IN THE CIRCUIT COURT OF THE SEVENTH JUDICIAL CIRCUIT
SANGAMON COUNTY, ILLINOIS

BLOCKCHAIN ASSOCIATION; CRYPTO COUNCIL FOR INNOVATION, Plaintiffs, v. DAVID HARRIS, in his official capacity as the Director of the Illinois Department of Revenue; KWAME RAOUL, in his official capacity as the Illinois Attorney General; and JOHN MILHISER, in his official capacity as the State's Attorney of Sangamon County, Defendants.	Case No.

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

Plaintiffs the Blockchain Association and the Crypto Council for Innovation allege as follows:

INTRODUCTION

1. This action challenges Illinois's Digital Asset Tax Act, 35 ILCS 195/3-5. The Act imposes a new tax on digital-asset activities that is unprecedented in Illinois and nationwide. Digital assets are simply assets—that is, stores of economic value—that exist entirely on the internet, like Bitcoin. The Act taxes only digital-asset activities, and it does not work like any conventional tax. The Act taxes a percentage of the *full value* of an Illinois customer's digital assets *each time* those assets are exchanged, transferred, or stored using a "digital asset broker." That is so even if the customer buys nothing, sells nothing, gains nothing, and transfers no ownership. And the Act requires brokers to collect and remit the taxes on pain of criminal penalties, while demanding that Illinoisans pay the tax absent broker collection. Illinois does not tax any other assets in this way.

2. A first-in-the-nation tax on digital assets should have been informed by careful legislative deliberation and public input. But the Digital Asset Tax Act was publicly revealed on the very last day of the Illinois General Assembly's 2026 session. It was added to a sprawling 1,624-page bill addressing everything from truck weights to social media to sports wagering. And it was rushed through both legislative chambers within hours, without meaningful debate.

3. That flawed and unlawful process led to a flawed and unlawful statute: The Digital Asset Tax Act is ill-conceived and unlawful for several independent reasons.

4. *First*, the Act violates the federal Internet Tax Freedom Act. Congress enacted the ITFA in 1998 to ensure that digital commerce is not subject to discriminatory state taxation. Yet as its name suggests, the *Digital* Asset Tax Act expressly taxes only *digital*-asset activities, without similarly taxing comparable non-digital activity, such as exchanging dollars for euros or depositing and storing gold in a safe deposit box.

5. *Second*, the Act violates the dormant Commerce Clause doctrine. It discriminates against interstate commerce by creating the specter of duplicative taxation on interstate digital-asset activities. And the taxes it imposes—measured as a percentage of the *full value* of the digital assets transacted—are grossly disproportionate to (and will sometimes exceed) the fees actually earned by brokers for the exchange, transfer, and storage activities being taxed.

6. *Third*, the Act violates the Illinois and federal Due Process Clauses because it is unconstitutionally vague. It fails to resolve a host of fundamental questions about what is taxed, who is taxed, when brokers must register, collect, and remit the tax, and how "storage" is to be taxed. Yet the Act requires ordinary Illinois residents and digital-asset brokers to comply under the threat of serious civil and criminal penalties if they answer these questions incorrectly—without even an assurance against prosecution for those who make good-faith efforts to comply.

7. *Fourth*, the Act violates two more substantive requirements of the Illinois Constitution. It violates the Uniformity Clause by drawing an unreasonable tax classification between digital assets and other similar financial assets. And it unconstitutionally delegates Illinois's taxing authority to the federal government by making the scope of the statute turn on future changes to federal statutes and regulations.

8. *Fifth*, the Act violates two bedrock procedural restrictions that the Illinois Constitution imposes on lawmaking. In its rush to pass the bill containing the Act within hours of its announcement, the General Assembly flouted the requirement that every bill "shall be read by title on three different days in each house" before it is enacted into law. Ill. Const. art. IV, § 8(d). The 1,624-page bill containing the Act also violates the Illinois Constitution's single-subject rule by legislating on myriad topics with no single connective thread between them.

9. Any one of those flaws is fatal to the Act. This Court should declare the Digital Asset Tax Act unlawful and enter preliminary and permanent injunctive relief barring the State from enforcing it.

PARTIES

10. Plaintiff the Blockchain Association is a nonprofit trade association headquartered in Washington, D.C. Founded in 2018, the Blockchain Association's mission is to promote a pro-innovation policy and regulatory environment for the digital-asset economy. The Association regularly advocates on digital-asset tax policy before Congress, the Treasury Department, and state legislatures. The Association also has challenged unlawful digital-asset tax rules in court. The Association's members include digital-asset trading platforms, brokers, stablecoin issuers, custodians, payment providers, investors, and software developers. The Blockchain Association's members include companies that are based in Illinois and that serve customers in Illinois.

11. Plaintiff Crypto Council for Innovation ("CCI") is a nonprofit global alliance of digital-asset industry leaders headquartered in Washington, D.C. CCI's mission is to demonstrate the transformational promise of digital assets and to support their responsible regulation through evidence-based policies and constructive collaboration with policymakers around the world. CCI regularly engages on digital-asset tax and regulatory policy at both the U.S. federal and state levels, including in Illinois through, among other things, a July 2025 comment letter on improving Illinois's Digital Assets and Consumer Protection Act ("DACPA") through follow-on legislation, and a June 2026 comment letter to the Illinois Department of Financial and Professional Regulation on proposed rules implementing DACPA. CCI's members include digital-asset trading platforms, brokers, banks, stablecoin issuers, custodians, payment providers, and investors operating across the United States and around the world. CCI's members include companies based in Illinois and companies that serve customers in Illinois.

12. Defendant David Harris is the Director of the Illinois Department of Revenue. The General Assembly tasked the Department with implementing the Digital Asset Tax Act, including by registering brokers, receiving and processing remittances, and assessing and collecting the tax. Act §§ 3-30, 3-35, 3-40, 3-45. Mr. Harris is sued in his official capacity.

13. Defendant Kwame Raoul is the Attorney General of the State of Illinois. The Attorney General enforces the State's laws, including the criminal sanctions the Act authorizes. Ill. Const. art. V, § 15; 15 ILCS 205/4; Act § 3-55. Mr. Raoul is sued in his official capacity.

14. Defendant John Milhiser is the State's Attorney of Sangamon County. The State's Attorney commences and prosecutes criminal actions in Sangamon County. 55 ILCS 5/3-9005(a)(1); Act § 3-55. Mr. Milhiser is sued in his official capacity.

JURISDICTION AND VENUE

15. Plaintiffs bring this action for declaratory and injunctive relief under the Illinois Declaratory Judgment Act, 735 ILCS 5/2-701, Article XI of the Code of Civil Procedure, 735 ILCS 5/11-101 *et seq*., and this Court's inherent equitable authority. *See Performance Marketing Ass'n v. Hamer*, 2013 IL 114496 (invalidating an Illinois tax statute as preempted by the Internet Tax Freedom Act in a declaratory-judgment action brought by a trade association against the Director of the Illinois Department of Revenue); *Clarendon Assocs. v. Korzen*, 56 Ill. 2d 101, 105 (1973) ("A taxpayer need not look to the remedy at law but may seek relief by way of injunction where the tax is unauthorized by law or where it is levied upon property exempt from taxation.").

16. This Court has jurisdiction under Article VI, Section 9 of the Illinois Constitution, which vests the circuit courts with "original jurisdiction of all justiciable matters," and under the Declaratory Judgment Act, which authorizes this Court, "in cases of actual controversy," to "make binding declarations of rights, having the force of final judgments." 735 ILCS 5/2-701(a).

17. Venue is proper in Sangamon County under 735 ILCS 5/2-101.5, which provides that an action against state officers in their official capacities seeking declaratory or injunctive relief against any state statute based on an alleged violation of the Illinois or United States Constitution shall be brought in Sangamon County or Cook County. Venue is alternatively proper under 735 ILCS 5/2-101 and 5/2-103 because Defendants are public officers with their principal offices in Sangamon County, and at least part of the transaction from which this action arises—the administration and threatened enforcement of the Digital Asset Tax Act—has occurred and will occur in Sangamon County.

STANDING AND RIPENESS

18. Plaintiffs satisfy all three requirements of associational standing. *First*, each Plaintiff's members include digital-asset businesses that have standing to challenge the Act. The Act goes into effect on January 1, 2027. It requires "digital asset brokers" to register with the Department and start collecting taxes by that date, and to begin remitting taxes by February 2027, among other obligations. Those imminent regulatory obligations cause present-day injuries to Plaintiffs' members, some of whom are directly regulated by the Act and are incurring significant costs to attempt to comply by the effective date, including by seeking advice from outside legal and tax advisors and making changes to their systems to calculate, collect, remit, and keep records of the Act's taxes.

19. *Second*, protecting their members from unlawful state taxation of digital-asset activity is germane to Plaintiffs' organizational purposes. A statute that singles out digital assets for taxation impedes the adoption and development of those assets that Plaintiffs exist to advance, and both Plaintiffs have long engaged on digital-asset tax policy through litigation, comment letters, and other advocacy. *See supra* ¶¶ 10-11; *see also, e.g.*, *Illinois Gaming Mach. Operators Ass'n v. City of Waukegan*, 2025 IL App (2d) 230431, ¶¶ 64-69 (trade association had standing to challenge a tax imposed on its members' industry); *Guns Save Life, Inc. v. Raoul*, 2019 IL App (4th) 190334, ¶¶ 29-30, 33 (organization had associational standing to challenge statutory fees as an unconstitutional tax).

20. *Third*, this lawsuit does not require the participation of individual members. Plaintiffs' claims raise "questions of law" that do "not require consideration of the individual circumstances of any aggrieved member." *See Int'l Union of Operating Eng'rs, Local 148 v. Ill. Dep't of*

Emp. Sec., 215 Ill. 2d 37, 52 (2005); *Ill. Gaming Mach. Operators Ass'n*, 2025 IL App (2d) 230431, ¶ 69.

21. The controversy is also ripe. The General Assembly passed the Act on June 1, 2026; the Governor signed it on June 16, 2026; and it takes effect on January 1, 2027, at which point its obligations will bind Plaintiffs' members and subject them to civil liability and felony penalties. Plaintiffs' claims present legal questions that can be resolved from the statutory text. And withholding review would impose significant hardship: Plaintiffs' members are already incurring substantial, unrecoverable costs to comply, and their only alternatives are to curtail or stop service to any customer who may be located in Illinois or to risk felony liability. *See Morr-Fitz, Inc. v. Blagojevich*, 231 Ill. 2d 474, 490-99 (2008) (pre-enforcement challenge ripe when the challenged rule affected plaintiffs' day-to-day business operations and exposed them to significant sanctions).

BACKGROUND

I. Digital Assets Are Assets On The Internet

22. Digital assets are assets that exist entirely on the internet. The digital assets at issue here, often called "cryptocurrencies," involve the use of blockchains. Generally speaking, a blockchain is a technology that allows many people around the world to maintain a public database of transactions on the internet without any single person or entity controlling the database. Transactions on a blockchain involve the sending or receiving of digital assets, which are snippets of computer code that store or represent economic value, including because they may be made scarce by the blockchain's rules. Using a blockchain, any two people in the world with an internet connection can transfer a digital asset from one person to the other nearly instantaneously. Blockchains thus allow people to transfer and store economic value in the form of digital assets exclusively over the internet.

23. Bitcoin was the first digital asset (and blockchain). Its creator, Satoshi Nakamoto, envisioned Bitcoin as a "version of electronic cash." *See* Satoshi Nakamoto, *Bitcoin: A Peer-to-Peer Electronic Cash System* (2008), https://bitcoin.org/bitcoin.pdf. Others have called it "digital gold." *See, e.g.*, Sarah Wynn, *Fed Chair Powell Says Bitcoin Is Like Digital Gold*, The Block (Dec. 4, 2024), https://perma.cc/6HA5-UMPA. Thousands of people maintain the Bitcoin network by updating its computer code, validating transactions, and "mining" new Bitcoin using computers. Many other digital assets (and blockchains) have been created since Bitcoin, including Ethereum, Solana, and XRP. These assets differ in their particulars, but they all exist exclusively in electronic form, and one of their principal functions is to store and transfer economic value over the internet.

24. Owners hold digital assets in digital "wallets." A digital wallet is software that stores the credentials—called "private keys"—needed to access and transfer a digital asset on a blockchain. Some owners keep their own keys using self-custodial wallet software on personal devices. Many others rely on digital-asset service providers to store the keys for them, in much the same way that customers store cash and other financial assets with banks or brokerages rather than in their own homes. Either way, a digital wallet exists only as computer code, and it can connect to the blockchain only through the internet.

25. Today, digital assets are a mainstream part of U.S. and global financial markets, with a total market capitalization of more than $2 trillion and hundreds of millions of users around the world. *See* CoinGecko, *Global Cryptocurrency Market Cap Charts*, https://perma.cc/NX6F-AK8E (last visited Aug. 14, 2026). Nearly 70 million Americans (roughly one in four adults) own digital assets, including many Illinoisans. *See* Press Release, Nat'l Cryptocurrency Ass'n, *One in Four U.S. Adults Now Use Crypto, According to National Cryptocurrency Association's 2026 State of Crypto Holders Report* (May 13, 2026), https://perma.cc/2LRC-4AMV. And both Congress and

Illinois have recently passed legislation to bring digital assets within regulatory frameworks similar to those that apply to traditional financial assets. *See* Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), Pub. L. No. 119-27, 139 Stat. 419 (2025) (codified at 12 U.S.C. § 5901 *et seq.*); Digital Assets and Consumer Protection Act, 205 ILCS 731/1-1 *et seq.*, Pub. Act 104-428 (eff. Aug. 18, 2025).

26. One common type of digital asset is a "stablecoin." Stablecoins are designed to hold a constant value pegged to another financial asset—typically the U.S. dollar. Issuers of U.S.-dollar stablecoins keep the value stable by holding one dollar's worth of liquid reserves for every stablecoin they create on a blockchain. Individuals and businesses increasingly use stablecoins to, among other things, pay for goods and services, settle transactions, and send money abroad—just as they use the dollars in their bank accounts. The use of stablecoins has grown dramatically in recent years, with hundreds of billions of dollars in stablecoins currently in circulation globally.

II. Digital-Asset Service Providers Also Operate Over The Internet

27. Digital assets are designed so that people can transfer them immediately, peer-to-peer, without any intermediaries. But in today's economy, digital assets cannot yet effectively serve a store-of-value function without a link to the traditional financial world. A person who wants to buy Bitcoin but who has only U.S. dollars in a bank cannot use a blockchain because blockchains cannot process transactions in U.S. dollars (except in stablecoin form). In general, a person instead uses a digital-asset service provider, like a trading platform or a payment application, to exchange dollars for Bitcoin.

28. Digital-asset service providers therefore supply a crucial link between blockchains and traditional finance. Those online platforms facilitate the online trading, transfer, and storage of digital assets. In doing so, they operate similarly to a bank or a broker of traditional financial assets such as currency, stocks, or bonds.

29. ***Trading.*** Some digital-asset service providers, such as online trading platforms, facilitate the exchange of digital assets for U.S. dollars (often called "fiat currency") and other digital assets. Once a customer opens an account with the online trading platform and deposits funds into the account, the customer can trade one form of value for another—*e.g.*, U.S. dollars for Bitcoin, Bitcoin for a different digital asset, or Bitcoin back into U.S. dollars. The customer places an order on the platform's website or mobile application, and the platform's computers match the order with another customer's order and update each customer's account. No paper changes hands, and no one meets at a counter. The entire trade consists of computers exchanging messages over the internet.

30. ***Transfer.*** Customers also use digital-asset service providers to transfer digital assets without trading anything. A customer enters a destination digital wallet—for example, the customer's account at another platform, the customer's own digital wallet, or a third party's account or wallet—and clicks send. The platform then submits the transfer request to the blockchain over the internet, and the network of computers that maintains the blockchain processes and records the transfer.

31. ***Storage.*** A digital asset cannot be kept in a drawer or a vault, because there is nothing physical to put there. Instead, what the asset's owner actually holds is a "private key"—in essence, a password that allows whoever knows it to transfer the digital asset on the blockchain. Storing a digital asset therefore means storing that password. Many customers store their assets with digital-asset service providers: The platform holds the key, and the customer sees the balance by logging into their account, in the same way a bank holds a customer's cash and the bank's website or mobile app displays the balance in the customer's checking or savings account. That storage is not a single event but an ongoing service.

32. Whether a customer trades, transfers, or stores a digital asset through a digital-asset service provider, every step of the activity occurs entirely over the internet. And many transfers involve no sale, no gain, and no change in ownership at all: Sometimes owners simply move digital assets between their own accounts and wallets.

33. Digital-asset service providers operate within an extensive body of federal and state regulation. For example, many digital-asset service providers register as money-services businesses with the Financial Crimes Enforcement Network ("FinCEN") and as money transmitters under state law. *See* 31 C.F.R. § 1022.380; 205 ILCS 658/1-1 *et seq*. These providers therefore comply with anti-money-laundering, recordkeeping, and customer-identification requirements under federal and state law. *See, e.g.*, FinCEN, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FIN-2013-G001 (Mar. 18, 2013). At the federal level, the Securities and Exchange Commission and the Commodity Futures Trading Commission have claimed authority over different aspects of digital-asset markets under the federal securities and commodities laws, and the GENIUS Act subjects stablecoin issuers to state and federal prudential supervision. Illinois also regulates digital-asset service providers under DACPA.

III. Until The Digital Asset Tax Act, Digital Assets Were Taxed Just Like Traditional Financial Assets

34. Illinois principally raises revenue through a familiar set of taxes. For example, the State taxes income, including gains realized on the sale of property, under the Illinois Income Tax Act. 35 ILCS 5/201(a), 5/203. And the State taxes retail sales and the use of tangible personal property under the Retailers' Occupation Tax Act and the Use Tax Act. 35 ILCS 120/2, 105/3.

35. Illinois generally does not tax transactions or services involving financial assets, beyond taxing income and capital gains associated with those transactions or services. The State's sales and use taxes do not reach intangible personal property, including most financial assets, and

those laws expressly exempt money and bullion (like gold). *See* 35 ILCS 105/3-5(8), 120/2-5(18). Thus, a customer who buys or sells stock through a brokerage pays no Illinois tax on the trade itself (though he may pay taxes on any realized gains); an investor who wires money between his own accounts pays no Illinois tax on the transfer; and an individual who gives cash, gold, or stocks to a bank or broker for storage pays no Illinois tax on that service.

36. Digital assets have long been subject to this same tax framework. Like transactions and services involving traditional financial assets, transactions and services involving digital assets could give rise to Illinois (and federal) income and capital-gains taxes. *See* Ill. Dep't of Revenue, Gen. Info. Ltr. IT 22-0010-GIL (July 15, 2022) (Illinois conforms to the federal tax treatment of cryptocurrency as property); *see also* I.R.S. Notice 2014-21, 2014-16 I.R.B. 938 (treating virtual currency as property for federal income tax purposes). And digital-asset businesses and their customers have long paid those taxes. But until the Act challenged here, no Illinois tax—and no tax anywhere in the country—applied solely to the exchange, transfer, or storage of digital assets.

IV. Illinois Enacts The Digital Asset Tax Act

37. In June 2026, the Illinois General Assembly passed and the Governor signed the Digital Asset Tax Act—an unprecedented tax on digital-asset transactions and storage. *See* Pub. Act 104-468, art. 3 (eff. June 16, 2026). The Act imposes a tax on every "occurrence of exchanging, transferring, or storing a digital asset" by Illinois customers using a "digital asset broker." Act § 3-15. The Act defines a "digital asset" as a "digital representation of value that is used as a medium of exchange, unit of account, or store of value," subject to certain exclusions. *Id.*; 205 ILCS 731/1-5(a). And it imposes the tax "at the rate of 0.2% of the value of the digital asset," regardless of whether the activity results in any sale or gain. Act § 3-20(a). The Act imposes the tax on Illinois customers and makes digital-asset brokers liable for collecting and remitting the tax to the State, and it subjects brokers to registration and recordkeeping requirements—all backed by

the threat of civil and criminal penalties. *Id.* §§ 3-35, 3-40, 3-45, 3-55. The Act takes effect on January 1, 2027. *Id.* § 3-20(a).

38. The Act was passed through a "gut and replace" legislative technique that resulted in minimal legislative debate and no opportunity for public input on the Act's terms. The bill that eventually included the Act, Senate Bill 3019, was introduced in January as a two-page bill concerning loans for agricultural property. *See* S.B. 3019, 104th Gen. Assemb., Reg. Sess. (Ill. 2026) (as introduced); *see also* S. Journal, 104th Gen. Assemb., 66th Leg. Day, at 19 (Ill. Jan. 29, 2026). That version of the bill passed the Senate unanimously in April and was reported unanimously out of the House Revenue and Finance Committee in May. *See* S. Journal, 89th Leg. Day, at 134 (Apr. 14, 2026); *see* Ill. Gen. Assemb., *Bill Status of S.B. 3019, 104th Gen. Assemb. (Ill.), Actions tbl.,* https://perma.cc/L8WX-STFK.

39. On May 31, the final day of the legislative session, the substance and scope of the bill changed completely. Two House amendments "replac[ed] everything after the enacting clause" and turned the two-page agricultural-finance bill into a 1,624-page bill on diverse topics including vehicle weight restrictions and extensions of temporary gambling licenses, among many others. S.B. 3019, 104th Gen. Assemb., H. Floor Amend. No. 1, at 1, 708, 725-26 (Ill. May 31, 2026); S.B. 3019, 104th Gen. Assemb., H. Floor Amend. No. 2, at 1 (Ill. May 31, 2026). The Digital Asset Tax Act was included in the massive new bill. It made up less than 20 pages of the 1,624-page total and contained no legislative findings or statements of purpose.

40. Within 24 hours, both houses of the General Assembly rushed the bill through committee hearings and a final vote. House and Senate committees technically held hearings, but they gave the public only about an hour's notice. *See* Ill. Gen. Assemb., H. Revenue & Fin. Comm., *Hearing Details* (May 31, 2026) (just over an hour's notice), https://perma.cc/77GF-P25E; *see* Ill.

Gen. Assemb., S. Exec. Comm., *Hearing Details* (May 31, 2026) (less than an hour's notice), https://perma.cc/3QTG-CN8D. These hearings and the floor debates that followed included only brief discussions related to the Digital Asset Tax Act. The House passed the bill the same day, and the Senate passed it in the early-morning hours the next day. The 1,624-page bill therefore was not "read by title on three different days in each house," as required by the Illinois Constitution. Ill. Const. art. IV, § 8(d). The Governor signed the bill on June 16, and it became Public Act 104-468.

41. The result of that rushed legislative process is a new tax law that is unprecedented in Illinois and nationwide, the basic requirements of which are ill-defined and yet backed by felony penalties for noncompliance. The central provision of the Act imposes a tax "upon the privilege of receiving any digital asset business activity by a customer in this State at the rate of 0.2% of the value of the digital asset to which the digital asset business activity relates." Act § 3-20(a). That provision incorporates nested statutory definitions and interacts with various other requirements in the Act. To determine whether tax is due, how much is due, and who must collect, pay, and remit it, the Act requires answers to at least seven separate questions: (1) what qualifies as a "digital asset"; (2) which activities are subject to the tax; (3) how is the "value" of the digital asset assessed; (4) which customers are treated as being "in" Illinois; (5) who qualifies as a "digital asset broker"; (6) which brokers must register, collect and remit the tax, and keep records; and (7) how must affected businesses and individuals collect and remit the tax.

42. ***What counts as a "digital asset."*** The Act taxes only transactions involving "digital assets." It defines a "digital asset" by incorporating the definition of that phrase "in Section 1-5 of the Digital Assets and Consumer Protection Act." Act § 3-15; *see* 205 ILCS 731/1-5(a). Under that definition, a "digital asset" is "a digital representation of value that is used as a medium

of exchange, unit of account, or store of value, and that is not fiat currency," subject to several exclusions. 205 ILCS 731/1-5(a); *see* Act § 3-15.

43. The definition of a "digital asset" appears to be limited to digital representations of value that are "used as" *money*—the words "medium of exchange, unit of account, or store of value" are the classic functions of money. *See, e.g.*, Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* 5 (Jan. 2022) ("Money serves as a means of payment, a store of value, and a unit of account"). But there are many kinds of digital assets, and the Act says nothing about how to determine whether a particular asset is "used" in that way.

44. The exclusions blur the line further between which assets are in or out. Exclusion (3) carves out of the Act's reach "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." 205 ILCS 731/1-5(a). But the Act supplies no standard for deciding what it means to have "substantial" independent "value," "utility," or "significance" "beyond the asset's mere existence as a digital asset." The Act presumably means to capture Bitcoin as a digital asset subject to taxation. But Bitcoin's value does not turn on its "mere existence as a digital asset." It turns instead on the work and resources that many people have put in for nearly 20 years to maintain the Bitcoin network, and the value that millions of people place in that network as a mechanism for storing value over time.

45. Exclusion (3) also puts stablecoins outside the statutory definition of covered digital assets (and therefore beyond the Act's reach), as stablecoins derive their value from the U.S. dollars backing them. But Illinois nonetheless takes the position that stablecoins *are* covered by the statute. *See, e.g.*, Ill. Dep't of Fin. & Pro. Regul., Digital Assets and Consumer Protection Act,

50 Ill. Reg. 6746, 6752-55 (May 15, 2026) (proposed rule defining "[p]ayment stablecoin[s]" as a kind of "digital asset," using a materially identical definition of "digital asset").

46. ***Which activities are taxed.*** The Act imposes its tax "upon the privilege of receiving any digital asset business activity" through a digital-asset broker. Act § 3-20(a). The Act defines "[d]igital asset business activity" as "*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." *Id.* § 3-15 (emphasis added). And the terms "exchange," "transfer," and "storage" are defined capaciously—for example, "transfer" expressly includes "moving the digital asset from one account or storage of a customer to another account or storage of the same customer." *Id*.

47. The Act is unclear about how to tax exchange, transfer, and storage services when they are bundled together, as they often are. For a typical trade conducted through a trading platform, for example, the platform may: (i) exchange the customer's dollars for a digital asset (an "exchange" under the Act); (ii) credit the digital asset to the customer's account (a "transfer" under the Act); and (iii) thereafter hold the private keys for the digital asset for the customer ("storage" under the Act). The Act is unclear about whether that trade gives rise to one, two, or three taxable events. The Act says that the services are taxed individually if the "digital asset business activity is sold as a bundle of separate services." Act § 3-15. But the Act does not explain how to determine whether a bundle consists of "separate services"—for example, whether it turns on how the parties describe the services in their contract, whether the services are separately priced or available for separate purchase, or merely whether they entail technically distinct steps and services as part of a single real-world transaction.

48. The Act also does not explain how continuous custody can be divided into the taxable unit of "any single occurrence" of "storing." Storage is not a discrete event; it is a state that persists for as long as a customer leaves digital assets with a custodian. The Act does not say whether a year of paid custody is one "occurrence" of storage, whether some other time period limits a single "occurrence" (for example, a single contractual or billing period), whether a new storage "occurrence" happens whenever the customer's account balance changes, or whether something else defines a "single occurrence" of storage. The answer could affect tax liabilities by orders of magnitude.

49. ***What is the "value" of the digital asset.*** The measure of the tax is "0.2% of the *value* of the digital asset to which the digital asset business activity relates"—even if the broker's fee for the service is only a tiny fraction of that value. Act § 3-20(a) (emphasis added). The Act says nothing about how to determine "value." And it does not specify the time at which value is measured—whether at the moment the customer places an instruction, the moment the broker executes it, the moment a transaction settles, or some other time. This poses a particular problem for storage and for transfers unaccompanied by an exchange.

50. ***Which customers are "in" Illinois.*** The Act taxes only transactions occurring "in this State." Act § 3-20(a). But to identify customers who are "in" Illinois within the meaning of the Act, digital-asset brokers must apply the Act's "sourcing" provision. *Id.* § 3-25. For "a sale occurring electronically," the Act creates "a rebuttable presumption that the customer requesting the sale is located in this State" if information "available to" a broker shows that the customer has "an Illinois home address, an Illinois mailing address, or an Illinois internet protocol address or other data showing [a] 'place of primary use' in Illinois" within the meaning of another Illinois

statute (which basically amounts to evidence of a residential or business address in Illinois). *Id.* "The burden of proving that a customer is not located in this State is on the digital asset broker." *Id.*

51. The Act does not explain how its presumption operates. It does not explain what a broker should do when the enumerated indicia conflict—for example, when an account of record shows an Indiana home address for a customer currently using an Illinois IP address. It does not say what "other data" "available to" a broker might give rise to the presumption of Illinois residence. And it does not explain what evidence suffices to rebut the presumption once triggered. The consequence of guessing wrong falls entirely on the broker, which "shall be liable for the tax whether or not the tax has been collected." Act § 3-35(a).

52. ***Who counts as a "digital asset broker."*** The Act taxes only transactions involving "digital asset brokers," and it imposes registration, collection, remittance, and recordkeeping requirements on certain brokers. Act §§ 3-20(a), 3-30, 3-35, 3-40, 3-45. The Act provides that a "digital asset broker" is "a person, as defined in Section 6045(c)(1)(D) of the Internal Revenue Code and any regulations as the Secretary of the Treasury may prescribe, who is engaged in the business of providing digital asset business activity to customers in this State." *Id.* § 3-15.

53. Section 6045(c)(1)(D) of the Internal Revenue Code is a federal tax-reporting statute. The Act thus defines the scope of its tax and the universe of persons subject to its felony-enforced requirements by incorporating, prospectively, whatever changes Congress and the U.S. Treasury Secretary might make to a federal information-reporting statute and that statute's implementing regulations.

54. Accounting for the federal definition, the Act defines a broker as a person: (1) "who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person," 26 U.S.C. § 6045(c)(1)(D), and (2) who is "engaged in the

business of providing digital asset business activity to customers in this State," Act § 3-15. The Act does not explain how much Illinois "digital asset business activity" renders a company "*engaged in the business of* providing digital asset business activity to customers in this State"—for example, whether that phrase captures out-of-state companies that have only occasional transactions with Illinois customers. *Id.* (emphasis added).

55. ***Which brokers must register, collect, remit, and keep records.*** The Act imposes four requirements on brokers: registration, collection, filing, and recordkeeping obligations. Act §§ 3-30, 3-35, 3-40, 3-45. But the Act does not make clear which brokers are subject to which requirements. The Act's registration requirement applies to "any person" "engage[d] in business as a digital asset broker in this State on or after January 1, 2027." *Id.* § 3-30(a). As explained above, however, the Act does not define what it means to be "engage[d] in business as a digital asset broker in this State." The Act's collection requirement seemingly applies only to brokers "maintaining a place of business in this State"—which is separately defined to include brokers with "gross receipts from digital asset business activity sales to Illinois customers" of "$100,000 or more" over the prior 12 months. *Id.* §§ 3-35(a), 3-15. But another section appears to contradict that one, requiring "the digital asset broker making or effectuating the sale … *to collect* the tax," with no gross-receipts limitation. *Id.* § 3-20(a) (emphasis added). And the remittance and recordkeeping requirements apply to a "digital asset broker" without any qualification. *Id.* §§ 3-40, 3-45.

56. ***How affected businesses and individuals collect and remit the tax.*** The Act requires a covered broker to "collect the tax … from the customer" and remit it to the Department of Revenue; once collected, the tax is "held in trust for the benefit of the Department." *Id.* § 3-35(a). The broker must collect the tax "by adding the tax to the amount of the purchase price received from the customer" and must itemize the tax "as a distinct item separate and apart from the

purchase price," unless separate itemization "is not possible" and the Department exempts the transaction by rule. *Id.* § 3-35(b).

57. Illinois residents also can have remittance obligations under the Act. Where the broker makes "no charge … of the tax," the customer must self-assess: "Any person purchasing a digital asset business activity subject to tax" must pay the tax directly to the Department "not later than the 20th day of the month following the month of payment." Act § 3-35(f). Illinois customers are thus independently responsible for understanding the terms of the Act. To collect against these Illinois customers, the Act gives the Department of Revenue the State's ordinary tax collection remedies, including liens and levies on property and foreclosures of homes. *See id.* § 3-60 (cross-referencing the remedies of the Retailers' Occupation Tax Act); 35 ILCS 120/5a, 5e, 5f.

58. The Act is clear about one thing: Compliance failures have serious civil and criminal consequences. Starting on January 1, 2027, any digital-asset broker "who violates" "any" provision of the Act, including merely failing to register as a broker, "is guilty of a Class 3 felony," subject to a five-year limitations period. Act § 3-55. Any broker "who willfully violates" any Department rules implementing the Act likewise is guilty of a Class 3 felony. *Id.* The Act's requirement of "willful" violations for regulatory, but not statutory, violations leaves it unclear whether Illinois will take the position that the Act imposes strict liability for statutory violations, such that regulated parties might be criminally prosecuted for good-faith (but ultimately incorrect) interpretations of the Act. Additionally, covered brokers are liable to the State for the tax "whether or not the tax has been collected"—meaning they may have to foot the bill if a customer does not pay or if the State later determines that the broker miscalculated the amount of the tax. *Id.* § 3-35(a). And the Act incorporates the Uniform Penalty and Interest Act's harsh penalties for noncompliance. *Id.* § 3-60. Among other things, this includes deficiency penalties of up to 50% and potential

personal liability for officers of digital-asset brokers who willfully fail to file or pay the tax. *See* 35 ILCS 735/3-3 to -7.

CLAIMS FOR RELIEF

COUNT I
(Internet Tax Freedom Act)

59. Plaintiffs incorporate each of the foregoing paragraphs by reference.

60. The Digital Asset Tax Act is preempted by the Internet Tax Freedom Act, 47 U.S.C. § 151 Note ("ITFA"), because it imposes a discriminatory tax on electronic commerce by taxing only *digital*-asset activities.

61. Congress passed and the President signed the ITFA in 1998 to shield internet commerce from burdensome taxation by States and thereby "avoid stifling the potential for an innovative form of technology to provide information, goods, and services quickly and cheaply throughout the world." H.R. Rep. No. 105-808, pt. 1, at 7 (1998).

62. One way that the ITFA protects internet commerce is through preemption of "discriminatory taxes on electronic commerce." ITFA § 1101(a)(2). That provision of the ITFA prevents States from singling out commerce that occurs on the internet for unfavorable tax treatment relative to non-digital commerce involving similar goods or services. *See id.* § 1105(2); *see also City of Chicago v. StubHub!, Inc.*, 624 F.3d 363, 366-67 (7th Cir. 2010) (the ITFA prevents States from treating market participants differently based on the "technology they employ").

63. The ITFA's prohibition on discriminatory taxes protects Illinoisans' ability to access internet commerce, and the statute has been applied by the Supreme Court of Illinois to preempt a discriminatory state tax law. In *Performance Marketing Association v. Hamer*, the Court invalidated an Illinois statute that imposed a tax-collection obligation for online performance marketing but not similar offline marketing. *See* 2013 IL 114496, ¶ 22. The Court explained that the statute

"impose[d] discriminatory taxes within the meaning of the ITFA" because it "singl[ed] out" digital services for unfavorable tax treatment relative to analogous non-digital services. *Id.* ¶¶ 19, 22.

64. The same result is warranted here. The Digital Asset Tax Act violates the ITFA because it taxes electronic commerce (transactions involving *digital* assets) without taxing transactions involving similar assets conducted offline.

65. ***Taxation.*** The Act imposes a value-based "tax" on transactions involving digital assets, and it imposes an obligation on digital-asset brokers to collect that tax. *See* Act §§ 3-15, 3-20. Both impositions qualify as "tax[es]" under the ITFA. ITFA § 1105(8).

66. ***Electronic Commerce.*** The Act, by taxing digital-asset transactions, imposes a tax "on electronic commerce" under the ITFA. *See* ITFA § 1105(2)(A). The ITFA defines "electronic commerce" as "any transaction conducted over the Internet or through Internet access, comprising the sale, lease, license, offer, or delivery of property, goods, services, or information, whether or not for consideration." *Id.* § 1105(3).

67. The Act taxes *only* transactions involving "digital assets"—defined as "digital representation[s] of value." Act § 3-20(a); 205 ILCS 731/1-5(a). As the name suggests, *digital*-asset transactions and services occur "over the Internet or through Internet access." ITFA § 1105(3); *see supra* ¶¶ 22-26. The specific transactions the Act taxes—"exchanging, transferring, or storing a digital asset" through a "digital asset broker," Act § 3-15—likewise are conducted "over the Internet," ITFA § 1105(3); *see supra* ¶¶ 27-33.

68. ***Discrimination.*** The taxes imposed by the Act are "discriminatory" under the ITFA because the taxes are "not generally imposed" by Illinois "on transactions involving similar property, goods, services, or information accomplished through other means." ITFA

§ 1105(2)(A)(i). The Act thus singles out digital-asset transactions for unfavorable tax treatment, based on the "technology" involved in those transactions. *StubHub!*, 624 F.3d at 366-67.

69. The Act itself identifies a relevant comparator: transactions involving *money*. As discussed, the Act defines a digital asset merely by adding the word "digital" to the traditional definition of money. *See* 205 ILCS 731/1-5(a) (defining "digital asset" as "a digital representation of value that is used as a medium of exchange, unit of account, or store of value"); *see* Act § 3-15; *supra* ¶ 43.

70. Illinois does not impose *any* taxes or tax-collection obligations on the exchange, transfer, or storage of money through non-digital means—let alone a tax analogous to the onerous 0.2% value tax that the Act imposes on digital-asset transactions. Indeed, money is expressly exempted from Illinois sales and use taxes. 35 ILCS 105/3-5(8), 110/3-5(4), 115/3-5(4), 120/2-5(18). If an Illinois resident walks into a currency-exchange business and trades U.S. dollars for euros, the resident incurs zero taxes. But if the resident uses an online digital-asset service provider to exchange *digital* assets—say, U.S. dollars for Bitcoin—the resident incurs between one and three taxes of 0.2% of the value of the amount exchanged. Similarly, if an Illinois resident stores U.S. dollars at a bank, the resident incurs zero taxes for that service. But if the same resident holds Bitcoin with a digital-asset service provider, the resident incurs taxes. That is exactly the kind of discrimination against electronic commerce that the ITFA was enacted to prohibit.

71. The discrimination against electronic commerce would remain regardless of which financial asset or service is used as a comparator, because Illinois does not tax activities involving *any* other financial asset in the way the Act taxes digital-asset activities. For example, Illinois does not tax the exchange, transfer, or storage of money, stocks, bonds, or precious metals. 35 ILCS 105/3-5(8), 110/3-5(4), 115/3-5(4), 120/2-5(18); 86 Ill. Admin. Code 130.120(a), 140.125(a).

Thus, an Illinois resident purchasing a gold bar in person at a bullion dealer is subject to no tax, while purchasing Bitcoin (sometimes referred to as "digital gold") through an online digital-asset service provider would subject the same resident to up to three taxes.

72. By "singling out" digital-asset transactions for unfavorable tax treatment in this way, the Act "imposes discriminatory taxes within the meaning of the ITFA." *Performance Marketing*, 2013 IL 114496, ¶ 19.

73. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

74. This Court therefore should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT II
(Commerce Clause; U.S. Constitution)

75. Plaintiffs incorporate each of the foregoing paragraphs by reference.

76. The Act violates the Commerce Clause because it discriminates against interstate commerce, taxes more than its fair share of interstate economic activity, and imposes burdens on interstate commerce that exceed the putative benefits that Illinois derives from the tax.

77. Under the U.S. Constitution, Congress enjoys the power "[t]o regulate Commerce" both "among the several States" and "with foreign Nations." U.S. Const. art. I, § 8, cl. 3. The Supreme Court has long recognized that this language "contain[s] a further, negative command, known as the dormant Commerce Clause, prohibiting certain state taxation even when Congress has failed to legislate on the subject." *Oklahoma Tax Comm'n v. Jefferson Lines, Inc.*, 514 U.S. 175, 179 (1995).

78. ***Fair Apportionment***. The dormant Commerce Clause doctrine prohibits state taxation of interstate commerce unless the tax is "fairly apportioned." *South Dakota v. Wayfair, Inc.*,

585 U.S. 162, 174 (2018) (citing *Complete Auto Transit, Inc. v. Brady*, 430 U.S. 274, 279 (1977)). This inquiry asks whether a State has sought to take more than its "fair share of an interstate transaction." *Jefferson Lines*, 514 U.S. at 184 (citation omitted). To be fairly apportioned, a tax must be both internally and externally consistent. *Id.* at 185.

79. The Digital Asset Tax Act is neither internally nor externally consistent.

80. The internal-consistency test "looks to the structure of the tax at issue to see whether its identical application by every State in the Union would place interstate commerce at a disadvantage as compared with commerce intrastate." *Comptroller of Treasury of Maryland v. Wynne*, 575 U.S. 542, 562 (2015) (citation omitted). A tax is not internally consistent when transactions would be "subject to more than one State's tax" if every State imposed an identical tax. *Jefferson Lines*, 514 U.S. at 185.

81. The Act is not internally consistent. For example, the Act taxes digital-asset activities that occur "in" Illinois, and it requires digital-asset brokers to presumptively deem an electronic transaction to have occurred "in" the State if (among other things) the customer has an Illinois address or uses an Illinois IP address. Act § 3-25. That scheme, if adopted by every State, would guarantee a significant amount of double taxation. For instance, if Indiana adopted a statute identical to the Act, a person who lives in Gary, Indiana, and works in Chicago would be subject to double taxation on each trade placed from an Illinois IP address while he is working in Chicago—once by Indiana based on his home address, and once by Illinois based on his IP address. The same is true for an Indiana resident who uses an Illinois-based virtual private network (VPN). Either circumstance disadvantages interstate commerce, since an Indiana resident who works in Indiana or uses an Indiana-based VPN would be taxed only once.

82. States, including Illinois, generally avoid these types of internal-inconsistency problems by authorizing tax credits when a resident pays a tax to another State on the same transaction. *See Goldberg v. Sweet*, 488 U.S. 252, 264 (1989) (upholding Illinois Telecommunications Excise Tax Act against dormant Commerce Clause challenge based on credit provision). But Illinois included no such credit provision in the Act—all but guaranteeing that "the practical effect of [the] challenged tax" would be multiple taxation if adopted by other States. *Commonwealth Edison Co. v. Montana*, 453 U.S. 609, 615 (1981) (citation omitted).

83. The Act is also not externally consistent. To be externally consistent, a tax must not "reac[h] beyond that portion of value that is fairly attributable to economic activity within the taxing State." *Jefferson Lines*, 514 U.S. at 185. Courts conduct the external-inconsistency inquiry by examining whether the State calculates the tax in a way that reasonably estimates the State's share of the value created by interstate commerce. *See Container Corp. of Am. v. Franchise Tax Bd.*, 463 U.S. 159, 169-70, 182-84 (1983). If the State's method claims value that is "out of all appropriate proportions" to economic realities, the tax is not externally consistent. *See id.* at 170, 182-84 (citation omitted).

84. The Act's tax scheme creates an extraordinary mismatch between the amount of the tax and the State's share of the value generated by the taxed activities. A conventional service tax is assessed as a percentage of what the provider charges for the service. *See, e.g.*, 35 ILCS 630/3(c) (imposing a tax on intrastate telecommunications services "at the rate of 8.65% of the gross charge for such telecommunications purchased at retail"); *see also Goldberg*, 488 U.S. at 262 (discussing taxes that apply to the "revenues" from "the activity being taxed"). Other tax provisions enacted in the same omnibus statute as the Act are structured that way. *See, e.g.*, Pub. Act 104-468, art. 1, § 1-15(a) (taxing "10% of the gross receipts" from "targeted advertising services").

85. But the digital-asset tax is different. Although the Act taxes purportedly in-state brokerage services, those transactions are often interstate (or even international), and the tax is calculated based on the value of the digital assets involved in the transaction, not the amount of the fee charged by the broker. The value of those digital assets was not created by the brokers' services in the State, and it bears no necessary relationship to the value of the services provided by the broker in the State. A digital-asset service provider might charge comparable amounts for transferring 10 dollars' worth and 1 million dollars' worth of Bitcoin, but the tax on the latter transaction could be *thousands of times* higher. Moreover, the Act's bundling rule—which could result in a 0.6% tax for each side of a trade—will sometimes exceed the size of the entire fee charged by the broker, particularly for custody and transfer fees. The taxes authorized by the Act thus are "out of all appropriate proportions" to the value of the services that can be fairly attributed to economic activity in Illinois. *Container Corp.*, 463 U.S. at 170 (citation omitted).

86. ***Pike Balancing***. The Supreme Court has also long recognized that the dormant Commerce Clause prohibits state laws that impose "burden[s]" on interstate commerce that are "clearly excessive in relation to [their] putative local benefits." *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970); *see also Russell Stewart Oil Co. v. State*, 124 Ill. 2d 116, 129-34 (1988) (applying *Pike* to invalidate an Illinois tax).

87. The Act flunks *Pike*. By taxing the *entire value* of the digital assets involved in a transaction, the Act imposes a serious and unique burden on commerce between Illinois traders and out-of-state counterparties. The Act also imposes a heavy burden on out-of-state brokers who provide services to Illinois residents. By contrast, Illinois derives little benefit from the tax beyond the revenues that accompany every tax. The lack of any similar taxes nationwide and Illinois's failure to impose taxes on analogous transactions involving traditional financial assets confirm that

there is no special need or justification for taxation in this area that makes up for the Act's serious burdens on interstate commerce.

88. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

89. This Court therefore should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT III
(Due Process Clause; U.S. and Illinois Constitutions)

90. Plaintiffs incorporate each of the foregoing paragraphs by reference.

91. The Digital Asset Tax Act is unconstitutionally vague because the Act provides no determinate standard by which either the individuals who bear the tax or the digital-asset brokers who collect and remit the tax to the government (and who face criminal penalties for violations) may determine when the tax is due, the amount of tax owed, or whether they are in compliance with the Act's other obligations.

92. The Due Process Clauses of the United States and Illinois Constitutions prohibit vague laws. "A statute can be impermissibly vague … if it fails to provide people of ordinary intelligence a reasonable opportunity to understand what conduct it prohibits." *City of Chicago v. Pooh Bah Enters.*, 224 Ill. 2d 390, 441-42 (2006). "The Constitution tolerates a lesser degree of vagueness in enactments with criminal rather than civil penalties." *Wilson v. County of Cook*, 2012 IL 112026, ¶ 23.

93. In assessing a law's vagueness, although "uncertainties" in a statute "may be tolerable in isolation," the statute is unconstitutionally vague if "their sum makes a task for [courts] which at best could be only guesswork." *Johnson v. United States*, 576 U.S. 591, 602 (2015) (quoting *United States v. Evans*, 333 U.S. 483, 495 (1948)). A "combination of indeterminacy

with indeterminacy" thus may "'produc[e] more unpredictability and arbitrariness than the Due Process Clause tolerates.'" *United States v. Vivas-Ceja*, 808 F.3d 719, 722 (7th Cir. 2015) (quoting *Johnson*, 576 U.S. at 598).

94. Here, the Act is indeterminate through and through. The Act requires "digital asset brokers" to collect taxes whenever the Act applies or else face criminal penalties, and it mandates that Illinois customers remit the taxes in the absence of broker collection. But companies and customers cannot do that given the many obvious questions that the Act leaves unanswered. Does the Act cover only digital assets used as money, or other kinds of assets as well? How should the "value" of an asset be calculated, particularly in the absence of an exchange? Is a trade that involves an "exchange," a "transfer," and "storage" taxed once or three times? When and how often is the "storage" tax assessed? Which brokers are subject to which of the Act's requirements? These are only a few of the questions that are not answered by the Act. *See supra* ¶¶ 41-58. And yet ordinary Illinois citizens and businesses who cannot guess the answers correctly face civil or even criminal liability.

95. In short, although the Act purports to supply a mathematical formula for taxation, the ill-defined inputs to that formula deprive ordinary citizens of any reasonable opportunity to understand how the tax operates—while imposing criminal and civil liability for noncompliance, in terms that provide no assurance that liability can be avoided through good-faith efforts to comply. The Act therefore cannot be reconciled with due process.

96. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

97. This Court should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT IV
(Uniformity Clause; Illinois Constitution)

98. Plaintiffs incorporate each of the foregoing paragraphs by reference.

99. The Digital Asset Tax Act also violates the Illinois Constitution's Uniformity Clause by creating unreasonable tax classifications. The Uniformity Clause provides that "[i]n any law classifying the subjects or objects of non-property taxes or fees, the classes shall be reasonable and the subjects and objects within each class shall be taxed uniformly." Ill. Const. art. IX, § 2. This provision is a "specific limitation on the taxing power of the Illinois General Assembly" and gives taxpayers protection under standards "more rigorous than those developed under the federal constitution." *Milwaukee Safeguard Ins. Co. v. Selcke*, 179 Ill. 2d 94, 102 (1997) (citation omitted).

100. A non-property-tax classification survives the Uniformity Clause only if there is a "real and substantial difference" "between the subjects or objects taxed and those not taxed" and "the classification bears some reasonable relationship to the object of the legislation or to public policy." *Mutual Life Ins. Co. of N.Y. v. Washburn*, 137 Ill. 2d 312, 331 (1990). Upon a good-faith Uniformity Clause challenge, the government bears the burden to identify a lawful justification for the classification. *See Arangold Corp. v. Zehnder*, 204 Ill. 2d 142, 153, 156 (2003).

101. The Illinois Supreme Court has repeatedly invalidated tax classifications where materially similar products or services received different tax treatment for reasons unrelated to the object of a tax. *See, e.g.*, *Com. Nat'l Bank of Chicago v. City of Chicago*, 89 Ill. 2d 45, 70-73 (1982) (finding "no basis in fact to distinguish between commercial competitors who provide substantially similar services"); *Federated Distribs., Inc. v. Johnson*, 125 Ill. 2d 1, 8-9 (1988) (different "method of production" was not a reasonable basis for different tax rates of spirit-based and wine-based beverages with the same alcohol content); *Milwaukee Safeguard*, 179 Ill. 2d at 101-03

(difference between foreign and domestic insurers did not reasonably relate to the object of the tax).

102. Here, the Act creates unreasonable distinctions among similar financial activities. The exchange, transfer, and storage of any "digital asset" are taxed, but the exchange, transfer, and storage of other similar financial assets are not taxed. If a customer wants to transfer his cash or gold holdings from one custodian to another, the tax does not apply. But if the customer does the same for Bitcoin, the tax does apply. If the customer wants a broker or bank to custody his stocks or bonds, no tax. But if the customer wants a digital-asset service provider to custody his digital assets, the tax applies. And if an Illinois customer pays a currency exchange to swap dollars for yen, the tax does not apply. But if the same Illinois customer pays a digital-asset broker to "exchange" dollars for Bitcoin, the tax does apply. In each case, the actual economic activity—exchanging, transferring, or storing assets—is the same. The only difference is the type of asset involved.

103. Neither the Act nor the legislative record supplies a discernible rationale for the Act's discriminatory treatment of digital assets. The Act was rushed through the General Assembly in roughly 24 hours as part of a 1,624-page bill. And unlike for other taxes imposed in the same bill, the General Assembly did not enact any findings expressing a purpose or need for the digital-asset tax.

104. Nor *is* there any "real and substantial difference" for tax purposes between exchange, transfer, and custody services for digital assets, and exchange, transfer, and custody services for other economically similar assets. The activities may differ in subject matter, but the services for which the customers pay are the same: Assets are exchanged, transferred, or held on the customer's behalf.

105. Thus, the classifications created by the Act are not based on real and substantial differences reasonably related to the object of the legislation or to public policy, and the tax violates the Uniformity Clause.

106. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

107. This Court should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT V
(Nondelegation; Illinois Constitution Article IX, § 1)

108. Plaintiffs incorporate each of the foregoing paragraphs by reference.

109. The Illinois Constitution vests the legislative power in the General Assembly and gives the General Assembly the "exclusive power to raise revenue by law." Ill. Const. art. IV, § 1; *id.* art. IX, § 1. It further provides that "[t]he power of taxation shall not be surrendered, suspended, or contracted away." *Id.* art. IX, § 1. The Constitution thus "places the formulation of tax policy in the legislature, where it belongs." *Hoffmann v. Clark*, 69 Ill. 2d 402, 423 (1977) (quoting 7 Record of Proceedings, Sixth Illinois Constitutional Convention 2066-67). The Act violates those constitutional limitations by outsourcing to the U.S. Congress and Treasury Department the power to define an essential term governing the scope of Illinois tax liability.

110. The Act imposes taxes only on digital-asset transactions involving a "digital asset broker." *See, e.g.*, Act § 3-15 (defining "customer" as someone who receives "digital asset business activity" from a "digital asset broker"). The scope of the term "digital asset broker" thus controls which activities are taxed under the Act.

111. A "digital asset broker" under the Act is "a person, *as defined in Section 6045(c)(1)(D) of the Internal Revenue Code and any regulations as the Secretary of the Treasury*

may prescribe, who is engaged in the business of providing digital asset business activity to customers in this State." Act § 3-15 (emphasis added). Section 6045 of the Internal Revenue Code is a *federal* tax information-reporting provision implemented by the U.S. Treasury Secretary. The Act thus makes an ongoing delegation to Congress and the U.S. Secretary of the Treasury to determine which entities constitute "digital asset brokers" under Illinois law; future federal legislation and Treasury regulations interpreting Section 6045(c)(1)(D) will automatically change which Illinois customer relationships and transactions are subject to taxation under the Act.

112. That transfer of Illinois taxing power to the federal government violates the Illinois Constitution. The Illinois Supreme Court has upheld Illinois tax laws that cross-reference the federal tax code only when those laws did "not contemplate that subsequent changes in the Code shall be automatically applied." *Thorpe v. Mahin*, 43 Ill. 2d 36, 49 (1969). But as the Attorney General of Illinois explained more than 75 years ago, incorporating *future* changes to federal statutes and regulations into an Illinois tax statute "*would* involve a surrender, abandonment, or delegation of legislative power by this State in violation of Section 1, Article IV of the Illinois Constitution." 1951 Ill. Att'y Gen. Op. No. 256, at 183 (emphasis added). The General Assembly is "not a … prophet and cannot possibly know in what form the future provisions or amendments of such federal statute or regulations may be." *Id.*; *see also Coram v. State*, 2013 IL 113867, ¶ 85 (Burke, J., specially concurring, joined by Freeman, J.) ("The incorporation cannot include future amendments to the federal law because such an incorporation would constitute an unlawful delegation of state legislative power to the federal government.").

113. The Digital Asset Tax Act clearly contemplates that future amendments to Section 6045 by Congress and future implementing regulations by the U.S. Treasury Secretary will automatically alter Illinois tax law. That ongoing delegation of Illinois taxing power to the federal

government is inconsistent with the Illinois Constitution. That constitutional defect renders the definition of "digital asset broker" invalid. And because the Act cannot rationally function without that definition, the Act should be invalidated in full.

114. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

115. This Court should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT VI
(Three-Readings Rule; Illinois Constitution)

116. Plaintiffs incorporate each of the foregoing paragraphs by reference.

117. The Digital Asset Tax Act is also unconstitutional because the rushed "gut and replace" procedure that led to the Act was an egregious violation of the Illinois Constitution's three-readings rule. Article IV of the Illinois Constitution imposes limits on legislative power and establishes rules for the enactment of laws. Section 8(d) of Article IV provides what is known as the "three-readings rule": Before a bill is enacted into law, the "bill shall be read by title on three different days in each house." Ill. Const. art. IV, § 8(d). The rule ensures that legislators can debate the legislation "fully aware of the contents of the bills upon which they will vote," and allows the public an opportunity to "view" and "communicate … concern or support for proposed legislation." *Accuracy Firearms, LLC v. Pritzker*, 2023 IL App (5th) 230035, ¶ 43, *as modified* (Feb. 10, 2023), *vacated on other grounds*, 470 Ill. Dec. 4 (2024). "Taken together, two foundations of the bedrock of democracy are decimated by failing to require the lawmakers to adhere to the constitutional principle." *Id.*

118. Senate Bill 3019 began as a two-page bill about agricultural loans. *See* S.B. 3019, 104th Gen. Assemb., Reg. Sess. (Ill. 2026) (as introduced). On the last day of the legislative

session, however, the House created a new bill by replacing the two-page agricultural-loan bill with 1,624 pages of new content. *See id*. That new bill was read only once (in the House) before it was passed by the House and the Senate within 24 hours. The bill therefore did not comply with the three-readings rule, which requires a reading "on three different days in each house." Ill. Const. art. IV, § 8(d).

119. Despite that clear violation of the Illinois Constitution, the Speaker of the House and the President of the Senate certified that the bill had complied with all procedural requirements. *See* Ill. Const. art. IV, § 8(d). That (false) certification purportedly triggers the "enrolled bill doctrine," which bars "a challenge to a bill on procedural or technical grounds regarding the manner of passage if the bill show[s] on its face that it was properly passed." *Geja's Café v. Metro. Pier & Exposition Auth.*, 153 Ill. 2d 239, 259-60 (1992).

120. The enrolled-bill doctrine has no basis in the text of the Constitution and has been criticized by numerous Illinois appellate judges. *See, e.g.*, *First Midwest Bank v. Rossi*, 2023 IL App (4th) 220643, ¶¶ 233-40; *see also Friends of the Parks v. Chi. Park Dist.*, 203 Ill. 2d 312, 329 (2003) ("urg[ing] the legislature to follow the three-readings rule"). Taken to its logical conclusion, the doctrine would prevent a court from reviewing the procedural regularity of a bill even if it was "never … read or presented in either house," "never receive[d] a majority vote," and was "never even … voted on." *People v. Dunigan*, 165 Ill. 2d 235, 258 (1995) (Heiple, J., concurring in part and dissenting in part).

121. The enrolled-bill doctrine was premised "on the assumption that the General Assembly would police itself and judicial review would not be needed because violations of the constitutionally required procedures would be rare." *Geja's Café*, 153 Ill. 2d at 260. But the General

Assembly "has shown remarkably poor self-discipline in policing itself" and for decades has made it a "procedural regularity" to ignore the three-readings requirement. *Id.*

122. This case presents a particularly egregious violation of the three-readings requirement. The 1,624-page bill containing the Digital Asset Tax Act was passed by both legislative chambers within 24 hours after the bill was publicly disclosed and without any meaningful discussion or debate. Neither the public nor legislators could have had "time to review the bill, discern and evaluate its contents, [or] form an opinion" about the bill. *First Midwest*, 2023 IL App (4th) 220643, ¶ 231. Little surprise that a flawed process produced a constitutionally flawed statute like the Digital Asset Tax Act. Given "the legislature's repeated failures" to comply with the three-readings rule, "continued adherence to the enrolled-bill doctrine should no longer be countenanced." *Caulkins v. Pritzker*, 2023 IL 129453, ¶ 99 (Holder White, J., dissenting). The Act should be invalidated in full for violating the three-readings requirement.

123. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

124. This Court should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

COUNT VII
(Single-Subject Rule; Illinois Constitution)

125. Plaintiffs incorporate each of the foregoing paragraphs by reference.

126. The sprawling 1,624-page bill containing the Act also violates the Illinois Constitution's single-subject rule by legislating on a wide variety of disparate subjects. Article IV, Section 8(d) provides: "Bills, except bills for appropriations and for the codification, revision or rearrangement of laws, shall be confined to one subject." This single-subject rule "ensures that the legislature addresses the difficult decisions it faces directly and subject to public scrutiny, rather

than passing unpopular measures on the backs of popular ones." *Johnson v. Edgar*, 176 Ill. 2d 499, 515 (1997). It also "facilitate[s] the enactment of bills through a legislative process that is orderly and informed." *People v. Reedy*, 186 Ill. 2d 1, 14 (1999).

127. A statute violates the single-subject rule when its "contents encompass at least two unrelated subjects." *Reedy*, 186 Ill. 2d at 12. The contents of any statute must be aimed at "a legitimate single subject [that] is not so broad that the rule is evaded as a meaningful constitutional check on the legislature's actions." *Wirtz v. Quinn*, 2011 IL 111903, ¶ 32 (citation omitted). The government thus may not rely on "sweeping and vague categor[ies] that unite unrelated measures" because to do so would "render the single subject clause … meaningless." *People v. Olender*, 222 Ill. 2d 123, 139 (2005). Instead, the provisions of the bill must "have a natural and logical connection." *Johnson*, 176 Ill. 2d at 515. If even a single provision of a bill is unrelated to the remainder, a court must hold the Act "unconstitutional in its entirety." *Reedy*, 186 Ill. 2d at 12. The "harmless error" and severability doctrines are "entirely inapplicable." *Id.* at 16; *Olender*, 222 Ill. 2d at 144-45.

128. Public Act 104-468 cannot satisfy this test. The bill addresses a multitude of subjects that are plainly unrelated to one another. For example, its provisions:

- Require social media companies to report their monthly active users in Illinois; prohibit them from "vary[ing] the cost of access, features, services, or in-app purchases for any user based on the geographic origin"; create a private cause of action; and prohibit the use of arbitration agreements "as a condition of service or otherwise." *See* Pub. Act 104-468, § 5-5 (amending 805 ILCS 5/15.98).

- Authorize the issuance of "master sports wagering licenses to persons to conduct sports wagering over the Internet or through a mobile application"; create a licensing scheme for fantasy sports and give the Gaming Board authority to regulate the industry; and make it a felony to offer fantasy sports contests without a license. Pub. Act 104-468, § 140-10 (amending 230 ILCS 45/25-45 and creating 230 ILCS 45/25-120).

- Create a licensing scheme for remote retail sellers of tobacco and require them to engage an "independent, third-party age verification service." Pub. Act 104-468, § 110-5 (creating 35 ILCS 143/10-24).

- Amend the regulation of wheel and axle load and the permissible gross weights of motor vehicles. Pub. Act 104-468, § 95-5 (amending 625 ILCS 5/15-111).
- Extend the licenses of temporary casino licensees. Pub. Act 104-468, § 85-5.

129. Thus, the provisions of Public Act 104-468 extend far beyond any "natural and logical connection" to a single subject. *Johnson*, 176 Ill. 2d at 515.

130. Public Act 104-468 is therefore void in its entirety, including the Act.

131. The Act is causing Plaintiffs and their members irreparable harm for which they have no adequate remedy at law.

132. This Court should declare the Act unlawful and unenforceable and enjoin Defendants from enforcing the Act and any implementing regulations.

PRAYER FOR RELIEF

Plaintiffs respectfully request an order:

a. Declaring that the Digital Asset Tax Act violates the ITFA, the Commerce Clause, the Illinois and federal Due Process Clauses, the Uniformity Clause, the nondelegation doctrine, the three-readings rule, and the single-subject rule, and is therefore invalid and unenforceable;

b. Preliminarily and permanently enjoining Defendants and all persons acting in concert with them from taking any action to implement or enforce the Digital Asset Tax Act, including against Plaintiffs or their members; and

c. Issuing any other relief the Court deems just and proper.

Dated: August 21, 2026

Respectfully submitted,

/s/ Donald M. Craven
Donald M. Craven (ARDC No. 6180492)
Joseph A. Craven (ARDC No. 6340231)
CRAVEN & CRAVEN, P.C.
1005 North Seventh Street
Springfield, IL 62702
Telephone: 217.544.1777
Don@cravenlawoffice.com
JCraven@cravenlawoffice.com

Eugene Scalia (*pro hac vice forthcoming*)
Jonathan C. Bond (*pro hac vice forthcoming*)
Matt Gregory (*pro hac vice forthcoming*)
Nick Harper (*pro hac vice forthcoming*)
GIBSON, DUNN & CRUTCHER LLP
1700 M Street, N.W.
Washington, DC 20036
Telephone: 202.955.8500
EScalia@gibsondunn.com
JBond@gibsondunn.com
MGregory@gibsondunn.com
NHarper@gibsondunn.com

Counsel for Plaintiffs