



# This Week in State Tax (TWIST)

August 19, 2024



## Illinois: Legislature Enacts Sourcing Change and Reporting Requirement for Direct Pay Holders

Illinois Governor Pritzker recently signed Senate Bill 3362 changing the sourcing obligations of certain Illinois retailers, and Senate Bill 3282, amending requirements for direct pay permit holders. Senate Bill 3362 adopts destination-based sourcing for in-state retailers maintaining a place of business in Illinois when they make sales that originate from inventory outside Illinois to customers in the state. Previously, businesses selling tangible personal property originating from inventory outside Illinois into Illinois were not considered retailers subject to state and local retailers' occupation taxes and were only required to collect only the 6.25 percent Illinois use tax. Under the new bill, effective January 1, 2025, retailers maintaining a place of business in Illinois must now source sales to Illinois customers when such sales are from inventory originating outside the state as if they were made at the Illinois location where the goods are shipped, delivered, or where the purchaser takes possession (i.e., destination sourcing).

Senate Bill 3282 mandates that each direct pay permit holder review its purchase activity by March 31, 2025, and annually thereafter by March 31, to verify that purchases made during the 12-month period ending December 31 of the prior year were correctly sourced and taxed at the appropriate rate. If a sourcing error is found, permit holders must file an amended return to correct it. Failure to do so will result in a \$6,000 penalty. However, this penalty will not be imposed if the Department determines that at least 95 percent of the transactions for the review period were correctly sourced. For information on Senate Bills [3362](#) and [3282](#), contact [Drew Olson](#).

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