

5 KEY TAKEAWAYS

2026 Annual SALT Conference: Unusual Cases You Won't Forget!

Chicago SALT Partner [David Hughes](#) recently presented “Unusual Cases You Won't Forget!” at the [Illinois CPA Society's 2026 Annual SALT Conference](#).

Read his 5 Key Takeaways here:

1

Taxation of Nonresident Income and Employer Necessity

Recent cases, such as *Matter of Zelinsky*, highlight the ongoing complexity regarding the taxation of nonresident wages—particularly when services are performed outside the state. Under the “convenience of the employer” rule, the burden is on the taxpayer to prove that out-of-state work was performed out of the employer's necessity, not merely for the employee's convenience.

Evolving Apportionment Methods and Double Taxation Risks

Illinois has joined other states in adopting “investee apportionment,” which raises both statutory and constitutional questions. There is concern about potential double taxation when owners reside in states with their own individual income taxes as seen in the *Corrigan v. Testa* and *Maryland v. Wynne* cases.

2

3

The Characterization and Sourcing of Income Streams

Determining where income is sourced remains contentious, especially for out-of-state banks and service providers. Courts have ruled that the location where income is received, or where a service is actually performed or utilized, is critical to proper sourcing, as shown in cases involving *Capital One* and *Express Scripts*.

The Expanding Scope of What Constitutes Tangible Personal Property (TPP)

States continue to broaden the definition of TPP to include software, streaming services, and digital products. Courts and tax authorities in Colorado, Arizona, and Louisiana have all ruled that items such as streaming subscriptions, attendance tracking software, and virtual gaming goods may be taxable as TPP—even when the property is perceptible only through senses other than touch.

4

5

Taxation of Transfers of Controlling Interests in Real Property

Complex transfer structures, such as those involving family trusts or “drop kick” transactions, are potentially subject to real property transfer taxes—even when the ultimate transfer occurs via changes in controlling interest rather than direct sale. Courts are willing to look past form to substance in determining taxability in these scenarios.