

This letter discusses marketplace facilitators. See 86 Ill. Adm. Code 131.130. (This is a GIL).

November 19, 2025

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated September 2, 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.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Company operates a business that provides both downloaded software and a Software as a Service (“SaaS”) technology solution to enable its customers (“Customers”) the ability to advertise items for sale online.

Please accept this letter as a request for a non-binding general information letter regarding the applicability of Illinois marketplace facilitator rules and sales tax obligations to the below described fact pattern.

I. Background

Company provides its Customers with a digital infrastructure in the form of both an offline, downloaded or remotely accessed software, as well as an online hosting environment to enable them to manage and

independently conduct auction related activities. Company does not: (1) participate in the underlying bidding activity between Customers and the Customer's customers, (2) take title to any items, buy or list products for sale, or (3) act as an agent, broker, or intermediary.

The digital infrastructure ("platform") supports multiple auction types (e.g., online-only auctions, pre-bidding auctions, hybrid live and online auctions, and listings where the bidding occurs off-platform). Customers maintain full control over their auction events, including setting bidding terms, managing Customer's customer eligibility, and choosing the form of payment. Some Customers may opt to list items exclusively on their white-label websites – custom-branded sites powered by Company's technology but fully controlled by the Customer. While Company provides the digital environment necessary for these auctions, it does not (1) set prices, (2) list products for sale, (3) finalize sales, (4) engage in payment processing/collection, or (5) enforce contractual terms between Customers and their own customers ("Customer's customers"). The Company does not have visibility into the final outcome of an auction, nor does it have visibility at the time of the auction if the winning bidder was the ultimate purchaser. Company's Customer retains the ability to select a different Customer's customer as appropriate. Company may provide platform/technology support to its Customers. Customer support is primarily provided by the Company for its own product (i.e., platform).

Company earns revenue through its platform subscription fees, listing fees, referral fees, premium features, banner ads, custom websites, and support/training. Company provides customizable branding options, allowing Customers to operate under their own brand identities. Company branding appears minimally on its hosting site, typically labeled "powered by," and does not appear on invoices or transaction communications. Company does not market or represent individual auctions as its own. Company's customer service relates to technical support (e.g., software performance, login issues, site configurations). Company neither engages in dispute resolution between Customers and Customer's customers nor does it provide auction-specific customer support or assistance with transactions. However, if issues arise, such as a Customer's customer failing to pay or a Customer failing to ship, the platform may notify the responsible party and expect them to resolve the matter. If complaints persist, the platform may remove the user for non-compliance. Company is not

involved in managing Customer/Customer's customer interactions and post-auction fulfillment.

Company does not collect, hold, or distribute funds related to auctions on its platform. Customers independently select, contract with, and control their preferred third-party payment processors. Company has developed interfaces within its software that enable its Customers to independently select from various payment methods. While Company maintains referral relationships with certain payment processors, it does not directly engage in the processing of payments and does not have access to payments from these transactions. At the time of each transaction, the Company has limited visibility into the payment details. Customers' customer does not have to use a specific payment method, nor does it need to make payments via the platform or software, further minimizing Company's visibility into the final outcome. Company does not act as a clearing house or a distributor of funds with respect to payments. Customers voluntarily select payment type (e.g., credit card, ACH, wire) and processors. Customers independently maintain direct contractual relationships with their chosen payment processors. Company's position is that it maintains technology support for certain technical integrations or referrals. Additionally, Company does not process payments, handle refunds or chargebacks, nor does it collect or remit taxes on behalf of Customers. Many Customers accept alternative payment methods such as cash, checks, or bank transfers, further limiting Company's insight into transaction details.

II. Discussion

Illinois defines "Marketplace" as a physical or electronic place, forum, platform, application, or other method by which a marketplace seller sells or offers to sell items.¹

Illinois provides a "Marketplace facilitator" means a person who, pursuant to an agreement with an unrelated third-party marketplace seller, directly or indirectly through one or more affiliates facilitates a retail sale by an unrelated third-party marketplace seller by:

1. Listing or advertising for sale by the marketplace seller in a marketplace, tangible personal property that is subject to tax under this Act; and

¹ 1 ILCS § 105/2d(a).

2. Either directly or indirectly, through agreements or arrangements with third parties, collecting payment from the customer and transmitting that payment to the marketplace seller regardless of whether the marketplace facilitator receives compensation or other consideration in exchange for its services.²

A marketplace facilitator does not include:

1. A person who provides advertising services, including listing products for sale, is not considered a marketplace facilitator, so long as the advertising service platform or forum does not engage, directly or indirectly through one or more affiliated persons, in the activities described in the definition of “Marketplace facilitator” under ILCS § 105/2d(a)(2).
2. Any person licensed under the Auction License Act. This exemption does not apply to any person who is an Internet auction listing service, as defined by the Auction License Act.³

Company notes that the state’s Marketplace Facilitator guidance suggests that simply listing or advertising products for sale at retail may trigger Marketplace Facilitator classification. While the Company sells a software platform that provides functionality for its Customers to populate and manage their own auction listings, Company does not perform these services. Company does not create listings or sell products/services on behalf of its Customers, nor do Company’s customer’s auction listings guarantee a sale. Customers advertise and manage their own listings/business activities through use of Company’s software. Customers retain control over whether a transaction occurs, which distinguishes Company’s role from that of a traditional Marketplace Facilitator. The Company’s technology enables its Customer to generate listings and display items for sale. The Customer creates the listing and uses the Company’s technology to publish the listing. Company does not view providing the functionality to display items for sale within the software as providing listing services as described by Illinois. Additionally, the lack of involvement in collecting payment from the purchaser and transmitting payment outlined under ILCS § 105/2d(a)(2) excludes it from classification as a Marketplace Facilitator.

² ILCS § 105/2d(a).

³ ILCS § 120/1

Company also does not satisfy ILCS § 105/2d(a)(2) which states that a Marketplace Facilitator directly or indirectly “through agreements or arrangements with third parties, collecting payment from the customer and transmitting that payment to the marketplace seller regardless of whether the marketplace facilitator receives compensation or other consideration in exchange for its services.” Company has established arrangements/connection capabilities with third-party payment processors that its Customers may select from within the technology platform; however, it is not involved in the financial arrangements and its Customers can select alternative payment types for its sales.

Company maintains that in most cases, at the time of the transaction, it does not have visibility into the final selling price, final end-customer (Company’s Customer retains the authority to reject a buyer even after closing the auction), ultimate Customer’s customer, or payment activities related to its Customers’ sales. Therefore, it is the Company’s position that it does not meet the definition of a Marketplace Facilitator as described in Illinois. Instead, Company identifies four (4) payment processor options in its downloaded software version, but Customers can also choose any other payment method, including cash, cashier’s check, wire, or their preferred payment processor. By offering four (4) identified payment processors, the Company provides optionality for Customers. The four (4) identified payment processors are not connected to or referenced on the Company’s ecommerce portal. The Company’s software enables Customers to configure payment settings within the platform; however, this software feature is not connected to the ecommerce portal, that allows Customers to define accepted payment methods themselves. The final invoice may include a payment link that appears and originates from the Customer, not the platform. While a link to the payment processor may be included, it remains clearly separate from the ecommerce portal and the invoice does not display any overlapping branding. The link is a technology connection that redirects the Customer’s customer to a third-party platform. It is not an integrated payment processing system, and the Company has no direct involvement with the third party nor any access to, or control over, the funds processed through it.

All contracting with payment processors is done directly by Customers. Company does not participate in these contractual relationships. Company does not have commercial partnerships with

payment processors. Company does not set or control the payment terms between Customers and Customers' customers; these are established by the Customers according to their own terms and conditions.

Customers retain exclusive transactional control and independently contract with payment processors, and many payments occur off-platform using cash, checks, and direct bank transfers. Company has no visibility into or mechanism available to track these transactions.

Company generates revenue from subscription fees, fees for displaying listings within Company's software, final value fees, referral fees, custom website design, promoted listings, banner ads, premium feature purchases, and training and support for the seller. It is Company's position that it provides only digital tools and collects and remits tax on these products as applicable. Customers retain full independent control over pricing, acceptance or rejection of bids, fulfillment, connections ('arrangements'), and customer interactions. While Company enables technical connections within its software that allow its Customers to independently integrate with third-party payment processors, and in limited instances, maintain agreements with third-party processors for referral compensation, it does not have formal agreements to receive, process, or distribute, funds received for completed transactions between its Customers and Customers' customer. In the absence of a statutory definition of "arrangement" and "agreement", Merriam-Webster defines an "arrangement" as an informal agreement or settlement especially on personal, social, or political matters, whereas an "agreement" means a contract duly executed and legally binding.

III. Questions

1. Does the Department agree that Company's activities, as described, support its conclusion that it operates as a software technology provider and does not meet the definition of a Marketplace Facilitator in Illinois?
2. Was Illinois's intent in defining a Marketplace Facilitator to include software providers whose solutions for its customers off [sic] the ability to connect sellers (Customers) and third-party payment processors, without direct involvement in processing, receiving, or controlling payments? Does this answer change if the software

provider also offers tools for sales tax collection for Customers to be able to collect applicable tax?

3. Does providing connection capability that enables Customers to connect independently with third-party payment processors constitute "indirect payment processing"? as contemplated by ILCS § 105/2d(a)?
4. What criteria is the Department using to define indirect payment processing?
5. Does the Company have an obligation to obtain and maintain transaction-level records for transactions where it is unable to access or control payments or confirm final sale?

DEPARTMENT'S RESPONSE:

Retailers' Occupation Tax

The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. 35 ILCS 120/2; 86 Ill. Adm. Code 130.101. In Illinois, 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. 35 ILCS 105/3; 86 Ill. Adm. Code 150.101. These two taxes comprise what is commonly known as "sales tax" in Illinois. If the purchases occur in Illinois, the purchasers must pay the Use Tax to the retailer at the time of purchase. 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.401. The retailers are then allowed to retain the amount of Use Tax paid to reimburse themselves for their Retailers' Occupation Tax liability incurred on those sales. 86 Ill. Adm. Code 150.130(b). If the purchases occur outside Illinois, purchasers must self-assess their Use Tax liability and remit it directly to the Department. 35 ILCS 105/3-45; 86 Ill. Adm. Code 150.701(a).

Marketplace Facilitators

Beginning January 1, 2021, a marketplace facilitator is considered a retailer engaged in the occupation of selling at retail in Illinois for purposes of the Retailers' Occupation Tax Act if either of following thresholds is met:

- 1) The cumulative gross receipts from sales of tangible personal property to purchasers in Illinois made through the marketplace by the marketplace facilitator and by marketplace sellers are \$100,000 or more; or
- 2) Until January 1, 2026, the marketplace facilitator and marketplace sellers selling through the marketplace cumulatively enter into 200 or more separate

transactions for the sale of tangible personal property to purchasers in Illinois. 86 Ill. Adm. Code 131.135(a).

A marketplace facilitator meeting a threshold, is required to register with the Department, file returns, and remit all applicable State and local retailers' occupation taxes administered by the Department for all sales made over the marketplace to Illinois purchasers, including their own sales and sales made on behalf of marketplace sellers. See 86 Ill. Adm. Code 131.145(a) and 131.145(c).

A marketplace is a physical or electronic place, forum, platform, application, or other method by which a marketplace seller sells or offers to sell items. See 86 Ill. Adm. Code 131.105. A marketplace seller is a person that makes sales through a marketplace operated by an unrelated third-party marketplace facilitator. *Id.* A marketplace facilitator is a person who, pursuant to an agreement with an unrelated third-party marketplace seller, directly or indirectly through one or more affiliates facilitates a retail sale by an unrelated third-party marketplace seller by:

- 1) Listing or advertising for sale by the marketplace seller in a marketplace, tangible personal property that is subject to tax under the Retailers' Occupation Tax Act; and
- 2) Either directly or indirectly, through agreements or arrangements with third parties, collecting payment from the customer and transmitting that payment to the marketplace seller regardless of whether the marketplace facilitator receives compensation or other consideration in exchange for its services. 86 Ill. Adm. Code 131.130(a)(1). Provision on a marketplace of functionality for connection to a payment mechanism meets these requirements. 86 Ill. Adm. Code 131.130(a)(1)(B).

Provision of advertising services, including listing products for sale, is not enough to qualify as a marketplace facilitator, as long as the advertising service platform or forum does not engage, directly or indirectly through one or more affiliated persons, in the activities described in subsection (a)(1)(B) of Section 131.130. 86 Ill. Adm. Code 131.130(a)(2).

The Department has encountered various marketing and payment arrangements used by ecommerce businesses. Notably, the broad language of the statute and administrative rules discussing marketplace facilitators includes such broad terms as "facilitates," "indirectly," "arrangement," and "provision," allowing for its application to a wide variety of ecommerce businesses. See 35 ILCS 120/1; 86 Ill. Adm. Code 131.105. Accordingly, under Section 131.130(a)(1)(B), the participation of a marketplace facilitator in the collection and payment process is not limited to only those instances where the purchaser directly pays the marketplace facilitator and in turn, the marketplace facilitator

directly remits the payment to the marketplace seller. Such a restrictive reading would be contrary to the language in 35 ILCS 120/1, and 86 Ill. Adm. Code 131.130(a)(1)(B). For various examples of the marketplace facilitator criteria being applied to different business models, see 86 Ill. Adm. Code 131.130.

A marketplace connects multiple third-party sellers with buyers. The multiple seller model is a key difference between an online marketplace and a traditional ecommerce online store. An ecommerce store typically has a single seller. In contrast, a marketplace connects multiple, unrelated third-party sellers with buyers. While it is possible that a platform which hosts multiple sellers would not be considered a “marketplace” for purposes of meeting the requirements under 86 Ill. Adm. Code 131.105 and 131.130, such instance would be an exception to the general rule and would be based on the specific facts of each case. Some considerations could include whether: 1) a vendor’s setup on the platform functions as its own online store or website and is perceived as such by the public; 2) a vendor will have its own URL; 3) a vendor sells a unique product that could not be found in a normal product search through the marketplace (e.g. customers are parents purchasing school photos of their children); and 4) the platform does not function as a traditional multiple seller marketplace (e.g. the platform does not allow multiple sellers to sell to a customer). Generally, if a customer is directed to a platform from a code or link for a specified seller and the platform does not allow a customer to search or browse for other sellers for the same or different product, the platform is not acting as a marketplace facilitator.

An internet auction listing service is a website on the internet or other interactive computer service designed to allow or advertise as a means of allowing users to offer personal property or services for sale or lease to prospective buyers or lessees through online bid submission processes using the website or interactive computer service, that does not examine, set the price, prepare the description of the personal property or service, or use the services of a natural person as an auctioneer. 225 ILCS 470/5-10. Interactive computer services include any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including services or systems that provide access to the internet. *Id.*

Beginning January 1, 2021, an internet auction listing service meeting the requirements of a marketplace facilitator, including one of the tax remittance thresholds, is considered a marketplace facilitator subject to State and local retailers’ occupation taxes on sales made on its marketplace to purchasers in Illinois. See 86 Ill. Adm. Code 130.1915(c); 86 Ill. Adm. Code 131.105; 86 Ill. Adm. Code 131.135.

Marketplace facilitators are required to maintain books and records for sales made over the marketplace to Illinois purchasers on behalf of marketplace sellers in accordance with the requirements of Section 7 of the Retailers’ Occupation Tax Act. 86 Ill. Adm. Code

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131.145(f). Marketplace facilitators must also maintain books and records containing the name, address and FEIN of all marketplace sellers making sales through their marketplace. 86 Ill. Adm. Code 131.145(o).

I hope this information is helpful. If you require additional information, 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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