



MULTISTATE INCOME/FRANCHISE/INDIRECT TAX

Illinois enacts fiscal year 2027 budget with several tax changes

Tax Alert

Overview

On June 16, 2026, Illinois [Senate Bill 3019](#) (“S.B. 3019”) was enacted into law as part of the state’s \$55.9 billion fiscal year 2027 budget. The income tax related provisions include extending the net operating loss limitation beginning in tax year 2027 to the greater of \$500,000 or 15% of taxable income, modifying the Illinois passthrough entity tax, and decoupling from Internal Revenue Code (“IRC”) section 1202 for qualified small business stock. In addition, S.B. 3019 creates several new taxes and fees, including a 10% tax on gross receipts from targeted advertising services in Illinois, a 0.2% tax on digital assets, a graduated fee on social media platforms, and new transaction tax on sports wagering. S.B. 3019 also makes changes to how Illinois hotel marketplace facilitators remit state and local occupancy taxes, suspends a slated motor fuel tax rate increase, and fully funds the Illinois Independent Tax Tribunal.

This Tax Alert summarizes some of the tax provisions in this bill. A separate Tax Alert provides more details about the tax on digital assets.

Net operating loss limitation

For taxable years ending on and after December 31, 2027, S.B. 3019 limits the corporation (other than Subchapter S) net operating loss limitation to the greater of \$500,000 or 15% of net income. The allowed percentage is scheduled to increase each year until it reaches 80% in 2031. The taxable years for which the deduction is disallowed or one of the restrictions applies do not count towards carryforward periods.

Passthrough entity tax

For taxable years ending on or after December 31, 2026, S.B. 3019 allows partnerships to elect to pay passthrough entity tax (“PTET”) based on two methods: 1) the full distributive share of income method where the PTET is based on the residents’ full distributive share of income and nonresidents’ apportioned/allocated income or, 2) the Illinois sourced income method where the PTET is based on both resident and nonresident’s apportioned/allocated income. The election is made annually and applicable to all partners in the passthrough entity. Once made, the election is irrevocable.

Targeted Advertising Services Tax

Beginning January 1, 2027, S.B. 3019 imposes a tax at the rate of 10% of the gross receipts derived from 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, including, but not limited to, banner advertising, search engine advertising, interstitial advertising, and other

comparable advertising services that use personal information about the people to whom the ads are being served; but does not include advertisement services on digital interfaces owned or operated by or operated on behalf of a news media entity.

To be considered a provider of targeted advertising services, the seller must have annual cumulative gross receipts from such services in Illinois exceeding \$1,000,000 during the previous 12-month period. Illinois receipts are sourced based upon user-consumer contact information, which refers to a user-consumer's email address, telephone number, home address, mailing address, or credit card information based within device or account records as a presumption.

The Targeted Advertising Services Tax is reported monthly on the 20th of the month following the reporting month and requires separate registration and reporting to the Department of Revenue from Illinois Retailers' Occupation Tax and Use Tax.

Social media platform fee

Beginning January 1, 2027, S.B. 3019 imposes a fee on social media platforms based on the number of Illinois users from whom the platform collects data within a month. The fees are tiered and calculated based on number of Illinois users as detailed below and will be subject to consumer price index adjustments.

1. For platforms with over 100,000 Illinois users but not more than 500,000 Illinois users the fee is \$0.10 per month per user over 100,000 users;
2. For platforms with over 500,000 Illinois users but not more than 1,000,000 Illinois users the fee is \$40,000 plus \$0.25 per month per user over 500,000 users; and
3. For platforms with over 1,000,000 Illinois users the fee is \$165,000 plus \$0.50 per month per user over 1,000,000.

The social media platform will submit a monthly report by the 14th of each month confirming the average number of monthly Illinois users. "Social media platform" is defined as website or internet medium that:

1. 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;
2. Enables one or more users to generate content that can be viewed by other users of the medium; and
3. Primarily serves as a medium for users to interact with content generated by other users of the medium.

The fee is administrated by the Secretary of State and the penalty for failure to pay is 100% of unpaid fees. S.B. 3019 prohibits the platforms from varying the cost of access, features, services, or in-app purchases for any user based on the geographic origin of the user's login, activity, or account registration for purposes of recouping the fee.

Sports Wagering Act

Beginning when S.B. 3019 is signed into law, the Sports Wagering Act is expanded to include a new transaction tax on each exchange wager, defined as an agreement, contract, transaction, or swap that is offered, traded, or executed on a prediction market or exchange tied to a sports context or sporting event. The transaction tax incurs a 1.75% tax on each exchange wager, and a 3.5% tax on each exchange wager after the first five million exchange wagers are conducted per licensee per fiscal year and impacts prediction markets and fantasy sports wagering.

Additionally, as of July 1, 2026, S.B. 3019 expands the Sports Wagering Act to impose new licensing requirements for the privilege of holding a license to operate fantasy contests for the aforementioned date and for each 12-month

period thereafter. Each annual license includes an imposed privilege tax of 15% on the fantasy contest operator licensee's adjusted gross fantasy contest receipts and must be obtained through the Illinois Gaming Board. The receipts are calculated on the total gross entry fees collected from fantasy contest participants in Illinois less the in-state participant pro rata share of the total cash prizes paid to any participants in those contests. Notably, a fantasy contest is defined as an online contest of skill between two or more participants with an entry fee where:

1. The values of all prizes offered to a winning participant are established and made known to the participant in advance of the contest;
2. All winning outcomes reflect the relative knowledge and skill of the participant;
3. The participant assembles, owns, or manages, a factionary entry or roster of actual professional or amateur athletes, in real-world sports events, or other event or competition of relative skill authorized by the [Board];
4. A participant competes for prizes awarded by a fantasy contest operator based on terms and conditions published by the fantasy contest operator and made known to the participant in advance of the contest;
5. Winning outcomes are determined solely by clearly pre-established, objective scoring criteria based on one or more statistical results of the performance of an individual athlete, including, but not limited to, a fantasy score;
6. No winning outcome is entirely based on the score, point spread, or any performance of any single actual team or combination of teams or solely on any single performance of an individual athlete or player in any single actual event.

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