

Generally, membership fees are not part of the gross receipts that are subject to Retailers' Occupation Tax liability. The Retailers' Occupation Tax does not apply to sales of intangibles. (This is a GIL.)

December 4, 2019

RE: Request Taxability of Enrollment and Renewal fees

Dear XXX:

This letter is in response to your letter dated May 30, 2019, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

COMPANY sells nutritional, dietary, and skin care products through a multi-level network of independent distributors. COMPANY is considered an "MLM" or multi-level marketer such as Amway. Our physical location is in CITY. COMPANY charges sales tax based upon the address to which we ship and based upon suggested retail price. COMPANY files one consolidated state sales/excise tax return in lieu of each independent distributor filing a separate return with your state.

While we have obtained previous rulings from your state on the taxability of our products and charges, we would like to ensure that our sales tax collection procedures are in compliance with all current law. At this time, please provide us with a letter ruling or binding opinion on the taxability of our enrollment and renewal fees, given recent changes.

Distributors pay the \$20.00 fee when they sign up to be a distributor and are required to renew their status annually, at the same rate. The annual renewal fee is paid by each distributor in order to remain in "active" status. All "active" distributors maintain their wholesale discount on products purchased. Distributors earn a percentage discount on the products purchased based on the volume of products purchased. Active distributors also receive distributor support services and web access.

Previously, new distributors would be sent a "Welcome Kit" in the mail. This is no longer the case; all necessary information is provided electronically. In addition, COMPANY used to send a quarterly magazine to active distributors. This has also

been discontinued. To reiterate, there is no tangible item provided in exchange for the enrollment and renewal fees.

We are seeking assurance if this fee is taxable or tax exempt per state regulations.

Thank you for your assistance.

**DEPARTMENT'S RESPONSE:**

Generally, the Department does not consider membership fees to be gross receipts from the sale of tangible personal property. Rather, membership fees are an intangible, which is not subject to Retailers' Occupation Tax. This is the case when the sale of membership rights does not include the transfer of tangible personal property. When membership fees represent the sale of tangible personal property, they are subject to tax.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Debra M. Boggess  
Associate Counsel

DMB:bkl