

## Alerts and Updates

### **ONLINE RETAILERS AND VENDORS ADVERTISING ON ILLINOIS-BASED WEBSITES SUBJECT TO TAX, BEGINNING JULY 1, 2011**

March 24, 2011

On July 1, 2011, [Public Act 096-1544](#) is effective in Illinois. This new law makes online retailers and vendors that advertise with certain persons located in Illinois subject to the collection responsibilities of the Illinois Use Tax Act and Service Use Tax for their sales to Illinois residents and businesses.

Persons and entities that create this tax-collection nexus for a retailer are those businesses that "for a commission or other consideration based upon the sale of tangible personal property by the retailer, directly or indirectly refers potential customers to the retailer by a link on the person's Internet website." This is a type of "Amazon law" being litigated in various states.

Therefore, online retailers should prudently consider the websites on which they advertise. Using an Illinois-based company's website and the standard commission formula will likely result in use-tax nexus being established for the seller in Illinois. Moreover, it is unknown how expansively Illinois will interpret the law, which appears to raise the question of whether advertising on any company's website associated in any fashion with Illinois should be avoided.

#### **For Further Information**

If you would like more information on how this may affect your company, please contact [Stanley R. Kaminski](#), any other member of the [State and Local Tax Practice Group](#) or the lawyer in the firm with whom you are regularly in contact.

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