

Nexus issues are not generally suitable for resolution by letter ruling. A corporation's activities in Illinois beyond solicitation that are more than de minimus will establish nexus with Illinois. (This is a GIL.)

July 24, 2026

NAME
TITLE
COMPANY
EMAIL

Re: Illinois Income Tax – Nexus

Dear NAME:

This letter is in response to your email dated July 2, 2026, in which you requested information regarding income tax nexus under Illinois law and the requirements of filing an Illinois corporate income tax return for the sale of tangible personal property to an Illinois distributor/reseller. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings, and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL.

In your email you have stated and made inquiry as follows:

INQUIRY:

We were advised by the Illinois Department of Revenue to contact the Legal Services Office regarding an Illinois nexus determination for corporate income tax purposes.

We would appreciate guidance regarding whether the following activities create Illinois corporate income tax nexus and filing requirements.

Facts:

- The company is a STATE C Corporation and engaged in the wholesale distribution of disposable food packaging products (NAICS 424130).
- During tax year DATE, the company had approximately \$AMOUNT of sales to Illinois customer through four transactions.
- All Illinois sales were made to a single Illinois wholesale distributor/reseller, who purchased the products for resale and has provided a valid resale certificate.
- The company does not make retail sales in Illinois.
- The company has no office, employees, representatives, warehouse, inventory, or other business location in Illinois.
- The company does not own or lease real or personal property in Illinois.
- Products are shipped directly from an overseas supplier in FOREIGN CITY to the customer.
- Orders are accepted and processed outside Illinois.
- The company does not perform installation, repair, maintenance, assembly, training, or other services in Illinois.
- The company does not utilize employees or agents in Illinois to accept orders on behalf of the company.

Based on the facts above, we would appreciate guidance regarding the following questions:

1. Does the company have Illinois corporate income tax nexus?
2. Is the company required to register for Illinois corporate income tax purposes?
3. Is the company required to file an Illinois corporate income tax return?
4. Would the activities described above generally qualify for protection under Public Law 86-272?

Thank you for your time and assistance. We appreciate any guidance you can provide.

DEPARTMENT'S RESPONSE:

The determination as to whether a taxpayer has nexus with Illinois is extremely fact specific. Therefore, the Department does not issue rulings regarding whether a particular taxpayer has nexus with the State. Such a determination can only be made in the context of an audit where a Department auditor has access to all relevant facts and information. For information regarding nexus, see 86 Ill. Adm. Code 100.9720 (accessible from the Department's website). However, the following general information regarding nexus with Illinois for income tax purposes may be provided.

Section 201(a) of the IITA Illinois Income Tax Act ("IITA", 35 ILCS 5/101 et seq.) imposes a tax measured by net income on corporations on the privilege of earning or receiving income in or as a resident of Illinois. In addition, Section 201(c) of the IITA imposes a second tax (the personal property tax replacement income tax) measured by net income on corporations on the privilege of earning or receiving income in or as a resident of Illinois.

The United States Constitution limits the power of states to subject foreign corporations and other nonresidents to income tax. The Due Process Clause requires that there exists some minimum connection between a state and the person, property, or transaction the state seeks to tax. (*Quill Corp. v. N. Dakota*, 504 U.S. 298 (1992)) Similarly, the Commerce Clause requires that a state's tax be applied only to activities with a substantial nexus to the taxing state. (*Id.*) In addition, in the case of foreign corporations, Illinois may not assert jurisdiction to tax where a corporation falls under the protection provided by Public Law 86-272 (15 U.S.C. § 381). Public Law 86-272 precludes any state from subjecting a nondomiciliary corporation to a net income tax where such corporation's only activities within the state for the taxable year consist of solicitation activities for sales of tangible personal property. Further, the fact that Article 3 of the IITA (35 ILCS 5/Article 3) requires a nonresident taxpayer to allocate or apportion income to Illinois does not create a presumption that the taxpayer has nexus with this State. (See 86 Ill. Adm. Code 100.9720(a).)

86 Ill. Adm. Code 100.9720(c)(2)(A) provides:

If a nonresident taxpayer's activities exceed "mere solicitation" as set forth in subsection (a) of PL 86-272 (subsection (c)(1)(A) of this Section), it obtains no immunity under that federal statute. The taxpayer is subject to Illinois income tax and personal property tax replacement income tax for the entire taxable year and its business income is apportioned under IITA Section 304. Whether a nonresident taxpayer's conduct exceeds "mere solicitation" depends upon the facts in each particular case.

Specific activities that go beyond “mere solicitation” and are unprotected by Public Law 86-272 are listed within 86 Ill. Adm. Code 100.9720(c)(4). Additionally, 86 Ill. Adm. Code 100.9720(c)(5) lists specific activities that are considered to be protected activities in Illinois. As provided in 86 Ill. Adm. Code 100.9720(c)(3)(B), the inclusion of an activity on the listing of “protected activities” is neither a declaration nor an admission by this State that the activity must be afforded protection under Public Law 86-272.

IITA Section 502(a) sets forth the requirements for filing Illinois income tax returns. That section states in pertinent part as follows:

(a) In general. A return with respect to the taxes imposed by this Act shall be made by every person for any taxable year:

- (1) For which such person is liable for a tax imposed by this Act, or
- (2) In the case of a resident or in the case of a corporation which is qualified to do business in this State, for which such person is required to make a federal income tax return, regardless of whether such person is liable for a tax imposed by this Act.

Under this Section, a corporation must file an Illinois income tax return if it incurs a liability for tax imposed under IITA Section 201, or in the case of a corporation qualified to do business in Illinois, if it is required to file a federal return (regardless of whether it is liable for Illinois tax).

A nonresident is liable for Illinois income tax under IITA Section 201 if it computes “Illinois net income” as defined under IITA Section 202. IITA Section 202 defines Illinois net income as that portion of the taxpayer’s “base income” as defined in IITA Section 203, which is allocated or apportioned to Illinois under the provisions of Article 3 of the IITA, less certain deductions.

In regards to your particular nexus questions, based on the facts presented in your email, it is possible that your client’s activities in Illinois would fall within the protection afforded under Public Law 86-272. Accordingly, the client would not be subject to Illinois income tax, and therefore would not be required to file an Illinois income tax return unless it is a corporation qualified to do business in Illinois. Note that 86 Ill. Adm. Code 100.9720(c)(4)(S) provides that conducting any activity that is not on the list of “protected activities” in subsection (c)(5), and that is not entirely ancillary to requests for orders, even if the activity helps to increase purchases, does not constitute “mere solicitation” of orders and an otherwise protected nonresident taxpayer shall become subject to taxation

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by this State, unless such activity is de minimus as so defined in 86 Ill. Adm. Code 100.9720(c)(2)(D).

As stated above, this is a General Information Letter. A General Information Letter does not constitute a statement of Department policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you require additional information, please visit the Department's website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Assistance Division at 800-732-8866.

Sincerely,

Jennifer Uhles
Associate Counsel

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