determine if a remote retailer or marketplace facilitator is engaged in the occupation of selling TPP at retail in Illinois and is subject to State and local ROT is whether the retailer makes \$100,000 or more in cumulative gross receipts of sales of TPP to purchasers in Illinois during the lookback period. The 200-transaction threshold no longer applies.

What is “destination-based sales tax?”

Sales of TPP from an Illinois source are subject to the local ROT of the location where the sale is sourced; that is, the location of the inventory from which a sale is fulfilled or the location at which selling activities otherwise occur. When a taxable sale to an Illinois purchaser is sourced outside of Illinois, it is subject to destination-based sales tax. Local ROT on a sale subject to destination-based sales tax is calculated using the rate in effect at the Illinois destination; that is, the location to which the TPP is shipped or delivered or at which possession is taken by the purchaser. 35 ILCS 120/2-12.

As a reminder, if a sale is sourced within Illinois, the retailer must remit State and local ROT, as well as any additional required State or local taxes, on that sale using the rates in effect at that location.

What is a “remote retailer?”

A “remote retailer” is an out-of-State retailer that sells TPP to Illinois purchasers and does not have a physical presence in Illinois. A retailer that fulfills any orders from its inventory in Illinois is not a remote retailer. A remote retailer is subject to ROT only if it meets the \$100,000 gross receipts threshold or, prior to January 1, 2026, the 200-transactions threshold.

For more information on physical presence and sourcing, see **PIO-125, Determining Physical Presence and Where a Sale is Sourced Help Guide**, available at tax.illinois.gov.

What is a “marketplace facilitator?”

A “marketplace facilitator” is 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 that marketplace seller by:

1. listing or advertising for sale by the marketplace seller in a marketplace, TPP that is subject to ROT; and
2. either itself or 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. See [86 Ill. Adm. Code 131.130](#). Integration of a payment gateway on a marketplace facilitator’s website platform meets this requirement.

A person who provides advertising services, including listing products for sale, is not considered a marketplace facilitator if the advertising service platform or forum does not engage, directly or indirectly through one or more affiliated persons, in the activities described in item 2 of this definition of “marketplace facilitator.”

What action must I take if I previously met the 200-transaction threshold but do not meet the \$100,000 threshold?

If you previously met the 200-transaction threshold but not the \$100,000 gross receipts threshold during a prior lookback period, you must review your sales for the 12-month lookback period ending on December 31, 2025, to determine if you met the \$100,000 threshold. If you did not meet the threshold, you must discontinue remitting State and local ROT for remote sales on or after January 1, 2026.

As of January 1, 2026, IDOR will automatically change your registration status to “voluntary use tax” if you previously met the 200-transaction threshold but not the \$100,000 in gross receipts threshold. IDOR will notify you if your registration is updated. If, after reviewing your sales, you have questions or concerns regarding your registration status or if your registration status does not accurately reflect your filing requirements, contact IDOR’s Central Registration Division for any necessary changes at 217 785-3707 or email rev.crd@illinois.gov.

If a taxpayer who does not meet the \$100,000 threshold collects any destination-based ROT after January 1, 2026, the amount collected should either be refunded to the customer or remitted to IDOR and reported on Form ST-1, Sales and Use Tax and E911 Surcharge Return, as Use Tax, and anything above the 6.25% State Use Tax rate should be reported as excess tax.

Marketplace facilitators who no longer meet the threshold will no longer be required to file a return and remit ROT on behalf of their marketplace sellers. Marketplace facilitators with physical presence in Illinois must continue to file returns and remit ROT on their own sales to Illinois purchasers.

Note: Even if you recently met a threshold requiring you to continue remitting State and local ROT after December 31, 2025, under prior law, you must still review your sales on December 31, 2025, as indicated above. For quarters beginning after March 31, 2026, you must determine, on a rolling quarterly basis, whether you have met the \$100,000 gross receipts threshold for the applicable lookback period and are obligated to once more begin remitting State and local ROT.

What is the 15% tax rate assessment for undetermined tax locations from P.A. 104-0006?

Beginning January 1, 2026, for sales subject to destination-based sales tax, if the taxpayer fails to provide the information, schedules, or supporting documents necessary to determine their sales' locations, the gross receipts of such sales will be taxed at the rate of 15%. Taxpayer records must support figures filed on Form ST-1 and Form ST-2, Multiple Site Form.

Note: As of January 1, 2026, the 15% undetermined location rate **may** be used during an audit by IDOR for any periods under audit, including reporting periods prior to January 2026.

Can I be assessed additional unprocessable penalties on returns where I am assessed the 15% undetermined location tax rate on gross receipts for destination-based sales reported without location information?

No. For sales made on or after January 1, 2026, the 15% tax will be imposed in lieu of imposing a penalty for an unprocessable return under the UPIA when the location information is not provided.

However, standard penalties under the UPIA may still be assessed on returns where the 15% undetermined location tax is utilized, including unprocessable return penalties if the return is otherwise unprocessable. For more information on these penalties, see **Publication 103, Penalties and Interest for Illinois Taxes**, and **35 ILCS 735/**.

What books and records must I keep to ensure I can support my filed returns and tax rates used?

For sales subject to destination-based sales tax, you must maintain records that include

- the name and address of the customer to whom the bill was issued,
- the customer name and exact address (street number, street address, city, county, state, zip code) to which the TPP is shipped or delivered or at which possession is taken by the purchaser, and
- documentation to support the location from which the TPP was shipped.

Failure to maintain proper books and records may cause delays in processing your returns and may result in IDOR assessing penalties and interest.

Where can I find additional information on remote retailers, marketplace facilitators, destination-based sales tax, and proper ROT filing practices?

For more information about remote retailers, marketplace facilitators, destination-based sales tax, and filing requirements, refer to the following pages, available at **tax.illinois.gov**:

- [Out-of-State Sales Resource Page](#)
- [Destination-Based Sales Tax Assistance](#)
- [Sales and Use Tax Definitions](#)
- [Publication 113, Retailer's Overview of Sales and Use Tax, Prepaid Wireless E911 Surcharge, and Illinois Telecommunications Access Corporation \(ITAC\) Assessment](#)