



Tax Insights  
from State and Local  
Tax Practice

# Illinois legislature passes budget bill with new digital taxes and social media platform fee, among other items

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## In brief

### What happened?

Budget-related tax legislation passed by the Illinois General Assembly on June 1, 2026 includes the following significant changes, effective January 1, 2027:

- imposes a new tax on providers of targeted advertising services at a rate of 10% of the gross receipts derived from these services provided in Illinois, whose receipts exceed \$1 million during the preceding 12-month period, determined quarterly
- establishes a monthly social media platform fee for platforms with more than 100,000 Illinois users from whom the platform collects data, and requires a report of average monthly Illinois users to the Secretary of State within 14 days after the start of each month
- applies a new privilege tax at the rate of 0.2% of the value of digital asset business activity received by Illinois customers collected by digital asset brokers who maintain a place of business in Illinois, including remote brokers meeting a \$100,000 Illinois gross receipts threshold.

The legislation is pending review by Governor JB Pritzker (D). [[SB 3019](#), passed legislature, 6/1/2026]

Beginning July 1, 2026, the bill would:

- impose marketplace facilitator collection obligations on hotel booking platforms
- impose a new 15% privilege tax on fantasy contest receipts
- consolidate the fee imposed on new or used tires sold and delivered in Illinois
- suspend the scheduled July 1, 2026 Consumer Price Index (CPI) inflation adjustment to the motor fuel excise tax rate for the period beginning July 1, 2026 and ending January 1, 2027.

In addition, SB 3019 creates a sales tax holiday for 10 days in August 2026.

Notably, the budget bill does not eliminate the Illinois Independent Tax Tribunal. Additionally, while the budget bill does not include a statutory pause on the availability of data center incentives offered to qualified data centers, Governor Pritzker has directed the Illinois Department of Commerce and Economic Opportunity (DCEO) to pause processing new Data Center Investment Program agreements beginning July 1, 2026. Existing agreements, including those entered into before July 1, 2026, will be honored. Both of these items were considered during the budget process.

## Why is it relevant?

The budget bill would add new tax, fee, sourcing, registration, reporting, and systems requirements for companies that monetize user data, sell targeted digital advertising, operate social media platforms with Illinois users, or facilitate digital asset transactions. The budget bill proposes multiple new taxes that are similar to measures subject to ongoing litigation in other jurisdictions and could draw similar scrutiny from industry groups.

## Actions to consider

Businesses should consider the following:

- determine whether advertising operations meet the definition of "provider of targeted advertising services" and assess sourcing methodologies for locating user-consumers in Illinois
- assess whether social media platform operations trigger the monthly user-based fee obligation and model expected monthly costs based on Illinois user counts
- evaluate whether digital asset exchange, transfer, or storage activities constitute "digital asset business activity" subject to the 0.2% tax
- monitor for rule-making and guidance implementing new taxes, fees, and amendments.

# In detail

## Background

### Targeted advertising services tax

Beginning January 1, 2027, SB 3019 would impose a 10% tax on the gross receipts of providers of targeted advertising services provided in the state. "Targeted advertising services" means any programmatic written, oral, or graphic statement or representation conveyed through a digital interface or any other method of delivery that uses personal information about the individuals to whom ads are served. The tax applies, but is not limited to, banner advertising, search engine advertising, interstitial advertising, display advertising, internet programmatic video advertising, multichannel video programming distributor advertising conveyed via cable television, satellite television, or a digital fiber-optic distribution system, social media advertising, native advertising, and incentivized or rewarded advertising.

"Programmatic" means capable of automating advertising services. Programmatic targeted advertising services may be sold in real time by employing technology that uses computer-driven or software-driven workflow or machine learning algorithms to deliver advertisements to user-consumers based on user-advertiser-defined parameters. Those parameters include precise user-consumer targeting data such as user-consumer geographic locations, types of devices, recent online search behaviors, browsing history, shopping history, purchase history, and biographical and other information compiled in databases.

A "provider of targeted advertising services" is defined as a person whose annual cumulative gross receipts from those services provided in Illinois exceed \$1 million during the preceding 12-month period. Providers must determine quarterly whether they meet this threshold. A user-consumer is located in Illinois based on contact information within the provider's possession or control, with a rebuttable presumption applying where an Illinois home address, mailing address, or internet protocol address or other user-consumer data showing place of primary use in Illinois is associated with a device or account.

The tax does not apply to advertising on digital interfaces owned or operated by or on behalf of a news media entity. Business entities in a controlled group are treated as a single entity for purposes of the provider definition.

The legislation denies and limits the power of any home-rule unit to impose any tax on the occupation of providing targeted advertising services. Providers must register with the Department and file monthly returns by the 20th day of each month. A 1.75% vendor discount, up to \$1,000, applies for the timely e-filing of returns.

### Social media platform fee

Beginning January 1, 2027, a monthly fee would be imposed on social media platforms based on the number of Illinois users from whom the platform collects data. Platforms also must report the average number of monthly Illinois users to the Secretary of State within 14 days of the start of each month.

"Social media platform" means a website or internet medium that:

- permits a person to become a registered user, establish an account, or create a profile for the purpose of allowing users to create, share, and view user-generated content through that account

or profile;

- enables one or more users to generate content that can be viewed by other users of the medium; and
- serves as a medium for users to interact with content generated by other users of the medium.

The tiered fee structure would be as follows:

<b>Illinois Monthly Users</b>	<b>Fee Per User</b>	<b>Monthly Fee Calculation</b>
<b>100,001 – 500,000</b>	\$0.10/user	On users over 100,000 but not more than 500,000
<b>500,001 – 1,000,000</b>	\$0.25/user	\$40,000 + \$0.25 × users over 500,000
<b>Over 1,000,000</b>	\$0.50/user	\$165,000 + \$0.50 × users over 1,000,000

Failure to pay would result in a penalty of 100% of the unpaid fee each month.

Fees are adjusted annually beginning January 1, 2028, by the CPI, rounded down to the nearest whole number. Platforms are prohibited from varying costs of access, features, services, or in-app purchases for users based on geographic location to recoup the fee.

### New tax on digital asset business activity

Beginning January 1, 2027, a 0.2% tax would be imposed on the privilege of receiving digital asset business activity from a customer in Illinois, measured by the value of the digital asset to which the business activity relates. "Digital asset business activity" includes any single occurrence of exchanging, transferring, or storing a digital asset as part of a business or on behalf of a customer who has entered into an agreement with a business for those services. The tax is collected by the digital asset broker from the customer on each sale. "Digital asset" is defined as any digital representation of value secured by distributed ledger technology (e.g., cryptocurrency, tokens, stablecoins).

A "digital asset broker" includes a person who is engaged in the business of providing digital asset business activity to Illinois customers. Remote brokers headquartered outside Illinois are subject to the tax if their gross receipts from Illinois digital asset business activity sales reach \$100,000 or more for the preceding 12-month period, determined quarterly. Sourcing follows a rebuttable presumption based on the customer's Illinois address, mailing address, IP address, or other data showing place of primary use in Illinois.

Digital asset brokers must register with the Department and file monthly returns by the 20th day of each month for the preceding calendar month.

### Hotel operators' occupation tax would be imposed on a hotel marketplace facilitator meeting a threshold

Beginning July 1, 2026, the following would apply to state and local hotel operators' occupation taxes:

- a hotel marketplace facilitator that meets a \$100,000 cumulative gross rental receipts threshold

during the preceding 12-month period, determined on a quarterly basis, becomes the hotel operator responsible for collecting and remitting tax

- a hotel operator who rents, leases, or lets rooms through a re-renter of hotel rooms, a hosting platform for short-term rentals, or through any other person who meets the definition of a hotel marketplace facilitator that meets the tax remittance threshold does not incur tax
- the hotel marketplace facilitator is entitled to the vendor's discount and is subject to audit on all marketplace rentals
- where two or more parties meet the facilitator definition for a single transaction, they may agree among themselves which entity collects and remits the tax.

"Hotel marketplace facilitator" means a person who, pursuant to agreements with unrelated third-party marketplace hotel operators, directly or indirectly through one or more affiliates, facilitates the renting, leasing, or letting of rooms in hotels by unrelated third-party marketplace hotel operators.

### Sales tax holiday period for August 2026

The bill would establish a sales tax holiday period of August 7, 2026 through August 16, 2026, during which qualifying items (clothing under \$125, school supplies, school art supplies, school instructional materials, and school computer supplies) are taxed at a reduced rate of 1.25% instead of the standard 6.25% rate.

Items that qualify for the reduced rate of tax that are bundled together with items that do not qualify for the reduced rate of tax sold for one itemized price will be subject to the reduced rate of tax only if the value of the items that qualify for the reduced rate of tax exceeds the value of the items that do not qualify for the reduced rate of tax.

### Privilege tax on fantasy contest receipts

Beginning July 1, 2026, SB 3019 would impose a 15% privilege tax on the "adjusted gross fantasy contest receipts" of licensed fantasy contest operators, defined as total gross entry fees collected from Illinois participants less the in-state participant pro rata share of total cash prizes paid to participants in those contests. The tax is administered by the Illinois Gaming Board and operators must obtain a fantasy contest operator license before offering contests to persons located in the state. Existing operators may continue operating until 90 days after rules implementing the amendments become effective, provided operators apply timely and pay the required license application fee.

### Tire fees consolidated

Beginning July 1, 2026, SB 3019 would consolidate the existing \$2.00 and \$0.50 per-tire retail fees into a single \$2.50 fee for new or used tires sold and delivered in Illinois. Retail sellers remain entitled to a \$0.10 per-tire collection allowance, provided returns are filed timely.

# Let's talk

To discuss the potential impact of this legislation on your business, please contact:

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