

October 30, 2026

Bridget DiBattista
General Counsel
Illinois Department of Revenue
Legal Services Office
101 West Jefferson
Springfield IL 62794

Sent via email: REV.GCO@illinois.gov

Dear Ms. DiBattista:

The Taxpayers' Federation of Illinois, the Illinois Bankers Association, and the Council on State Taxation respectfully submit this comment letter in response to the draft proposed rules (the "**Draft Proposed Rules**") issued by the Illinois Department of Revenue ("**Department**") on September 28, 2026, regarding prospective implementation of the Illinois Digital Asset Tax Act (the "**Act**"). We commend the Department for its efforts to engage with industry, taxpayers, and other stakeholders in drafting regulations to implement the Act. The Department's continued transparency and engagement are important to ensuring that the Act, if implemented, is administered in a workable, administrable, and fair manner.

Because this Act establishes a novel, first-of-its-kind tax regime, we are still actively digesting the statutory scope and evaluating how the tax and the Draft Proposed Rules will interact with routine banking and digital asset operations. The comments provided in this submission reflect our preliminary analysis of the Draft Proposed Rules as of this date. As the Department refines these proposed regulations, and as we develop a deeper practical understanding of how this tax functions alongside standard business practices, our views may evolve, and we intend to offer additional commentary as the rulemaking process progresses.

While we continue to believe that the Act is unconstitutional under both the U.S. Constitution and the Illinois Constitution, we submit these comments to assist the Department should the Act ultimately remain in effect. Nothing in these comments should be construed as support for or endorsement of the Act. Rather, recognizing that the Act presents novel administrative, compliance, sourcing, and definitional issues, we offer the following comments of particular importance to our members.

(1) The definition of "Digital Asset" should exclude tokenized deposits and deposit tokens.

The Act adopts the definition of "digital asset" from Illinois' Digital Assets and Consumer Protection Act ("DACPA"). The Draft Proposed Rules further elaborate on that definition by identifying various assets that are, and are not, treated as digital assets. In particular, Section 497.105(a)(3) excludes "[o]ther digital representations of value that have substantial value, utility, or significance beyond the asset's mere existence as a digital asset," including "tokenized securities and tokenized commodities." While we agree that tokenized securities and tokenized commodities are appropriately excluded, the same principle should extend to other

tokenized real-world assets whose value and significance derive from an underlying asset rather than from the token itself, including tokenized deposits and deposit tokens.

Tokenized deposits and deposit tokens digitally represent commercial bank money or claims associated with commercial bank deposits. A tokenized deposit generally refers to a digital representation of a traditional bank deposit recorded using distributed-ledger technology, while a deposit token generally refers to a bank-issued digital token representing a claim associated with a commercial bank deposit.

Like a tokenized security, the economic value of a tokenized deposit derives from the underlying asset or claim that the token represents. The token provides the technological means for representing and transferring that value, but it does not create the underlying value itself. Accordingly, tokenized deposits have "substantial value, utility, or significance beyond the asset's mere existence as a digital asset" for the same fundamental reason that tokenized securities and tokenized commodities do.

Including tokenized deposits within the definition of "digital asset" could also create significant and unintended transactional consequences. Tokenized deposits may be used to facilitate payments, settlement, collateral movements, and liquidity management, including transactions occurring outside traditional banking hours. Because the Draft Proposed Rules generally treat movements of digital assets denoted on a blockchain as separate transfers, treating tokenized deposits as digital assets could cause routine movements of commercial bank money to implicate the Act merely because distributed-ledger technology is used to represent or facilitate those movements. This could impose additional costs on Illinois customers engaging in ordinary cash-management and settlement activity without regard to the underlying economic substance of the transaction.

Accordingly, we respectfully request that Section 497.105(a)(3)(A) of the Draft Proposed Rules be amended to clarify that "digital assets" do not include:

> Other digital representations of value that have substantial value, utility, or significance beyond the asset's mere existence as a digital asset, including digital equivalents of tangible and intangible goods such as:
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> A) tokenized securities, ~~and~~ tokenized commodities, tokenized deposits, deposit tokens and other tokenized representations of assets having substantial value, utility, or significance beyond the tokenized representation itself. . ."

(2) The Draft Proposed Rules should include a definition of "tokenized securities" and "tokenized commodities."

As discussed above, the Draft Proposed Rules appropriately exclude "tokenized securities" and "tokenized commodities" from the definition of a digital asset but do not define those terms. To avoid uncertainty regarding the scope of these exclusions, we recommend adding the following definitions to Section 497.101 of the Draft Proposed Rules:

> "Tokenized security" means a security, as defined under applicable federal or state securities law, including in the Securities Exchange Act of 1934 § 3(a)(10), that is issued, recorded, represented, evidenced, maintained, or transferred, in whole or in part, through blockchain, distributed ledger, or similar technology, whether tokenized by or on behalf of the issuer or by a third party, and regardless of the particular technology, structure, or method used to tokenize or represent the security.
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> "Tokenized commodity" means any commodity or interest in, right to, or claim with respect to a commodity including commodities as defined in the Commodities Exchange Act § 1a(9), that is

issued, recorded, represented, evidenced, maintained, transferred, or otherwise made available, in whole or in part, through blockchain, distributed ledger, or similar technology, whether tokenized by or on behalf of the issuer, owner, custodian, or another person and regardless of the particular technology, structure, or method used to tokenize or represent the commodity.

"Tokenized deposit" refers to a digital representation of a traditional bank deposit recorded using distributed-ledger technology.

"Deposit token" refers to a bank-issued digital token representing a claim associated with a commercial bank deposit

We further recommend that the Department clarify the interaction between Section 497.105(a)(3)(A), which excludes tokenized securities and tokenized commodities, and Section 497.105(c), which provides that digital assets include assets that are "representative or pegged to a physical good or currency." In particular, the regulations should make clear that a digital representation of an underlying security or commodity that satisfies the definition of a "tokenized security" or "tokenized commodity" is excluded under Section 497.105(a)(3)(A), notwithstanding Section 497.105(c).

(3) The Draft Proposed Rules should exclude from the definition of "Digital Asset" certain payment stablecoins that are US GENIUS Act compliant.

Section 497.105(d) of the Draft Proposed Rules provides that stablecoins constitute "digital assets" notwithstanding the exclusion in Section 497.105(a)(4). We recommend that the Department distinguish regulated payment stablecoins from other types of stablecoins and exclude payment stablecoins that comply with the federal GENIUS Act from the definition of "digital asset."

Payment stablecoins are materially different from other stablecoins and the federal GENIUS Act establishes a comprehensive federal regulatory framework specifically for payment stablecoins. Among other requirements, a payment stablecoin is issued for payment or settlement, and permitted issuers must maintain reserves backing outstanding payment stablecoins on at least a one-to-one basis with specified permitted reserve assets. These characteristics distinguish regulated payment stablecoins from other stablecoins and reflect their *principal utility* as instruments for payment and settlement.

This distinction is also consistent with Section 497.105(a)(3), which excludes digital representations of value that have substantial value, utility, or significance beyond their mere existence as a digital asset. A regulated payment stablecoin has *independent utility* as a payment and settlement instrument and, unlike other stablecoins, is subject to federal requirements governing its issuance, reserves, and redemption.

Accordingly, we recommend that the Department amend Section 497.105(d) to clarify that payment stablecoins issued in compliance with the GENIUS Act are excluded from the definition of "digital asset."

(4) The Draft Proposed Rules should clarify the blockchain movement requirement and the treatment of internal ledgers.

The Draft Proposed Rules contain potentially inconsistent provisions concerning the blockchain movement required to constitute taxable digital asset business activity. For example, Section 497.101 defines "Blockchain" to mean a form of distributed ledger technology that creates, maintains, and updates information "shared by participants." However, Section 497.110(a) provides that a single occurrence of digital asset business activity arises when an asset moves as denoted by an entry on a blockchain or "internal ledger." In contrast, Section 497.115(c) provides that digital asset business activity must be denoted by an entry "on a blockchain network" to be a taxable event under the Act.

We recommend that the Department reconcile these provisions and clarify what constitutes a "blockchain" and an "internal ledger" for purposes of the Act. In particular, the regulations should clarify that a system used solely to maintain an entity's internal books and records, including a private or permissioned ledger controlled by a single entity or controlled group, does not constitute a blockchain network merely because it uses blockchain or distributed-ledger technology. This clarification would also be consistent with Example 4 in Section 497.110(c)(2), in which the Draft Proposed Rules conclude that an internal change in the attribution of digital assets among customer accounts is not taxable where the underlying digital assets remain in a common custodial wallet and no update is made to the blockchain.

Additionally, we recommend that the Draft Proposed Rules clearly state that certain common transactions are not subject to tax. As such, we suggest adding a new subparagraph (c)(2) in Section 497.110 prior to the Examples:

> 2) A transfer subject to tax does not include:
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> A) The creation, minting, or issuance of a tokenized representation of value;
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> B) The burning, cancelation, or other extinguishment of a tokenized representation of value; or
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> C) The movement of a digital asset undertaken solely to facilitate the clearing, settlement, reconciliation, or completion of another transaction.

In addition, we would suggest that Section 497.110 (a) be amended to add the following clarification:

> *"Digital asset business activity" means any single occurrence of exchanging, transferring, or storing a digital asset as part of a business or on behalf of a customer who has entered into an agreement with a business for the provision of those services.* A single occurrence of exchange, transfer, or storage of a digital asset arises when the asset moves as denoted by an entry on a blockchain or internal ledger. The receipt, holding, safeguarding, movement, transfer, or return of a digital asset by a custodian, fiduciary, trustee, bank, or other intermediary acting on behalf of a beneficial owner shall not constitute a taxable transfer solely by reason of such custodial or fiduciary activity.

(5) The provisions concerning the taxation of storage in the Draft Proposed Rules should be amended.

Section 497.110(d)(3) of the Draft Proposed Rules clarifies that the storage of a digital asset is generally taxable only once, regardless of the duration of the storage. However, this section contains conflicting language by providing that "additional payments for storage do not create a taxable event under the Act unless further movement of the asset occurs," and later providing that the tax will apply again if "subsequent consideration is paid for the continued storage of the digital asset."

It is unclear how "additional payments for storage" differs from "subsequent consideration" paid for continued storage. We recommend that the Department clarify that recurring or subsequent payments for the same continuous storage arrangement do not create additional taxable events. Accordingly, we recommend that Section 497.110(d)(3) be amended as follows:

> Storage is taxed whenever consideration is first paid specifically for the digital asset business activity of storage. The storage of a digital asset is taxable one time regardless of the duration

of the storage as no further movement of the digital asset on the blockchain has occurred. Additional or recurring payments for the same continuous storage arrangement do not create a taxable event under the Act unless further movement of the asset occurs. If consideration is paid for multiple services that include storage, there will only be one taxable moment for purposes of the tax at the time the consideration for the bundled services is paid. ~~The tax imposed on storage of digital assets will only apply again if subsequent consideration is paid for the continued storage of the digital asset and will only be imposed one time for the provision of storage separate from the bundled transaction.~~

(6) The sourcing rules should establish a clear hierarchy of customer location information and permit brokers to rely on their books and records.

The Draft Proposed Rules provide that, for digital asset business activity requested electronically or by telephone, there is a rebuttable presumption that a customer is located in Illinois if customer contact information associated with a device or account indicates an Illinois home or business address, mailing address, internet protocol ("IP") address, or other data showing a "place of primary use" in Illinois. The Draft Proposed Rules define "place of primary use" as the street address representative of where the customer's digital asset business activity primarily occurs and further provide that documentation required by federal agencies that contains validated customer-location information may be used to establish whether a customer is located in Illinois.

Although these provisions identify potentially relevant sources of customer-location information, they do not establish a hierarchy among those sources or provide clear guidance for circumstances in which the information conflicts. We recommend that the Department generally permit a broker to rely on the legal or permanent address on file in the broker's books and records to determine whether a customer is in Illinois. The Department could consider establishing a hierarchy whereby a broker may rely on the highest available and reasonably reliable source of customer-location information, without being required to review lower-ranked sources. Accordingly, we recommend that Section 497.125(a) of the Draft Proposed Rules be amended as follows:

a) …For a sale occurring electronically or by phone, ~~there shall be a rebuttable presumption that~~ the location of a customer requesting digital asset business activity ~~is located in this State if the customer's contact information associated with a device or account on record with or available to a digital asset broker indicates~~ shall be determined in accordance with the following hierarchy. A digital asset broker shall determine the customer's location using the first category of information listed below that is available and reasonably reliable:

1) ~~an Illinois home or business address~~ the customer's legal or permanent address as reflected in the digital asset broker's books and records;

2) the customer's ~~an Illinois~~ mailing address;

3) ~~an Illinois internet protocol address,~~ customer address information contained in documentation required by federal agencies; or

4) ~~data showing a "place of primary use" in Illinois, with place of primary use meaning the street address representative of where the customer's digital asset business activity primarily occurs~~ the internet protocol address associated with the digital asset business activity.

A digital asset broker must rely on the first step in this hierarchy unless the digital asset broker has reason to know that such information is incorrect or unreliable. If the information within that category is unavailable or the digital asset broker has reason to know that it is incorrect or unreliable, the digital asset broker shall proceed to the next category in the hierarchy. A digital asset broker that reasonably

relies on a category of information under this subsection is not required to review, reconcile, or consider information within a lower-ranked category solely for purposes of determining whether the customer is located in this State.

The Department should consider adding additional examples to illustrate the function of the hierarchy discussed above. Additionally, for the second to last hierarchical category noted above (i.e., federal agency documentation), the Draft Proposed Rules should clarify that federal Form W-9 is generally not used to determine a client's "identity and primary address," but rather is used to certify their taxpayer identification number for federal purposes. Therefore, the Department should consider modifying the examples in Section 497.125(d) of the Draft Proposed Rules as follows:

EXAMPLE 1: An Illinois customer makes an account through CoinHome, a centralized exchange that offers a suite of digital asset services and products. As part of onboarding and due to "know-your-customer" federal requirements, CoinHome collects IRS Form W-9 from their customer, which includes a business address in Illinois. ~~must collect a W-9 IRS Form from their Illinois customer indicating their identity and primary address.~~ CoinHome lacks information relevant for purposes of determining customer location under paragraphs (1) and (2) of subsection (a) of this Section, therefore, for purposes of this tax, using the W-9 Form to determine whether the customer is an Illinois customer or not would satisfy the requirements of this Section.

EXAMPLE 1A: Same facts as in Example 1, however the legal or permanent address for the customer in CoinHome's books and records is in Indiana. CoinHome may rely on the legal address for the customer according to its books and records to conclude that the customer is not an Illinois customer, and need not review additional account information in connection with that determination.

(7) The "customer" definition and sourcing rule for intermediaries should be amended to better reflect fiduciary/intermediary transactions.

Section 497.115(b) of the Draft Proposed Rules provides that, for the purposes of determining the imposition of the tax, a "customer" includes a person who arranges to receive digital asset business activity through an intermediary "not meeting the definition of 'digital asset broker,'" including a financial planner, wealth management service, or banking institution. Section 497.125(b) similarly provides that, where an intermediary acts as an agent on behalf of a customer, the transaction is sourced to the intermediary's customer rather than the intermediary.

We agree with the general approach reflected in these provisions, under which the identity and location of the customer should not change merely because digital asset business activity is arranged through another person acting on the customer's behalf. We recommend, however, that the provisions be clarified in several respects to ensure that this principle operates appropriately for common intermediary, fiduciary, and investment arrangements.

First, the intermediary look-through rule should expressly encompass arrangements in which a person acts in a fiduciary capacity on behalf of an underlying customer, including trustees, executors, administrators, custodians, and nominees. Such persons may hold legal title to assets or interact directly with a digital asset broker while acting on behalf of a trust, estate, or other customer. The fiduciary's own identity or location should not control the identification or sourcing of the underlying customer solely because the fiduciary interfaces with the digital asset broker.

Second, the application of the intermediary rule should not depend on whether the intermediary itself meets the definition of a "digital asset broker." A bank, custodian, trust company, or other financial institution may qualify as a digital asset broker with respect to certain customers or activities while acting solely as an intermediary or fiduciary with respect to a particular transaction. Accordingly, the capacity

in which the person is acting with respect to the particular transaction should control.

Finally, the look-through rule should have appropriate limits. Mere ownership in a separate entity or investment vehicle should not create an intermediary relationship. Publicly traded investment trusts and exchange-traded funds ("ETFs"), for example, should not be treated as intermediaries acting on behalf of their investors solely by virtue of those ownership interests, and the digital asset business activity of the trust or ETF should not be attributed to its investors on that basis.

Accordingly, we recommend the following amendments:

Section 497.115(b) Meaning of "customer".

> A "customer" is a person receiving digital asset business activity from a digital asset broker for valuable consideration. For purposes of sales of digital asset business activities, "customer" includes persons who arrange for the receipt of digital asset business activities through agreements with intermediaries or fiduciaries ~~not meeting the definition of "digital asset broker",~~ including financial planners, trustees, administrators, ~~wealth management services,~~ and banking institutions.

j) Examples

> EXAMPLE 1: An individual dies outside of Illinois with no ties to Illinois. However, prior to their death, the individual arranged for the administration of their estate to be handled by an Illinois bank. The bank as fiduciary on behalf of the estate needs to utilize a digital asset broker to liquidate digital assets of the estate, and so the bank interfaces with the digital asset broker for digital asset business activity. However, because the customer (*i.e.,* the estate) is not an Illinois customer, neither the digital asset broker nor the bank administrator would be subject to the tax.

Section 497.125 Sourcing

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> b) In determining the sourcing of a digital asset business activity transaction, the transaction should be sourced to the customer requesting the digital asset business activity from a digital asset broker. In the case of a person requesting digital asset related business activity through ~~from~~ an intermediary acting ~~as an agent~~ on the customer's behalf, even though the intermediary ultimately interfaces with a digital asset broker for digital asset business activity the transaction is sourced to the intermediary's customer for purposes of the tax. The location of the underlying customer shall be determined in accordance with the hierarchy of customer-location information set forth in subsection (a). In the case of digital asset business activity received by or on behalf of an estate or trust, the estate or trust, rather than its executor, administrator, trustee, custodian, nominee, or other fiduciary, shall be treated as the customer, and the location of the estate or trust shall be determined in accordance with subsection (a). In the case of a grantor trust, the grantor shall be treated as the underlying customer, and the grantor's location shall be determined in accordance with subsection (a).
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> (c) Documentation required by federal agencies in their regulation, enforcement, and oversight of digital asset brokers that indicates validated digital asset business activity customer location information may be used by digital asset brokers in this State showing that a customer is or is not located in this State for purposes of the tax.

(d) Financial institution. A financial institution such as a bank, nominee, or custodian, that is acting as an intermediary or fiduciary in connection with a sale of digital asset business activity, is not considered a customer subject to the tax solely by reason of acting in such capacity. In the case of a customer that is an estate or trust or a customer that is using an intermediary in connection with the sale, a digital asset broker may rely on a certification as to the location of the estate or trust or other underlying customer, signed by the administrator or trustee under penalties of perjury, to determine whether the customer is or is not located in this State for purposes of the tax.

(e) Publicly Traded Investment Trusts and Exchange Traded Funds. For purposes of this subsection, a person shall not be treated as an intermediary or fiduciary acting on behalf of another person solely because the other person owns a direct or indirect equity, beneficial, or other investment interest in that person. In particular, digital asset business activity received by a publicly traded investment trust, exchange-traded fund, shall not be attributed to the holders of interests in such trust, fund, or investment vehicle solely by reason of their ownership interests.

(8) The books-and-records provisions should not require digital asset brokers to maintain private keys.

Section 497.155(a)(3) of the Draft Proposed Rules requires digital asset brokers to maintain "[a]ccount information sufficient to show the movement of digital assets including private keys." We recommend that the Department remove the requirement that digital asset brokers maintain private keys. Requiring the retention of private keys is unnecessary to demonstrate the movement of digital assets for purposes of administering the Act and would require the retention of sensitive information used to authorize transactions. Accordingly, we recommend that Section 497.155(a)(3) be amended as follows:

3) Account information sufficient to show the movement of digital assets ~~including private keys.~~

(9) Additional clarification regarding registration requirements.

We respectfully request that Section 497.130 of the Draft Proposed Rules be amended by adding the following language to clarify that the registration requirements do not apply during the stay of the Act's effective date, and to clarify that registration is not required for persons that do not engage in taxable transfers:

Section 497.130 Registration of Digital Asset Brokers

j) No person shall be required to obtain a certificate of registration from the Department, and no penalty shall apply for engaging in business without one, before the date on which the tax imposed by the Act becomes effective and enforceable, as that date may be established or modified by order of a court of competent jurisdiction. As of the date of this Part, that date is July 1, 2027. The Department may accept voluntary registrations before that date.

k) No person shall be required to register or file a return solely by reason of engaging in transactions excluded from the definition of taxable transfer.

As we discussed with the Department previously, the Act would impose additional compliance and administrative obligations on businesses operating in Illinois, with a substantial portion of those burdens unfairly falling on the financial services industry. We encourage the Department to consider the cumulative effect of these obligations, including their potential impact on the cost of providing

financial services to Illinois customers when implementing the Act.

We appreciate the Department's time and consideration of these comments and look forward to further guidance on these matters. Please do not hesitate to contact us should you require additional information or clarification.

Again, thank you for the opportunity to provide these comments.

Respectfully submitted,



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