

Sales/Use/Indirect:

Illinois: Proposed Rule Reflects New Law Requiring Direct Pay Permit Holders to Annually Verify Sourcing or Else Face Penalties

Proposed New 86 Ill. Adm. Code 130.2532, Ill. Dept. of Rev. (12/6/24). The Illinois Department of Revenue (Department) proposed a new rule reflecting legislation enacted earlier this year [see S.B. 3282 (2024), and *State Tax Matters*, Issue 2024-33, for more details on this new law] that requires each holder of an Illinois “Direct Pay Permit” to annually review its purchase activity and verify that the purchases made in the preceding twelve-month period were sourced correctly and the correct tax rate was applied, or else face a potential \$6,000 penalty for failing to comply with the new law’s annual reporting requirements. The proposed new rule implements the new law by providing “guidance, including examples, regarding the annual review process for Direct Pay Permit holders, the filing of amended returns, and \$6,000 penalty for noncompliance.” Comments on the proposed new rule are due no later than 45 days after its December 6, 2024 publication.

URL: https://www.ilsos.gov/departments/index/register/volume48/register_volume48_49.pdf

URL: <https://www.ilga.gov/legislation/billstatus.asp?DocNum=3282&GAID=17&GA=103&DocTypeID=SB&LegID=152856&SessionID=112>

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240816_8.html

The Department also recently posted a “Compliance Alert” related to this new law [see CA-2025-01, Changes to Increase Participant Compliance in the Illinois Department of Revenue’s Direct Pay Permit Program for details on this guidance] – noting that effective January 1, 2025, Direct Pay Permit holders generally “are responsible for completing an annual review of all transactions for the previous calendar year, and submit confirmation of the annual review via their MyTax Illinois account, no later than March 31, of the following calendar year.” Please contact us with any questions.

URL: <https://tax.illinois.gov/research/publications/compliancealerts/ca-2025-01.html>

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