

ST 25-0007-PLR 11/20/2025 Local Taxes

The occupation of selling is comprised of the composite of many activities extending from the preparation for, and the obtaining of, orders for goods to the final consummation of the sale by the passing of title and payment of the purchase price. Thus, establishing where "the taxable business of selling is being carried on" requires a fact-specific inquiry into the composite of activities that comprise the retailer's business. See 86 Ill. Adm. Code 270.115 and 35 ILCS 120/2-12(2). (This is a PLR).

November 20, 2025

NAME  
COMPANY  
ADDRESS  
EMAIL

Dear NAME:

This letter is in response to your letter dated October 27, 2025, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://tax.illinois.gov/> to review regulations, letter rulings and other types of information relevant to your inquiry.

Review of your request disclosed that all the information described in paragraphs 1 through 8 of Section 1200.110 appears to be contained in your request. This Private Letter Ruling will bind the Department only with respect to COMPANY1, for the issue or issues presented in this ruling, and is subject to the provisions of subsection (e) of Section 1200.110 governing expiration of Private Letter Rulings. Issuance of this ruling is conditioned upon the understanding that neither COMPANY1, nor a related taxpayer is currently under audit or involved in litigation concerning the issues that are the subject of this ruling request. In your letter you have stated and made inquiry as follows:

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This letter is a private letter ruling request by which we seek renewal of a private letter ruling previously issued by the Illinois Department of Revenue ("Department"). On December 22, 2015, the Department issued a private letter ruling to COMPANY1 ("COMPANY1") in which the Department ruled on the application of the local sales tax sourcing regulations to COMPANY1. A copy of the 2015 private letter ruling is enclosed with this letter. See **Exhibit 1**. Our firm represented COMPANY1 in requesting the 2015 private letter ruling.

The Department's Regulation § 1200.110(b) concerning private letter rulings states in pertinent part that "every private letter ruling is revoked on the date that is 10 years after the date of issuance of the ruling...." Section 1200.110(b) also provides "[t]axpayers entitled to rely on the opinion contained in a particular private letter ruling must apply for a new ruling prior to the aforementioned revocation date."

No authority exists that is contrary to the positions expressed in this request for renewal of the 2015 private letter ruling. Pertinent law and the Department's regulations have not changed. COMPANY1's factual representations in the 2015 private letter ruling have not changed. Nor are the issues in this request part of a current audit or litigation matter with the Department concerning COMPANY1 or any related company. There are no regulations that are clearly dispositive of the issues in this request.

To the best of the knowledge of both COMPANY1 and its representatives, the Department has not previously ruled on the same or a similar issue for COMPANY1 or a predecessor, except for the private letter ruling issued to COMPANY1 on December 22, 2015. Neither COMPANY1 nor its representatives has previously submitted a request on the same or a similar issue to the Department and withdrew the request before a letter ruling was issued. There are no authorities that COMPANY1 or its representatives are aware of that are contrary to the ruling request made herein by COMPANY1.

#### Background

COMPANY1 is engaged in the business of making retail sales of plumbing supplies. COMPANY1's headquarters, sales and administrative offices have been located in CITY, Illinois (its "HQ/Sales Office") since January 1, 2016. The Village of CITY is a non-home rule municipality. A copy of a lease extension agreement through December 31, 2026, is attached hereto as **Exhibit 2**.

COMPANY1 has no office, warehouse or place of business in any other state nor in any other city in Illinois, except for a warehouse in CITY1, Illinois, which is a home rule municipality. At its HQ/Sales Office, COMPANY1 receives, accepts and processes purchase orders for plumbing supplies, does pricing, credit checks and credit approvals, solicits sales, performs solicitation and marketing, and signs written contracts, performs accounts receivable processing, does billing, and payment application, as well as collections and customer service. COMPANY1's officers, administrative personnel, and its salesmen are stationed at this office. The HQ/Sales Office's employees and officers, consist of approximately XX to XX persons, and include the company's president, vice president/general manager of operations, data processing operators, customer service employees, sales employees and administrative employees. At its CITY1 warehouse, COMPANY1 continues to maintain facilities for shipment and pick up purposes.

COMPANY1 HQ/Sales Office personnel have authority to solicit additional sales and bind COMPANY1. Therefore, for other than over-the-counter sales at the CITY1 warehouse, order acceptance for all purchase orders are made by COMPANY1 from its HQ/Sales Office in CITY, Illinois. Therefore, except for the over-the-counter sales at the CITY1 warehouse, the HQ/Sales Office personnel receive and process all orders, credit purchases and credit card payments. However, in some instances, over-the-counter sales can occur directly from the warehouse in CITY1, or a sales order received and processed at the HQ/Sales Office may be picked up by the purchaser at the CITY1 warehouse. This is a small percentage of COMPANY1's sales.

Rulings Requested

1. COMPANY1 requests that a ruling be issued that confirms that all of its retail sales of products in which sales orders are received and processed at its HQ/Sales Office and shipped to a customer in Illinois, are to be sourced to COMPANY1's HQ/Sales Office located in CITY, Illinois.
2. As to: (a) over-the-counter sales from the CITY1 warehouse; or (b) sales from the HQ/Sales Office that are non-pre-existing contract sales paid by phone, electronically or in writing and picked up at the CITY1 warehouse, COMPANY1 requests a ruling that confirms such sales are to be sourced to CITY1.

Applicable Laws

The statutory intent of the Home Rule Municipal Retailers' Occupation Tax, as well as the Non-Home Rule Municipal Retailers' Occupation Tax, is that retailers will incur local retailers' occupation tax in a jurisdiction in Illinois if they "enjoyed the greater part of governmental services and protection in that jurisdiction." See, e.g., 86 Ill. Admin. Code 270.115(b)(4); see also 86 Ill. Admin. Code 693.115 (incorporating § 270.115 were [sic] not incompatible). Local retailers' occupation taxes are sourced under the regulations based on a composite of selling activities by the seller. See, e.g., 86 Ill. Admin. Code 270.115(b)(2). Under the regulations, there are five primary factors. See, e.g., Section 270.115(c)(1). Under the primary factors test, a retailer needs to have at least three of these five primary factors at its sales location to consider its sales as occurring at that location. If less than three of these factors are at a selling location in Illinois (and no more than two of the primary factors occur outside of Illinois), then the six additional secondary factors (see, e.g., Section 270.115(c)(4)) shall be considered to determine the location of the sale in Illinois. In those instances where the secondary factors are used along with the primary factors, either the inventory location or the headquarters location will be deemed the location of the sale based on the location that has the greater number of combined factors with respect to the sales at issue.

The primary factors are: (1) location of sales personnel exercising discretion and authority to solicit customers on behalf of a seller and to bind the seller to the sale; (2) location where the seller takes action that binds it to the sale, which may be acceptance of purchase orders, submission of offers subject to unilateral acceptance by the buyer, or other actions that bind the seller to that sale; (3) the location where payment is tendered and received, or from which invoices are issued with respect to each sale; (4) location of inventory if tangible personal property that is sold is in the retailer's inventory at the time of its sale or delivery; and (5) the location of the retailer's headquarters, which is the principal place from which the business of selling tangible personal property is directed or managed. In general, this is the place at which the offices of the principal executives are located. When executive authority is located in multiple jurisdictions, the place of daily operational decision making is the headquarters. See, e.g., 86 Ill. Admin. Code 270.115(c)(1)(E).

Moreover, if a purchaser, having no prior commitments to the retailer, agrees to make a purchase of tangible personal property and makes payment over the phone, in writing or over the internet, and then takes possession of property at a retailer's place of business, the sale shall be deemed to occur at

that place of business, if the retailer regularly stocks similar items there. 35 ILCS 120/2-12(2).

Analysis

Applying the sourcing regulations to COMPANY1 situation, it appears that all of COMPANY1 sales should be sourced to its HQ/Sales Office in CITY, except for the over-the-counter sales or pick-up sales in CITY1 noted above. At the HQ/Sales Office, four of the five primary selling activities will occur for all sales, including:

1. where COMPANY1 officers and employees are located that can exercise discretion to negotiate and bind COMPANY1 on such sales, since COMPANY1 headquarters and sales office is located at this facility and since COMPANY1's officers and sales employees are located at this facility and prices are set at this facility;
2. the location where offers are prepared and made; or where purchase orders are accepted, since orders are received and accepted, and processed and billed at this facility;
3. location where invoices are sent out or where payments are received, since invoices will be sent out of their office, and credit and credit card payments will be processed at this facility; and
4. the location where the headquarters and principal place of business is located, since this is the headquarters and administrative office of COMPANY1, as well as the location where the daily operational decisions are made.

As a result, under the regulations, COMPANY1 should source these sales to its HQ/Sales Office.

As to COMPANY1's over-the-counter sales from its warehouse in CITY1, these sales are received at this location and the purchaser either pays at this location by cash, credit card or by pre-approved credit. Possession of the supplies purchased are also transferred at this location. However,

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invoicing may be done from the HQ/Sales Office. Please confirm that the CITY1 office is the correct location to source these sales.

For COMPANY1's sales at its HQ/Sales Office in CITY that are picked up at the CITY1 warehouse, these sales orders are received by phone or fax at the HQ/Sales Office in CITY and processed and paid by pre-approved credit or credit card at the HQ/Sales Office location. Please confirm that these sales are to be sourced to the CITY1 warehouse because the purchaser took possession of the supplies purchased at this warehouse. Note: These are not long-term or keep full contracts with a prior commitment by the purchasers to buy these products.

Based on the above, we request a private letter ruling be issued that confirms COMPANY1's HQ/Sales Office in CITY is the location that it should source all of its sales orders for delivery in Illinois, except for the sales that occur over-the counter or for pick-up in CITY1 as noted herein.

Please reach out to me at your convenience if you have any questions about this ruling request or would like any additional information. A power of attorney is attached hereto.

#### **DEPARTMENT'S RESPONSE:**

The Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property at retail to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. Use Tax is imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. These taxes comprise what is commonly known as "sales tax" in Illinois.

In response to the Illinois Supreme Court decision in *Hartney Fuel Oil Co. v. Hamer*, 2013 IL 115130, 376 Ill. Dec. 294 (2013), the Illinois Department of Revenue revised the administrative rules that govern the sourcing of local retailers' occupation taxes. See 86 Ill. Adm. Code 270.115. The rules provide that:

The occupation of selling is comprised of "the composite of many activities extending from the preparation for, and the obtaining of, orders for goods to the final consummation of the sale by the passing of title and payment of the purchase price". *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321 (1943). Thus, establishing where "the taxable business of selling is being carried on" requires a fact-specific inquiry into the composite of activities that comprise

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the retailer's business. *Hartney Fuel Oil Co. v. Hamer*, 2013 IL 115130, paragraph 32 (citing *Ex-Cell-O Corp. v. McKibbin*, 383 Ill. 316, 321-22 (1943).

86 Ill. Adm. Code 270.115(b)(2).

Based on a review of the activities described in your letter and an analysis of the Department's regulations found at 86 Ill. Adm. Code 693.115 (incorporating Section 270.115 where not incompatible), the Department finds that with respect to COMPANY1's sales discussed above which occur at the headquarters in CITY, Illinois, COMPANY1 is engaged in three or more primary selling activities in CITY, Illinois and therefore those sales should be sourced to CITY, Illinois. See 86 Ill. Adm. Code 270.115(c)(2).

It is our understanding that while most sales occur in CITY, some over the counter sales are conducted from the CITY1, Illinois warehouse. Over the counter sales made from the CITY1, Illinois warehouse should be sourced to CITY1, Illinois. See 86 Ill. Adm. Code 270.115(c)(3)(A).

It is also our understanding that some orders may be received and processed over the phone, electronically or in writing from the CITY, Illinois location but the item is picked up at the warehouse in CITY1, Illinois. As you noted in your letter, certain selling activities are governed by statute under 35 ILCS 120/2-12(2). Because the purchaser is not previously committed to COMPANY1, orders are received and processed via phone, electronically, or in writing from the CITY, Illinois headquarters, and the purchaser takes possession of the tangible personal property at the CITY1, Illinois warehouse, such sales should be sourced to the CITY1, Illinois warehouse when COMPANY1 regularly stocks the item or similar items in the quantity, or similar quantities as that purchased by the purchaser.

The factual representations upon which this ruling is based are subject to review by the Department during the course of any audit, investigation, or hearing and this ruling shall bind the Department only if the factual representations recited in this ruling are correct and complete. This Private Letter Ruling is revoked and will cease to bind the Department 10 years after the date of this letter under the provisions of 2 Ill. Adm. Code 1200.110(e) or earlier if there is a pertinent change in statutory law, case law, rules or in the factual representations recited in this ruling.

I hope this information is helpful. If you have further questions concerning this Private Letter Ruling, you may contact me at (217) 782-7055. If you have further questions related to the Illinois sales tax laws, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at (800) 732-8866.

Very truly yours,

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Samuel J. Moore  
Chairman, Private Letter Ruling Committee

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