



Illinois Chamber of Commerce
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RE: SB 3353 (Peters) – Opponent – Ramiro Hernandez

Good afternoon, Chairwoman Villanueva, Minority Spokesperson DeWitte, and members of the Senate Revenue Committee. My name is Ramiro Hernandez, Vice President of Public Policy & Strategy with the Illinois Chamber of Commerce. I am here today to express the Illinois Chamber’s opposition to SB 3353, which seeks to create the Digital Advertising Tax Act. The proposals before you today, which are reported to increase taxes by almost \$4 billion if passed, we believe would send the wrong signal to existing businesses in the State and those that may be interested in investing in the Land of Lincoln.

Recently, a report by Moodys Analytics prepared for COGFA, titled “State of Illinois Economic Forecast”, issued a stark outlook of the economic metrics in the State, reading in part:

“Illinois’ economy will underperform the Midwest and the U.S. in the coming year....The state will be a step behind the Midwest average and a few steps behind the nation in job and income growth over the long term.... [moreover] below-average population trends and deep-rooted fiscal problems such as mounting pension obligations and a shrinking tax base represent the biggest hurdles to stronger economic performance.”

SB 3353 imposes a 10% tax on businesses that generate revenues from digital advertising that exceed \$150 million. While the structure of this tax may create the perception of creating a new revenue idea that will impact a select few taxpayers, the proposal represents significant flaws and risks ultimately impacting a host of Illinoisians:

1. This tax has the potential of being challenged in court and will likely not ever be able to be implemented. The State of Maryland, which is the only state in the country to try a narrow tax such as the one proposed herein, has already been subject to serious and ongoing litigation on several grounds, including federal preemption (under the Internet Tax Freedom Act), interstate commerce concerns, and first amendment protections. The state of Washington, which crafted an alternative method of imposing a sales tax on digital advertising, similarly is facing challenges under ITFA.
2. This tax taxes a current lifeblood of businesses big and small. Digital advertising in our modern day is an essential tool for small businesses, not-for-profits, and

businesses in every corner of this State to help attract business, reach newer audiences, and remain competitive. Understanding that consumers today increasingly rely on digital products to receive news, information, and make consumer choices on the purchase of goods and services, increasing costs on this essential tool or negatively impacting a thriving ecosystem of digital media tools will only hurt Illinois businesses and consumers.

3. Outside of the significant legal concerns with this taxed, and the flawed impact of this law were it to take effect, this effort would add to the cost of doing business in the State. This additional taxation would certainly be passed down and effectively impact the consumer.

We hear regularly from our Chamber members from across the State that the overall economic climate of the State has a direct impact on the workforce, infrastructure, and investments that are able to be made in their Illinois operations. Any effort that risks significantly hurting the economic outlook of the State is, therefore, not something we can support.

I would like to state, further, that no one metric is taken in isolation when it comes to measuring the strength of the State's economic climate. Illinois businesses are facing historic challenges to workforce, lingering impacts of inflation, uncertainty in domestic and international markets, and in near-daily competition for talent and investment.

Looking at the 2026 State Tax Competitiveness Index that is prepared by the Tax Foundation (which looks at several tax categories, including corporate taxes, individual income taxes, sales taxes, property taxes, and UI insurance tax rates), the State of Illinois ranks 38th overall in the nation on a competitiveness scale. To date, the State has:

- *One of the highest corporate tax rates in the country, at 9.5% (3rd highest in the country)*
- *One of the highest property tax rates on residential property in the country, at 1.88% as a percentage of the housing value (2nd highest in the country); in addition to some of the highest commercial and industrial property taxes in the country; AND*
- *One of the highest combined state and local sales tax rates (8.96% or 8th highest)*

In closing, SB 3353 is a largely unworkable form of taxation that risks ultimately impacting numerous consumers in Illinois, rather than the select few targets that proponents may be targeting. As the State continues to be a leader in tech innovation, a hub for tech workforce and attract new investments, this proposal unfortunately risks working against these important goals.

For these reasons, the Chamber stands in opposition to SB 3353. Thank you for your time and consideration and I am happy to answer any questions.