

Illinois Supreme Court Rules in Favor of City of Rolling Meadows in Tax Jurisdiction Case

News

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In a unanimous opinion delivered by Justice O'Brien, the Illinois Supreme Court affirmed that the Illinois Department of Revenue (IDOR) has exclusive jurisdiction over sales tax misallocation disputes between municipalities. The Court reversed the First District Appellate Court's decision and affirmed the circuit court's dismissal of the Village of Arlington Heights' complaint for lack of subject-matter jurisdiction.

This case presented important questions about administrative jurisdiction, statutory interpretation, and the tax revenue allocation system in Illinois.

Jenner & Block represented the City of Rolling Meadows in a dispute where Arlington Heights sought to recover over \$1 million in sales tax revenue generated by Cooper's Hawk Winery and Restaurant between 2011 and 2020. The restaurant was located in Arlington Heights but had been incorrectly coded in IDOR records with a Rolling Meadows location, resulting in sales tax disbursements going to Rolling Meadows instead of Arlington Heights.

The Court held that the statutory framework established by the Illinois legislature "vested IDOR with exclusive jurisdiction to 'redistribute the tax revenue due to any error,'" and that the circuit court lacks subject-matter jurisdiction to determine such disputes. The Court specifically clarified that its 2019 decision in *City of Chicago v. City of Kankakee* established a "bright-line rule" that IDOR has exclusive jurisdiction over tax matters, with the only exception being disputes involving certain post-2004 rebate agreements.

This decision reaffirms the legislature's intent to create a comprehensive statutory scheme for tax disputes and provides clarity to municipalities about the proper forum for resolving tax misallocation issues.

The Jenner team was led by Partner Annie Kastanek and includes support from Partner Cliff Berlow, Associate Andy Osborne, and Paralegal Mary Frances Patston.

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