

Income/Franchise:

Illinois DOR Explains Elimination of Intercompany Transactions with Unitary Partnership

IT-23-0007-GIL, Ill. Dept. of Rev. (6/1/23). Responding to a taxpayer inquiry about the elimination of intercompany transactions with a partnership that is more than 90% owned by members of the taxpayer's unitary business group (UBG), the Illinois Department of Revenue (Department) confirmed the taxpayer's conclusion that because the partnership is treated as a member of the UBG under 86 Ill. Adm. Code section 100.3380(d)(4), all members are entitled to intercompany eliminations of the service fee income, interest income, and royalty expenses at issue as provided by 86 Ill. Adm. Code section 100.5270(b)(1) to "avoid distortions in the apportionment factor." The Department explained that failure to eliminate from the corporate income tax sales factor such transfers between members of a UBG would inappropriately alter the group's sales factor. The Department also explained that if a gain in relation to the sale of intellectual property to the same partnership is not recognized under the federal consolidated return regulations, then such gain must not be recognized in computing the combined base income of the UBG members. Please contact us with any questions.

URL:
<https://tax.illinois.gov/content/dam/soi/en/web/tax/research/legalinformation/letterulings/it/documents/2023/it23-0007-gil.pdf>

— Brian Walsh (Chicago)
Managing Director
Deloitte Tax LLP
briawalsh@deloitte.com

Dan Daly (Chicago)
Senior Manager
Deloitte Tax LLP
ddaly@deloitte.com

Alice Fan (Chicago)
Manager
Deloitte Tax LLP
alicfan@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.