

Income/Franchise:

Illinois PLR Says Temporary In-State Interruption of Shipment from Another State to Ultimate Out-of-State Location Does Not Impact Sourcing or Throwback

Private Letter Ruling IT 24-0001-PLR, Ill. Dept. of Rev. (8/22/24). An Illinois Department of Revenue (Department) private letter ruling held that a taxpayer's sales of products from an out-of-state location that temporarily passed through a third-party's in-state distribution center but that were destined for another state or country did *not* terminate in Illinois (or originate from Illinois for throwback purposes), and thus such sales were *not* includible in the taxpayer's sales factor numerator for purposes of determining the underlying combined group's Illinois apportionment factor. Under the provided facts, no modifications, changes, or alterations to the products occurred at the Illinois distribution center, and the products were located at the Illinois distribution center for relatively short periods of time. Moreover, the taxpayer did *not*:

URL:

<https://tax.illinois.gov/content/dam/soi/en/web/tax/research/legalinformation/lett rulings/it/documents/2024/IT24-0001-PLR.pdf>

1. Own or operate the Illinois distribution center,
2. Separately lease space or have employees located at the Illinois distribution center; or
3. Store inventory at the Illinois distribution center.

Additionally, none of the taxpayer's other affiliates or businesses utilized the Illinois distribution center. Given these facts, the Department reasoned that the products were shipped to Illinois "merely to accommodate further shipping to a predetermined destination outside Illinois, and the taxpayer was not engaged in a warehouse function in Illinois." Accordingly, such sales were not made within Illinois for purposes of computing the sales factor numerator. Similarly, the Department reasoned that if the use of a freight forwarder's facilities in Illinois did not result in goods terminating in Illinois, the sales also did not originate from Illinois for throwback rule purposes as use of the freight forwarder did not interrupt the stream of interstate commerce for products already sold to an out-of-state purchaser from outside of Illinois. Please contact us with any questions.

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