

Insights: Publications

Digital Advertising Taxes – Coming to Illinois in 2027 (Or Not)

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Kilpatrick's David Hughes joined a fellow thought leader to discuss “Digital Advertising Taxes – Coming to Illinois in 2027 (Or Not)” at the Taxpayers Federation of Illinois (TFI) State and Local Tax Conference on September 30, 2026.

David's key takeaways from the discussion include:

1. **New Tax Frontier** - States increasingly view digital advertising, social media platforms, and data-related services as potential new revenue bases. Digital advertising taxes may be structured as gross receipts taxes on apportioned advertising revenue or as an expansion of an existing indirect-tax base.
2. **Maryland's Warning** - Maryland's digital advertising tax has faced sustained constitutional and statutory challenges since its enactment, including a Fourth Circuit ruling that the pass-through restriction violated the First Amendment. In August 2026, the Maryland Tax Court struck down the tax on Internet Tax Freedom Act, Commerce Clause, and Due Process grounds, although further appellate review is anticipated.
3. **Utah Is Next** - Utah's targeted digital advertising tax takes effect January 1, 2027, and imposes a 4.7% tax on qualifying gross receipts where the taxpayer meets global sales, Utah revenue, and advertising receipts thresholds. Litigation filed in July 2026 challenges the law under the Internet Tax Freedom Act, the Commerce Clause, and due process.
4. **Illinois Goes Further** - Illinois's Targeted Advertising Services Tax, effective January 1, 2027, imposes a 10% gross receipts tax on providers whose Illinois targeted-advertising receipts exceed \$1 million during the preceding 12 months. Unlike the Maryland and Utah regimes, Illinois includes no global-revenue threshold, potentially subjecting a considerably broader group of businesses to the tax.
5. **Litigation and Compliance** - The Illinois law is already the subject of a challenge alleging that it violates the Internet Tax Freedom Act, Commerce Clause, Due Process Clause, and First Amendment. Businesses must nevertheless evaluate registration, sourcing, data-location, aggregation, and system readiness obligations now, particularly because the statute places substantial weight on user-consumer contact information and provides limited implementation guidance.

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