



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB1892

Introduced 1/29/2025, by Rep. Margaret Croke

#### SYNOPSIS AS INTRODUCED:

New Act  
35 ILCS 5/246 new

Creates the Interactive Digital Media Tax Credit Act. Entitles interactive digital media companies that meet certain requirements to an income tax credit. Sets forth the amount of the credit. Authorizes taxpayers to take the credit beginning in the taxable year in which the company has met the investment requirement. Provides for the transfer of credits. Amends the Illinois Income Tax Act to make conforming changes. Effective immediately.

LRB104 03010 HLH 19658 b

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Interactive Digital Media Tax Credit Act.

6 Section 5. Definitions. As used in this Act:

7 "Accredited production" means the production of an  
8 interactive digital media project that has been certified by  
9 the Department in which the Illinois production spending  
10 included in the cost of the production exceeds \$100,000 per  
11 year.

12 "Accredited production certificate" means a certificate  
13 issued by the Department certifying that the interactive  
14 digital media production is an accredited production that  
15 meets the guidelines of this Act.

16 "Applicant" means a taxpayer that is an interactive  
17 digital media company that is operating or has operated an  
18 accredited production located within the State of Illinois and  
19 that (i) owns the copyright in the accredited production  
20 throughout the Illinois production period or (ii) has  
21 contracted directly with the owner of the copyright in the  
22 accredited production or a person acting on behalf of the  
23 owner to provide services for the production if the owner of

1 the copyright is not an eligible production corporation.

2 "Credit" means a credit against the tax imposed under  
3 subsections (a) and (b) of Section 201 of the Illinois Income  
4 Tax Act in an amount approved by the Department under Section  
5 30 of this Act.

6 "Department" means the Department of Commerce and Economic  
7 Opportunity.

8 "Illinois labor expenditure" means salary or wages paid to  
9 employees of the applicant for services on the accredited  
10 production. To qualify as an Illinois labor expenditure, the  
11 expenditure must be all of the following:

12 (1) reasonable in the circumstances;

13 (2) included in the federal income tax basis of the  
14 property;

15 (3) incurred by the applicant for services on or after  
16 January 1, 2026;

17 (4) incurred for the production stages of the  
18 accredited production;

19 (5) limited to the first \$150,000 of wages paid or  
20 incurred to each employee of the production;

21 (6) directly attributable to the accredited  
22 production;

23 (7) paid in the tax year for which the applicant is  
24 claiming the credit or no later than 60 days after the end  
25 of the tax year;

26 (8) paid to persons resident in Illinois at the time

1 the payments were made; and

2 (9) paid for services rendered in Illinois.

3 "Illinois production spending" means the expenses incurred  
4 by the applicant for an accredited production, including,  
5 without limitation, all of the following:

6 (1) expenses to purchase, from vendors within  
7 Illinois, tangible personal property that is used in the  
8 accredited production;

9 (2) expenses to acquire services, from vendors in  
10 Illinois, for an accredited production, including, but not  
11 limited to, editing or processing services; and

12 (3) the compensation, not to exceed \$100,000 for any  
13 one employee, for contractual or salaried employees who  
14 are Illinois residents performing services with respect to  
15 the accredited production.

16 "Interactive digital media project" means a production of  
17 interactive entertainment that is produced for distribution in  
18 commercial or educational markets, including a computer game,  
19 video game, simulation or animation, or other production  
20 intended for Internet or wireless distribution.

21 "Qualified production facility" means facilities in the  
22 State in which interactive digital media projects are or are  
23 intended to be regularly produced.

24 Section 10. Rules. The Department may adopt rules  
25 necessary to implement this Act.

1           Section 15. Tax credit awards. Subject to the conditions  
2 set forth in this Act, for tax years that begin on or after  
3 January 1, 2026 and begin before January 1, 2036, an applicant  
4 is entitled to a credit against the tax imposed under  
5 subsections (a) and (b) of Section 201 of the Illinois Income  
6 Tax Act in an amount approved by the Department under Section  
7 25 of this Act.

8           Section 20. Application for certification of accredited  
9 production. Any applicant proposing an interactive digital  
10 media production located or planned to be located in Illinois  
11 may request an accredited production certificate by formal  
12 application to the Department.

13           Section 25. Issuance of tax credit certificates.

14           (a) In order to qualify for a tax credit under this Act, an  
15 applicant who is awarded an accredited production certificate  
16 must file an application, on forms prescribed by the  
17 Department, providing information necessary to calculate the  
18 tax credit and any additional information as required by the  
19 Department.

20           (b) Upon satisfactory review of the application, the  
21 Department shall issue a tax credit certificate stating the  
22 amount of the tax credit to which the applicant is entitled.  
23 The tax credit certificate shall be issued only for

1 expenditures that are incurred during the applicable taxable  
2 year. If the production spans multiple years, each year's  
3 expenditures must be verified, and the tax credit certificate  
4 shall be issued for each year of the production with the  
5 verified amount of the credit that is to be allowed for that  
6 particular year.

7 Section 30. Amount and duration of the credit.

8 (a) The amount of the credit awarded under this Act shall  
9 be the amount equal to:

10 (1) 30% of the Illinois production spending for the  
11 taxable year; plus

12 (2) 30% of the Illinois labor expenditures for the  
13 accredited production; plus

14 (3) an additional 15% of the Illinois labor  
15 expenditures generated by the employment of residents of  
16 geographic areas of high poverty or high unemployment, as  
17 determined by the Department, or by the employment of  
18 honorably discharged veterans of the United States Armed  
19 Forces.

20 Expenses shall be characterized as either Illinois labor  
21 expenditures or Illinois production spending for the purposes  
22 of paragraphs (1) and (2) of this subsection (a) and shall not  
23 be included as both Illinois labor expenditures and Illinois  
24 production spending when calculating the amount of credit  
25 awarded under this Act.

1           (b) The credit may be taken beginning with the taxable  
2 year in which the accredited production company has met the  
3 investment requirement. For each year in which such accredited  
4 production company either claims or transfers the credit, the  
5 accredited production company shall attach the tax credit  
6 certificate issued by the Department under Section 25 to the  
7 accredited production company's Illinois income tax return.

8           (c) Partners of partnerships and shareholders of  
9 Subchapter S corporations are entitled to a credit under this  
10 Act as provided in Section 251 of the Illinois Income Tax Act.

11           Section 35. Transfer of tax credits.

12           (a) Upon application and granting of an accredited  
13 production certificate by the Department, an accredited  
14 production company, or a partner or member that has received a  
15 distribution, may elect to transfer, in whole or in part, any  
16 unused credit amount granted under this Act. A taxpayer  
17 awarded the credit may make only one transfer of the credit  
18 earned in a taxable year; however, the transfer may involve  
19 one or more transferees. The Department shall notify the  
20 Department of Revenue of the election and transfer.

21           (b) An accredited production company that elects to apply  
22 a credit amount against taxes remitted is permitted a one-time  
23 transfer of unused credits to one transferee. An accredited  
24 production company that elects to apply a credit amount  
25 against taxes due is permitted a one-time transfer of unused

1 credits to no more than 4 transferees, and such transfers must  
2 occur in the same taxable year.

3 (c) The transferee is subject to the same rights and  
4 limitations as the accredited production company awarded the  
5 credit, except that the transferee may not sell or otherwise  
6 transfer the credit. The Department shall issue a transfer  
7 certificate that must be attached to both the transferor and  
8 the transferee's returns to verify that the transfer amount is  
9 correct and is approved by the Department.

10 (d) The Department of Revenue may adopt rules to  
11 administer this Section.

12 Section 40. Sunset of credits. The application of credits  
13 awarded pursuant to this Act shall be limited by a reasonable  
14 and appropriate sunset date. A taxpayer shall not be awarded  
15 any new credits pursuant to this Act for tax years beginning on  
16 or after January 1, 2036.

17 Section 45. Repeal. This Act is repealed on January 1,  
18 2041.

19 Section 900. The Illinois Income Tax Act is amended by  
20 adding Section 246 as follows:

21 (35 ILCS 5/246 new)

22 Sec. 246. Interactive Digital Media Tax Credit. For tax

1 years that begin on or after January 1, 2026 and begin before  
2 January 1, 2036, taxpayers who have been awarded a credit  
3 under the Interactive Digital Media Tax Credit Act are  
4 entitled to a credit against the tax imposed under subsections  
5 (a) and (b) of Section 201 of this Act as provided in the  
6 Interactive Digital Media Tax Credit Act.

7 The credit may not be carried back. If the amount of the  
8 credit exceeds the tax liability for the year, the excess may  
9 be carried forward and applied to the tax liability of the 5  
10 taxable years following the excess credit year. The credit  
11 shall be applied to the earliest year for which there is a tax  
12 liability. If there are credits from more than one tax year  
13 that are available to offset a liability, the earlier credit  
14 shall be applied first. In no event shall a credit under this  
15 Section reduce the taxpayer's liability to less than zero.

16 Partners of partnerships and shareholders of Subchapter S  
17 corporations are entitled to a credit under this Act as  
18 provided in Section 251.

19 This Section is repealed on January 1, 2041.

20 Section 999. Effective date. This Act takes effect upon  
21 becoming law.