



May 6, 2026

Senate Revenue Committee
401 S 2nd St
Springfield IL 62701

Re: SB 3353 - Digital Ad Tax (Oppose)

Dear Chair Villanueva and Members of the Senate Revenue Committee:

On behalf of the Computer & Communications Industry Association (CCIA), we write to express our opposition to SB 3353, which would impose a novel tax on digital advertising revenues in Illinois. CCIA is an international, not-for-profit trade association representing a broad cross-section of communications and technology firms.¹ Proposed regulations on the interstate provision of digital services therefore can have a significant impact on CCIA members.

Policies that focus on taxing digital services misunderstand the value of their functions and tools for internet users. Economies, especially at the state level, are being transformed by digital advertising, and governments must consider these benefits as they aim to support the innovation economy and businesses that are just starting. Many of these taxes also create a financial strain on the small businesses that rely on free services and affordable advertising to reach their audiences the most. Past CCIA research has found that 85% of startups utilize marketing and digital advertising software, and access to these tools is invaluable as businesses seek to reach new audiences and communicate with potential customers.²

SB 3353 would impose a 10 percent tax on annual gross revenues derived from digital advertising services in Illinois for companies exceeding \$150 million in in-state digital advertising revenue. Targeting gross revenues rather than profits and applying only to certain digital business models, creates a range of policy and legal risks.

Worst of all, the bill violates the most basic principle of optimal tax design by creating a tax cliff that imposes a 10% tax on all digital advertising revenues below the coverage threshold upon earning the single dollar that takes a company over the coverage threshold.

- This means that a company earning \$149,999,999 in digital advertising revenue faces a \$15 million tax obligation on the single dollar of revenue earned between \$149,999,999 to \$150,000,000.
- That is a 1,500,000,000% marginal tax rate (a 1.5 billion percent marginal tax rate), which would make this tax one of the worst tax cliffs in the history of tax design.
- In practical terms, this means that growing businesses will rationally choose not to invest in Illinois. For example, a company with \$140 million in digital advertising revenue in Illinois would not rationally choose to invest millions in new employees and capital in Illinois to boost its digital advertising revenues to \$150,000,000, because

¹ For more than 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy. A list of CCIA members is available at <https://www.ccianet.org/members>.

² *Tools To Compete: Lower Costs, More Resources, and the Symbiosis of the Tech Ecosystem*, CCIA (Jan. 25, 2023), <https://ccianet.org/research/reports/tools-to-compete/>.



that investment in Illinois workers and office space and equipment that generates \$10 million in incremental revenue would end up creating a \$15 million incremental tax bill, wiping out the gains and producing \$5 million in losses before even considering the operating cost of producing the extra revenues.

SB 3353 raises serious constitutional concerns

Digital advertising taxes of this kind have already faced substantial scrutiny under the U.S. Constitution, particularly under the Commerce Clause and the Internet Tax Freedom Act (ITFA).

First, SB 3353 discriminates against interstate commerce by singling out digital advertising—a service overwhelmingly provided by interstate and global companies—while leaving analogous offline advertising largely untouched. Courts have consistently held that state taxes must not favor in-state economic activity over interstate commerce or impose undue burdens on cross-border activity.

Second, the bill risks violating ITFA’s prohibition on “discriminatory taxes on electronic commerce.” By taxing digital advertising services but not comparable traditional advertising channels, the proposal may run afoul of federal law.

Finally, the bill’s reliance on revenue apportionment based on user location introduces significant ambiguity and invites litigation over how to determine where digital advertising revenue is “derived.”

A Gross Receipts Tax Structure Is Economically Distortionary

Unlike traditional corporate income taxes, SB 3353 applies to gross revenues rather than net income, meaning companies are taxed regardless of profitability. This structure leads to “tax pyramiding,” where the same economic activity is taxed multiple times across the supply chain.

As a result:

- Businesses with low margins may face disproportionately high effective tax rates.
- The tax burden is likely to be passed through to Illinois businesses that rely on digital advertising—particularly small and medium-sized enterprises.
- Consumers ultimately bear higher costs through increased prices for goods and services.

Far from targeting large platforms alone, the economic incidence of the tax would ripple across the broader Illinois economy.

The Bill Would Harm Small Businesses and Local Economies

Digital advertising is a critical tool for small businesses to reach customers efficiently and affordably. By increasing the cost of advertising, SB 3353 would undermine this access.



Even though the bill applies to companies above a revenue threshold, its effects will not be contained to those entities. Advertisers, many of which are Illinois-based small businesses, will face higher prices as companies adjust to offset the tax.

This dynamic is particularly concerning at a time when small businesses are increasingly reliant on digital tools to compete and grow.

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For the reasons outlined above, SB 3353 presents significant legal vulnerabilities, economic risks, and administrative challenges. While well-intentioned, the bill would ultimately harm Illinois businesses, consumers, and the state’s broader digital economy.

We respectfully urge the General Assembly to reconsider this proposal and welcome the opportunity to work with policymakers on more balanced and sustainable approaches.

Sincerely,

Megan Stokes
State Policy Director
Computer & Communications Industry Association