HB5536

LRB09918631HLH43013b

99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB5536

by Rep. John D. Cavaletto

SYNOPSIS AS INTRODUCED:

35 ILCS 5/224 new

Amends the Illinois Income Tax Act. Provides that each employer that enters into a profit-sharing agreement with its employees is entitled to a credit in an amount equal to 25% of the distributions made to the employee during the taxable year under the terms of the agreement. Provides that the credit may be carried forward. Provides that the credit is exempt from the Act's automatic sunset provision.

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FISCAL NOTE ACT
MAY APPLY

A BILL FOR

AN ACT concerning revenue.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Illinois Income Tax Act is amended by adding Section 224 as follows:

(35 ILCS 5/224 new)

Sec. 224. Profit-sharing program.

(a) For taxable years beginning on or after January 1, 2016, each employer that enters into a profit-sharing agreement with its employees is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 in an amount equal to 25% of the distributions made to the employee during the taxable year under the terms of the agreement. The agreement must be in writing, must be certified by the Department no later than December 31 of the taxable year, and must provide for an employee share of no less than 15% of the gross profits.

(b) For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there is allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under

Sections 702 and 704 and Subchapter S of the Internal Revenue Code.

(c) The tax credit may not reduce the taxpayer's liability to less than zero. If the amount of the tax credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit must be applied to the earliest year for which there is a tax liability. If there are credits from more than one tax year that are available to offset a liability, then the earlier credit must be applied first.

(d) This Section is exempt from the provisions of Section 250.