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This Week in State Tax (TWIST)



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Illinois: Department issues draft rules on targeted advertising tax

The Illinois Department of Revenue has issued draft proposed rules on the state's new targeted advertising services tax, enacted as part of the Fiscal Year 2027 budget. Effective January 1, 2027, the tax is imposed at 10 percent of a provider's gross receipts from targeted advertising services provided in Illinois once those receipts exceed $1 million over a 12-month period. Providers may pass the tax on as a separately stated charge, but that charge is also taxable.

Under the draft rules, an advertisement is taxable only if it is programmatic (meaning it can be automated by machines, computers, or data processing units with little human involvement), consists of a written, oral, or graphic statement, is conveyed through a digital interface or other method of delivery, and uses personal information about the recipient. Delivery of the advertisement need not occur over the internet. Additional covered methods include cable and satellite advertising, text messaging, automated calls, and direct mail. Print advertisements, static billboards, linear advertisements (advertisements distributed to all consumers of a program at a set time), and contextual advertisements are excluded, as are advertisements on interfaces owned or operated by news media entities. To qualify as a news media entity, an entity must obtain more than 50 percent of its business from newsgathering, reporting, or publishing. Aggregating or re-publishing the content of others does not qualify.

The publisher that delivers the advertisement to the user-consumer is considered the taxable provider. Agencies, advertising platforms, exchanges, and networks that only facilitate transactions are not taxable providers under the proposed rules. While publishers cannot deduct fees paid to intermediaries or amounts shared under revenue-sharing agreements, if intermediaries are paid separately from the provider, only the money ultimately received by the provider is included in the gross receipts calculation.

Receipts are sourced to the location of the user-consumer. A user-consumer is presumed to be in Illinois based on an Illinois residential or mailing address, IP address, or place of primary use. Providers can rebut that presumption with credible evidence, such as GPS data or proof that tax was paid to another state. Providers that cannot determine user-consumer locations must use a population-based apportionment formula.

The Department is accepting comments on the draft rules through November 30, 2026. Please contact Drew Olson with questions about the proposed rules for the Targeted Advertising Services Tax Act.

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