

HB4816



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4816

by Rep. Joe C. Sosnowski

SYNOPSIS AS INTRODUCED:

35 ILCS 405/2

from Ch. 120, par. 405A-2

Amends the Illinois Estate and Generation-Skipping Transfer Tax Act. Provides that, for persons dying on or after January 1, 2027, the State tax credit shall be calculated as though the decedent's federal taxable estate did not include the decedent's business interest in a manufacturing business located in this State. Defines "manufacturing business". Effective immediately.

LRB104 17280 HLH 30702 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 Estate and Generation-Skipping
5 Transfer Tax Act is amended by changing Section 2 as follows:

6 (35 ILCS 405/2) (from Ch. 120, par. 405A-2)

7 Sec. 2. Definitions. In this Act:

8 "Federal estate tax" means the tax due to the United
9 States with respect to a taxable transfer under Chapter 11 of
10 the Internal Revenue Code.

11 "Federal generation-skipping transfer tax" means the tax
12 due to the United States with respect to a taxable transfer
13 under Chapter 13 of the Internal Revenue Code.

14 "Federal return" means the federal estate tax return with
15 respect to the federal estate tax and means the federal
16 generation-skipping transfer tax return with respect to the
17 federal generation-skipping transfer tax.

18 "Federal transfer tax" means the federal estate tax or the
19 federal generation-skipping transfer tax.

20 "Illinois estate tax" means the tax due to this State with
21 respect to a taxable transfer.

22 "Illinois generation-skipping transfer tax" means the tax
23 due to this State with respect to a taxable transfer that gives

1 rise to a federal generation-skipping transfer tax.

2 "Illinois transfer tax" means the Illinois estate tax or
3 the Illinois generation-skipping transfer tax.

4 "Internal Revenue Code" means, unless otherwise provided,
5 the Internal Revenue Code of 1986, as amended from time to
6 time.

7 "Manufacturing business" means a business within the
8 manufacturing sector, as defined in North American Industry
9 Classification System (NAICS) codes 31 through 33.

10 "Non-resident trust" means a trust that is not a resident
11 of this State for purposes of the Illinois Income Tax Act, as
12 amended from time to time.

13 "Person" means and includes any individual, trust, estate,
14 partnership, association, company or corporation.

15 "Qualified heir" means a qualified heir as defined in
16 Section 2032A(e) (1) of the Internal Revenue Code.

17 "Resident trust" means a trust that is a resident of this
18 State for purposes of the Illinois Income Tax Act, as amended
19 from time to time.

20 "State" means any state, territory or possession of the
21 United States and the District of Columbia.

22 "State tax credit" means:

23 (a) For persons dying on or after January 1, 2003 and
24 through December 31, 2005, an amount equal to the full credit
25 calculable under Section 2011 or Section 2604 of the Internal
26 Revenue Code as the credit would have been computed and

1 allowed under the Internal Revenue Code as in effect on
2 December 31, 2001, without the reduction in the State Death
3 Tax Credit as provided in Section 2011(b)(2) or the
4 termination of the State Death Tax Credit as provided in
5 Section 2011(f) as enacted by the Economic Growth and Tax
6 Relief Reconciliation Act of 2001, but recognizing the
7 increased applicable exclusion amount through December 31,
8 2005.

9 (b) For persons dying after December 31, 2005 and on or
10 before December 31, 2009, and for persons dying after December
11 31, 2010, an amount equal to the full credit calculable under
12 Section 2011 or 2604 of the Internal Revenue Code as the credit
13 would have been computed and allowed under the Internal
14 Revenue Code as in effect on December 31, 2001, without the
15 reduction in the State Death Tax Credit as provided in Section
16 2011(b)(2) or the termination of the State Death Tax Credit as
17 provided in Section 2011(f) as enacted by the Economic Growth
18 and Tax Relief Reconciliation Act of 2001, but with the
19 following modifications:

20 (1) the exclusion amount shall be: ~~recognizing the~~
21 ~~exclusion amount of only (i)~~

22 (A) \$2,000,000 for persons dying prior to January
23 1, 2012; ~~τ~~

24 (B) ~~(ii)~~ \$3,500,000 for persons dying on or after
25 January 1, 2012 and prior to January 1, 2013; and ~~τ and~~

26 (C) ~~(iii)~~ \$4,000,000 for persons dying on or after

1 January 1, 2013; ~~τ~~

2 (2) for persons dying on or after January 1, 2027, the
3 State tax credit shall be calculated as though the
4 decedent's federal taxable estate did not include the
5 decedent's business interest in a manufacturing business
6 located in this State; and

7 (3) the State tax credit shall be calculated ~~and~~ with
8 a reduction to the adjusted taxable estate for any
9 qualified terminable interest property election as defined
10 in subsection (b-1) of this Section.

11 (b-1) The person required to file the Illinois return may
12 elect on a timely filed Illinois return a marital deduction
13 for qualified terminable interest property under Section
14 2056(b)(7) of the Internal Revenue Code for purposes of the
15 Illinois estate tax that is separate and independent of any
16 qualified terminable interest property election for federal
17 estate tax purposes. For purposes of the Illinois estate tax,
18 the inclusion of property in the gross estate of a surviving
19 spouse is the same as under Section 2044 of the Internal
20 Revenue Code.

21 In the case of any trust for which a State or federal
22 qualified terminable interest property election is made, the
23 trustee may not retain non-income producing assets for more
24 than a reasonable amount of time without the consent of the
25 surviving spouse.

26 "Taxable transfer" means an event that gives rise to a

1 state tax credit, including any credit as a result of the
2 imposition of an additional tax under Section 2032A(c) of the
3 Internal Revenue Code.

4 "Transferee" means a transferee within the meaning of
5 Section 2603(a)(1) and Section 6901(h) of the Internal Revenue
6 Code.

7 "Transferred property" means:

8 (1) With respect to a taxable transfer occurring at
9 the death of an individual, the deceased individual's
10 gross estate as defined in Section 2031 of the Internal
11 Revenue Code.

12 (2) With respect to a taxable transfer occurring as a
13 result of a taxable termination as defined in Section
14 2612(a) of the Internal Revenue Code, the taxable amount
15 determined under Section 2622(a) of the Internal Revenue
16 Code.

17 (3) With respect to a taxable transfer occurring as a
18 result of a taxable distribution as defined in Section
19 2612(b) of the Internal Revenue Code, the taxable amount
20 determined under Section 2621(a) of the Internal Revenue
21 Code.

22 (4) With respect to an event which causes the
23 imposition of an additional estate tax under Section
24 2032A(c) of the Internal Revenue Code, the qualified real
25 property that was disposed of or which ceased to be used
26 for the qualified use, within the meaning of Section

1 2032A(c)(1) of the Internal Revenue Code.

2 "Trust" includes a trust as defined in Section 2652(b)(1)
3 of the Internal Revenue Code.

4 (Source: P.A. 96-789, eff. 9-8-09; 96-1496, eff. 1-13-11;
5 97-636, eff. 6-1-12; revised 7-24-25.)

6 Section 99. Effective date. This Act takes effect upon
7 becoming law.