

HB4894



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4894

by Rep. Norma Hernandez

SYNOPSIS AS INTRODUCED:

New Act

Creates the Digital Advertising Tax Act. Imposes a tax on the portion of a person's annual gross revenue that is derived from digital advertising services in the State if the person's total revenue derived from digital advertising in the State exceeds \$150,000,000. Provides that the tax is imposed at the rate of 10% of the annual gross revenues derived from digital advertising services in the State. Effective immediately.

LRB104 19858 HLH 33308 b

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Digital Advertising Tax Act.

6 Section 2. Findings and intent. The General Assembly finds
7 and declares the following:

8 (1) Many goods and services that have been
9 traditionally subject to Illinois State and local use and
10 occupation taxes have avoided taxation in the digital era.
11 Many digital transactions are harder to bring into the
12 sales tax base because, instead of paying a monetary fee,
13 customers sometimes barter their personal information for
14 access to digital platforms. This personal information is
15 in turn sold for use in targeted advertisements on digital
16 platforms.

17 (2) The value of the consumption provided by digital
18 platforms is typically greater as the size of the network
19 is greater. The General Assembly finds that the
20 consumption value provided by networks of a small size is
21 negligible, especially when compared to the compliance
22 burden that would be imposed on smaller digital platforms.

1 Section 3. Definitions. As used in this Act:

2 "Annual gross revenue" means income or revenue from all
3 sources, before any expenses or taxes, computed according to
4 generally accepted accounting principles.

5 "Assessable base" means the annual gross revenue derived
6 from digital advertising services in the State during the
7 taxable year.

8 "Department" means the Department of Revenue.

9 "Digital advertising services" means advertising services
10 on a digital interface, including advertisements in the form
11 of banner advertising, search engine advertising, interstitial
12 advertising, and other comparable advertising services that
13 use personal information about the people to whom the ads are
14 being served.

15 "Digital interface" means any software that a user is able
16 to access, including a website, part of a website, or an
17 application.

18 "Eligible taxpayer" means a person whose annual gross
19 revenues from digital advertising in the State for the taxable
20 year exceeds \$150,000,000.

21 "Person" means any natural individual, firm, partnership,
22 association, corporation, limited liability company, or trust;
23 any receiver, executor, trustee, guardian, or other
24 representative appointed by order of any court; or any other
25 entity. Unless expressly provided otherwise, the term "person"
26 does not include a governmental entity or a unit or

1 instrumentality of a government entity.

2 "User" means an individual or any other person who
3 accesses a digital interface with a device.

4 Section 4. Tax imposed.

5 (a) A tax is imposed on the portion of each eligible
6 taxpayer's annual gross revenue that is derived from digital
7 advertising services in the State.

8 (b) For the purposes of this Act, the portion of the annual
9 gross revenue that is derived from digital advertising
10 services in the State shall be determined using an
11 apportionment factor. The apportionment factor is a fraction,
12 the numerator of which is the annual gross revenues of a person
13 derived from digital advertising in the State during the
14 taxable year and the denominator of which is the annual gross
15 revenues of a person derived from digital advertising in the
16 entire United States during the taxable year.

17 (c) The Department shall adopt rules that determine the
18 location from which revenues from digital advertising services
19 are derived.

20 Section 5. Tax rate. The rate of the tax imposed under this
21 Act is 10% of the eligible taxpayer's assessable base.

22 Section 6. Returns.

23 (a) Each eligible taxpayer shall complete and file a

1 return with the Department on or before April 15 of the year
2 after the taxable year in which the tax is incurred.

3 (b) A person that reasonably expects that the person's
4 annual gross revenues derived from digital advertising
5 services in the State will exceed \$150,000,000 shall complete
6 and file with the Department a declaration of estimated tax on
7 or before April 15 of that year.

8 A person who is required to file a declaration of
9 estimated tax under this subsection for a taxable year shall
10 complete and file with the Department a quarterly estimated
11 tax return on or before June 15, September 15, and December 15
12 of that year.

13 (c) A person who is required to file a return under this
14 Section shall file with the return an attachment that provides
15 to the Department any information that the Department requires
16 to determine the person's annual gross revenues derived from
17 digital advertising services in the State.

18 (d) A person required to file a return under this Section
19 shall maintain records of digital advertising services
20 provided in the State and the basis for the calculation of the
21 digital advertising tax owed.

22 (e) The chief executive officer, proprietor, owner, or
23 highest-ranking manager of an eligible taxpayer shall sign,
24 under penalty of perjury, annual and quarterly returns to
25 certify the accuracy of the information contained in the
26 return. The forms for annual and quarterly returns prescribed

1 by the Department shall include a warning that the person is
2 signing the return under penalty of perjury.

3 Section 7. Tax payment.

4 (a) Except as provided in subsection (b) of this Section,
5 each eligible taxpayer who is required to file a return under
6 Section 6 of this Act shall pay the tax under this Act with the
7 return that covers the period for which the tax is due.

8 (b) Any person who is required to file estimated digital
9 advertising tax returns under paragraph (2) of subsection (b)
10 of Section 6 of this Act shall pay:

11 (1) at least 25% of the estimated digital advertising
12 tax shown on the declaration or amended declaration for
13 the taxable year:

14 (A) with the declaration or amended declaration
15 that covers the year; and

16 (B) with each quarterly return for that year; and

17 (2) any unpaid digital advertising tax for the year
18 shown on the person's return that covers that year with
19 the return.

20 Section 8. Collection. The Department shall collect the
21 tax imposed by this Act. Money collected, after deducting
22 amounts necessary for administration and enforcement by the
23 Department, shall be paid into the General Revenue Fund.

1 Section 9. Penalties. When the amount due is under \$300,
2 any person subject to the provisions of this Act who fails to
3 file a return, or who violates any other provision of Section 6
4 or Section 7 of this Act, or who fails to keep books and
5 records as required by this Act, or who files a fraudulent
6 return, or who willfully violates any rule or regulation of
7 the Department for the administration and enforcement of the
8 provisions of this Act, or any officer or agent of a
9 corporation or manager, member, or agent of a limited
10 liability company subject to this Act who signs a fraudulent
11 return filed on behalf of such corporation or limited
12 liability company, or any accountant or other agent who
13 knowingly enters false information on the return of any
14 taxpayer under this Act is guilty of a Class 4 felony.

15 When the amount due is \$300 or more, any person subject to
16 the provisions of this Act who fails to file a return, or who
17 violates any other provision of Section 6 or Section 7 of this
18 Act, or who fails to keep books and records as required by this
19 Act, or who files a fraudulent return, or who willfully
20 violates any rule or regulation of the Department for the
21 administration and enforcement of the provisions of this Act,
22 or any officer or agent of a corporation or manager, member, or
23 agent of a limited liability company subject to this Act who
24 signs a fraudulent return filed on behalf of such corporation
25 or limited liability company, or any accountant or other agent
26 who knowingly enters false information on the return of any

1 taxpayer under this Act is guilty of a Class 3 felony.
2 A prosecution for any act in violation of this Section may be
3 commenced at any time within 3 years of the commission of that
4 Act.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.