

ST 26-0038-GIL 08/28/2026 TOBACCO PRODUCTS

The tobacco products tax is not imposed on sales to the U.S. Government. (This is a GIL.)

August 28, 2026

NAME
COMPANY
ADDRESS
EMAIL

Dear NAME:

This letter is in response to your letter dated July 16, 2026, 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.

INQUIRY:

Good afternoon! I was referred to your legal department from Central Registration, as my situation was unique.

I am trying to determine the registration(s) needed for a client that will be distributing nicotine pouches from a warehouse in STATE to the five (5) federal prisons located in Illinois. The federal Bureau of Prisons will then sell the nicotine pouches to incarcerated persons through BOP commissaries. So our client is a distributor and not a retailer.

The client has registered as a foreign corporation with the Illinois Secretary of State but does not currently have a location in Illinois. The client intends to

August 28, 2026

create a MyTax Illinois account. Can you confirm that it should? Can it apply to be a non-resident distributor for nicotine pouches through the MyTax portal?

The pouches will be brought from a warehouse in STATE to the 5 federal prisons in Illinois. If a license is needed for this distribution, is one license required for the STATE location sending the nicotine pouches, or are 5 licenses required - one for each federal prison that accepts delivery of the nicotine pouches?

It is my understanding that once a tobacco license is obtained, a zero tax return will be filed through the MyTax portal, since the tobacco tax does not apply to federal agencies. Please confirm this is correct.

If possible, could you give me a call to discuss? It may be the quickest method to resolve any issues so the client can begin deliveries in Illinois.

DEPARTMENT'S RULING:

The Tobacco Products Tax Act of 1996 (Act) imposes a tax on any person engaged in business as a distributor of tobacco products. 35 ILCS 143/10-10. The impact of the tax levied by the Act is imposed upon distributors engaged in the business of selling tobacco products to retailers or consumers in this State.

Beginning on July 1, 2025, "tobacco products" also includes any product that is made from or derived from tobacco, or that contains nicotine whether natural or synthetic, that is intended for human consumption or is likely to be consumed, including but not limited to nicotine pouches, lozenges, and gum; and other kinds and forms of nicotine prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise, or both for chewing and smoking or for inhalation, absorption, or ingesting by any other means. 35 ILCS 143/10-5.

"Distributor" means any of the following:

(1) Any manufacturer or wholesaler in this State engaged in the business of selling tobacco products who sells, exchanges, or distributes tobacco products to retailers or consumers in this State.

(2) Any manufacturer or wholesaler engaged in the business of selling tobacco products from without this State who sells, exchanges, distributes, ships, or transports tobacco products to retailers or consumers located in this State,

so long as that manufacturer or wholesaler has or maintains within this State, directly or by subsidiary, an office, sales house, or other place of business, or any agent or other representative operating within this State under the authority of the person or subsidiary, irrespective of whether the place of business or agent or other representative is located here permanently or temporarily.

(3) Any retailer who receives tobacco products on which the tax has not been paid.

35 ILCS 143/10-5. The Tobacco Products Tax is imposed on the distributors of tobacco products, not the retailer or consumer. At the time the distributor sells the tobacco product to a retailer or consumer, the distributor must determine whether the product meets the definition of "tobacco product." Persons engaged in business as a distributor of tobacco products must obtain a license from the Department of Revenue (Department). 35 ILCS 143/10-20. The license shall allow the applicant to engage in business as a distributor at the place shown on the license application. The license shall be conspicuously displayed in the place of business conducted by the licensee under the license. Id.

Distributors located outside of Illinois that do not "maintain within this State, directly or by subsidiary, an office, sales house, or other place of business, or any agent or other representative operating within this State under the authority of the person or subsidiary," who make sales to consumers or retailers in Illinois are not required to register as a distributor. 35 ILCS 43/10-5. See also 35 ILCS 143/10-10(a-5) and (10-24). In such instances, an Illinois retailer receiving tobacco products from an unlicensed distributor must register as a distributor and remit the tax.

The Department may, in its discretion and upon application, authorize the payment of the tax imposed under Section 10-10 by any distributor not otherwise subject to the tax imposed under the Act who, to the satisfaction of the Department, furnishes adequate security to ensure payment of the tax. The distributor shall be issued, without charge, a license to remit the tax. When so authorized, it shall be the duty of the distributor to remit the tax imposed upon the wholesale price of tobacco products sold or otherwise disposed of to retailers or consumers located in this State, in the same manner and subject to the same requirements as any other distributor licensed under this Act. 35 ILCS 143/10-20(c).

The tax imposed by the Act shall not apply to sales or other disposition of tobacco products to the United States Government or any entity of the United States government. For instance, sales of tobacco products to U.S. Veterans' Hospitals and U.S. Military personnel through officially recognized agencies physically located at military bases are exempt from the tax imposed by the Act. 86 Ill. Adm. Code 660.30(d). Generally, sales of tobacco products to a federal prison that is an entity of the United States are exempt as

August 28, 2026

sales of tobacco products to the U.S. government, provided that the sale can be properly documented as a sale to the federal government, and not some other entity. See 35 ILCS 143/10-10; 86 Ill. Adm. Code 660.30(d).

The distributor making an exempt sale of tobacco products other than little cigars must document the exemption by obtaining a certification from the purchaser containing the seller's name and address, the purchaser's name and address, the date of purchase, the purchaser's signature, the purchaser's tobacco products tax license number, if applicable, and a statement by the purchaser that the purchase is exempt as a sale to the federal government. 35 ILCS 143/10-15; 86 Ill. Adm. Code 660.30(h). Every distributor of tobacco products must keep, at the distributor's licensed address, complete and accurate records of tobacco products held, purchased, manufactured, brought in or caused to be brought in from without the State, and tobacco products sold, or otherwise disposed of, and shall preserve and keep all of the information as provided in 86 Ill. Adm. Code 660.25(a). Every sales invoice issued by a licensed distributor shall state whether:

- 1) the tax imposed by the Act has been or will be paid in full;
or
- 2) the sale is exempt in whole or in part under Section 660.30 and the specific subsections under which the exemption is claimed. ...
 - B) The distributor making an exempt sale of tobacco products shall document the exemption by obtaining a certification required by Section 660.30(h).

86 Ill. Adm. Code 660.25(e).

Every distributor of tobacco products shall file a return on or before the 15th of each month covering the preceding month. The return shall disclose the wholesale price for all tobacco products, except little cigars, sold or dispersed, and any information the Department related to the uniform regulation of tobacco products, such additional information includes but is not limited to the exempt sales made to the government. 86 Ill. Adm. Code 660.20(d)(3).

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 Assistance Division at 800-732-8866.

COMPANY/NAME

Page 5

August 28, 2026

Very truly yours,

Kimberly Rossini
Associate Counsel
(217) 782-7055

KAR:slc