July 6, 2026

Illinois Remote Retailer Tax Amnesty Program

by Lauren A. Ferrante , Jesse Feinstein

Since the adoption of the Illinois Leveling the Playing Field legislation ("Legislation"), sales and use tax compliance for businesses that sell to Illinois customers but lack a physical presence in the state has become increasingly complex. Though litigation challenging the Legislation on constitutional and uniformity grounds is pending, in the meantime, businesses around the country, and the world, face potentially substantial liabilities. Remote retailers beware: if you sell tangible personal property to customers in Illinois, you may have sales tax obligations you have not yet addressed – and you are not alone.

Though Illinois ran a general amnesty program last year that was open to remote retailers, the good news is that for this year, Illinois has created a targeted amnesty program designed specifically for remote retailers, whether located inside or outside of the United States, offering a simplified and (potentially) forgiving path to compliance. Here's what you need to know.

A Quick Primer: How Does Illinois Tax Remote Retailers?

Under Illinois law, a remote retailer is any retailer that does not maintain an office, distribution house, sales house, warehouse, or other place of business (including any agent or other representative) within Illinois.[1] Like many other states, a remote retailer is required to collect and remit state and local retailers' occupation tax (i.e., sales tax) if it meets certain economic thresholds.[2] Specifically, through December 31, 2025, a remote retailer triggered these obligations if it had cumulative gross receipts from sales to Illinois purchasers of $100,000 or more, or entered into 200 or more separate transactions with Illinois purchasers, calculated on a rolling four-quarter basis.[3] Beginning January 1, 2026, the 200-transaction threshold was eliminated, leaving only the $100,000 gross receipts test.[4]

Illinois' sales tax is unique, and complicated by, the state's destination-based sourcing regime, which requires retailers to determine the applicable combined state and local tax rate based on the delivery address for each

sale.[5] With thousands of local taxing jurisdictions across the state, this can be a significant administrative burden for remote sellers, especially those who previously have not maintained adequate records to make such precise local-level sourcing determinations.

The Remote Retailer Amnesty Program

Recognizing these challenges, the Illinois General Assembly passed House Bill 2755, which, among other provisions, established a brand-new Remote Retailer Amnesty Program.[6] The key information concerning this program is summarized below.

Amnesty Program Dates | August 1, 2026 – October 31, 2026
Tax Periods Covered | January 1, 2021 – June 30, 2026
Eligible Tax Types | Any state or local sales tax connected with the sale of tangible personal property by a remote retailer that is shipped or otherwise delivered to an address within Illinois.
Benefits | Penalties and interest waived.
Risks | Eligible remote retailers that do not participate may be subject to a 15% tax rate on sales to undetermined Illinois locations.

Detailed Analysis of the Program

The remote retailer amnesty program should be considered by all remote retailers, but particularly by those who have not maintained adequate records to determine the local sourcing of their sales to Illinois. Rather than requiring remote retailers to determine the exact combined state and local tax rate for every delivery location across Illinois, participating retailers can report and remit tax at a flat, blended rate: 9% for general merchandise (which covers items normally taxed at the 6.25% state rate), and 1.75% for qualifying reduced-rate items such as food for off-premises consumption and certain medicines and medical appliances.[7] This eliminates the need to reconstruct years of destination-specific data, providing major relief for businesses that may not have maintained detailed records of individual delivery locations.

The reporting process is also streamlined. Ordinarily, remote retailers must determine the exact combined state and local tax rate applicable to each individual sale based on the specific delivery address — a process that requires detailed destination data across numerous Illinois taxing jurisdictions. Under the amnesty program, by contrast, participants are required to submit only statewide totals of their tax liability at the simplified rate, and

local jurisdictions do not play a role in the application or assessment process. Returns must be filed electronically through the Illinois Department of Revenue's MyTax Illinois portal. Moreover, if a remote retailer cannot pay its full liability upfront, the program allows for an approved repayment plan of up to 24 months. Amnesty is granted upon successful completion of the plan, provided the retailer remains in compliance throughout.

Risks and Limitations

Opting not to participate in the amnesty program carries risks of its own. The Department takes the position that eligible remote retailers that do not participate may be subject to a 15% tax rate on any "undetermined" Illinois sales. This inflated tax rate is imposed in addition to ordinary penalties routinely assessed in the audit process.

Interested remote retailers should be mindful of several important program requirements. Most importantly, the participant must be registered with the Illinois Department of Revenue and have an online MyTax Illinois account. Because registration can take several business days, we recommend that prospective applicants begin this process well in advance.

The program is not available to retailers that are parties to pending criminal investigations or civil or criminal litigation related to nonpayment, delinquency, or fraud involving any Illinois state tax.[8] Accordingly, a prospective participant will be barred from participation to the extent they are involved in active litigation concerning their tax liability with respect to any eligible periods and transactions.[9] Additionally, amnesty applies only to retailers' occupation taxes owed in a retailer's capacity as a remote retailer and does not extend to other tax types.[10]

Perhaps most importantly, failure to participate carries real risk. Remote retailers with eligible liabilities that decline to take advantage of the program remain at risk of audit and additional penalties and interest. Specifically, the Illinois Department of Revenue has indicated that if a taxpayer cannot provide sufficient information to determine the proper location for destination-based sales, the Department may assess tax at a rate of 15% on gross receipts from sales to undetermined locations — a rate that can apply retroactively to periods before January 2026.[11]

A Note on Indiana's Tax Amnesty 2026

Illinois is not alone in offering upcoming amnesty relief. Neighboring Indiana has also announced its Tax Amnesty 2026 Program, running from July 15, 2026, through September 9, 2026.[12] Unlike the Illinois program, this program covers all state-listed taxes administered by the Indiana Department of Revenue for tax periods ending before January 1, 2024.[13] Much like the Illinois Remote Retailer Amnesty Program, eligible taxpayers can have all related penalties, interest, and collection fees waived by paying their liabilities in full during the amnesty window or by completing a payment plan by June 7, 2027.[14] Taxpayers granted amnesty are also protected from civil or criminal prosecution with respect to the forgiven liabilities.[15] However, any taxpayer who previously participated in a prior Indiana amnesty program under I.C. § 6-8.1-3-17 (as in effect on December 31, 2024) or under IC 6-2.5-14 will be ineligible for the 2026 Program.[16] The program also excludes any liability arising from a failure to comply with Indiana's wagering tax provisions under IC 6-3-1-3.5(b)(3).[17] As with Illinois, failing to participate may result in additional penalties. An eligibility lookup tool is available through Indiana's INTIME portal, and we encourage any business with potential Indiana tax exposure to explore this opportunity alongside the Illinois program.

Don't Wait — Take Action Now

The Remote Retailer Amnesty Program represents a narrow but meaningful window for remote retailers to resolve past Illinois sales tax exposure on favorable terms. The combination of simplified rates, streamlined reporting, and full penalty and interest abatement makes this program well worth exploring for any business that may have fallen behind on or been previously unaware of its Illinois obligations. Finally, as noted above, the consequences of inaction are significant: the Department of Revenue may assess tax at a rate of 15% on gross receipts from sales to undetermined locations for eligible retailers that do not participate.

Our team is ready to help you evaluate whether your business qualifies, navigate the registration and filing process, and develop a strategy for ongoing compliance. Whether you're looking to take advantage of this amnesty program or address other state and local tax matters, we encourage you to reach out — we're here to help. Contact us today to get started.

---

[1] 35 ILCS 120/2-13 (incorporating the definition of "remote retailer" from 35 ILCS 120/1 for purposes of the amnesty program).

[2] 35 ILCS 120/2-13 (incorporating the economic nexus thresholds established by 35 ILCS 120/2 for purposes of the amnesty program).

[3] 35 ILCS 120/2.

[4] *Id.*

[5] 35 ILCS 120/2-12(6); 86 Ill. Admin. Code § 131.107.

[6] 35 ILCS 120/2-13.

[7] 35 ILCS 120/2-13.

[8] 35 ILCS 120/2-13(c)(5).

[9] *Id.*

[10] 35 ILCS 120/2-13(c).

[11] *See* IDOR Informational Bulletin FY 2026-28 (June 2026).

[12] *See* Ind. Dep't of State Revenue, Tax Amnesty 2026; *see also* I.C. § 6-8.1-3-17(c).

[13] I.C. § 6-8.1-3-17(c).

[14] I.C. § 6-8.1-3-17(c), (d)(1)–(2); *see also* 45 IAC 15-11-6

[15] I.C. § 6-8.1-3-17(d)(3).

[16] I.C. § 6-8.1-3-17(c)(2).

[17] I.C. § 6-8.1-3-17(c)(1).