

IT 15-0011 GIL – 9/08/2015 Exempt Organizations

Exempt organizations that do not have unrelated business taxable income are not subject to Illinois income tax.

September 8, 2015

Re: Reporting of Charitable Donations

Dear Mr. XXXX:

This is in response to your letter dated January 26, 2015, which was received by the Department of Revenue on July 28, 2015, in which you request a letter ruling. The nature of your request and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. *See* 86 Ill. Adm. Code 1200.120(b) and (c), which may be found on the Department's web site at [www. tax.illinois.gov](http://www.tax.illinois.gov).

In your letter you have stated the following:

We are a non-profit registered as an IRC 501(c)(3) (YYYY) in STATE. I seek your written response as to what, if any registration or reporting requirements we have relative to receiving personal donations from Illinois residents.

I talked to a gentleman on your Hot Line today who assured me, as long as all our transactions are in the non-profit area, we have no Illinois reporting requirements. The State of STATE has qualified us as sales tax exempt, and we do not operate any “for profit” businesses. We file an IRS 990, and a State of STATE 990, each year. We basically own Preserves which are open to the public and manage a few donated Conservation Easements on land owned by others. We have only one employee. Our Mission is to protect land and to educate the public (especially youth) re environmental conservation.

Please confirm the opinion of your hot line representative that we do not have a reporting requirement to Illinois relative to donations we receive from Illinois residents for our non-profit activities.

Response

Under Section 203(b) of the Illinois Income Tax Act (35 ILCS 5/203), the computation of most corporations' "net income" taxed by Illinois begins with the taxpayer's federal taxable income, as properly computed for the taxable year. Various addition and subtraction modifications are then made, and the resulting "base income" is then allocated and apportioned to Illinois. However, under Section 205(a) of the Illinois Income Tax Act (35 ILCS 5/205), "The base income of an organization which is exempt from the federal income tax by reason of the Internal Revenue Code shall not be determined under section 203 of this Act, but shall be its unrelated business taxable income as determined under section 512 of the Internal Revenue Code, without any deduction for the tax imposed by this Act." Accordingly, if your organization has no unrelated business taxable income subject to federal income tax, it will not be subject to Illinois income tax.

The Department of Revenue is not responsible for registration of charitable organizations and reporting of charitable contributions. Rather, these matters are under the authority of the Illinois Attorney General. Information regarding these matters can be found at the web site of the Illinois Attorney General, at:

http://www.illinoisattorneygeneral.gov/charities/reg_reports.html#CharityRegistration

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b). If you have any further questions, you may contact me at (217) 782-7055.

Sincerely,

Paul S. Caselton
Deputy General Counsel – Income Tax