



SALT Alert! 2026-05: Illinois budget contains variety of tax measures

The Illinois fiscal year (FY) 2027 budget ([S.B. 3019](#)), as passed by the General Assembly, includes a potpourri of tax measures. The bill has been presented to Governor JB Pritzker for signature. FY 2027 begins July 1, 2026, and the Governor is expected to act prior to that date, including any line-item vetoes he wishes to make. He has generally spoken favorably of the measure. [Ed. Note: The Alert will be updated when the Governor acts on it.]

If the bill is signed, the primary indirect tax items include enactment of a tax on targeted advertising services, a social media platform fee, a tax on certain digital asset transactions, expanding the scope of activities subject to the sports wagering tax, and imposing the responsibility to collect certain accommodation taxes on hotel marketplace facilitators. On the income tax side, the budget changes the current limitations on the utilization of net operating loss carryovers, as well as requiring an election in the computation of the Pass-through Entity Tax.

Targeted Advertising Services Tax Act

Effective January 1, 2027, the bill, if signed, imposes a 10 percent tax on the gross receipts of providers of targeted advertising services provided in Illinois if the gross receipts from the services provided in Illinois exceed \$1 million in the previous 12-month period. A “targeted advertising service” is defined as “any programmatic written, oral, or graphic statement or representation conveyed through a digital interface or any other method of delivery,” such as banner advertising, search engine advertising, and “other comparable advertising services that use personal information about the people to whom the ads are being served.” The term “programmatic” is defined to mean “capable of automating advertisements” to target the advertising to users based on a variety of criteria. Advertisements on digital interfaces owned or operated by or on behalf of a news media entity are excluded from the scope of the tax.

The determination of whether a consumer receiving the advertisement is in Illinois is to be made by the provider based on “the totality of the [consumer information] within the provider’s possession or control.” There is a rebuttable presumption that the consumer is in Illinois if the information associated with the device or account available to the provider indicates an Illinois mailing, Internet protocol, or place of primary use address. Finally, the bill prohibits home rule localities and counties from enacting a tax on the occupation of providing targeted advertising services.

The targeted advertising services tax is similar in many regards to taxes imposed in Maryland, Utah, and Washington State. The Maryland tax is the subject of legal challenge as violating the federal Internet Tax Freedom Act, among other things. That case is currently awaiting a decision from the Maryland Tax Court. The Washington State tax has also been challenged. The text of the Targeted Advertising Services Act is found in Article 1, beginning on p.1 of the PDF version of the bill.

Digital Asset Tax

Effective January 1, 2027, the bill imposes a tax on the privilege of receiving “any digital asset business activity” by a customer in Illinois. The tax is imposed at 0.2 percent of the value of the digital asset (as defined in state law) to which the business activity relates. “Digital asset business activity” is “any single occurrence of exchanging, transferring, or storing a digital asset as part of a business or on behalf of a customer” who has contracted for such services. Responsibility for collecting and remitting the tax will fall to the “digital asset broker” (defined with reference to Internal Revenue Code section 6045(c)(1)(D)), who provides digital asset business activity to customers in the state. A broker is responsible for collecting and remitting the tax if the broker maintains a place of business in Illinois or has \$100,000 in gross receipts from the sale of Illinois-sourced digital business activity services in the prior 12-month period. The business activity will be sourced to Illinois if it occurs at a physical location in the state. In addition, if the sale of the activity is done electronically or by telephone, there is a rebuttable presumption that the customer is in Illinois and sourcing will be to Illinois if the contact information available to the broker indicates an Illinois address, an Illinois Internet protocol address, or other data showing a place of primary use in Illinois. This is believed to be the first such tax in the U.S. (See Article 3, p.22 of the PDF.)

Social Media Platform Fee

Effective January 1, 2027, the bill imposes a graduated license fee on social media platforms based on the average number of Illinois users from whom the platform collects data within a month. The fee will be payable to and administered by the Illinois Secretary of State. The monthly fee is graduated as follows:

- \$0.10 per month per Illinois user if the platform has over 100,000 but not more than 500,000 Illinois users;
- \$40,000 plus \$0.25 per month per Illinois user in excess of 500,000 for platforms with over 500,000 but not more than 1 million Illinois users; and
- \$165,000 plus \$0.50 per month per Illinois user in excess of 1 million if the average number of Illinois users exceeds 1 million.

Beginning in 2028, the fee will be adjusted annually for changes in the Consumer Price Index. A “social media platform” subject to the fee is a website or Internet medium that (a) permits a person to become a registered user, establish an account or create a profile; (b) enables users to generate content that can be viewed by others users; and (c) primarily serves as a medium for users to interact with content generated by other users. Non-profit organizations are not included within the definition of a social media platform. The fee is similar to one enacted recently by the City of Chicago. (See Article 5, p. 37.)

Exchange Wagers

The bill amends the current Sports Wagering Act to include an additional category of taxable activity termed “exchange wagers” which are defined as “an agreement, contract, transaction, or swap that is offered, traded, or executed on a prediction market or exchange tied to a sporting contest of sporting event.” In addition to all other taxes under the Sports Wagering Act, any exchange wager will be subject to a tax of 1.75 percent of the wager. If a licensee conducts over 5 million exchange wagers in a fiscal year, the rate on such wagers will increase to 3.5 percent of each exchange wager. (See Article 130, p. 1281.)

Fantasy Contests

The bill also adds a new section to the Sports Wagering Act to impose a tax on operators of certain “fantasy contests,” defined to include an online contest of skill between two or more participants with an entry fee” in which the outcome is based on (a) the relative skill and knowledge of the participant, (b) winning outcomes are determined solely by preestablished, objective scoring criteria, and (c) winning outcomes are not based on the score or point spread of any actual team. Effective July 1, 2026, the operator of such fantasy contests will be subject to a 15 percent tax on the adjusted gross fantasy contest receipts (gross entry fees collected from participants in Illinois minus an in-state pro rata share of payouts) as well as being subject to licensure by the Illinois Board of Gaming. (See p. 1350.)

Hotel Marketplace Facilitators

Effective July 1, 2026, the budget bill amends current law to make hotel marketplace facilitators responsible for collection of the Hotel Operators’ Occupation Tax for transactions in which they facilitate the renting, leasing or letting of rooms which are subject to the tax (including hotels, motels, and short term rentals, among other types of premises). A marketplace is considered to facilitate the transaction if it lists or advertises the premises, provides for the collection of the payment from customers, and transmits those payments to the hotel operator for consideration. (See Article 35, p. 61.)

Net Operating Loss (NOL) Utilization

Illinois currently limits the deductions of NOLs (including unused carryovers from prior years) to a maximum of \$500,000. Under the bill, if enacted, the maximum NOL carryover that may be utilized will increase according to the following schedule. (See p. 45.)

- For tax years ending on or after December 31, 2027 but before December 31, 2028, the greater of 15 percent of net income or \$500,000;
- For tax years ending on or after December 31, 2028 but before December 31, 2029, the greater of 30 percent of net income or \$500,000;
- For tax years ending on or after December 31, 2029 but before December 31, 2030, the greater of 50 percent of net income or \$500,000;
- For tax years ending on or after December 31, 2030 but before December 31, 2031: the greater of 65 percent of net income or \$500,000; and
- For tax years ending on or after December 31, 2031, the greater of 80 percent of net income or \$500,000.

Pass-through Entity Tax (PTET)

If signed by Governor Pritzker, the bill will amend the PTET for tax years ending on or after December 31, 2026 to require a partnership that elects to pay the Illinois PTET to make an election for how the partnership’s Illinois PTET base will be

computed. The current tax base computation can be used, which sums the Illinois-sourced portion of the distributive shares for both Illinois resident and nonresident partners. The bill provides that the partnership could instead elect to compute its tax base using the full distributive shares of its Illinois resident partners (rather than the Illinois-sourced portion of the distributive shares of such members) plus the Illinois-sourced portion of the distributive shares of nonresident partners. The partnership's election for its tax base computation will be made annually and is irrevocable for that tax year once made. (See p. 1331.)

Contacts

For further information on the provisions of S.B. 3019, please contact [Drew Olson](#) with respect to indirect tax matters and [Brad Wilhelmson](#) for income tax matters.