

MEMO# 21761

October 8, 2007

Illinois Enacts New Apportionment Rules For Financial Service Providers

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TO: ADVISER DISTRIBUTOR TAX ISSUES TASK FORCE No. 15-07
TAX MEMBERS No. 42-07 RE: ILLINOIS ENACTS NEW APPORTIONMENT RULES FOR
FINANCIAL SERVICE PROVIDERS

Illinois has enacted SB 1544 (now Public Act 095-0233), which includes new apportionment rules for financial organizations providing fiduciary, advisory, brokerage and other services. To read the legislation, go to <http://www.ilga.gov/legislation/publicacts/95/PDF/095-0233.pdf> (Sec. 304, which begins at the bottom of page 105 of the PDF version of the Act).

The income of financial organizations generally will be apportioned to Illinois by multiplying the organization's income by a fraction, the numerator of which is its gross receipts from sources in Illinois or otherwise attributable to the Illinois marketplace, and the denominator of which is the organization's gross receipts everywhere during the taxable year.

Regarding financial organizations providing fiduciary, advisory, brokerage and other services, such services will be treated as within Illinois if the benefit of the service is realized in Illinois. If the benefit of the service is realized both within and outside the state, the gross receipts from the sale of services shall be divided among those states in which the taxpayer is taxable in proportion to the benefit of service realized in each state. If the proportionate benefit in Illinois cannot be determined, the sale shall be excluded from both the numerator and the denominator of the gross receipts factor. The new apportionment rules apply for taxable years ending on or after December 31, 2008.

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