

A petition to use an alternative method of apportionment cannot be granted without a showing that the statutory method fails to reflect the market for the taxpayer's goods, services or other sources of business income and a showing that the requested alternative better reflects that market. (This is a GIL.)

July 28, 2026

NAME
TITLE
COMPANY
ADDRESS

Re: Petition for Alternative Apportionment
COMPANY
FEIN: NUMBER
Tax Years Ended: DATE

Dear NAME:

This letter is in response to your petition dated June 22, 2026, on behalf of COMPANY to use an alternative method of allocation or apportionment effective for tax years ended DATE. 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. For the reasons discussed below, your petition cannot be granted based on the information provided.

Your petition for the DATE tax year ended states as follows:

PETITION:

Pursuant to 35 ILCS 5/304(f) and 86 Ill. Admin. Code §100.3390, COMPANY ("COMPANY") hereby submits this Petition for Alternative Apportionment. COMPANY requests modification of the statutory apportionment formula because Illinois includes 50% of GILTI in taxable income but does not include corresponding apportionment factors. This results in taxation without factor representation, attributing income to Illinois without equitable factor relief. Therefore, COMPANY proposes inclusion of 50% of GILTI income in the sales factor denominator. The proposed method aligns income with economic activity and corrects distortion.

The statutory method produces a grossly distorted result and taxation without factor representation; relief is warranted under §304(f).

If you have any questions, please contact me at (210) 345-2484.

DEPARTMENT'S RULING:

Section 304(a) of the Illinois Income Tax Act ("IITA" 35 ILCS 5/304) provides that when a nonresident derives business income from Illinois and one or more other states, such income shall be apportioned to Illinois by multiplying the income by the taxpayer's apportionment factor. For taxable years ending on and after December 31, 1998, except in the case of an insurance company, financial organization, transportation company, or federally regulated exchange, the apportionment factor is equal to the sales factor. IITA Section 304(a)(3) defines the sales factor as a fraction, the numerator of which is the total sales of the person in Illinois during the taxable year, and the denominator of which is the total sales of the person everywhere during the taxable year.

Section 304(f) of the IITA provides:

If the allocation and apportionment provisions of subsections (a) through (e) and of subsection (h) do not, for taxable years ending before December 31, 2008, fairly represent the extent of a person's business activity in this State, or, for taxable years ending on or after December 31, 2008, fairly represent the market for the person's goods, services, or other sources of business income, the person may petition for, or the Director may, without a petition, permit or require, in respect of all or any part of the person's business activity, if reasonable:

- (1) Separate accounting;
- (2) The exclusion of any one or more factors;
- (3) The inclusion of one or more additional factors which will fairly represent the person's business activities or market in this State; or
- (4) The employment of any other method to effectuate an equitable allocation and apportionment of the person's business income.

Taxpayers who wish to use an alternative method of apportionment under IITA Section 304(f) are required to file a petition complying with the requirements of 86 Ill. Adm. Code 100.3390.

86 Ill. Adm. Code 100.3390(c) outlines the burden of proof for a taxpayer petitioning for an alternative method of apportionment:

Burden of Proof. A departure from the required apportionment method is allowed only when those methods do not accurately and fairly reflect business activity in Illinois (for taxable years ending before December 31, 2008) or market in Illinois (for taxable years ending on or after December 31, 2008). An alternative apportionment method may not be invoked, either by the Director or by a taxpayer, merely because it reaches a different apportionment percentage than the required statutory formula. However, if the application of the statutory formula will lead to a grossly distorted result in a particular case, a fair and accurate alternative method is appropriate. The party (the Director or the taxpayer) seeking to utilize an alternative apportionment method has the burden of going forward with the evidence and proving by clear and convincing evidence that the statutory formula results in the taxation of extraterritorial values or operates unreasonably and arbitrarily in attributing to Illinois a percentage of income that is out of all proportion to the business transacted in this State (for taxable years ending before December 31, 2008) or the market for the taxpayer's goods, services or other sources of business income in this State (for taxable years ending on or after December 31, 2008). In addition, the party seeking to use an alternative apportionment formula must go forward with the evidence and prove that the proposed alternative apportionment method fairly and accurately apportions income to Illinois based upon business activity in this

State (for taxable years ending before December 31, 2008) or the market for the taxpayer's goods, services or other sources of business income in this State (for taxable years ending on or after December 31, 2008).

The facts stated in your petition are not sufficient to satisfy the burden set forth in 86 Ill. Adm. Code 100.3390(c). As indicated above, for taxable years ending on or after December 31, 2008, alternative apportionment under IITA Section 304(f) is appropriate in cases where the allocation and apportionment provisions under IITA Sections 304(a) through (e) and of subsection (h) do not fairly represent the market for the taxpayer's goods, services, or other sources of business income. In this case, because your request merely states without support that the statutory method produces a grossly distorted result due to the exclusion of apportionment factors, your petition does not meet the regulatory requirement and cannot be granted at this time.

In order to make a determination under IITA Section 304(f) as to whether or not the apportionment provisions of subsections (a) through (e) and of subsection (h) reflect the market for the person's goods, services, or other sources of business income, it is necessary that the taxpayer first determine its apportionment under such sections. If the apportionment under such sections does not fairly reflect the taxpayer's market, then an alternative apportionment method may be permitted. Your request does not indicate whether the taxpayer has determined its apportionment under IITA Section 304 for the tax year ended DATE. Your request contains no information relative to the market for the taxpayer's goods and services, nor does it contain information by which a determination can be made as to whether the apportionment resulting under IITA Section 304 fails to fairly reflect that market. Your request contains no evidence that the statutory apportionment formula for tax year ended DATE does not fairly represent the extent of the market for the taxpayer's goods, services or other sources of business income in Illinois or that the proposed alternative method does produce a reasonable result.

Accordingly, your petition for alternative apportionment for tax year ended DATE cannot be granted. However, if you have additional information related to this request that was not previously submitted, you may supplement your petition, and the Department will reconsider your request. Please note that 86 Ill. Adm. Code 100.3390(e)(1) requires a petition to be filed at least 120 days prior to the due date (including extensions) for the first return for which permission is sought to use the alternative apportionment method. In addition, each Private Letter Ruling request submitted to the Department for consideration must include certain information outlined in 2 Ill. Adm. Code 1200.110.

As stated above, this is a General Information Letter. A General Information Letter does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department.

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Sincerely,

Jennifer Uhles
Associate Counsel

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