



# *Informational*

## *Bulletin*

Brian Hamer, Director

## Important notice of changes for out-of-state retailers

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

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### For information or forms

Visit our website at:  
[tax.illinois.gov](http://tax.illinois.gov)

Call our 24-hour  
Forms Order Line at:  
**1 800 356-6302**

Call us at:  
**1 800 732-8866** or  
**217 782-3336**

Call our TDD  
(telecommunications device  
for the deaf) at:  
**1 800 544-5304**

Beginning **July 1, 2011**, the law regarding the type of out-of-state retailers required to register and collect use tax has changed.

- 1.** If you are an out-of-state retailer who has a contract with a person located in Illinois under which
  - the person in Illinois directly or indirectly refers customers to you by a link on its website; and
  - you pay the person a commission or other consideration based upon your sales of tangible personal property through the person's website link; and
  - your cumulative gross receipts from all sales made to customers referred to you by such persons under all such contracts exceed \$10,000.00 during the preceding four quarterly periods ending on the last day of March, June, September, and December,

then you are considered a retailer maintaining a place of business in this state and are required to register with the department to collect and pay Illinois Use Tax.

To determine if you meet the \$10,000.00 threshold, you will need to examine your total sales made to customers referred to you by all persons located in Illinois for the preceding four quarterly periods immediately prior to July 1, 2011. If your cumulative sales for the preceding four quarters exceed \$10,000.00, you must register to collect and pay use tax. If your cumulative sales for the preceding four quarters are \$10,000.00 or less, you will not register at this time.

### **OR**

- 2.** If you are an out-of-state retailer who has a contract with a person located in Illinois under which
  - you sell the same or substantially similar line of products as the person located in Illinois using an identical or substantially similar name, trade name, or trademark as the person located in Illinois; and

- you pay a commission or other consideration to the person located in Illinois based on your sales of tangible personal property; and
- your cumulative gross receipts from all sales made to Illinois customers under all such contracts exceed \$10,000.00 during the preceding four quarterly periods ending on the last day of March, June, September, and December,

then you are considered a retailer maintaining a place of business in this state and are required to register with the department to collect and pay Illinois Use Tax.

To determine if you meet the \$10,000.00 threshold, you will need to examine your total sales made to Illinois customers under such contracts for the preceding four quarterly periods immediately prior to July 1, 2011. If your cumulative sales for the preceding four quarters exceed \$10,000.00, you must register to collect and pay use tax. If your cumulative sales for the preceding four quarters are \$10,000.00 or less, you will not register at this time.

### ***Example 1***

JS Gems sells designer jewelry. JS Gems is based in New York, where its corporate and sales offices are located.

World Jewelers is located in Illinois and has a store and internet website that sells jewelry. JS Gems has a contract with World Jewelers under which World Jewelers will provide a link on its website to JS Gems. When customers use the link through World Jewelers to make purchases from JS Gems, JS Gems pays World Jewelers a commission.

JS Gems has numerous contracts of this type with other persons located in Illinois. Under the new law, when the referral sales under all such contracts exceed \$10,000.00 for the previous four quarters, JS Gems is required to register with the department and collect and pay use tax on its Illinois sales.

### ***Example 2***

Basketball Business is located in New York and sells substantially similar items as Sport Company, which is located in Illinois. Basketball Business has a contract with Sport Company, under which Sport Company allows Basketball Business to use its logo to sell items similar to items that Sports Company sells and Sport Company receives a commission based on the sale of tangible personal property by Basketball Business.

Basketball Business has numerous contracts of this type with other persons located in Illinois. Under the new law, when Basketball Business' cumulative gross receipts from all sales to Illinois customers under all such contacts exceed \$10,000.00 during the previous four quarters, Basketball Business is required to register to collect and pay use tax on its Illinois sales.