



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4350

Introduced 1/14/2026, by Rep. Martin McLaughlin

SYNOPSIS AS INTRODUCED:

35 ILCS 5/246 new

Amends the Illinois Income Tax Act. Creates an income tax credit in an amount equal to 100%, but in no event more than \$250,000 per taxpayer in any taxable year, of qualified business expenses paid by a qualified small business during the taxable year. Effective immediately.

LRB104 15940 HLH 29175 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 5. The Illinois Income Tax Act is amended by
5 adding Section 246 as follows:

6 (35 ILCS 5/246 new)

7 Sec. 246. Small business credit.

8 (a) For taxable years that end on or after December 31,
9 2026 and end on or before December 31, 2030, each qualified
10 small business is entitled to a credit against the taxes
11 imposed by subsections (a) and (b) of Section 201 in an amount
12 equal to 100%, but in no event more than \$250,000 per taxpayer
13 in any taxable year, of qualified business expenses paid by
14 the qualified small business during the taxable year.

15 (b) In no event shall a credit under this Section reduce
16 the taxpayer's liability to less than zero. If the amount of
17 the credit exceeds the tax liability for the year, the excess
18 may be carried forward and applied to the tax liability of the
19 5 taxable years following the excess credit year. The tax
20 credit under this Section shall be applied to the earliest
21 year for which there is a tax liability. If there are credits
22 for more than one year that are available to offset a
23 liability, the earlier credit shall be applied first.

1 (c) If the taxpayer is a partnership or Subchapter S
2 corporation, the credit is allowed to pass through to the
3 partners and shareholders as provided in Section 251.

4 (d) The Department of Commerce and Economic Opportunity,
5 in cooperation with the Department of Revenue, shall adopt
6 rules for the administration of this Section. The Department
7 of Commerce and Economic Opportunity shall cooperate with the
8 Department of Revenue to certify qualified small businesses
9 under this Section. The Department of Commerce and Economic
10 Opportunity shall publish annual reports on its website
11 concerning the use and impact of the credit under this
12 Section.

13 (e) As used in this Section:

14 "Qualified business expense" means the purchase of a good
15 or service used exclusively to further the success of the
16 business, including, but not limited to, the following:

17 (1) a capital good that is reasonably appropriate for
18 the needs of the small business, depending on the
19 enterprise, including, but not limited to: office
20 equipment; tools or machinery used in making or crafting a
21 product sold to consumers; vehicles used exclusively for
22 business operations, including delivery vehicles;
23 technology used to benefit the business, including costs
24 related to artificial intelligence; or building costs used
25 for expansion of the business;

26 (2) branding art or design services used exclusively

1 to improve the business's appeal to customers, either
2 through decor or logo improvements, if the expense is used
3 to improve the business's branding; and

4 (3) expenses for employee training, whether the
5 employee is a part-time employee or a full-time employee,
6 consisting of course fees, materials, or technology used
7 exclusively for training the employee.

8 "Qualified business expense" does not include raw
9 materials, advertising, travel expenses, rent or mortgage
10 payments, government licensing or permits, charitable
11 donations, loans, insurance, legal fees, food or perishable
12 items, subscriptions that are not used for training or are not
13 essential to the business's operations, or any other purchase
14 that is not specifically classified as a qualified business
15 expense.

16 "Qualified small business" means a business that has been
17 certified by the Department of Commerce and Economic
18 Opportunity as a qualified small business for the purposes of
19 this Section and that:

20 (1) is a sole proprietorship, partnership,
21 corporation, joint venture, association, or cooperative;

22 (2) has conducted business in Illinois for at
23 least one year prior to the taxable year for which the
24 credit is claimed;

25 (3) employs fewer than 100 employees in the State
26 during the taxable year; and

1 (4) is current with all of its State and federal
2 tax obligations as of the last day of the taxable year for
3 which the credit is claimed.

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