



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5017

Introduced 2/10/2026, by Rep. Tony M. McCombie

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Provides that the rate of tax on individuals, trusts, and estates shall be (i) 4.5667% of the taxpayer's net income for taxable years beginning on or after January 1, 2026 and ending before January 1, 2027, (ii) 4.1833% of the taxpayer's net income for taxable years beginning on or after January 1, 2027 and ending before January 1, 2028, and (iii) 3.8% of the taxpayer's net income for taxable years beginning on or after January 1, 2028 (currently, 4.95%). Provides that the rate of tax for corporations is (i) 6.3% of the taxpayer's net income for taxable years beginning on or after January 1, 2026 and ending before January 1, 2027, (ii) 5.6% of the taxpayer's net income for taxable years beginning on or after January 1, 2027 and ending before January 1, 2028, and (iii) 4.9% of the taxpayer's net income for taxable years beginning on or after January 1, 2028. Effective immediately.

LRB104 15510 HLH 28674 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 changing Sections 201 and 901 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 before January 1, 2026, an amount equal to 4.95% of
17 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) 4.5667% of the taxpayer's net income for
24 the 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 and ending before January 1, 2027, an amount equal to
3 4.5667% of the taxpayer's net income for the taxable year.

4 (5.7) In the case of an individual, trust, or estate,
5 for taxable years beginning prior to January 1, 2027, and
6 ending after December 31, 2026, an amount equal to the sum
7 of (i) 4.5667% of the taxpayer's net income for the period
8 prior to January 1, 2027, as calculated under Section
9 202.5, and (ii) 4.1833% of the taxpayer's net income for
10 the period after December 31, 2026, as calculated under
11 Section 202.5.

12 (5.8) In the case of an individual, trust, or estate,
13 for taxable years beginning on or after January 1, 2027
14 and ending before January 1, 2028, an amount equal to
15 4.1833% of the taxpayer's net income for the taxable year.

16 (5.9) In the case of an individual, trust, or estate,
17 for taxable years beginning prior to January 1, 2028, and
18 ending after December 31, 2027, an amount equal to the sum
19 of (i) 4.1833% of the taxpayer's net income for the period
20 prior to January 1, 2028, as calculated under Section
21 202.5, and (ii) 3.8% of the taxpayer's net income for the
22 period after December 31, 2027, as calculated under
23 Section 202.5.

24 (5.10) In the case of an individual, trust, or estate,
25 for taxable years beginning on or after January 1, 2028,
26 an amount equal to 3.8% of the taxpayer's net income for

1 the taxable year.

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

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

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

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

23 (10) In the case of a corporation, for taxable years
24 beginning on or after January 1, 2011, and ending prior to
25 January 1, 2015, an amount equal to 7% of the taxpayer's
26 net income for the taxable year.

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

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

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

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

23 (15) In the case of a corporation, for taxable years
24 beginning prior to January 1, 2026, and ending after
25 December 31, 2025, an amount equal to the sum of (i) 7% of
26 the taxpayer's net income for the period prior to January

1 1, 2026, as calculated under Section 202.5, and (ii) 6.3%
2 of the taxpayer's net income for the period after December
3 31, 2025, as calculated under Section 202.5.

4 (16) In the case of a corporation, for taxable years
5 beginning on or after January 1, 2026 and ending before
6 January 1, 2027, an amount equal to 6.3% of the taxpayer's
7 net income for the taxable year.

8 (17) In the case of a corporation, for taxable years
9 beginning prior to January 1, 2027, and ending after
10 December 31, 2026, an amount equal to the sum of (i) 6.3%
11 of the taxpayer's net income for the period prior to
12 January 1, 2027, as calculated under Section 202.5, and
13 (ii) 5.6% of the taxpayer's net income for the period
14 after December 31, 2026, as calculated under Section
15 202.5.

16 (18) In the case of a corporation, for taxable years
17 beginning on or after January 1, 2027 and ending before
18 January 1, 2028, an amount equal to 5.6% of the taxpayer's
19 net income for the taxable year.

20 (19) In the case of a corporation, for taxable years
21 beginning prior to January 1, 2028, and ending after
22 December 31, 2027, an amount equal to the sum of (i) 5.6%
23 of the taxpayer's net income for the period prior to
24 January 1, 2027, as calculated under Section 202.5, and
25 (ii) 4.9% of the taxpayer's net income for the period
26 after December 31, 2026, as calculated under Section

1 202.5.

2 (20) In the case of a corporation, for taxable years
3 beginning on or after January 1, 2028, an amount equal to
4 4.9% of the taxpayer's net income for the taxable year.

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

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

19 (1) the organization gaming license, organization
20 license, or racetrack property is transferred as a result
21 of any of the following:

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

26 (B) cancellation, revocation, or termination of

1 any such license by the Illinois Gaming Board or the
2 Illinois Racing Board;

3 (C) a determination by the Illinois Gaming Board
4 that transfer of the license is in the best interests
5 of Illinois gaming;

6 (D) the death of an owner of the equity interest in
7 a licensee;

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

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

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

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

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

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

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

20 (d) Additional Personal Property Tax Replacement Income
21 Tax Rates. The personal property tax replacement income tax
22 imposed by this subsection and subsection (c) of this Section
23 in the case of a corporation, other than a Subchapter S
24 corporation and except as adjusted by subsection (d-1), shall
25 be an additional amount equal to 2.85% of such taxpayer's net
26 income for the taxable year, except that beginning on January

1 1, 1981, and thereafter, the rate of 2.85% specified in this
2 subsection shall be reduced to 2.5%, and in the case of a
3 partnership, trust or a Subchapter S corporation shall be an
4 additional amount equal to 1.5% of such taxpayer's net income
5 for the taxable year.

6 (d-1) Rate reduction for certain foreign insurers. In the
7 case of a foreign insurer, as defined by Section 35A-5 of the
8 Illinois Insurance Code, whose state or country of domicile
9 imposes on insurers domiciled in Illinois a retaliatory tax
10 (excluding any insurer whose premiums from reinsurance assumed
11 are 50% or more of its total insurance premiums as determined
12 under paragraph (2) of subsection (b) of Section 304, except
13 that for purposes of this determination premiums from
14 reinsurance do not include premiums from inter-affiliate
15 reinsurance arrangements), beginning with taxable years ending
16 on or after December 31, 1999, the sum of the rates of tax
17 imposed by subsections (b) and (d) shall be reduced (but not
18 increased) to the rate at which the total amount of tax imposed
19 under this Act, net of all credits allowed under this Act,
20 shall equal (i) the total amount of tax that would be imposed
21 on the foreign insurer's net income allocable to Illinois for
22 the taxable year by such foreign insurer's state or country of
23 domicile if that net income were subject to all income taxes
24 and taxes measured by net income imposed by such foreign
25 insurer's state or country of domicile, net of all credits
26 allowed or (ii) a rate of zero if no such tax is imposed on

1 such income by the foreign insurer's state of domicile. For
2 the purposes of this subsection (d-1), an inter-affiliate
3 includes a mutual insurer under common management.

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

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

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

16 equals 1.25% for taxable years ending prior to December
17 31, 2003, or 1.75% for taxable years ending on or after
18 December 31, 2003, of the net taxable premiums written for
19 the taxable year, as described by subsection (1) of
20 Section 409 of the Illinois Insurance Code. This paragraph
21 will in no event increase the rates imposed under
22 subsections (b) and (d).

23 (2) Any reduction in the rates of tax imposed by this
24 subsection shall be applied first against the rates
25 imposed by subsection (b) and only after the tax imposed
26 by subsection (a) net of all credits allowed under this

1 Section other than the credit allowed under subsection (i)
2 has been reduced to zero, against the rates imposed by
3 subsection (d).

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

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

9 (1) A taxpayer shall be allowed a credit equal to .5%
10 of the basis of qualified property placed in service
11 during the taxable year, provided such property is placed
12 in service on or after July 1, 1984. There shall be allowed
13 an additional credit equal to .5% of the basis of
14 qualified property placed in service during the taxable
15 year, provided such property is placed in service on or
16 after July 1, 1986, and the taxpayer's base employment
17 within Illinois has increased by 1% or more over the
18 preceding year as determined by the taxpayer's employment
19 records filed with the Illinois Department of Employment
20 Security. Taxpayers who are new to Illinois shall be
21 deemed to have met the 1% growth in base employment for the
22 first year in which they file employment records with the
23 Illinois Department of Employment Security. The provisions
24 added to this Section by Public Act 85-1200 (and restored
25 by Public Act 87-895) shall be construed as declaratory of
26 existing law and not as a new enactment. If, in any year,

1 the increase in base employment within Illinois over the
2 preceding year is less than 1%, the additional credit
3 shall be limited to that percentage times a fraction, the
4 numerator of which is .5% and the denominator of which is
5 1%, but shall not exceed .5%. The investment credit shall
6 not be allowed to the extent that it would reduce a
7 taxpayer's liability in any tax year below zero, nor may
8 any credit for qualified property be allowed for any year
9 other than the year in which the property was placed in
10 service in Illinois. For tax years ending on or after
11 December 31, 1987, and on or before December 31, 1988, the
12 credit shall be allowed for the tax year in which the
13 property is placed in service, or, if the amount of the
14 credit exceeds the tax liability for that year, whether it
15 exceeds the original liability or the liability as later
16 amended, such excess may be carried forward and applied to
17 the tax liability of the 5 taxable years following the
18 excess credit years if the taxpayer (i) makes investments
19 which cause the creation of a minimum of 2,000 full-time
20 equivalent jobs in Illinois, (ii) is located in an
21 enterprise zone established pursuant to the Illinois
22 Enterprise Zone Act and (iii) is certified by the
23 Department of Commerce and Community Affairs (now
24 Department of Commerce and Economic Opportunity) as
25 complying with the requirements specified in clause (i)
26 and (ii) by July 1, 1986. The Department of Commerce and

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

15 (2) The term "qualified property" means property
16 which:

17 (A) is tangible, whether new or used, including
18 buildings and structural components of buildings and
19 signs that are real property, but not including land
20 or improvements to real property that are not a
21 structural component of a building such as
22 landscaping, sewer lines, local access roads, fencing,
23 parking lots, and other appurtenances;

24 (B) is depreciable pursuant to Section 167 of the
25 Internal Revenue Code, except that "3-year property"
26 as defined in Section 168(c)(2)(A) of that Code is not

1 eligible for the credit provided by this subsection
2 (e);

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

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

11 (E) has not previously been used in Illinois in
12 such a manner and by such a person as would qualify for
13 the credit provided by this subsection (e) or
14 subsection (f).

15 (3) For purposes of this subsection (e),
16 "manufacturing" means the material staging and production
17 of tangible personal property by procedures commonly
18 regarded as manufacturing, processing, fabrication, or
19 assembling which changes some existing material into new
20 shapes, new qualities, or new combinations. For purposes
21 of this subsection (e) the term "mining" shall have the
22 same meaning as the term "mining" in Section 613(c) of the
23 Internal Revenue Code. For purposes of this subsection
24 (e), the term "retailing" means the sale of tangible
25 personal property for use or consumption and not for
26 resale, or services rendered in conjunction with the sale

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

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

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

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

18 (7) If during any taxable year, any property ceases to
19 be qualified property in the hands of the taxpayer within
20 48 months after being placed in service, or the situs of
21 any qualified property is moved outside Illinois within 48
22 months after being placed in service, the Personal
23 Property Tax Replacement Income Tax for such taxable year
24 shall be increased. Such increase shall be determined by
25 (i) recomputing the investment credit which would have
26 been allowed for the year in which credit for such

1 property was originally allowed by eliminating such
2 property from such computation and, (ii) subtracting such
3 recomputed credit from the amount of credit previously
4 allowed. For the purposes of this paragraph (7), a
5 reduction of the basis of qualified property resulting
6 from a redetermination of the purchase price shall be
7 deemed a disposition of qualified property to the extent
8 of such reduction.

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

14 (9) Each taxable year ending before December 31, 2000,
15 a partnership may elect to pass through to its partners
16 the credits to which the partnership is entitled under
17 this subsection (e) for the taxable year. A partner may
18 use the credit allocated to him or her under this
19 paragraph only against the tax imposed in subsections (c)
20 and (d) of this Section. If the partnership makes that
21 election, those credits shall be allocated among the
22 partners in the partnership in accordance with the rules
23 set forth in Section 704(b) of the Internal Revenue Code,
24 and the rules promulgated under that Section, and the
25 allocated amount of the credits shall be allowed to the
26 partners for that taxable year. The partnership shall make

1 this election on its Personal Property Tax Replacement
2 Income Tax return for that taxable year. The election to
3 pass through the credits shall be irrevocable.

4 For taxable years ending on or after December 31,
5 2000, a partner that qualifies its partnership for a
6 subtraction under subparagraph (I) of paragraph (2) of
7 subsection (d) of Section 203 or a shareholder that
8 qualifies a Subchapter S corporation for a subtraction
9 under subparagraph (S) of paragraph (2) of subsection (b)
10 of Section 203 shall be allowed a credit under this
11 subsection (e) equal to its share of the credit earned
12 under this subsection (e) during the taxable year by the
13 partnership or Subchapter S corporation, determined in
14 accordance with the determination of income and
15 distributive share of income under Sections 702 and 704
16 and Subchapter S of the Internal Revenue Code. This
17 paragraph is exempt from the provisions of Section 250.

18 (f) Investment credit; Enterprise Zone; River Edge
19 Redevelopment Zone.

20 (1) A taxpayer shall be allowed a credit against the
21 tax imposed by subsections (a) and (b) of this Section for
22 investment in qualified property which is placed in
23 service in an Enterprise Zone created pursuant to the
24 Illinois Enterprise Zone Act or, for property placed in
25 service on or after July 1, 2006, a River Edge
26 Redevelopment Zone established pursuant to the River Edge

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

1 the 5 taxable years following the excess credit year. The
2 credit shall be applied to the earliest year for which
3 there is a liability. If there is credit from more than one
4 tax year that is available to offset a liability, the
5 credit accruing first in time shall be applied first.

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

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

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

14 (C) is acquired by purchase as defined in Section
15 179(d) of the Internal Revenue Code;

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

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

22 (3) The basis of qualified property shall be the basis
23 used to compute the depreciation deduction for federal
24 income tax purposes.

25 (4) If the basis of the property for federal income
26 tax depreciation purposes is increased after it has been

1 placed in service in the Enterprise Zone or River Edge
2 Redevelopment Zone by the taxpayer, the amount of such
3 increase shall be deemed property placed in service on the
4 date of such increase in basis.

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

7 (6) If during any taxable year, any property ceases to
8 be qualified property in the hands of the taxpayer within
9 48 months after being placed in service, or the situs of
10 any qualified property is moved outside the Enterprise
11 Zone or River Edge Redevelopment Zone within 48 months
12 after being placed in service, the tax imposed under
13 subsections (a) and (b) of this Section for such taxable
14 year shall be increased. Such increase shall be determined
15 by (i) recomputing the investment credit which would have
16 been allowed for the year in which credit for such
17 property was originally allowed by eliminating such
18 property from such computation, and (ii) subtracting such
19 recomputed credit from the amount of credit previously
20 allowed. For the purposes of this paragraph (6), a
21 reduction of the basis of qualified property resulting
22 from a redetermination of the purchase price shall be
23 deemed a disposition of qualified property to the extent
24 of such reduction.

25 (7) There shall be allowed an additional credit equal
26 to 0.5% of the basis of qualified property placed in

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

17 (8) For taxable years beginning on or after January 1,
18 2021, there shall be allowed an Enterprise Zone
19 construction jobs credit against the taxes imposed under
20 subsections (a) and (b) of this Section as provided in
21 Section 13 of the Illinois Enterprise Zone Act.

22 The credit or credits may not reduce the taxpayer's
23 liability to less than zero. If the amount of the credit or
24 credits exceeds the taxpayer's liability, the excess may
25 be carried forward and applied against the taxpayer's
26 liability in succeeding calendar years in the same manner

1 provided under paragraph (4) of Section 211 of this Act.
2 The credit or credits shall be applied to the earliest
3 year for which there is a tax liability. If there are
4 credits from more than one taxable year that are available
5 to offset a liability, the earlier credit shall be applied
6 first.

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

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

23 This paragraph (8) is exempt from the provisions of
24 Section 250.

25 (g) (Blank).

26 (h) Investment credit; High Impact Business.

1 (1) Subject to subsections (b) and (b-5) of Section
2 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
3 be allowed a credit against the tax imposed by subsections
4 (a) and (b) of this Section for investment in qualified
5 property which is placed in service by a Department of
6 Commerce and Economic Opportunity designated High Impact
7 Business. The credit shall be .5% of the basis for such
8 property. The credit shall not be available (i) until the
9 minimum investments in qualified property set forth in
10 subdivision (a)(3)(A) of Section 5.5 of the Illinois
11 Enterprise Zone Act have been satisfied or (ii) until the
12 time authorized in subsection (b-5) of the Illinois
13 Enterprise Zone Act for entities designated as High Impact
14 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
15 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
16 Act, and shall not be allowed to the extent that it would
17 reduce a taxpayer's liability for the tax imposed by
18 subsections (a) and (b) of this Section to below zero. The
19 credit applicable to such investments shall be taken in
20 the taxable year in which such investments have been
21 completed. The credit for additional investments beyond
22 the minimum investment by a designated high impact
23 business authorized under subdivision (a)(3)(A) of Section
24 5.5 of the Illinois Enterprise Zone Act shall be available
25 only in the taxable year in which the property is placed in
26 service and shall not be allowed to the extent that it

1 would reduce a taxpayer's liability for the tax imposed by
2 subsections (a) and (b) of this Section to below zero. For
3 tax years ending on or after December 31, 1987, the credit
4 shall be allowed for the tax year in which the property is
5 placed in service, or, if the amount of the credit exceeds
6 the tax liability for that year, whether it exceeds the
7 original liability or the liability as later amended, such
8 excess may be carried forward and applied to the tax
9 liability of the 5 taxable years following the excess
10 credit year. The credit shall be applied to the earliest
11 year for which there is a liability. If there is credit
12 from more than one tax year that is available to offset a
13 liability, the credit accruing first in time shall be
14 applied first.

15 Changes made in this subdivision (h) (1) by Public Act
16 88-670 restore changes made by Public Act 85-1182 and
17 reflect existing law.

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

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

21 (B) is depreciable pursuant to Section 167 of the
22 Internal Revenue Code, except that "3-year property"
23 as defined in Section 168(c) (2) (A) of that Code is not
24 eligible for the credit provided by this subsection
25 (h);

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code; and

2 (D) is not eligible for the Enterprise Zone
3 Investment Credit provided by subsection (f) of this
4 Section.

5 (3) The basis of qualified property shall be the basis
6 used to compute the depreciation deduction for federal
7 income tax purposes.

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

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

16 (6) If during any taxable year ending on or before
17 December 31, 1996, any property ceases to be qualified
18 property in the hands of the taxpayer within 48 months
19 after being placed in service, or the situs of any
20 qualified property is moved outside Illinois within 48
21 months after being placed in service, the tax imposed
22 under subsections (a) and (b) of this Section for such
23 taxable year shall be increased. Such increase shall be
24 determined by (i) recomputing the investment credit which
25 would have been allowed for the year in which credit for
26 such property was originally allowed by eliminating such

1 property from such computation, and (ii) subtracting such
2 recomputed credit from the amount of credit previously
3 allowed. For the purposes of this paragraph (6), a
4 reduction of the basis of qualified property resulting
5 from a redetermination of the purchase price shall be
6 deemed a disposition of qualified property to the extent
7 of such reduction.

8 (7) Beginning with tax years ending after December 31,
9 1996, if a taxpayer qualifies for the credit under this
10 subsection (h) and thereby is granted a tax abatement and
11 the taxpayer relocates its entire facility in violation of
12 the explicit terms and length of the contract under
13 Section 18-183 of the Property Tax Code, the tax imposed
14 under subsections (a) and (b) of this Section shall be
15 increased for the taxable year in which the taxpayer
16 relocated its facility by an amount equal to the amount of
17 credit received by the taxpayer under this subsection (h).

18 (h-5) High Impact Business construction jobs credit. For
19 taxable years beginning on or after January 1, 2021, there
20 shall also be allowed a High Impact Business construction jobs
21 credit against the tax imposed under subsections (a) and (b)
22 of this Section as provided in subsections (i) and (j) of
23 Section 5.5 of the Illinois Enterprise Zone Act.

24 The credit or credits may not reduce the taxpayer's
25 liability to less than zero. If the amount of the credit or
26 credits exceeds the taxpayer's liability, the excess may be

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

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

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

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

25 (i) Credit for Personal Property Tax Replacement Income
26 Tax. For tax years ending prior to December 31, 2003, a credit

1 shall be allowed against the tax imposed by subsections (a)
2 and (b) of this Section for the tax imposed by subsections (c)
3 and (d) of this Section. This credit shall be computed by
4 multiplying the tax imposed by subsections (c) and (d) of this
5 Section by a fraction, the numerator of which is base income
6 allocable to Illinois and the denominator of which is Illinois
7 base income, and further multiplying the product by the tax
8 rate imposed by subsections (a) and (b) of this Section.

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

23 If, during any taxable year ending on or after December
24 31, 1986, the tax imposed by subsections (c) and (d) of this
25 Section for which a taxpayer has claimed a credit under this
26 subsection (i) is reduced, the amount of credit for such tax

1 shall also be reduced. Such reduction shall be determined by
2 recomputing the credit to take into account the reduced tax
3 imposed by subsections (c) and (d). If any portion of the
4 reduced amount of credit has been carried to a different
5 taxable year, an amended return shall be filed for such
6 taxable year to reduce the amount of credit claimed.

7 (j) Training expense credit. Beginning with tax years
8 ending on or after December 31, 1986 and prior to December 31,
9 2003, a taxpayer shall be allowed a credit against the tax
10 imposed by subsections (a) and (b) under this Section for all
11 amounts paid or accrued, on behalf of all persons employed by
12 the taxpayer in Illinois or Illinois residents employed
13 outside of Illinois by a taxpayer, for educational or
14 vocational training in semi-technical or technical fields or
15 semi-skilled or skilled fields, which were deducted from gross
16 income in the computation of taxable income. The credit
17 against the tax imposed by subsections (a) and (b) shall be
18 1.6% of such training expenses. For partners, shareholders of
19 subchapter S corporations, and owners of limited liability
20 companies, if the liability company is treated as a
21 partnership for purposes of federal and State income taxation,
22 for taxable years ending before December 31, 2023, there shall
23 be allowed a credit under this subsection (j) to be determined
24 in accordance with the determination of income and
25 distributive share of income under Sections 702 and 704 and
26 subchapter S of the Internal Revenue Code. For taxable years

1 ending on or after December 31, 2023, for partners and
2 shareholders of Subchapter S corporations, the provisions of
3 Section 251 shall apply with respect to the credit under this
4 subsection.

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

15 (k) Research and development credit. For tax years ending
16 after July 1, 1990 and prior to December 31, 2003, and
17 beginning again for tax years ending on or after December 31,
18 2004, and ending prior to January 1, 2032, a taxpayer shall be
19 allowed a credit against the tax imposed by subsections (a)
20 and (b) of this Section for increasing research activities in
21 this State. The credit allowed against the tax imposed by
22 subsections (a) and (b) shall be equal to 6 1/2% of the
23 qualifying expenditures for increasing research activities in
24 this State. For partners, shareholders of subchapter S
25 corporations, and owners of limited liability companies, if
26 the liability company is treated as a partnership for purposes

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

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

23 Any credit in excess of the tax liability for the taxable
24 year may be carried forward. A taxpayer may elect to have the
25 unused credit shown on its final completed return carried over
26 as a credit against the tax liability for the following 5

1 taxable years or until it has been fully used, whichever
2 occurs first; provided that no credit earned in a tax year
3 ending prior to December 31, 2003 may be carried forward to any
4 year ending on or after December 31, 2003.

5 If an unused credit is carried forward to a given year from
6 2 or more earlier years, that credit arising in the earliest
7 year will be applied first against the tax liability for the
8 given year. If a tax liability for the given year still
9 remains, the credit from the next earliest year will then be
10 applied, and so on, until all credits have been used or no tax
11 liability for the given year remains. Any remaining unused
12 credit or credits then will be carried forward to the next
13 following year in which a tax liability is incurred, except
14 that no credit can be carried forward to a year which is more
15 than 5 years after the year in which the expense for which the
16 credit is given was incurred.

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

20 It is the intent of the General Assembly that the research
21 and development credit under this subsection (k) shall apply
22 continuously for all tax years ending on or after December 31,
23 2004 and ending prior to January 1, 2032, including, but not
24 limited to, the period beginning on January 1, 2016 and ending
25 on July 6, 2017 (the effective date of Public Act 100-22). All
26 actions taken in reliance on the continuation of the credit

1 under this subsection (k) by any taxpayer are hereby
2 validated.

3 (1) Environmental Remediation Tax Credit.

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

1 enforcement of Section 58.9 of the Environmental
2 Protection Act, determinations as to credit availability
3 for purposes of this Section shall be made consistent with
4 those rules. For purposes of this Section, "taxpayer"
5 includes a person whose tax attributes the taxpayer has
6 succeeded to under Section 381 of the Internal Revenue
7 Code and "related party" includes the persons disallowed a
8 deduction for losses by paragraphs (b), (c), and (f) (1) of
9 Section 267 of the Internal Revenue Code by virtue of
10 being a related taxpayer, as well as any of its partners.
11 The credit allowed against the tax imposed by subsections
12 (a) and (b) shall be equal to 25% of the unreimbursed
13 eligible remediation costs in excess of \$100,000 per site,
14 except that the \$100,000 threshold shall not apply to any
15 site contained in an enterprise zone as determined by the
16 Department of Commerce and Community Affairs (now
17 Department of Commerce and Economic Opportunity). The
18 total credit allowed shall not exceed \$40,000 per year
19 with a maximum total of \$150,000 per site. For partners
20 and shareholders of subchapter S corporations, there shall
21 be allowed a credit under this subsection to be determined
22 in accordance with the determination of income and
23 distributive share of income under Sections 702 and 704
24 and subchapter S of the Internal Revenue Code.

25 (ii) A credit allowed under this subsection that is
26 unused in the year the credit is earned may be carried

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

25 (iii) For purposes of this Section, the term "site"
26 shall have the same meaning as under Section 58.2 of the

1 Environmental Protection Act.

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

22 For purposes of this subsection:

23 "Qualifying pupils" means individuals who (i) are
24 residents of the State of Illinois, (ii) are under the age of
25 21 at the close of the school year for which a credit is
26 sought, and (iii) during the school year for which a credit is

1 sought were full-time pupils enrolled in a kindergarten
2 through twelfth grade education program at any school, as
3 defined in this subsection.

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

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

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

18 (n) River Edge Redevelopment Zone site remediation tax
19 credit.

20 (i) For tax years ending on or after December 31,
21 2006, a taxpayer shall be allowed a credit against the tax
22 imposed by subsections (a) and (b) of this Section for
23 certain amounts paid for unreimbursed eligible remediation
24 costs, as specified in this subsection. For purposes of
25 this Section, "unreimbursed eligible remediation costs"
26 means costs approved by the Illinois Environmental

1 Protection Agency ("Agency") under Section 58.14a of the
2 Environmental Protection Act that were paid in performing
3 environmental remediation at a site within a River Edge
4 Redevelopment Zone for which a No Further Remediation
5 Letter was issued by the Agency and recorded under Section
6 58.10 of the Environmental Protection Act. The credit must
7 be claimed for the taxable year in which Agency approval
8 of the eligible remediation costs is granted. The credit
9 is not available to any taxpayer if the taxpayer or any
10 related party caused or contributed to, in any material
11 respect, a release of regulated substances on, in, or
12 under the site that was identified and addressed by the
13 remedial action pursuant to the Site Remediation Program
14 of the Environmental Protection Act. Determinations as to
15 credit availability for purposes of this Section shall be
16 made consistent with rules adopted by the Pollution
17 Control Board pursuant to the Illinois Administrative
18 Procedure Act for the administration and enforcement of
19 Section 58.9 of the Environmental Protection Act. For
20 purposes of this Section, "taxpayer" includes a person
21 whose tax attributes the taxpayer has succeeded to under
22 Section 381 of the Internal Revenue Code and "related
23 party" includes the persons disallowed a deduction for
24 losses by paragraphs (b), (c), and (f)(1) of Section 267
25 of the Internal Revenue Code by virtue of being a related
26 taxpayer, as well as any of its partners. The credit

1 allowed against the tax imposed by subsections (a) and (b)
2 shall be equal to 25% of the unreimbursed eligible
3 remediation costs in excess of \$100,000 per site.

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

26 (iii) For purposes of this Section, the term "site"

1 shall have the same meaning as under Section 58.2 of the
2 Environmental Protection Act.

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

13 (1) the medical cannabis cultivation center
14 registration, medical cannabis dispensary registration, or
15 the property of a registration is transferred as a result
16 of any of the following:

17 (A) bankruptcy, a receivership, or a debt
18 adjustment initiated by or against the initial
19 registration or the substantial owners of the initial
20 registration;

21 (B) cancellation, revocation, or termination of
22 any registration by the Illinois Department of Public
23 Health;

24 (C) a determination by the Illinois Department of
25 Public Health that transfer of the registration is in
26 the best interests of Illinois qualifying patients as

1 defined by the Compassionate Use of Medical Cannabis
2 Program Act;

3 (D) the death of an owner of the equity interest in
4 a registrant;

5 (E) the acquisition of a controlling interest in
6 the stock or substantially all of the assets of a
7 publicly traded company;

8 (F) a transfer by a parent company to a wholly
9 owned subsidiary; or

10 (G) the transfer or sale to or by one person to
11 another person where both persons were initial owners
12 of the registration when the registration was issued;
13 or

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

21 (p) Pass-through entity tax.

22 (1) For taxable years ending on or after December 31,
23 2021 and beginning prior to January 1, 2026, a partnership
24 (other than a publicly traded partnership under Section
25 7704 of the Internal Revenue Code) or Subchapter S
26 corporation may elect to apply the provisions of this

1 subsection. A separate election shall be made for each
2 taxable year. Such election shall be made at such time,
3 and in such form and manner as prescribed by the
4 Department, and, once made, is irrevocable.

5 (2) Entity-level tax. A partnership or Subchapter S
6 corporation electing to apply the provisions of this
7 subsection shall be subject to a tax for the privilege of
8 earning or receiving income in this State in an amount
9 equal to a percentage ~~4.95%~~ of the taxpayer's net income
10 for the taxable year. For the purposes of this
11 subparagraph (p), that percentage shall be the tax rate
12 imposed on individuals, trusts, and estates under
13 subsection (b) of this Section.

14 (3) Net income defined.

15 (A) In general. For purposes of paragraph (2), the
16 term net income has the same meaning as defined in
17 Section 202 of this Act, except that, for tax years
18 ending on or after December 31, 2023, a deduction
19 shall be allowed in computing base income for
20 distributions to a retired partner to the extent that
21 the partner's distributions are exempt from tax under
22 Section 203(a)(2)(F) of this Act. In addition, the
23 following modifications shall not apply:

24 (i) the standard exemption allowed under
25 Section 204;

26 (ii) the deduction for net losses allowed

1 under Section 207;

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

4 (iv) in the case of a partnership, the
5 modifications under Section 203(d)(2)(H) and
6 Section 203(d)(2)(I).

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

17 (4) Credit for entity level tax. Each partner or
18 shareholder of a taxpayer making the election under this
19 Section shall be allowed a credit against the tax imposed
20 under subsections (a) and (b) of Section 201 of this Act
21 for the taxable year of the partnership or Subchapter S
22 corporation for which an election is in effect ending
23 within or with the taxable year of the partner or
24 shareholder in an amount equal to the tax rate imposed on
25 individuals, trusts, and estates under subsection (b) of
26 this Section ~~4.95%~~ times the partner or shareholder's

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

20 (5) Nonresidents. A nonresident individual who is a
21 partner or shareholder of a partnership or Subchapter S
22 corporation for a taxable year for which an election is in
23 effect under paragraph (1) shall not be required to file
24 an income tax return under this Act for such taxable year
25 if the only source of net income of the individual (or the
26 individual and the individual's spouse in the case of a

1 joint return) is from an entity making the election under
2 paragraph (1) and the credit allowed to the partner or
3 shareholder under paragraph (4) equals or exceeds the
4 individual's liability for the tax imposed under
5 subsections (a) and (b) of Section 201 of this Act for the
6 taxable year.

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

24 (7) Foreign tax. For purposes of the credit allowed
25 under Section 601(b)(3) of this Act, tax paid by a
26 partnership or Subchapter S corporation to another state

1 which, as determined by the Department, is substantially
2 similar to the tax imposed under this subsection, shall be
3 considered tax paid by the partner or shareholder to the
4 extent that the partner's or shareholder's share of the
5 income of the partnership or Subchapter S corporation
6 allocated and apportioned to such other state bears to the
7 total income of the partnership or Subchapter S
8 corporation allocated or apportioned to such other state.

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

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

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

23 (Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21;
24 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff.
25 6-26-24; 103-605, eff. 7-1-24.)

26 Section 99. Effective date. This Act takes effect upon

1 becoming law.