

Insights: Publications

Chicago Uses Economic Nexus to Extend the Reach of its City Taxes

Tax Notes State

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The City of Chicago has adopted an economic presence test to expand the reach of its city taxes to non-Illinois businesses. This decision is part of a broader effort to ensure that businesses that engage in activities within the city's jurisdiction are subject to city taxes. The economic presence test is based on the idea that businesses that have a significant economic presence in the city, such as receiving substantial revenue from local customers, should be subject to city taxes. This approach aims to align city taxes with the economic activity of businesses and to ensure that local businesses are not disadvantaged by out-of-state entities that may not have a physical presence in the city but still benefit from city taxes.

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