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

CHAMBER OF DIGITAL COMMERCE, Plaintiff, v. DAVID HARRIS, the Director of the Illinois Department of Revenue in his official capacity; and KWAME RAOUL, Illinois Attorney General in his official capacity. Defendants.	))))))))))))))	Case No. _________________

<u>VERIFIED COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF</u>

Plaintiff Chamber of Digital Commerce d/b/a The Digital Chamber ("TDC" or "Plaintiff"), by and through its undersigned attorneys, brings this Verified Complaint pursuant to the Illinois declaratory judgment statute, 735 ILCS 5/2-701, and Article XI of the Code of Civil Procedure, 735 ILCS 5/11-101 *et seq*., and invokes the Court's equitable powers, seeking (i) a declaration that the Digital Asset Tax Act, Article 3 of Public Act 104-0468 (the "Act"), is facially invalid under the Illinois and United States Constitutions and is preempted by the federal Internet Tax Freedom Act; and (ii) preliminary and permanent injunctive relief barring Defendants from implementing or enforcing the Act. In support, Plaintiff alleges as follows:

I. Introduction

1. Illinois has enacted the Nation's first tax that imposes materially different tax consequences on economically identical property solely because ownership is recorded and transferred using blockchain technology. Illinois has not taxed a new kind of property; it has taxed an old kind of property recorded in a new way. This action presents a question of first impression under the Illinois and United States Constitutions and federal law: whether a State may tax property and commerce based not on their economic substance, but on the technological infrastructure through which they are recorded, held, and transferred.

2. The Act imposes a tax "upon the privilege of receiving any digital asset business activity by a customer in this State" at a rate of 0.2% of "the value of the digital asset to which the digital asset business activity relates." "Digital asset business activity" is defined as "any single occurrence of exchanging, transferring, or storing a digital asset" as part of a business or on behalf of a customer. Illinois imposes no comparable tax on the exchange, transfer, or custody of economically identical assets, including cash, stocks, bonds, Treasury securities, fund interests, commodities, and derivatives, when those assets are held or transferred through traditional financial infrastructure. No other state imposes such a tax on either category.

3. The Act therefore distinguishes between economically identical property based solely on the technological medium through which ownership is recorded and transferred. A Treasury security and a tokenized Treasury security are the same instrument. A United States dollar held in a payment account and a dollar-denominated stablecoin represent the same economic value. A transfer between a customer's own accounts at a securities brokerage and a transfer between a customer's own digital asset wallets are the same act. In each instance, the Act taxes only the blockchain-based version.

4. Technological innovation has repeatedly transformed the mechanisms through which commerce is conducted. Telegraphs gave way to telephones. Paper stock certificates became electronic book-entry systems. Physical trading floors became electronic exchanges. Checks evolved into electronic funds transfers and real-time payment networks. In no instance did the law impose materially different tax burdens on identical property merely because the infrastructure through which commerce was conducted had evolved. Blockchain technology is the next stage of that evolution: it changes the method by which ownership is recorded, verified, settled, and transferred; it does not alter the underlying economic rights in the property exchanged.

5. Plaintiff does not seek special treatment for digital assets or an exemption from generally applicable taxation. It seeks the opposite: equal treatment of economically identical property regardless of the technology through which ownership is recorded, transferred, or settled.

6. The Act likewise imposes tax without regard to whether any transaction produces income, realizes gain, or transfers beneficial ownership. It taxes mere custody, that is, the "storing" of a digital asset, and it treats each exchange, transfer, and act of storage as a separate taxable occurrence, so that the same asset's value is taxed repeatedly as it moves through routine operations that no existing federal or state tax system, including Illinois for any other asset, treats as taxable events.

7. Because blockchain networks operate through decentralized infrastructure validated simultaneously across many jurisdictions, the Act also reaches transactions lacking any constitutionally sufficient connection to Illinois. It does so through a rebuttable presumption that a sale is to an Illinois customer whenever any data shows a "place of primary use" in Illinois, placing on regulated businesses the burden of disproving an Illinois connection for transactions that, as a technical matter, occur in no single place.

8. The Act enforces these obligations with criminal penalties. Effective January 1, 2027, it is unlawful for any person to engage in business as a "digital asset broker" in Illinois without a certificate of registration from the Department of Revenue, and noncompliance with the Act is a Class 3 felony. Yet the Act does not define the "value" on which the tax is measured, does not delimit the "storing" it taxes, provides no standard for determining when a blockchain operation constitutes one taxable "single occurrence" or several, and defines "digital asset broker" by importing a federal information-reporting definition never designed to identify who must collect and remit a state transaction tax.

9. Plaintiff accordingly seeks a declaration that the Act is invalid and an injunction against its enforcement, because the Act violates Article IX, Section 2 and Article I, Sections 2 and 11 of the Illinois Constitution, burdens interstate commerce in violation of Article I, Section 8 of the United States Constitution, and is preempted by the Internet Tax Freedom Act, 47 U.S.C. § 151.

II. Nature of the Action

10. This is a facial, pre-enforcement challenge. The constitutional defects alleged herein arise from the text of the Act itself. No administrative rulemaking, enforcement action, or further factual development can cure them.

11. Plaintiff's members include digital asset exchanges, custodians, financial institutions, payment companies, stablecoin issuers, tokenization platforms, and blockchain infrastructure providers that serve Illinois customers and that qualify, or are reasonably expected to qualify, as "digital asset brokers" under the Act. Those members are presently incurring substantial, unrecoverable costs to prepare for the Act's January 1, 2027 effective date, which require entirely new technical infrastructure with national-wide implications due to the Act's

rebuttable presumption for activities that have never needed to be tracked for tax purposes before. These member organizations, both located in and outside of Illinois, face felony exposure for noncompliance.

III. Jurisdiction and Venue

12. This Court has subject matter jurisdiction pursuant to Article VI, Section 9 of the Illinois Constitution and 735 ILCS 5/2-701.

13. Venue is proper in Sangamon County pursuant to 735 ILCS 5/2-101 and 735 ILCS 5/2-103 because the Illinois Department of Revenue and the Illinois Attorney General maintain their principal offices in Springfield, Sangamon County, Illinois, and the transaction, or some part thereof, out of which this cause of action arises occurred in Sangamon County.

14. This challenge is ripe. The Act has been enacted, is complete on its face, takes effect on a date certain, imposes registration and collection obligations enforceable by felony sanction, and compels regulated businesses to make present expenditures and business decisions. No refund, protest, or other remedy at law is adequate: the compliance costs Plaintiff's members are now incurring and which they will continue to incur are not taxes subject to protest procedures and cannot be recovered from the State in an action for damages.

IV. Parties and Standing

15. Plaintiff Chamber of Digital Commerce d/b/a The Digital Chamber ("TDC") is a nonprofit corporation organized under the laws of the District of Columbia with its principal place of business in Washington, D.C. TDC represents more than 250 members of the blockchain industry globally, including digital asset exchanges, traditional financial institutions implementing

blockchain technologies into their products and services, and other blockchain economy participants in Illinois and across the country.

16. TDC sues on behalf of its members. Its members would have standing to sue in their own right; the interests TDC seeks to protect, freedom from unlawful taxation and regulation of blockchain-based commerce, are germane to its organizational purpose; and neither the claims asserted nor the declaratory and injunctive relief requested requires the participation of individual members.

17. Due to the breadth of activities taxed and the presumption that "digital asset brokers" need to overcome, it is difficult to imagine that there are digital asset service providers or participants anywhere in America who would not be potentially impacted by the Act.

18. Defendant David Harris is the Director of the Illinois Department of Revenue and is sued in his official capacity as the officer charged with administering the Act, including its registration, collection, and assessment provisions.

19. Defendant Kwame Raoul is the Attorney General of the State of Illinois and is sued in his official capacity as the State's chief legal officer with authority respecting enforcement of Illinois law, including the criminal provisions of the Act.

V. Factual Background

A. Blockchain Technology Is Decentralized Recordkeeping Infrastructure

20. A blockchain is, at bottom, a method of maintaining synchronized ownership records without relying on a single central ledger. Blockchain technology enables the recording, verification, ownership, and transfer of digital assets on a shared ledger without a centralized intermediary. Traditional financial systems maintain ownership records through centralized

ledgers managed by centralized actors like banks, broker-dealers, transfer agents, and clearing organizations. Blockchain networks instead maintain synchronized copies of a ledger across thousands of independently operated computers, commonly called "nodes," that collectively verify and record transactions.

21. No single entity owns or controls a public blockchain ledger. Network participants collectively validate transactions through consensus protocols, and once a transaction is validated and recorded it generally cannot be altered or reversed. The vast majority of digital asset ledgers are addendum only: entries may be added but not removed or changed except by further additions. This immutability provides a transparent and verifiable record of ownership and transfers.

22. Validation of a blockchain transaction is not performed at any single geographic location. It occurs simultaneously across nodes operating in many states and countries, and the particular devices participating in consensus may change from transaction to transaction. Their locations bear no necessary relationship to the location of the parties to the transaction, the wallet provider, the exchange, or the issuer of the asset.

23. There is accordingly no single physical place where a blockchain transaction occurs or where a digital asset is stored. A transaction is initiated by a participant who could be located anywhere, transmitted over the internet including through privacy preserving technologies which limit any geographical information connected to that internet transmission, validated simultaneously across decentralized infrastructure, and recorded on a globally distributed ledger. Digital asset transactions may involve software developers, validators, node operators, liquidity providers, wallet providers, and other participants dispersed across multiple states and countries.

24. A participant's mailing address, billing address, or internet protocol ("IP") address does not determine where a blockchain transaction is validated or recorded. Users routinely

employ virtual private networks, mobile networks, and other technologies that obscure or alter apparent geographic routing, and blockchain software does not identify a jurisdiction in which a transaction takes place.

B. Tokenization Changes Recordkeeping, Not Economics

25. Digital assets are representations of value or rights that exist and are transferred using blockchain technology. They include cryptocurrencies such as Bitcoin and Ether, stablecoins pegged to sovereign currencies, governance tokens, and numerous other forms of blockchain-based property.

26. Blockchain technology is increasingly used to create digital representations of traditional financial assets through a process known as "tokenization." Tokenization issues a blockchain-based representation of an existing asset while preserving the economic characteristics of the underlying asset. Tokenized assets may represent stocks, bonds, investment fund interests, money market funds, real estate interests, commodities, Treasury securities, bank deposits, and other property.

27. Although the mechanism used to record ownership differs from traditional financial infrastructure, tokenized assets confer the same economic rights, ownership interests, and investment characteristics as their non-tokenized counterparts. A dollar-denominated stablecoin is a digital claim referenced to sovereign currency whose principal purpose is payment, that is, a dollar-denominated payment instrument; economically it functions like other digital payment mechanisms, and the principal distinction is the ledger on which ownership and transfer are recorded.

28. Banks, broker-dealers, asset managers, payment providers, governments, and investment funds increasingly use blockchain infrastructure for payments, securities settlement,

lending, collateral management, and other commercial applications because it offers faster settlement, improved transparency, programmable transfers, and continuous availability. These are operational features, not different economics. From an economic perspective, tokenization is a modernization of financial infrastructure, not the creation of a different asset.

29. Financial markets have modernized ownership infrastructure repeatedly. Paper stock certificates gave way to centralized book-entry systems and depository holding. Physical delivery gave way to electronic settlement. Manual ledgers became computerized records. Article 8 of the Uniform Commercial Code was revised to accommodate precisely these transitions, recognizing direct, indirect, and intermediated holding, and treating a security as the same property whether evidenced by a certificate, a depository entry, or an electronic record. No transition created a new category of property. Blockchain is the next stage of the same progression: a United States Treasury security represented through blockchain infrastructure remains a United States Treasury security, exactly as it remained one when the paper certificate became a book entry.

C. <u>Routine Blockchain Operations Move Assets Without Changing Ownership</u>

30. Beyond the purchase, sale, or custody of a digital asset, holders routinely engage in common blockchain activities that move digital assets between wallets, smart contracts, or networks without transferring beneficial ownership to any third party.

31. "Staking" is the process by which a holder commits a digital asset to a proof-of-stake network to participate in validating transactions and securing that network, typically by transferring the asset to a staking smart contract or delegating it to a validator. The holder does not sell or dispose of the asset and retains the beneficial interest in it. In many arrangements the holder simultaneously receives a separate liquid staking token representing the staked position.

32. “Wrapping” converts a digital asset into a functionally equivalent token compatible with a different protocol, typically by depositing the original asset into a smart contract that mints a wrapped token on a one-to-one basis redeemable at any time. Wrapping changes the technical form in which value is held; it does not change the beneficial owner or the underlying value.

33. “Bridging” moves a digital asset from one blockchain to another, typically by locking the asset on the originating chain and issuing a corresponding representation on the destination chain. Bridging relocates an asset across networks controlled by the same holder; it does not effect a sale or a change in beneficial ownership.

34. “Lending” refers to depositing a digital asset into a lending protocol to earn yield or to serve as collateral. The depositor ordinarily receives a separate receipt or deposit token evidencing the claim to withdraw the deposited asset, retains the beneficial interest, and may redeem the receipt token at any time. Holders engage in numerous similar activities, including providing assets to liquidity pools, collateralizing positions, and consolidating holdings across self-controlled wallets, each of which may involve one or more on-chain transfers and, in many cases, issuance of a further token representing the deposited position.

35. These activities are fundamental to the ordinary use of digital assets, yet the Act does not address whether any of them constitutes a taxable exchange, transfer, or act of storage, or how the Act applies when a single activity generates more than one on-chain token. Existing blockchain protocols do not identify whether beneficial ownership changed in a given operation, whether one or multiple occurrences took place, or where any participant is located. Those determinations require legal interpretation; software cannot make them. None of these operations is treated as a taxable event under federal law or the law of any other state.

D. <u>An Illustration</u>

36. Consider an individual, Steve Doe, who is domiciled in Austin, Texas but splits his time between Austin and Chicago and uses a Chicago address to receive mail. For that reason, he registered his digital asset service accounts using his Chicago address.

37. While in Austin, Mr. Doe buys a coffee using a debit card that spends stablecoins. He repays a friend five dollars for a scone using a dollar-pegged stablecoin. Later, to participate in a governance vote for an online protocol, he transfers governance tokens from his exchange account to his self-custodial wallet, votes, and transfers the tokens back for safekeeping.

38. No profit or loss was realized in any of these events. No service was requested or obtained in Illinois. No payment was made or processed in Illinois. The only connection to Illinois is the mailing address used to register the accounts. Under the Act, that address alone creates a presumption that each of these events is an Illinois transaction, each transfer and each act of storage is a separate taxable occurrence measured by the full value of the asset, and any digital asset service provider who fails to collect the tax on them faces Class 3 felony liability.

E. <u>The Digital Asset Tax Act</u>

1. Enactment

39. Senate Bill 3019 of the 104th General Assembly began as a narrow bill amending the Illinois Finance Authority Act to address agricultural financing, with no connection to digital assets. House Floor Amendment No. 1 replaced the bill's text with an omnibus revenue and budget measure for fiscal year 2027, adding among other things a new article originally titled the "Digital Asset Privilege Tax Act" and later renamed the "Digital Asset Tax Act." The Act was not introduced, heard, or advanced as standalone legislation.

40. The General Assembly passed Senate Bill 3019 on June 1, 2026. The Governor signed it on June 16, 2026, as Public Act 104-0468. The Act takes effect January 1, 2027. Repeal legislation, House Bill 5798, was introduced shortly after enactment in response to industry concerns and remains pending.

41. The Department of Revenue has adopted no implementing regulations and issued no guidance defining "value," delimiting "storing," identifying when blockchain operations constitute one or multiple taxable occurrences, or prescribing how customer location is to be determined.

2. Operation

42. The Act imposes a tax "upon the privilege of receiving any digital asset business activity by a customer in this State" at a rate of 0.2% of the value of the digital asset to which the activity relates. The Act does not define "value" or fix the time at which value is measured.

43. "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. The tax therefore attaches not only to exchanges but to mere transfers and to custody itself, without regard to income, gain, realization, or change in ownership. Where multiple activities are provided, each may constitute a separate taxable occurrence.

44. Under a plain reading, an individual who holds Bitcoin with a digital asset broker is subject to a 0.2% tax on that storage. If the individual transfers that Bitcoin to an account with a different broker, the transfer is taxed again, and the new storage is taxed again, all without the Bitcoin ever changing ownership or generating a taxable event under federal law, the law of any other state, or how Illinois itself would tax any other transfer or storage of any other similar asset.

There is no limit on this repeated taxation: each round of transfer and storage between accounts the same individual controls reduces the asset's value by at least 0.4-0.6%.

45. "Digital asset broker" is defined as a person, as defined in Section 6045(c)(1)(D) of the Internal Revenue Code and its regulations, who is engaged in the business of providing digital asset business activity to customers in this State. That federal definition was designed for federal information reporting, not for determining who must collect and remit a state transaction tax. Depending on the circumstances, it reaches traditional securities and commodities brokers engaged in digital asset activities as well as banks, exchanges, custodians, wallet providers, payment processors, and other persons who facilitate or enable digital asset storage or transactions.

46. "Digital asset" is defined by cross-reference to Section 1-5 of the Digital Assets and Consumer Protection Act, 205 ILCS 731/1-5 as: "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, whether or not denominated in fiat currency," subject to limited exclusions for items such as digital art, gaming items, and event tickets. The definition includes not only native digital assets such as Bitcoin and Ether but also tokenized versions of traditional assets, including dollar-denominated stablecoins and tokenized stocks, bonds, commodities, and bank deposits, while excluding the identical assets in traditional form.

47. Digital asset brokers must register annually with the Department of Revenue, and on and after January 1, 2027 it is unlawful for any person to engage in business as a digital asset broker in Illinois without a certificate of registration from the Department. The registration requirement attaches to any digital asset business activity with an Illinois customer no matter how small. Only the collection obligation is conditioned on maintaining a place of business in Illinois

or having $100,000 or more in gross receipts from digital asset business activity involving Illinois customers, determined on a quarterly basis.

48. Brokers are responsible for collecting the tax and remitting it to the Department, and the Act imposes liability on the broker "whether or not the tax has been collected." Act § 3-35(a).

49. The Act places on the broker the burden of proving that a sale of services to a customer is not in Illinois, and creates a rebuttable presumption that a sale is to an Illinois customer if any data shows a "place of primary use" of the services in Illinois.

50. Failure to abide by the provisions of the Act is a Class 3 felony. Brokers must therefore determine whether they qualify as brokers, whether particular blockchain activities constitute taxable digital asset business activity, whether a customer is deemed located in Illinois, and whether tax must be collected and remitted, all under threat of criminal prosecution and under a statutory scheme applied only to blockchain technologies and not to their equivalents in traditional finance.

51. Proceeds of the tax are deposited into the General Revenue Fund. Act § 3-50. The Act also states that its tax is not imposed upon the privilege of engaging in any business in interstate commerce that may not, under the Constitution and laws of the United States, be made the subject of state taxation; an acknowledgment of constitutional limits the Act provides no administrable means of respecting.

F. The Act Taxes Financial Infrastructure, Not Economic Activity

52. The Act does not distinguish between gains and losses, between profitable and unprofitable transactions, between realized and unrealized appreciation, or between transfers that

change ownership and transfers that do not. It distinguishes only between traditional financial infrastructure and blockchain infrastructure.

53. Under the Act, a customer who purchases, holds, and sells $10,000 of stock through a securities brokerage pays no Illinois transaction tax. A customer who purchases, holds, and sells $10,000 of a tokenized asset through a digital asset broker is taxed on each occurrence, the purchase, the custody, and the sale, measured each time by the full value of the asset.

54. A tokenized United States Treasury security is taxed upon exchange, transfer, and storage; the identical Treasury security held in book-entry form at a custodian bank is not. A transfer of dollars from an individual's payment account is untaxed, while the functionally equivalent transfer of the same dollars in the form of a dollar-pegged stablecoin issued by the same payment company is taxed. The only distinction between those transfers is the technical rails used to facilitate them.

55. The Act's operation is summarized in the following comparisons:

Traditional Infrastructure	**Blockchain Infrastructure**	**Result Under the Act**
United States Treasury security held in book-entry form at a custodian	Tokenized Treasury security recorded on a blockchain	Tax on the tokenized form only
Dollars in a bank or payment account transferred by ACH or wire	Dollar-denominated stablecoin transferred on a blockchain	Tax on the stablecoin only
Equity held through a securities brokerage	Tokenized equity recorded on a blockchain	Tax on the tokenized form only

Traditional Infrastructure	Blockchain Infrastructure	Result Under the Act
Money market fund interest held through conventional fund records	Tokenized money market fund interest	Tax on the tokenized form only
Custody of securities by a securities intermediary or bank	Custody of digital assets in a blockchain wallet	Tax on the blockchain custody only

56. In each comparison the assets are economically identical: same issuer obligations, same economic exposure, same rights, same value. The only difference is the ledger on which ownership is recorded.

G. American Law Regulates Economic Rights, Not Recordkeeping Infrastructure

57. Across doctrines, American law distinguishes the rights an asset represents from the infrastructure used to record them. Federal tax law looks to economic substance rather than form: the tax consequences of a transaction follow what actually occurred, not the labels or mechanics through which it was implemented. Securities law and Article 8 of the Uniform Commercial Code were built around the migration from paper certificates to intermediated book-entry holding, and treat the underlying security as unchanged by that migration. Commercial law asks who owns the property. Competition law asks whether products are economic substitutes, not how they are distributed. None of these bodies of law ordinarily assigns different legal consequences based on the technology used to record ownership.

58. For generations, in short, the law has distinguished among the property being taxed, the legal rights associated with that property, the economic substance of the transaction, and the

administrative mechanisms used to implement or record it. The Act departs from that settled framework. It identifies no different bundle of legal rights, no different economic interest, and no different commercial transaction. It identifies only a different technological method of recording and transferring ownership, and it taxes that.

59. The Act thus inverts the ordinary rule. Where tax law traditionally disregards form in favor of substance, the Act disregards substance in favor of form: same property, same rights, same economics, different technology, different tax.

H. <u>Present Compliance Obligations and Irreparable Harm</u>

60. Businesses subject to a new transaction tax cannot wait until its effective date to comply. Implementation requires months of advance work: legal analysis, software and hardware redesign, tax engine development, testing, cybersecurity review, revision of customer onboarding and disclosures, reporting systems, employee training, and audit protocols. Businesses which do not currently collect information from their clients may need to start doing so if they assist customers with self-transfers of assets to overcome a rebuttable presumption that the relevant activity occurred in Illinois.

61. Since enactment, TDC members have begun that work. Members have established internal working groups; retained or begun retaining outside counsel and state tax advisors; commenced engineering analysis of transaction processing, wallet, custody, and reporting systems; and diverted personnel from product development to compliance analysis.

62. Based upon information provided to TDC by its members in the ordinary course of TDC's duties: certain members have frozen or delayed launches of tokenization products pending resolution of the Act's application; certain members have reassigned engineering teams from product development to compliance analysis and have begun redesigning transaction processing,

wallet, and custody software architecture; certain members have retained outside tax counsel and engaged compliance vendors; and certain members have established internal compliance committees and made board-level decisions regarding the scope of services offered to Illinois customers.

63. Members cannot determine from the Act's text answers to questions on which felony liability turns, including whether they are digital asset brokers; whether particular operations such as wallet-to-wallet transfers, staking, wrapping, bridging, lending, and custody arrangements are taxable occurrences, and if so how many; what value is to be measured and when; how to determine customer location for decentralized transactions; and how to rebut the presumption that activities are related to Illinois customers.

64. Members reasonably anticipate compliance expenditures ranging from approximately $10,000 to more than $1,000,000 per company, depending on size, the number of supported networks, and the complexity of existing systems.

65. These expenditures are being incurred now, before any tax is due, and cannot be recovered from the State if the Act is held invalid. Sovereign immunity bars an action for damages, and statutory protest and refund procedures address taxes paid, not compliance costs incurred.

66. The registration prohibition and felony exposure compel present business decisions: members must either undertake substantial expenditures to comply with a statute they cannot reliably interpret, curtail or exit service to Illinois customers including developing the technology needed to prove such service was not provided to Illinois customers, or risk criminal liability. Each path inflicts irreparable injury.

COUNT I

(Illinois Uniformity Clause, Ill. Const. art. IX, § 2)

67. TDC repeats and realleges paragraphs 1 through 66 as if fully set forth herein.

68. Article IX, Section 2 of the Illinois Constitution provides: "In 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." This is known as the Uniformity Clause.

69. The Uniformity Clause permits a non-property tax classification only where the classification (i) is based on a real and substantial difference between the persons or objects taxed and those not taxed, and (ii) bears some reasonable relationship to the object of the legislation or to public policy. A classification that is arbitrary or unreasonable is invalid.

70. The Act classifies solely by recordkeeping technology. It imposes a custody, transfer, and transaction-level tax on digital asset activity while exempting functionally identical financial services, including securities brokerage, commodities trading, foreign exchange, money transmission, and bank custody, from any comparable tax.

71. There is no real and substantial difference between a Treasury security and a tokenized Treasury security; between a dollar and a dollar-denominated stablecoin; between a security entitlement recorded by a securities intermediary and the same interest recorded on a distributed ledger. The assets, rights, values, and economic activity are identical; only the medium of recordation differs. Taxing the stablecoin transfer while exempting the equivalent account transfer is akin to taxing emails sent from one operating system but not another.

72. The classification turns on the clerical form in which ownership is recorded, not on the nature, value, use, or legal incidents of the property. As the voters who adopted the 1970 Constitution would have commonly understood the requirement that tax classes be reasonable, a

classification must rest on differences in the persons or objects taxed, not in the systems used to record them. The medium on which ownership of identical property is recorded bears no reasonable relationship to any legitimate revenue object or public policy of the State. The need to raise general revenue cannot justify the composition of the class; the classification itself must be justified, and it cannot be.

73. The Act therefore violates Article IX, Section 2 of the Illinois Constitution, and TDC is entitled to a declaration that the Act is void and to an order enjoining its enforcement.

COUNT II

(Illinois Due Process, Ill. Const. art. I, § 2)

74. TDC repeats and realleges each and every allegation above as if fully set forth herein.

75. The Due Process Clause of the Illinois Constitution prohibits the State from depriving any person of property without due process of law. The Act violates the Due Process Clause in three independent respects: it is void for vagueness; its in-state presumption violates procedural due process; and it fails substantive due process.

A. Void for Vagueness

76. A statute enforced by criminal penalties must define its requirements with sufficient definiteness that ordinary people can understand what conduct is required, and in a manner that does not authorize arbitrary or discriminatory enforcement. Heightened definiteness is required where, as here, felony liability attaches.

77. The Act is not merely incomplete; it is structurally unintelligible. It leaves undefined every element necessary to compute, collect, or comply with the tax:

a. **Undefined taxable property.** The cross-referenced definition of "digital asset" could be read to encompass any asset that exists in digital form, including electronic securities, exchange-traded funds, and bank deposits, tokenized or otherwise, leaving regulated parties without notice of what assets the tax reaches.

b. **Undefined taxpayer.** "Digital asset broker" is defined by importing a federal information-reporting definition designed for a different purpose and a different set of activities, providing no ascertainable boundary for who must register, collect, and remit.

c. **Undefined taxable event.** The Act does not delimit the "storing" it taxes, including whether continuous custody is one occurrence or many, and provides no standard for determining whether an operation involving multiple technical steps, such as a swap of one digital asset for another, a transfer necessary to execute a sale, or staking, wrapping, bridging, or lending that generates a receipt token, constitutes one "single occurrence" or several, or whether a receipt token is itself a second digital asset separately subject to the tax.

d. **Undefined value and measurement.** The Act does not define the "value" by which the tax is measured, prescribe a valuation source or method for assets that trade continuously across venues at differing prices, or fix the time at which value is determined.

e. **Undefined geographic nexus.** The Act provides no method for determining where a customer is located or where a transaction on a decentralized network occurs, beyond a presumption keyed to "place of primary use" data that the Act likewise does not define.

78. Persons of ordinary intelligence cannot determine from the Act whether they must register, what activity is taxed, in what amount, or where; yet a wrong answer is a Class 3 felony. The Act is void for vagueness.

B. Unconstitutional Presumption

79. The Act presumes that a sale is to an Illinois customer if any data shows a place of primary use in Illinois, and places on the broker the burden of proving that services were not sold into Illinois. Because blockchain transactions have no identifiable geographic situs, because IP-based geolocation is rendered unreliable by virtual private networks, proxy servers, and similar technologies, and because account registration addresses frequently do not reflect where services are actually accessed, the presumption compels regulated businesses to prove a negative that is often impossible to prove, and taxes extraterritorial activity by default. The State may not shift the burden of proof in this manner in a scheme carrying criminal consequences. The presumption lacks a rational connection between the fact proved and the fact presumed and deprives regulated businesses of a fair opportunity to rebut it.

C. Substantive Due Process

80. The Act imposes liability on brokers whether or not the tax has been collected. Act § 3-35(a). That is strict liability for a tax that may be impossible to collect. Where a customer transfers a token that does not permit fractionalization, common for tokenized real-world assets such as tokenized gold or bonds, the broker has no means of withholding a portion as tax. Where a broker has "control" of a digital asset only in the sense that it can assist the customer in recovering private keys, but has no right to dispose of the assets in the wallet, collection is likewise impossible or technically infeasible.

81. By taxing custody and non-realization transfers of property, measured repeatedly by the full value of the asset, based solely on the recordkeeping medium, and by imposing uncollectible strict liability to fund the State's general budget, the Act is arbitrary and unreasonable and bears no rational relationship to any legitimate governmental interest. The Act also inverts the settled principle that taxation follows economic substance rather than form: it taxes not the property, the rights, or the economics of any transaction, but the administrative mechanics of recordkeeping.

82. For these reasons the Act violates the Due Process Clause of the Illinois Constitution, and TDC is entitled to a declaration that the Act is void and to an order enjoining its enforcement.

COUNT III

(Illinois Proportionate Penalties, Ill. Const. art. I, § 11)

83. TDC repeats and realleges each and every allegation above as if fully set forth herein.

84. Article I, Section 11 of the Illinois Constitution requires that all penalties be determined according to the seriousness of the offense.

85. Imposing a Class 3 felony on a digital asset broker for failing to register under, or to collect or remit, a novel and vague 0.2% transaction tax, an obligation that in many circumstances is technically impossible to perform, is grossly disproportionate to the seriousness of the conduct and shocks the moral sense of the community. Because the felony penalty attaches to a novel offense with no counterpart sharing identical statutory elements, the penalty is unconstitutional under any set of facts to which it may be applied.

86. The Act's criminal penalty therefore violates Article I, Section 11 of the Illinois Constitution, and TDC is entitled to a declaration that the penalty is void and to an order enjoining its enforcement.

COUNT IV

(Federal Dormant Commerce Clause, U.S. Const. art. I, § 8, cl. 3)

87. TDC repeats and realleges each and every allegation above as if fully set forth herein.

88. The Commerce Clause prohibits state taxes that unduly burden interstate commerce. A state tax on interstate commerce is valid only if it (1) applies to an activity with a substantial nexus with the taxing State; (2) is fairly apportioned; (3) does not discriminate against interstate commerce; and (4) is fairly related to services the State provides. Failure of any one factor is fatal, and the Act's denomination as a tax on a "privilege" is immaterial to the analysis.

89. **No substantial nexus.** Digital asset transactions occur on decentralized networks with no fixed situs. The Act attempts to assign a legal situs to a technological process that was intentionally designed not to have one. A single state may not impose its own geographic theory upon a borderless system of recordkeeping, and the Commerce Clause exists to preserve one national commercial market against precisely this kind of state-by-state fragmentation. The mere electronic presence of a customer, or a mailing address, IP address, or other contact information, does not establish a substantial nexus between the taxed activity and Illinois, particularly given the prevalence of privacy technologies that make activity appearing to be routed through Illinois capable of occurring anywhere in the world. The Act's presumption sweeps in transactions reflecting no genuine availment of the Illinois market, and as to those transactions the tax lacks

both the substantial nexus the Commerce Clause requires and the definite link and minimum connection that due process requires of any state tax.

90. **No fair apportionment.** The tax is measured by the entire value of the digital asset upon each occurrence, without regard to the proportion of the activity connected to Illinois. It is neither internally nor externally consistent: if every state imposed an identical tax, the same asset and the same activity would be taxed in full multiple times, based on the location of the broker, the location of validating nodes, or other connecting factors, and the Act taxes value attributable to activity occurring wholly outside Illinois.

91. **Discrimination against interstate commerce.** Blockchain networks are interstate and international by design. A tax imposed solely on blockchain-based exchange, transfer, and custody, while identical activity conducted through traditional channels is untaxed, discriminates in practical effect against an inherently interstate mode of commerce and regulates conduct occurring wholly beyond Illinois's borders.

92. **No fair relation.** The tax is imposed on the full value of the asset with no required connection to any income, profit, or benefit from state services. A customer who transfers $1,000,000 in Bitcoin, even between the customer's own accounts or into self-custody, generates $2,000 in tax regardless of whether Illinois provided any service, benefit, or protection in connection with the transaction.

93. Because the Act fails the substantial nexus, fair apportionment, nondiscrimination, and fair relation requirements, it imposes an unconstitutional burden on interstate commerce, and TDC is entitled to a declaration that the Act is void and to an order enjoining its enforcement.

COUNT V

(Federal Due Process - U.S. Const. amend. XIV, § 1)

94. TDC repeats and realleges each and every allegation above as if fully set forth herein.

95. For the same reasons alleged in paragraph 74-82 above, the Act described therein also independently violates the Due Process Clause of the Fourteenth Amendment to the United States Constitution. The due process protections afforded under the Illinois Constitution are construed in harmony with, and are coextensive with, the due process protections afforded under the United States Constitution. Accordingly, the Act's vagueness, use of an unconstitutional mandatory presumption, and violation of Plaintiff's substantive due process rights, as alleged above, constitute a violation of the Fourteenth Amendment to the United States Constitution as well as Article I, Section 2 of the Illinois Constitution.

96. The Due Process Clause of the Fourteenth Amendment also only permits a state to tax where there is some definite link, some minimum connection, between the state and the person, property, or transaction it seeks to tax, and where the value taxed is rationally related to values connected with the taxing State.

97. The federal due process "minimum connection" requirement protects the fairness and notice owed to the individual taxpayer, while the Commerce Clause "substantial nexus" requirement guards against structural burdens on the national economy.

98. The Act fails the minimum connection and substantial nexus tests because: (i) through its place-of-primary-use presumption it reaches transactions lacking any definite link or minimum connection to Illinois, as illustrated by the exemplar transactions described in paragraphs 36-38 above; (ii) it imposes liability absent any purposeful availment of the Illinois market and

thus without fair warning; and (iii) it taxes the full value of a digital asset that bears no rational relationship to values connected with Illinois.

99. The Act therefore violates the Due Process Clause of the Fourteenth Amendment, and TDC is entitled to a declaration that the Act is void and to an order enjoining its enforcement.

COUNT VI

(Internet Tax Freedom Act, 47 U.S.C. § 151 note)

100. TDC repeats and realleges each and every allegation above as if fully set forth herein.

101. Congress enacted the Internet Tax Freedom Act in 1998, Pub. L. No. 105-277, to establish a national rule that electronic commerce would not be subjected to discriminatory state and local taxation merely because commerce is conducted through electronic means rather than traditional commercial channels. Recognizing that electronic networks operate without regard to state boundaries, Congress concluded that technology-specific state taxes would fragment the national marketplace, discourage innovation, impede interstate commerce, and create inconsistent tax regimes incompatible with the borderless nature of electronic commerce.

102. Congress made the statute permanent through the Trade Facilitation and Trade Enforcement Act of 2015, Pub. L. No. 114-125, § 922(a), reaffirming that preventing discriminatory taxation of electronic commerce is not a temporary policy experiment but an enduring component of federal law governing interstate commerce.

103. A tax on electronic commerce is discriminatory under Section 1105(2)(A) of the statute if, among other things, it (i) is not generally imposed and legally collectible on transactions involving similar property, goods, services, or information accomplished through other means; (ii)

is not imposed at the same rate on such transactions; or (iii) imposes a collection or payment obligation on a different person than for such transactions.

104. Congress thereby adopted a rule of technological neutrality. It did not limit the statute to internet access providers, online retailers, or any particular technology existing in 1998; it prohibited discriminatory taxation of commerce conducted electronically, however conducted, and defined electronic commerce functionally. The Court applies the words Congress enacted according to their ordinary meaning, and under settled interpretive principles broadly worded statutes apply to technologies that fall within their terms even where Congress did not specifically anticipate them. Commercial transactions accomplished through blockchain technology are electronic commerce in the ordinary sense of those words. States remain free to tax commerce according to its economic substance; they may not impose materially different burdens because commerce occurs through electronic infrastructure.

105. Digital asset business activity is electronic commerce. By definition, the Act reaches only assets that are transferred, custodied, or exchanged through internet commerce: customers access digital asset services through internet-connected applications, wallets, and software, and brokers provide those services through electronic communications transmitted across interstate and international networks.

106. The Act taxes the electronic exchange, transfer, and storage of representations of value while imposing no tax, at any rate, on transactions involving similar or identical property accomplished through other means. Illinois imposes no equivalent tax on the custody of cash deposits by banks, the storage of securities by a securities custodian, or transfers of traditional financial assets between custodians. Tokenized Treasury securities, tokenized money market funds, and tokenized equities represent the same underlying assets as their non-tokenized

counterparts, which Illinois does not tax. The only distinction the Act draws is the use of blockchain or other electronic means to record or transfer otherwise identical value, and the use of distributed ledger technology does not alter the economic substance of the underlying transaction.

107. The discrimination is evident throughout the statutory scheme, as reflected in the comparisons set forth in paragraph 55 above: in each instance the underlying property, economic rights, and commercial activity are materially identical, and only the technological infrastructure differs. The Act does not tax economic gain, income, or changes in beneficial ownership; it taxes the use of blockchain infrastructure itself, including routine transfers and custody operations that have no taxable counterpart when conducted through traditional financial systems.

108. Permitting the Act to stand would authorize precisely the fragmentation Congress sought to prevent. If Illinois may impose a special transaction tax because commerce occurs through blockchain infrastructure, other States could impose similar taxes on commerce conducted through artificial intelligence-enabled settlement systems, cloud-based payment networks, or any future form of electronic commerce, while leaving economically identical transactions conducted through older technologies untaxed.

109. The Act is therefore a discriminatory tax on electronic commerce prohibited by the Internet Tax Freedom Act and is preempted under the Supremacy Clause, U.S. Const. art. VI, cl. 2. TDC is entitled to a declaration that the Act is void and to an order enjoining its enforcement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court enter judgment in its favor and against Defendants and:

A. Declare, pursuant to 735 ILCS 5/2-701, that the Digital Asset Tax Act, Article 3 of Public Act 104-0468, violates Article IX, Section 2 and Article I, Sections 2 and 11 of the Illinois Constitution, violates the Commerce Clause of the United States Constitution, violates U.S. Constitution amendment XIV, § 1, and is preempted by the Internet Tax Freedom Act, and is therefore void and unenforceable;

B. Preliminarily and permanently enjoin Defendants, their officers, agents, servants, employees, and all persons in active concert or participation with them who receive actual notice of the injunction, from implementing, administering, or enforcing the Act, including its registration, collection, remittance, and penalty provisions;

C. Award Plaintiff its reasonable costs, expenses, and attorneys' fees pursuant to any applicable law; and

D. Award Plaintiff any additional relief that this Court deems just and proper.

Dated: July 21, 2026

Respectfully submitted,

CHAMBER OF DIGITAL COMMERCE
d/b/a **THE DIGITAL CHAMBER**

By: /s/ *Jonathan E. Schmalfeld*

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*Out-of-state attorneys providing legal services in this proceeding pursuant to Illinois Supreme Court Rule 707. Verified Rule 707 Statements and appearances are filed herewith; permission to appear arises upon those filings and the appearance of associated Illinois counsel, without order of court. Ill. S. Ct. R. 707(a).

Counsel for Plaintiff

VERIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, 735 ILCS 5/1-109, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief, and as to such matters the undersigned certifies as aforesaid that the undersigned verily believes the same to be true.

Cody Carbone

Cody Carbone, Chief Executive Officer, The Digital Chamber