



For Immediate Release
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Revenue Study Estimates Up to \$153 Million in On-Line Sales Taxes Remains Uncollected

SPRINGFIELD – A Department of Revenue study published today puts Illinois state government’s lost tax collections from online sales at \$153 million for the current fiscal year – significantly below the \$500 to \$800 million cited in previous studies. The study, published in *State Tax Notes*, establishes the amount of tax uncollected from online sales as part of the agency’s ongoing effort to improve collection of sales taxes due to the state.

“It’s a matter of fairness. Stores and businesses located in Illinois employ Illinois workers, support community programs, and, through the property, income and sales taxes they pay, allow us to provide vital public services,” said Brian Hamer, Director, Illinois Department of Revenue. “Online merchants should be required to remit the same taxes.”

The department’s past efforts had been not only educational – informing residents of their tax obligation, but also through enforcement – compelling online retailers who have an Illinois presence to remit the tax. Illinois law already requires online companies that have a presence (such as a “bricks and mortar store”) in the state to remit tax for products delivered to Illinoisans. The department estimates that it already receives taxes from 68 percent of the sales made by the 100 largest online merchants.

Current compliance efforts include a Use Tax Voluntary Compliance program targeted at Illinois businesses that may not recognize they owe tax on products purchased tax free and used in Illinois. Companies that file corporate income tax and payroll taxes in Illinois but have not filed sales or use tax forms are being reminded that if they purchase and use products in Illinois from vendors who do not charge tax, the business owes use taxes on the value of those products. This initial outreach offers businesses an opportunity to voluntarily disclose and pay use tax for the past four years without penalties, in return for taxpayers agreeing to register and begin paying the tax going forward.

The department is also carefully monitoring efforts in other states to require online merchants to collect and remit taxes. New York State is pushing to require online retailers who pay in-state entities for referrals through a Website link to collect the tax.

Several very large online merchants use this business model and collection of sales taxes in Illinois could be increased significantly through a similar mandate.

While state initiatives might improve overall tax collection, the most effective way to capture the majority of the \$153 million that Illinois is currently not collecting would be through federal legislation that requires businesses shipping goods across state lines, as defined by the interstate commerce clause, to remit and distribute the taxes owed by their customers in those states.

Today's study, the most detailed ever conducted, will provide the department and state policy makers the background needed to resolve this issue. National studies done previously had put Illinois' loss from untaxed online sales at nearly \$800 million.

The report concludes by warning policymakers that \$150 million is an upper limit of what could be remitted if laws were changed to require Internet retailers to administer state taxes. There would still be some non-compliance as well as a possible threshold to prevent small retailers from having to register and collect taxes.

The collection of Illinois Use Tax (sales tax from remote sellers) remains a high priority at the Department of Revenue, often with the support of local businessmen who claim they are put at a disadvantage when their competitors avoid the tax.

Click here to view the [Online Sales and Unpaid Illinois Sales and Use Tax](#).