

## Income/Franchise:

### Illinois DOR Denies Alternative Apportionment Request for Including Receipts from Occasional Sale

*General Information Letter IT 21-0002-GIL*, Ill. Dept. of Rev. (5/11/21). The Illinois Department of Revenue (Department) denied a company's alternative apportionment request to adjust its sales factor for purposes of computing Illinois business income under an amended Illinois corporation income and replacement tax return in a year when the company sold off various local business segments for a substantial gain, holding that alternative apportionment is not appropriate where including the gross receipts attributable to the company's sale of assets/goodwill in the sales factor denominator does not reflect the market for the taxpayer's goods, services or other ordinary sources of business income. In its alternative apportionment request, the company asserted that Ill. Adm. Code Sec. 100.3380(c)(2), which generally excludes from the sales factor calculation gross receipts that arise from an incidental or occasional sale of assets used in the regular course of business, should not be applicable where the gross receipts give rise to the company's only item of taxable income for the year at issue. To this end, the company claimed that instead of ordinary income being inappropriately apportioned using extraordinary factors, "the reverse is true" in this case. In denying the company's request, the Department reasoned, among other grounds, that such inclusion does not fairly represent the extent of the taxpayer's market within Illinois and would distort the apportionment formula, as "that gain reflects discharge of debt income that is properly apportioned according to the respective markets of the unitary business as a whole." Please contact us with any questions.

**URL:** <https://www2.illinois.gov/rev/research/legalinformation/letterrulings/it/Documents/2021/IT21-0002-GIL.pdf>

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