

SB3542



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3542

Introduced 2/5/2026, by Sen. Chapin Rose

SYNOPSIS AS INTRODUCED:

35 ILCS 5/246 new

Amends the Illinois Income Tax Act. Creates an income tax credit for each taxpayer that is an eligible small employer in an amount equal to the amount paid during the taxable year by the eligible small employer to its employees as paid leave that is required by the Paid Leave for All Workers Act. Provides that an eligible small employer is an employer that employs 50 or fewer employees during the taxable year and is subject to the Paid Leave for All Workers Act. Effective January 1, 2027.

LRB104 17190 HLH 30609 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 adding Section 246 as follows:

6 (35 ILCS 5/246 new)

7 Sec. 246. Credit for paid leave.

8 (a) The General Assembly finds that:

9 (1) Small businesses are the backbone of Illinois'
10 economy, providing goods, services, and jobs in
11 communities across the State.

12 (2) An overwhelming majority (86%) of Americans have a
13 positive view of small business.

14 (3) Small businesses with less than 50 employees
15 comprise 76% of Illinois businesses and employ 30% of
16 Illinois' workforce.

17 (4) The Paid Leave for All Workers Act shifted the
18 fiscal and economic cost of the State's policy goals onto
19 small, Main Street business, the ones least able to pay
20 for it.

21 (5) Small businesses are struggling due to ever
22 increasing business and operational costs, including those
23 imposed by the Paid Leave for All Workers mandate.

1 (b) Therefore, for taxable years beginning on or after
2 January 1, 2027, each taxpayer that is an eligible small
3 employer is entitled to a credit against the taxes imposed by
4 subsections (a) and (b) of Section 201 in an amount equal to
5 the amount paid during the taxable year by the eligible small
6 employer to its employees as paid leave that is required by the
7 Paid Leave for All Workers Act. In no event may the credit
8 under this Section exceed more than 40 hours of paid leave for
9 each employee of the eligible small employer in any calendar
10 year.

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

20 (d) For partners and shareholders of Subchapter S
21 corporations, the provisions of Section 251 shall apply with
22 respect to the credit under this Section.

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

25 (f) As used in this Section:

26 "Eligible small employer" means an employer that employs

1 50 or fewer full-time equivalent employees during the taxable
2 year and that is subject to the Paid Leave for All Workers Act.

3 "Employer" has the meaning given to that term in the Paid
4 Leave for All Workers Act.

5 Section 99. Effective date. This Act takes effect January
6 1, 2027.