

HB2608



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2608

Introduced 2/6/2025, by Rep. Adam M. Niemerg

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Reduces the rate of tax on individuals, trusts, estates, and certain pass-through entities from 4.95% to 3.75%. Reduces the rate of tax on corporations from 7% to 6%. Effective immediately.

LRB104 10353 HLH 20427 b

A BILL FOR

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 5. The Illinois Income Tax Act is amended by
5 changing Section 201 as follows:

6 (35 ILCS 5/201)

7 Sec. 201. Tax imposed.

8 (a) In general. A tax measured by net income is hereby
9 imposed on every individual, corporation, trust and estate for
10 each taxable year ending after July 31, 1969 on the privilege
11 of earning or receiving income in or as a resident of this
12 State. Such tax shall be in addition to all other occupation or
13 privilege taxes imposed by this State or by any municipal
14 corporation or political subdivision thereof.

15 (b) Rates. The tax imposed by subsection (a) of this
16 Section shall be determined as follows, except as adjusted by
17 subsection (d-1):

18 (1) In the case of an individual, trust or estate, for
19 taxable years ending prior to July 1, 1989, an amount
20 equal to 2 1/2% of the taxpayer's net income for the
21 taxable year.

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2
2 1/2% of the taxpayer's net income for the period prior to
3 July 1, 1989, as calculated under Section 202.3, and (ii)
4 3% of the taxpayer's net income for the period after June
5 30, 1989, as calculated under Section 202.3.

6 (3) In the case of an individual, trust or estate, for
7 taxable years beginning after June 30, 1989, and ending
8 prior to January 1, 2011, an amount equal to 3% of the
9 taxpayer's net income for the taxable year.

10 (4) In the case of an individual, trust, or estate,
11 for taxable years beginning prior to January 1, 2011, and
12 ending after December 31, 2010, an amount equal to the sum
13 of (i) 3% of the taxpayer's net income for the period prior
14 to January 1, 2011, as calculated under Section 202.5, and
15 (ii) 5% of the taxpayer's net income for the period after
16 December 31, 2010, as calculated under Section 202.5.

17 (5) In the case of an individual, trust, or estate,
18 for taxable years beginning on or after January 1, 2011,
19 and ending prior to January 1, 2015, an amount equal to 5%
20 of the taxpayer's net income for the taxable year.

21 (5.1) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2015, and
23 ending after December 31, 2014, an amount equal to the sum
24 of (i) 5% of the taxpayer's net income for the period prior
25 to January 1, 2015, as calculated under Section 202.5, and
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section
2 202.5.

3 (5.2) In the case of an individual, trust, or estate,
4 for taxable years beginning on or after January 1, 2015,
5 and ending prior to July 1, 2017, an amount equal to 3.75%
6 of the taxpayer's net income for the taxable year.

7 (5.3) In the case of an individual, trust, or estate,
8 for taxable years beginning prior to July 1, 2017, and
9 ending after June 30, 2017, an amount equal to the sum of
10 (i) 3.75% of the taxpayer's net income for the period
11 prior to July 1, 2017, as calculated under Section 202.5,
12 and (ii) 4.95% of the taxpayer's net income for the period
13 after June 30, 2017, as calculated under Section 202.5.

14 (5.4) In the case of an individual, trust, or estate,
15 for taxable years beginning on or after July 1, 2017 and
16 ending prior to January 1, 2026, an amount equal to 4.95%
17 of the taxpayer's net income for the taxable year.

18 (5.5) In the case of an individual, trust, or estate,
19 for taxable years beginning prior to January 1, 2026 and
20 ending after December 31, 2025, an amount equal to the sum
21 of (i) 4.95% of the taxpayer's net income for the period
22 prior to January 1, 2026, as calculated under Section
23 202.5, and (ii) 3.75% of the taxpayer's net income for the
24 period after December 31, 2025, as calculated under
25 Section 202.5.

26 (5.6) In the case of an individual, trust, or estate,

1 for taxable years beginning on or after January 1, 2026,
2 an amount equal to 3.75% of the taxpayer's net income for
3 the taxable year.

4 (6) In the case of a corporation, for taxable years
5 ending prior to July 1, 1989, an amount equal to 4% of the
6 taxpayer's net income for the taxable year.

7 (7) In the case of a corporation, for taxable years
8 beginning prior to July 1, 1989 and ending after June 30,
9 1989, an amount equal to the sum of (i) 4% of the
10 taxpayer's net income for the period prior to July 1,
11 1989, as calculated under Section 202.3, and (ii) 4.8% of
12 the taxpayer's net income for the period after June 30,
13 1989, as calculated under Section 202.3.

14 (8) In the case of a corporation, for taxable years
15 beginning after June 30, 1989, and ending prior to January
16 1, 2011, an amount equal to 4.8% of the taxpayer's net
17 income for the taxable year.

18 (9) In the case of a corporation, for taxable years
19 beginning prior to January 1, 2011, and ending after
20 December 31, 2010, an amount equal to the sum of (i) 4.8%
21 of the taxpayer's net income for the period prior to
22 January 1, 2011, as calculated under Section 202.5, and
23 (ii) 7% of the taxpayer's net income for the period after
24 December 31, 2010, as calculated under Section 202.5.

25 (10) In the case of a corporation, for taxable years
26 beginning on or after January 1, 2011, and ending prior to

1 January 1, 2015, an amount equal to 7% of the taxpayer's
2 net income for the taxable year.

3 (11) In the case of a corporation, for taxable years
4 beginning prior to January 1, 2015, and ending after
5 December 31, 2014, an amount equal to the sum of (i) 7% of
6 the taxpayer's net income for the period prior to January
7 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
8 of the taxpayer's net income for the period after December
9 31, 2014, as calculated under Section 202.5.

10 (12) In the case of a corporation, for taxable years
11 beginning on or after January 1, 2015, and ending prior to
12 July 1, 2017, an amount equal to 5.25% of the taxpayer's
13 net income for the taxable year.

14 (13) In the case of a corporation, for taxable years
15 beginning prior to July 1, 2017, and ending after June 30,
16 2017, an amount equal to the sum of (i) 5.25% of the
17 taxpayer's net income for the period prior to July 1,
18 2017, as calculated under Section 202.5, and (ii) 7% of
19 the taxpayer's net income for the period after June 30,
20 2017, as calculated under Section 202.5.

21 (14) In the case of a corporation, for taxable years
22 beginning on or after July 1, 2017 and ending prior to
23 January 1, 2026, an amount equal to 7% of the taxpayer's
24 net income for the taxable year.

25 (15) In the case of a corporation, for taxable years
26 beginning prior to January 1, 2026 and ending after

1 December 31, 2025, an amount equal to the sum of (i) 7% of
2 the taxpayer's net income for the period prior to January
3 1, 2026, as calculated under Section 202.5, and (ii) 6% of
4 the taxpayer's net income for the period after December
5 31, 2025, as calculated under Section 202.5.

6 (16) In the case of a corporation, for taxable years
7 beginning on or after January 1, 2026, an amount equal to
8 6% of the taxpayer's net income for the taxable year.

9 The rates under this subsection (b) are subject to the
10 provisions of Section 201.5.

11 (b-5) Surcharge; sale or exchange of assets, properties,
12 and intangibles of organization gaming licensees. For each of
13 taxable years 2019 through 2027, a surcharge is imposed on all
14 taxpayers on income arising from the sale or exchange of
15 capital assets, depreciable business property, real property
16 used in the trade or business, and Section 197 intangibles (i)
17 of an organization licensee under the Illinois Horse Racing
18 Act of 1975 and (ii) of an organization gaming licensee under
19 the Illinois Gambling Act. The amount of the surcharge is
20 equal to the amount of federal income tax liability for the
21 taxable year attributable to those sales and exchanges. The
22 surcharge imposed shall not apply if:

23 (1) the organization gaming license, organization
24 license, or racetrack property is transferred as a result
25 of any of the following:

26 (A) bankruptcy, a receivership, or a debt

1 adjustment initiated by or against the initial
2 licensee or the substantial owners of the initial
3 licensee;

4 (B) cancellation, revocation, or termination of
5 any such license by the Illinois Gaming Board or the
6 Illinois Racing Board;

7 (C) a determination by the Illinois Gaming Board
8 that transfer of the license is in the best interests
9 of Illinois gaming;

10 (D) the death of an owner of the equity interest in
11 a licensee;

12 (E) the acquisition of a controlling interest in
13 the stock or substantially all of the assets of a
14 publicly traded company;

15 (F) a transfer by a parent company to a wholly
16 owned subsidiary; or

17 (G) the transfer or sale to or by one person to
18 another person where both persons were initial owners
19 of the license when the license was issued; or

20 (2) the controlling interest in the organization
21 gaming license, organization license, or racetrack
22 property is transferred in a transaction to lineal
23 descendants in which no gain or loss is recognized or as a
24 result of a transaction in accordance with Section 351 of
25 the Internal Revenue Code in which no gain or loss is
26 recognized; or

1 (3) live horse racing was not conducted in 2010 at a
2 racetrack located within 3 miles of the Mississippi River
3 under a license issued pursuant to the Illinois Horse
4 Racing Act of 1975.

5 The transfer of an organization gaming license,
6 organization license, or racetrack property by a person other
7 than the initial licensee to receive the organization gaming
8 license is not subject to a surcharge. The Department shall
9 adopt rules necessary to implement and administer this
10 subsection.

11 (c) Personal Property Tax Replacement Income Tax.
12 Beginning on July 1, 1979 and thereafter, in addition to such
13 income tax, there is also hereby imposed the Personal Property
14 Tax Replacement Income Tax measured by net income on every
15 corporation (including Subchapter S corporations), partnership
16 and trust, for each taxable year ending after June 30, 1979.
17 Such taxes are imposed on the privilege of earning or
18 receiving income in or as a resident of this State. The
19 Personal Property Tax Replacement Income Tax shall be in
20 addition to the income tax imposed by subsections (a) and (b)
21 of this Section and in addition to all other occupation or
22 privilege taxes imposed by this State or by any municipal
23 corporation or political subdivision thereof.

24 (d) Additional Personal Property Tax Replacement Income
25 Tax Rates. The personal property tax replacement income tax
26 imposed by this subsection and subsection (c) of this Section

1 in the case of a corporation, other than a Subchapter S
2 corporation and except as adjusted by subsection (d-1), shall
3 be an additional amount equal to 2.85% of such taxpayer's net
4 income for the taxable year, except that beginning on January
5 1, 1981, and thereafter, the rate of 2.85% specified in this
6 subsection shall be reduced to 2.5%, and in the case of a
7 partnership, trust or a Subchapter S corporation shall be an
8 additional amount equal to 1.5% of such taxpayer's net income
9 for the taxable year.

10 (d-1) Rate reduction for certain foreign insurers. In the
11 case of a foreign insurer, as defined by Section 35A-5 of the
12 Illinois Insurance Code, whose state or country of domicile
13 imposes on insurers domiciled in Illinois a retaliatory tax
14 (excluding any insurer whose premiums from reinsurance assumed
15 are 50% or more of its total insurance premiums as determined
16 under paragraph (2) of subsection (b) of Section 304, except
17 that for purposes of this determination premiums from
18 reinsurance do not include premiums from inter-affiliate
19 reinsurance arrangements), beginning with taxable years ending
20 on or after December 31, 1999, the sum of the rates of tax
21 imposed by subsections (b) and (d) shall be reduced (but not
22 increased) to the rate at which the total amount of tax imposed
23 under this Act, net of all credits allowed under this Act,
24 shall equal (i) the total amount of tax that would be imposed
25 on the foreign insurer's net income allocable to Illinois for
26 the taxable year by such foreign insurer's state or country of

1 domicile if that net income were subject to all income taxes
2 and taxes measured by net income imposed by such foreign
3 insurer's state or country of domicile, net of all credits
4 allowed or (ii) a rate of zero if no such tax is imposed on
5 such income by the foreign insurer's state of domicile. For
6 the purposes of this subsection (d-1), an inter-affiliate
7 includes a mutual insurer under common management.

8 (1) For the purposes of subsection (d-1), in no event
9 shall the sum of the rates of tax imposed by subsections
10 (b) and (d) be reduced below the rate at which the sum of:

11 (A) the total amount of tax imposed on such
12 foreign insurer under this Act for a taxable year, net
13 of all credits allowed under this Act, plus

14 (B) the privilege tax imposed by Section 409 of
15 the Illinois Insurance Code, the fire insurance
16 company tax imposed by Section 12 of the Fire
17 Investigation Act, and the fire department taxes
18 imposed under Section 11-10-1 of the Illinois
19 Municipal Code,

20 equals 1.25% for taxable years ending prior to December
21 31, 2003, or 1.75% for taxable years ending on or after
22 December 31, 2003, of the net taxable premiums written for
23 the taxable year, as described by subsection (1) of
24 Section 409 of the Illinois Insurance Code. This paragraph
25 will in no event increase the rates imposed under
26 subsections (b) and (d).

1 (2) Any reduction in the rates of tax imposed by this
2 subsection shall be applied first against the rates
3 imposed by subsection (b) and only after the tax imposed
4 by subsection (a) net of all credits allowed under this
5 Section other than the credit allowed under subsection (i)
6 has been reduced to zero, against the rates imposed by
7 subsection (d).

8 This subsection (d-1) is exempt from the provisions of
9 Section 250.

10 (e) Investment credit. A taxpayer shall be allowed a
11 credit against the Personal Property Tax Replacement Income
12 Tax for investment in qualified property.

13 (1) A taxpayer shall be allowed a credit equal to .5%
14 of the basis of qualified property placed in service
15 during the taxable year, provided such property is placed
16 in service on or after July 1, 1984. There shall be allowed
17 an additional credit equal to .5% of the basis of
18 qualified property placed in service during the taxable
19 year, provided such property is placed in service on or
20 after July 1, 1986, and the taxpayer's base employment
21 within Illinois has increased by 1% or more over the
22 preceding year as determined by the taxpayer's employment
23 records filed with the Illinois Department of Employment
24 Security. Taxpayers who are new to Illinois shall be
25 deemed to have met the 1% growth in base employment for the
26 first year in which they file employment records with the

1 Illinois Department of Employment Security. The provisions
2 added to this Section by Public Act 85-1200 (and restored
3 by Public Act 87-895) shall be construed as declaratory of
4 existing law and not as a new enactment. If, in any year,
5 the increase in base employment within Illinois over the
6 preceding year is less than 1%, the additional credit
7 shall be limited to that percentage times a fraction, the
8 numerator of which is .5% and the denominator of which is
9 1%, but shall not exceed .5%. The investment credit shall
10 not be allowed to the extent that it would reduce a
11 taxpayer's liability in any tax year below zero, nor may
12 any credit for qualified property be allowed for any year
13 other than the year in which the property was placed in
14 service in Illinois. For tax years ending on or after
15 December 31, 1987, and on or before December 31, 1988, the
16 credit shall be allowed for the tax year in which the
17 property is placed in service, or, if the amount of the
18 credit exceeds the tax liability for that year, whether it
19 exceeds the original liability or the liability as later
20 amended, such excess may be carried forward and applied to
21 the tax liability of the 5 taxable years following the
22 excess credit years if the taxpayer (i) makes investments
23 which cause the creation of a minimum of 2,000 full-time
24 equivalent jobs in Illinois, (ii) is located in an
25 enterprise zone established pursuant to the Illinois
26 Enterprise Zone Act and (iii) is certified by the

1 Department of Commerce and Community Affairs (now
2 Department of Commerce and Economic Opportunity) as
3 complying with the requirements specified in clause (i)
4 and (ii) by July 1, 1986. The Department of Commerce and
5 Community Affairs (now Department of Commerce and Economic
6 Opportunity) shall notify the Department of Revenue of all
7 such certifications immediately. For tax years ending
8 after December 31, 1988, the credit shall be allowed for
9 the tax year in which the property is placed in service,
10 or, if the amount of the credit exceeds the tax liability
11 for that year, whether it exceeds the original liability
12 or the liability as later amended, such excess may be
13 carried forward and applied to the tax liability of the 5
14 taxable years following the excess credit years. The
15 credit shall be applied to the earliest year for which
16 there is a liability. If there is credit from more than one
17 tax year that is available to offset a liability, earlier
18 credit shall be applied first.

19 (2) The term "qualified property" means property
20 which:

21 (A) is tangible, whether new or used, including
22 buildings and structural components of buildings and
23 signs that are real property, but not including land
24 or improvements to real property that are not a
25 structural component of a building such as
26 landscaping, sewer lines, local access roads, fencing,

1 parking lots, and other appurtenances;

2 (B) is depreciable pursuant to Section 167 of the
3 Internal Revenue Code, except that "3-year property"
4 as defined in Section 168(c)(2)(A) of that Code is not
5 eligible for the credit provided by this subsection
6 (e);

7 (C) is acquired by purchase as defined in Section
8 179(d) of the Internal Revenue Code;

9 (D) is used in Illinois by a taxpayer who is
10 primarily engaged in manufacturing, or in mining coal
11 or fluorite, or in retailing, or was placed in service
12 on or after July 1, 2006 in a River Edge Redevelopment
13 Zone established pursuant to the River Edge
14 Redevelopment Zone Act; and

15 (E) has not previously been used in Illinois in
16 such a manner and by such a person as would qualify for
17 the credit provided by this subsection (e) or
18 subsection (f).

19 (3) For purposes of this subsection (e),
20 "manufacturing" means the material staging and production
21 of tangible personal property by procedures commonly
22 regarded as manufacturing, processing, fabrication, or
23 assembling which changes some existing material into new
24 shapes, new qualities, or new combinations. For purposes
25 of this subsection (e) the term "mining" shall have the
26 same meaning as the term "mining" in Section 613(c) of the

1 Internal Revenue Code. For purposes of this subsection
2 (e), the term "retailing" means the sale of tangible
3 personal property for use or consumption and not for
4 resale, or services rendered in conjunction with the sale
5 of tangible personal property for use or consumption and
6 not for resale. For purposes of this subsection (e),
7 "tangible personal property" has the same meaning as when
8 that term is used in the Retailers' Occupation Tax Act,
9 and, for taxable years ending after December 31, 2008,
10 does not include the generation, transmission, or
11 distribution of electricity.

12 (4) The basis of qualified property shall be the basis
13 used to compute the depreciation deduction for federal
14 income tax purposes.

15 (5) If the basis of the property for federal income
16 tax depreciation purposes is increased after it has been
17 placed in service in Illinois by the taxpayer, the amount
18 of such increase shall be deemed property placed in
19 service on the date of such increase in basis.

20 (6) The term "placed in service" shall have the same
21 meaning as under Section 46 of the Internal Revenue Code.

22 (7) If during any taxable year, any property ceases to
23 be qualified property in the hands of the taxpayer within
24 48 months after being placed in service, or the situs of
25 any qualified property is moved outside Illinois within 48
26 months after being placed in service, the Personal

1 Property Tax Replacement Income Tax for such taxable year
2 shall be increased. Such increase shall be determined by
3 (i) recomputing the investment credit which would have
4 been allowed for the year in which credit for such
5 property was originally allowed by eliminating such
6 property from such computation and, (ii) subtracting such
7 recomputed credit from the amount of credit previously
8 allowed. For the purposes of this paragraph (7), a
9 reduction of the basis of qualified property resulting
10 from a redetermination of the purchase price shall be
11 deemed a disposition of qualified property to the extent
12 of such reduction.

13 (8) Unless the investment credit is extended by law,
14 the basis of qualified property shall not include costs
15 incurred after December 31, 2018, except for costs
16 incurred pursuant to a binding contract entered into on or
17 before December 31, 2018.

18 (9) Each taxable year ending before December 31, 2000,
19 a partnership may elect to pass through to its partners
20 the credits to which the partnership is entitled under
21 this subsection (e) for the taxable year. A partner may
22 use the credit allocated to him or her under this
23 paragraph only against the tax imposed in subsections (c)
24 and (d) of this Section. If the partnership makes that
25 election, those credits shall be allocated among the
26 partners in the partnership in accordance with the rules

1 set forth in Section 704(b) of the Internal Revenue Code,
2 and the rules promulgated under that Section, and the
3 allocated amount of the credits shall be allowed to the
4 partners for that taxable year. The partnership shall make
5 this election on its Personal Property Tax Replacement
6 Income Tax return for that taxable year. The election to
7 pass through the credits shall be irrevocable.

8 For taxable years ending on or after December 31,
9 2000, a partner that qualifies its partnership for a
10 subtraction under subparagraph (I) of paragraph (2) of
11 subsection (d) of Section 203 or a shareholder that
12 qualifies a Subchapter S corporation for a subtraction
13 under subparagraph (S) of paragraph (2) of subsection (b)
14 of Section 203 shall be allowed a credit under this
15 subsection (e) equal to its share of the credit earned
16 under this subsection (e) during the taxable year by the
17 partnership or Subchapter S corporation, determined in
18 accordance with the determination of income and
19 distributive share of income under Sections 702 and 704
20 and Subchapter S of the Internal Revenue Code. This
21 paragraph is exempt from the provisions of Section 250.

22 (f) Investment credit; Enterprise Zone; River Edge
23 Redevelopment Zone.

24 (1) A taxpayer shall be allowed a credit against the
25 tax imposed by subsections (a) and (b) of this Section for
26 investment in qualified property which is placed in

1 service in an Enterprise Zone created pursuant to the
2 Illinois Enterprise Zone Act or, for property placed in
3 service on or after July 1, 2006, a River Edge
4 Redevelopment Zone established pursuant to the River Edge
5 Redevelopment Zone Act. For partners, shareholders of
6 Subchapter S corporations, and owners of limited liability
7 companies, if the liability company is treated as a
8 partnership for purposes of federal and State income
9 taxation, for taxable years ending before December 31,
10 2023, there shall be allowed a credit under this
11 subsection (f) to be determined in accordance with the
12 determination of income and distributive share of income
13 under Sections 702 and 704 and Subchapter S of the
14 Internal Revenue Code. For taxable years ending on or
15 after December 31, 2023, for partners and shareholders of
16 Subchapter S corporations, the provisions of Section 251
17 shall apply with respect to the credit under this
18 subsection. The credit shall be .5% of the basis for such
19 property. The credit shall be available only in the
20 taxable year in which the property is placed in service in
21 the Enterprise Zone or River Edge Redevelopment Zone and
22 shall not be allowed to the extent that it would reduce a
23 taxpayer's liability for the tax imposed by subsections
24 (a) and (b) of this Section to below zero. For tax years
25 ending on or after December 31, 1985, the credit shall be
26 allowed for the tax year in which the property is placed in

1 service, or, if the amount of the credit exceeds the tax
2 liability for that year, whether it exceeds the original
3 liability or the liability as later amended, such excess
4 may be carried forward and applied to the tax liability of
5 the 5 taxable years following the excess credit year. The
6 credit shall be applied to the earliest year for which
7 there is a liability. If there is credit from more than one
8 tax year that is available to offset a liability, the
9 credit accruing first in time shall be applied first.

10 (2) The term qualified property means property which:

11 (A) is tangible, whether new or used, including
12 buildings and structural components of buildings;

13 (B) is depreciable pursuant to Section 167 of the
14 Internal Revenue Code, except that "3-year property"
15 as defined in Section 168(c)(2)(A) of that Code is not
16 eligible for the credit provided by this subsection
17 (f);

18 (C) is acquired by purchase as defined in Section
19 179(d) of the Internal Revenue Code;

20 (D) is used in the Enterprise Zone or River Edge
21 Redevelopment Zone by the taxpayer; and

22 (E) has not been previously used in Illinois in
23 such a manner and by such a person as would qualify for
24 the credit provided by this subsection (f) or
25 subsection (e).

26 (3) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal
2 income tax purposes.

3 (4) If the basis of the property for federal income
4 tax depreciation purposes is increased after it has been
5 placed in service in the Enterprise Zone or River Edge
6 Redevelopment Zone by the taxpayer, the amount of such
7 increase shall be deemed property placed in service on the
8 date of such increase in basis.

9 (5) The term "placed in service" shall have the same
10 meaning as under Section 46 of the Internal Revenue Code.

11 (6) If during any taxable year, any property ceases to
12 be qualified property in the hands of the taxpayer within
13 48 months after being placed in service, or the situs of
14 any qualified property is moved outside the Enterprise
15 Zone or River Edge Redevelopment Zone within 48 months
16 after being placed in service, the tax imposed under
17 subsections (a) and (b) of this Section for such taxable
18 year shall be increased. Such increase shall be determined
19 by (i) recomputing the investment credit which would have
20 been allowed for the year in which credit for such
21 property was originally allowed by eliminating such
22 property from such computation, and (ii) subtracting such
23 recomputed credit from the amount of credit previously
24 allowed. For the purposes of this paragraph (6), a
25 reduction of the basis of qualified property resulting
26 from a redetermination of the purchase price shall be

1 deemed a disposition of qualified property to the extent
2 of such reduction.

3 (7) There shall be allowed an additional credit equal
4 to 0.5% of the basis of qualified property placed in
5 service during the taxable year in a River Edge
6 Redevelopment Zone, provided such property is placed in
7 service on or after July 1, 2006, and the taxpayer's base
8 employment within Illinois has increased by 1% or more
9 over the preceding year as determined by the taxpayer's
10 employment records filed with the Illinois Department of
11 Employment Security. Taxpayers who are new to Illinois
12 shall be deemed to have met the 1% growth in base
13 employment for the first year in which they file
14 employment records with the Illinois Department of
15 Employment Security. If, in any year, the increase in base
16 employment within Illinois over the preceding year is less
17 than 1%, the additional credit shall be limited to that
18 percentage times a fraction, the numerator of which is
19 0.5% and the denominator of which is 1%, but shall not
20 exceed 0.5%.

21 (8) For taxable years beginning on or after January 1,
22 2021, there shall be allowed an Enterprise Zone
23 construction jobs credit against the taxes imposed under
24 subsections (a) and (b) of this Section as provided in
25 Section 13 of the Illinois Enterprise Zone Act.

26 The credit or credits may not reduce the taxpayer's

1 liability to less than zero. If the amount of the credit or
2 credits exceeds the taxpayer's liability, the excess may
3 be carried forward and applied against the taxpayer's
4 liability in succeeding calendar years in the same manner
5 provided under paragraph (4) of Section 211 of this Act.
6 The credit or credits shall be applied to the earliest
7 year for which there is a tax liability. If there are
8 credits from more than one taxable year that are available
9 to offset a liability, the earlier credit shall be applied
10 first.

11 For partners, shareholders of Subchapter S
12 corporations, and owners of limited liability companies,
13 if the liability company is treated as a partnership for
14 the purposes of federal and State income taxation, for
15 taxable years ending before December 31, 2023, there shall
16 be allowed a credit under this Section to be determined in
17 accordance with the determination of income and
18 distributive share of income under Sections 702 and 704
19 and Subchapter S of the Internal Revenue Code. For taxable
20 years ending on or after December 31, 2023, for partners
21 and shareholders of Subchapter S corporations, the
22 provisions of Section 251 shall apply with respect to the
23 credit under this subsection.

24 The total aggregate amount of credits awarded under
25 the Blue Collar Jobs Act (Article 20 of Public Act 101-9)
26 shall not exceed \$20,000,000 in any State fiscal year.

1 This paragraph (8) is exempt from the provisions of
2 Section 250.

3 (g) (Blank).

4 (h) Investment credit; High Impact Business.

5 (1) Subject to subsections (b) and (b-5) of Section
6 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
7 be allowed a credit against the tax imposed by subsections
8 (a) and (b) of this Section for investment in qualified
9 property which is placed in service by a Department of
10 Commerce and Economic Opportunity designated High Impact
11 Business. The credit shall be .5% of the basis for such
12 property. The credit shall not be available (i) until the
13 minimum investments in qualified property set forth in
14 subdivision (a)(3)(A) of Section 5.5 of the Illinois
15 Enterprise Zone Act have been satisfied or (ii) until the
16 time authorized in subsection (b-5) of the Illinois
17 Enterprise Zone Act for entities designated as High Impact
18 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
19 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
20 Act, and shall not be allowed to the extent that it would
21 reduce a taxpayer's liability for the tax imposed by
22 subsections (a) and (b) of this Section to below zero. The
23 credit applicable to such investments shall be taken in
24 the taxable year in which such investments have been
25 completed. The credit for additional investments beyond
26 the minimum investment by a designated high impact

1 business authorized under subdivision (a) (3) (A) of Section
2 5.5 of the Illinois Enterprise Zone Act shall be available
3 only in the taxable year in which the property is placed in
4 service and shall not be allowed to the extent that it
5 would reduce a taxpayer's liability for the tax imposed by
6 subsections (a) and (b) of this Section to below zero. For
7 tax years ending on or after December 31, 1987, the credit
8 shall be allowed for the tax year in which the property is
9 placed in service, or, if the amount of the credit exceeds
10 the tax liability for that year, whether it exceeds the
11 original liability or the liability as later amended, such
12 excess may be carried forward and applied to the tax
13 liability of the 5 taxable years following the excess
14 credit year. The credit shall be applied to the earliest
15 year for which there is a liability. If there is credit
16 from more than one tax year that is available to offset a
17 liability, the credit accruing first in time shall be
18 applied first.

19 Changes made in this subdivision (h) (1) by Public Act
20 88-670 restore changes made by Public Act 85-1182 and
21 reflect existing law.

22 (2) The term qualified property means property which:

23 (A) is tangible, whether new or used, including
24 buildings and structural components of buildings;

25 (B) is depreciable pursuant to Section 167 of the
26 Internal Revenue Code, except that "3-year property"

1 as defined in Section 168(c)(2)(A) of that Code is not
2 eligible for the credit provided by this subsection
3 (h);

4 (C) is acquired by purchase as defined in Section
5 179(d) of the Internal Revenue Code; and

6 (D) is not eligible for the Enterprise Zone
7 Investment Credit provided by subsection (f) of this
8 Section.

9 (3) The basis of qualified property shall be the basis
10 used to compute the depreciation deduction for federal
11 income tax purposes.

12 (4) If the basis of the property for federal income
13 tax depreciation purposes is increased after it has been
14 placed in service in a federally designated Foreign Trade
15 Zone or Sub-Zone located in Illinois by the taxpayer, the
16 amount of such increase shall be deemed property placed in
17 service on the date of such increase in basis.

18 (5) The term "placed in service" shall have the same
19 meaning as under Section 46 of the Internal Revenue Code.

20 (6) If during any taxable year ending on or before
21 December 31, 1996, any property ceases to be qualified
22 property in the hands of the taxpayer within 48 months
23 after being placed in service, or the situs of any
24 qualified property is moved outside Illinois within 48
25 months after being placed in service, the tax imposed
26 under subsections (a) and (b) of this Section for such

1 taxable year shall be increased. Such increase shall be
2 determined by (i) recomputing the investment credit which
3 would have been allowed for the year in which credit for
4 such property was originally allowed by eliminating such
5 property from such computation, and (ii) subtracting such
6 recomputed credit from the amount of credit previously
7 allowed. For the purposes of this paragraph (6), a
8 reduction of the basis of qualified property resulting
9 from a redetermination of the purchase price shall be
10 deemed a disposition of qualified property to the extent
11 of such reduction.

12 (7) Beginning with tax years ending after December 31,
13 1996, if a taxpayer qualifies for the credit under this
14 subsection (h) and thereby is granted a tax abatement and
15 the taxpayer relocates its entire facility in violation of
16 the explicit terms and length of the contract under
17 Section 18-183 of the Property Tax Code, the tax imposed
18 under subsections (a) and (b) of this Section shall be
19 increased for the taxable year in which the taxpayer
20 relocated its facility by an amount equal to the amount of
21 credit received by the taxpayer under this subsection (h).

22 (h-5) High Impact Business construction jobs credit. For
23 taxable years beginning on or after January 1, 2021, there
24 shall also be allowed a High Impact Business construction jobs
25 credit against the tax imposed under subsections (a) and (b)
26 of this Section as provided in subsections (i) and (j) of

1 Section 5.5 of the Illinois Enterprise Zone Act.

2 The credit or credits may not reduce the taxpayer's
3 liability to less than zero. If the amount of the credit or
4 credits exceeds the taxpayer's liability, the excess may be
5 carried forward and applied against the taxpayer's liability
6 in succeeding calendar years in the manner provided under
7 paragraph (4) of Section 211 of this Act. The credit or credits
8 shall be applied to the earliest year for which there is a tax
9 liability. If there are credits from more than one taxable
10 year that are available to offset a liability, the earlier
11 credit shall be applied first.

12 For partners, shareholders of Subchapter S corporations,
13 and owners of limited liability companies, for taxable years
14 ending before December 31, 2023, if the liability company is
15 treated as a partnership for the purposes of federal and State
16 income taxation, there shall be allowed a credit under this
17 Section to be determined in accordance with the determination
18 of income and distributive share of income under Sections 702
19 and 704 and Subchapter S of the Internal Revenue Code. For
20 taxable years ending on or after December 31, 2023, for
21 partners and shareholders of Subchapter S corporations, the
22 provisions of Section 251 shall apply with respect to the
23 credit under this subsection.

24 The total aggregate amount of credits awarded under the
25 Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall not
26 exceed \$20,000,000 in any State fiscal year.

1 This subsection (h-5) is exempt from the provisions of
2 Section 250.

3 (i) Credit for Personal Property Tax Replacement Income
4 Tax. For tax years ending prior to December 31, 2003, a credit
5 shall be allowed against the tax imposed by subsections (a)
6 and (b) of this Section for the tax imposed by subsections (c)
7 and (d) of this Section. This credit shall be computed by
8 multiplying the tax imposed by subsections (c) and (d) of this
9 Section by a fraction, the numerator of which is base income
10 allocable to Illinois and the denominator of which is Illinois
11 base income, and further multiplying the product by the tax
12 rate imposed by subsections (a) and (b) of this Section.

13 Any credit earned on or after December 31, 1986 under this
14 subsection which is unused in the year the credit is computed
15 because it exceeds the tax liability imposed by subsections
16 (a) and (b) for that year (whether it exceeds the original
17 liability or the liability as later amended) may be carried
18 forward and applied to the tax liability imposed by
19 subsections (a) and (b) of the 5 taxable years following the
20 excess credit year, provided that no credit may be carried
21 forward to any year ending on or after December 31, 2003. This
22 credit shall be applied first to the earliest year for which
23 there is a liability. If there is a credit under this
24 subsection from more than one tax year that is available to
25 offset a liability the earliest credit arising under this
26 subsection shall be applied first.

1 If, during any taxable year ending on or after December
2 31, 1986, the tax imposed by subsections (c) and (d) of this
3 Section for which a taxpayer has claimed a credit under this
4 subsection (i) is reduced, the amount of credit for such tax
5 shall also be reduced. Such reduction shall be determined by
6 recomputing the credit to take into account the reduced tax
7 imposed by subsections (c) and (d). If any portion of the
8 reduced amount of credit has been carried to a different
9 taxable year, an amended return shall be filed for such
10 taxable year to reduce the amount of credit claimed.

11 (j) Training expense credit. Beginning with tax years
12 ending on or after December 31, 1986 and prior to December 31,
13 2003, a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) under this Section for all
15 amounts paid or accrued, on behalf of all persons employed by
16 the taxpayer in Illinois or Illinois residents employed
17 outside of Illinois by a taxpayer, for educational or
18 vocational training in semi-technical or technical fields or
19 semi-skilled or skilled fields, which were deducted from gross
20 income in the computation of taxable income. The credit
21 against the tax imposed by subsections (a) and (b) shall be
22 1.6% of such training expenses. For partners, shareholders of
23 subchapter S corporations, and owners of limited liability
24 companies, if the liability company is treated as a
25 partnership for purposes of federal and State income taxation,
26 for taxable years ending before December 31, 2023, there shall

1 be allowed a credit under this subsection (j) to be determined
2 in accordance with the determination of income and
3 distributive share of income under Sections 702 and 704 and
4 subchapter S of the Internal Revenue Code. For taxable years
5 ending on or after December 31, 2023, for partners and
6 shareholders of Subchapter S corporations, the provisions of
7 Section 251 shall apply with respect to the credit under this
8 subsection.

9 Any credit allowed under this subsection which is unused
10 in the year the credit is earned may be carried forward to each
11 of the 5 taxable years following the year for which the credit
12 is first computed until it is used. This credit shall be
13 applied first to the earliest year for which there is a
14 liability. If there is a credit under this subsection from
15 more than one tax year that is available to offset a liability,
16 the earliest credit arising under this subsection shall be
17 applied first. No carryforward credit may be claimed in any
18 tax year ending on or after December 31, 2003.

19 (k) Research and development credit. For tax years ending
20 after July 1, 1990 and prior to December 31, 2003, and
21 beginning again for tax years ending on or after December 31,
22 2004, and ending prior to January 1, 2032, a taxpayer shall be
23 allowed a credit against the tax imposed by subsections (a)
24 and (b) of this Section for increasing research activities in
25 this State. The credit allowed against the tax imposed by
26 subsections (a) and (b) shall be equal to 6 1/2% of the

1 qualifying expenditures for increasing research activities in
2 this State. For partners, shareholders of subchapter S
3 corporations, and owners of limited liability companies, if
4 the liability company is treated as a partnership for purposes
5 of federal and State income taxation, for taxable years ending
6 before December 31, 2023, there shall be allowed a credit
7 under this subsection to be determined in accordance with the
8 determination of income and distributive share of income under
9 Sections 702 and 704 and subchapter S of the Internal Revenue
10 Code. For taxable years ending on or after December 31, 2023,
11 for partners and shareholders of Subchapter S corporations,
12 the provisions of Section 251 shall apply with respect to the
13 credit under this subsection.

14 For purposes of this subsection, "qualifying expenditures"
15 means the qualifying expenditures as defined for the federal
16 credit for increasing research activities which would be
17 allowable under Section 41 of the Internal Revenue Code and
18 which are conducted in this State, "qualifying expenditures
19 for increasing research activities in this State" means the
20 excess of qualifying expenditures for the taxable year in
21 which incurred over qualifying expenditures for the base
22 period, "qualifying expenditures for the base period" means
23 the average of the qualifying expenditures for each year in
24 the base period, and "base period" means the 3 taxable years
25 immediately preceding the taxable year for which the
26 determination is being made.

1 Any credit in excess of the tax liability for the taxable
2 year may be carried forward. A taxpayer may elect to have the
3 unused credit shown on its final completed return carried over
4 as a credit against the tax liability for the following 5
5 taxable years or until it has been fully used, whichever
6 occurs first; provided that no credit earned in a tax year
7 ending prior to December 31, 2003 may be carried forward to any
8 year ending on or after December 31, 2003.

9 If an unused credit is carried forward to a given year from
10 2 or more earlier years, that credit arising in the earliest
11 year will be applied first against the tax liability for the
12 given year. If a tax liability for the given year still
13 remains, the credit from the next earliest year will then be
14 applied, and so on, until all credits have been used or no tax
15 liability for the given year remains. Any remaining unused
16 credit or credits then will be carried forward to the next
17 following year in which a tax liability is incurred, except
18 that no credit can be carried forward to a year which is more
19 than 5 years after the year in which the expense for which the
20 credit is given was incurred.

21 No inference shall be drawn from Public Act 91-644 in
22 construing this Section for taxable years beginning before
23 January 1, 1999.

24 It is the intent of the General Assembly that the research
25 and development credit under this subsection (k) shall apply
26 continuously for all tax years ending on or after December 31,

1 2004 and ending prior to January 1, 2032, including, but not
2 limited to, the period beginning on January 1, 2016 and ending
3 on July 6, 2017 (the effective date of Public Act 100-22). All
4 actions taken in reliance on the continuation of the credit
5 under this subsection (k) by any taxpayer are hereby
6 validated.

7 (l) Environmental Remediation Tax Credit.

8 (i) For tax years ending after December 31, 1997 and
9 on or before December 31, 2001, a taxpayer shall be
10 allowed a credit against the tax imposed by subsections
11 (a) and (b) of this Section for certain amounts paid for
12 unreimbursed eligible remediation costs, as specified in
13 this subsection. For purposes of this Section,
14 "unreimbursed eligible remediation costs" means costs
15 approved by the Illinois Environmental Protection Agency
16 ("Agency") under Section 58.14 of the Environmental
17 Protection Act that were paid in performing environmental
18 remediation at a site for which a No Further Remediation
19 Letter was issued by the Agency and recorded under Section
20 58.10 of the Environmental Protection Act. The credit must
21 be claimed for the taxable year in which Agency approval
22 of the eligible remediation costs is granted. The credit
23 is not available to any taxpayer if the taxpayer or any
24 related party caused or contributed to, in any material
25 respect, a release of regulated substances on, in, or
26 under the site that was identified and addressed by the

1 remedial action pursuant to the Site Remediation Program
2 of the Environmental Protection Act. After the Pollution
3 Control Board rules are adopted pursuant to the Illinois
4 Administrative Procedure Act for the administration and
5 enforcement of Section 58.9 of the Environmental
6 Protection Act, determinations as to credit availability
7 for purposes of this Section shall be made consistent with
8 those rules. For purposes of this Section, "taxpayer"
9 includes a person whose tax attributes the taxpayer has
10 succeeded to under Section 381 of the Internal Revenue
11 Code and "related party" includes the persons disallowed a
12 deduction for losses by paragraphs (b), (c), and (f)(1) of
13 Section 267 of the Internal Revenue Code by virtue of
14 being a related taxpayer, as well as any of its partners.
15 The credit allowed against the tax imposed by subsections
16 (a) and (b) shall be equal to 25% of the unreimbursed
17 eligible remediation costs in excess of \$100,000 per site,
18 except that the \$100,000 threshold shall not apply to any
19 site contained in an enterprise zone as determined by the
20 Department of Commerce and Community Affairs (now
21 Department of Commerce and Economic Opportunity). The
22 total credit allowed shall not exceed \$40,000 per year
23 with a maximum total of \$150,000 per site. For partners
24 and shareholders of subchapter S corporations, there shall
25 be allowed a credit under this subsection to be determined
26 in accordance with the determination of income and

1 distributive share of income under Sections 702 and 704
2 and subchapter S of the Internal Revenue Code.

3 (ii) A credit allowed under this subsection that is
4 unused in the year the credit is earned may be carried
5 forward to each of the 5 taxable years following the year
6 for which the credit is first earned until it is used. The
7 term "unused credit" does not include any amounts of
8 unreimbursed eligible remediation costs in excess of the
9 maximum credit per site authorized under paragraph (i).
10 This credit shall be applied first to the earliest year
11 for which there is a liability. If there is a credit under
12 this subsection from more than one tax year that is
13 available to offset a liability, the earliest credit
14 arising under this subsection shall be applied first. A
15 credit allowed under this subsection may be sold to a
16 buyer as part of a sale of all or part of the remediation
17 site for which the credit was granted. The purchaser of a
18 remediation site and the tax credit shall succeed to the
19 unused credit and remaining carry-forward period of the
20 seller. To perfect the transfer, the assignor shall record
21 the transfer in the chain of title for the site and provide
22 written notice to the Director of the Illinois Department
23 of Revenue of the assignor's intent to sell the
24 remediation site and the amount of the tax credit to be
25 transferred as a portion of the sale. In no event may a
26 credit be transferred to any taxpayer if the taxpayer or a

1 related party would not be eligible under the provisions
2 of subsection (i).

3 (iii) For purposes of this Section, the term "site"
4 shall have the same meaning as under Section 58.2 of the
5 Environmental Protection Act.

6 (m) Education expense credit. Beginning with tax years
7 ending after December 31, 1999, a taxpayer who is the
8 custodian of one or more qualifying pupils shall be allowed a
9 credit against the tax imposed by subsections (a) and (b) of
10 this Section for qualified education expenses incurred on
11 behalf of the qualifying pupils. The credit shall be equal to
12 25% of qualified education expenses, but in no event may the
13 total credit under this subsection claimed by a family that is
14 the custodian of qualifying pupils exceed (i) \$500 for tax
15 years ending prior to December 31, 2017, and (ii) \$750 for tax
16 years ending on or after December 31, 2017. In no event shall a
17 credit under this subsection reduce the taxpayer's liability
18 under this Act to less than zero. Notwithstanding any other
19 provision of law, for taxable years beginning on or after
20 January 1, 2017, no taxpayer may claim a credit under this
21 subsection (m) if the taxpayer's adjusted gross income for the
22 taxable year exceeds (i) \$500,000, in the case of spouses
23 filing a joint federal tax return or (ii) \$250,000, in the case
24 of all other taxpayers. This subsection is exempt from the
25 provisions of Section 250 of this Act.

26 For purposes of this subsection:

1 "Qualifying pupils" means individuals who (i) are
2 residents of the State of Illinois, (ii) are under the age of
3 21 at the close of the school year for which a credit is
4 sought, and (iii) during the school year for which a credit is
5 sought were full-time pupils enrolled in a kindergarten
6 through twelfth grade education program at any school, as
7 defined in this subsection.

8 "Qualified education expense" means the amount incurred on
9 behalf of a qualifying pupil in excess of \$250 for tuition,
10 book fees, and lab fees at the school in which the pupil is
11 enrolled during the regular school year.

12 "School" means any public or nonpublic elementary or
13 secondary school in Illinois that is in compliance with Title
14 VI of the Civil Rights Act of 1964 and attendance at which
15 satisfies the requirements of Section 26-1 of the School Code,
16 except that nothing shall be construed to require a child to
17 attend any particular public or nonpublic school to qualify
18 for the credit under this Section.

19 "Custodian" means, with respect to qualifying pupils, an
20 Illinois resident who is a parent, the parents, a legal
21 guardian, or the legal guardians of the qualifying pupils.

22 (n) River Edge Redevelopment Zone site remediation tax
23 credit.

24 (i) For tax years ending on or after December 31,
25 2006, a taxpayer shall be allowed a credit against the tax
26 imposed by subsections (a) and (b) of this Section for

1 certain amounts paid for unreimbursed eligible remediation
2 costs, as specified in this subsection. For purposes of
3 this Section, "unreimbursed eligible remediation costs"
4 means costs approved by the Illinois Environmental
5 Protection Agency ("Agency") under Section 58.14a of the
6 Environmental Protection Act that were paid in performing
7 environmental remediation at a site within a River Edge
8 Redevelopment Zone for which a No Further Remediation
9 Letter was issued by the Agency and recorded under Section
10 58.10 of the Environmental Protection Act. The credit must
11 be claimed for the taxable year in which Agency approval
12 of the eligible remediation costs is granted. The credit
13 is not available to any taxpayer if the taxpayer or any
14 related party caused or contributed to, in any material
15 respect, a release of regulated substances on, in, or
16 under the site that was identified and addressed by the
17 remedial action pursuant to the Site Remediation Program
18 of the Environmental Protection Act. Determinations as to
19 credit availability for purposes of this Section shall be
20 made consistent with rules adopted by the Pollution
21 Control Board pursuant to the Illinois Administrative
22 Procedure Act for the administration and enforcement of
23 Section 58.9 of the Environmental Protection Act. For
24 purposes of this Section, "taxpayer" includes a person
25 whose tax attributes the taxpayer has succeeded to under
26 Section 381 of the Internal Revenue Code and "related

1 party" includes the persons disallowed a deduction for
2 losses by paragraphs (b), (c), and (f)(1) of Section 267
3 of the Internal Revenue Code by virtue of being a related
4 taxpayer, as well as any of its partners. The credit
5 allowed against the tax imposed by subsections (a) and (b)
6 shall be equal to 25% of the unreimbursed eligible
7 remediation costs in excess of \$100,000 per site.

8 (ii) A credit allowed under this subsection that is
9 unused in the year the credit is earned may be carried
10 forward to each of the 5 taxable years following the year
11 for which the credit is first earned until it is used. This
12 credit shall be applied first to the earliest year for
13 which there is a liability. If there is a credit under this
14 subsection from more than one tax year that is available
15 to offset a liability, the earliest credit arising under
16 this subsection shall be applied first. A credit allowed
17 under this subsection may be sold to a buyer as part of a
18 sale of all or part of the remediation site for which the
19 credit was granted. The purchaser of a remediation site
20 and the tax credit shall succeed to the unused credit and
21 remaining carry-forward period of the seller. To perfect
22 the transfer, the assignor shall record the transfer in
23 the chain of title for the site and provide written notice
24 to the Director of the Illinois Department of Revenue of
25 the assignor's intent to sell the remediation site and the
26 amount of the tax credit to be transferred as a portion of

1 the sale. In no event may a credit be transferred to any
2 taxpayer if the taxpayer or a related party would not be
3 eligible under the provisions of subsection (i).

4 (iii) For purposes of this Section, the term "site"
5 shall have the same meaning as under Section 58.2 of the
6 Environmental Protection Act.

7 (o) For each of taxable years during the Compassionate Use
8 of Medical Cannabis Program, a surcharge is imposed on all
9 taxpayers on income arising from the sale or exchange of
10 capital assets, depreciable business property, real property
11 used in the trade or business, and Section 197 intangibles of
12 an organization registrant under the Compassionate Use of
13 Medical Cannabis Program Act. The amount of the surcharge is
14 equal to the amount of federal income tax liability for the
15 taxable year attributable to those sales and exchanges. The
16 surcharge imposed does not apply if:

17 (1) the medical cannabis cultivation center
18 registration, medical cannabis dispensary registration, or
19 the property of a registration is transferred as a result
20 of any of the following:

21 (A) bankruptcy, a receivership, or a debt
22 adjustment initiated by or against the initial
23 registration or the substantial owners of the initial
24 registration;

25 (B) cancellation, revocation, or termination of
26 any registration by the Illinois Department of Public

1 Health;

2 (C) a determination by the Illinois Department of
3 Public Health that transfer of the registration is in
4 the best interests of Illinois qualifying patients as
5 defined by the Compassionate Use of Medical Cannabis
6 Program Act;

7 (D) the death of an owner of the equity interest in
8 a registrant;

9 (E) the acquisition of a controlling interest in
10 the stock or substantially all of the assets of a
11 publicly traded company;

12 (F) a transfer by a parent company to a wholly
13 owned subsidiary; or

14 (G) the transfer or sale to or by one person to
15 another person where both persons were initial owners
16 of the registration when the registration was issued;
17 or

18 (2) the cannabis cultivation center registration,
19 medical cannabis dispensary registration, or the
20 controlling interest in a registrant's property is
21 transferred in a transaction to lineal descendants in
22 which no gain or loss is recognized or as a result of a
23 transaction in accordance with Section 351 of the Internal
24 Revenue Code in which no gain or loss is recognized.

25 (p) Pass-through entity tax.

26 (1) For taxable years ending on or after December 31,

1 2021 and beginning prior to January 1, 2026, a partnership
2 (other than a publicly traded partnership under Section
3 7704 of the Internal Revenue Code) or Subchapter S
4 corporation may elect to apply the provisions of this
5 subsection. A separate election shall be made for each
6 taxable year. Such election shall be made at such time,
7 and in such form and manner as prescribed by the
8 Department, and, once made, is irrevocable.

9 (2) Entity-level tax. A partnership or Subchapter S
10 corporation electing to apply the provisions of this
11 subsection shall be subject to a tax for the privilege of
12 earning or receiving income in this State in an amount
13 equal to the applicable percentage ~~4.95%~~ of the taxpayer's
14 net income for the taxable year.

15 (2.1) Applicable percentage defined. As used in this
16 subsection (p), the applicable percentage is the tax rate
17 imposed on individuals, trusts, and estates under
18 subsection (b) for the taxable year.

19 (3) Net income defined.

20 (A) In general. For purposes of paragraph (2), the
21 term net income has the same meaning as defined in
22 Section 202 of this Act, except that, for tax years
23 ending on or after December 31, 2023, a deduction
24 shall be allowed in computing base income for
25 distributions to a retired partner to the extent that
26 the partner's distributions are exempt from tax under

1 Section 203(a)(2)(F) of this Act. In addition, the
2 following modifications shall not apply:

3 (i) the standard exemption allowed under
4 Section 204;

5 (ii) the deduction for net losses allowed
6 under Section 207;

7 (iii) in the case of an S corporation, the
8 modification under Section 203(b)(2)(S); and

9 (iv) in the case of a partnership, the
10 modifications under Section 203(d)(2)(H) and
11 Section 203(d)(2)(I).

12 (B) Special rule for tiered partnerships. If a
13 taxpayer making the election under paragraph (1) is a
14 partner of another taxpayer making the election under
15 paragraph (1), net income shall be computed as
16 provided in subparagraph (A), except that the taxpayer
17 shall subtract its distributive share of the net
18 income of the electing partnership (including its
19 distributive share of the net income of the electing
20 partnership derived as a distributive share from
21 electing partnerships in which it is a partner).

22 (4) Credit for entity level tax. Each partner or
23 shareholder of a taxpayer making the election under this
24 Section shall be allowed a credit against the tax imposed
25 under subsections (a) and (b) of Section 201 of this Act
26 for the taxable year of the partnership or Subchapter S

1 corporation for which an election is in effect ending
2 within or with the taxable year of the partner or
3 shareholder in an amount equal to 4.95% times the partner
4 or shareholder's distributive share of the net income of
5 the electing partnership or Subchapter S corporation, but
6 not to exceed the partner's or shareholder's share of the
7 tax imposed under paragraph (1) which is actually paid by
8 the partnership or Subchapter S corporation. If the
9 taxpayer is a partnership or Subchapter S corporation that
10 is itself a partner of a partnership making the election
11 under paragraph (1), the credit under this paragraph shall
12 be allowed to the taxpayer's partners or shareholders (or
13 if the partner is a partnership or Subchapter S
14 corporation then its partners or shareholders) in
15 accordance with the determination of income and
16 distributive share of income under Sections 702 and 704
17 and Subchapter S of the Internal Revenue Code. If the
18 amount of the credit allowed under this paragraph exceeds
19 the partner's or shareholder's liability for tax imposed
20 under subsections (a) and (b) of Section 201 of this Act
21 for the taxable year, such excess shall be treated as an
22 overpayment for purposes of Section 909 of this Act.

23 (5) Nonresidents. A nonresident individual who is a
24 partner or shareholder of a partnership or Subchapter S
25 corporation for a taxable year for which an election is in
26 effect under paragraph (1) shall not be required to file

1 an income tax return under this Act for such taxable year
2 if the only source of net income of the individual (or the
3 individual and the individual's spouse in the case of a
4 joint return) is from an entity making the election under
5 paragraph (1) and the credit allowed to the partner or
6 shareholder under paragraph (4) equals or exceeds the
7 individual's liability for the tax imposed under
8 subsections (a) and (b) of Section 201 of this Act for the
9 taxable year.

10 (6) Liability for tax. Except as provided in this
11 paragraph, a partnership or Subchapter S making the
12 election under paragraph (1) is liable for the
13 entity-level tax imposed under paragraph (2). If the
14 electing partnership or corporation fails to pay the full
15 amount of tax deemed assessed under paragraph (2), the
16 partners or shareholders shall be liable to pay the tax
17 assessed (including penalties and interest). Each partner
18 or shareholder shall be liable for the unpaid assessment
19 based on the ratio of the partner's or shareholder's share
20 of the net income of the partnership over the total net
21 income of the partnership. If the partnership or
22 Subchapter S corporation fails to pay the tax assessed
23 (including penalties and interest) and thereafter an
24 amount of such tax is paid by the partners or
25 shareholders, such amount shall not be collected from the
26 partnership or corporation.

1 (7) Foreign tax. For purposes of the credit allowed
2 under Section 601(b)(3) of this Act, tax paid by a
3 partnership or Subchapter S corporation to another state
4 which, as determined by the Department, is substantially
5 similar to the tax imposed under this subsection, shall be
6 considered tax paid by the partner or shareholder to the
7 extent that the partner's or shareholder's share of the
8 income of the partnership or Subchapter S corporation
9 allocated and apportioned to such other state bears to the
10 total income of the partnership or Subchapter S
11 corporation allocated or apportioned to such other state.

12 (8) Suspension of withholding. The provisions of
13 Section 709.5 of this Act shall not apply to a partnership
14 or Subchapter S corporation for the taxable year for which
15 an election under paragraph (1) is in effect.

16 (9) Requirement to pay estimated tax. For each taxable
17 year for which an election under paragraph (1) is in
18 effect, a partnership or Subchapter S corporation is
19 required to pay estimated tax for such taxable year under
20 Sections 803 and 804 of this Act if the amount payable as
21 estimated tax can reasonably be expected to exceed \$500.

22 (10) The provisions of this subsection shall apply
23 only with respect to taxable years for which the
24 limitation on individual deductions applies under Section
25 164(b)(6) of the Internal Revenue Code.

26 (Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21;

1 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff.
2 6-26-24; 103-605, eff. 7-1-24.)

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.