

# HB2599



## 103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB2599

Introduced 2/15/2023, by Rep. Adam M. Niemerg

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Reduces the rate of tax on individuals, trusts, estates, and certain pass-through entities from 4.95% to 3.75%. Reduces the rate of tax on corporations from 7% to 6%. Effective immediately.

LRB103 30837 HLH 57338 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 changing Section 201 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 prior to January 1, 2024, an amount equal to 4.95%  
17 of 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, 2024 and  
20 ending after December 31, 2023, 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, 2024, as calculated under Section  
23 202.5, and (ii) 3.75% of the taxpayer's net income for the  
24 period after December 31, 2023, 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, 2024,  
2 an amount equal to 3.75% of the taxpayer's net income for  
3 the taxable year.

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

7 (7) In the case of a corporation, for taxable years  
8 beginning prior to July 1, 1989 and ending after June 30,  
9 1989, an amount equal to the sum of (i) 4% of the  
10 taxpayer's net income for the period prior to July 1,  
11 1989, as calculated under Section 202.3, and (ii) 4.8% of  
12 the taxpayer's net income for the period after June 30,  
13 1989, as calculated under Section 202.3.

14 (8) In the case of a corporation, for taxable years  
15 beginning after June 30, 1989, and ending prior to January  
16 1, 2011, an amount equal to 4.8% of the taxpayer's net  
17 income for the taxable year.

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

25 (10) In the case of a corporation, for taxable years  
26 beginning on or after January 1, 2011, and ending prior to

1 January 1, 2015, an amount equal to 7% of the taxpayer's  
2 net income for the taxable year.

3 (11) In the case of a corporation, for taxable years  
4 beginning prior to January 1, 2015, and ending after  
5 December 31, 2014, an amount equal to the sum of (i) 7% of  
6 the taxpayer's net income for the period prior to January  
7 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
8 of the taxpayer's net income for the period after December  
9 31, 2014, as calculated under Section 202.5.

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

14 (13) In the case of a corporation, for taxable years  
15 beginning prior to July 1, 2017, and ending after June 30,  
16 2017, an amount equal to the sum of (i) 5.25% of the  
17 taxpayer's net income for the period prior to July 1,  
18 2017, as calculated under Section 202.5, and (ii) 7% of  
19 the taxpayer's net income for the period after June 30,  
20 2017, as calculated under Section 202.5.

21 (14) In the case of a corporation, for taxable years  
22 beginning on or after July 1, 2017 and ending prior to  
23 January 1, 2024, an amount equal to 7% of the taxpayer's  
24 net income for the taxable year.

25 (15) In the case of a corporation, for taxable years  
26 beginning prior to January 1, 2024 and ending after

1       December 31, 2023, an amount equal to the sum of (i) 7% of  
2       the taxpayer's net income for the period prior to January  
3       1, 2024, as calculated under Section 202.5, and (ii) 6% of  
4       the taxpayer's net income for the period after December  
5       31, 2023, as calculated under Section 202.5.

6       (16) In the case of a corporation, for taxable years  
7       beginning on or after January 1, 2024, an amount equal to  
8       6% of the taxpayer's net income for the taxable year.

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

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

23      (1) the organization gaming license, organization  
24      license, or racetrack property is transferred as a result  
25      of any of the following:

26      (A) bankruptcy, a receivership, or a debt

1 adjustment initiated by or against the initial  
2 licensee or the substantial owners of the initial  
3 licensee;

4 (B) cancellation, revocation, or termination of  
5 any such license by the Illinois Gaming Board or the  
6 Illinois Racing Board;

7 (C) a determination by the Illinois Gaming Board  
8 that transfer of the license is in the best interests  
9 of Illinois gaming;

10 (D) the death of an owner of the equity interest in  
11 a licensee;

12 (E) the acquisition of a controlling interest in  
13 the stock or substantially all of the assets of a  
14 publicly traded company;

15 (F) a transfer by a parent company to a wholly  
16 owned subsidiary; or

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

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



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

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

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

24          (d) Additional Personal Property Tax Replacement Income  
25          Tax Rates. The personal property tax replacement income tax  
26          imposed by this subsection and subsection (c) of this Section

1 in the case of a corporation, other than a Subchapter S  
2 corporation and except as adjusted by subsection (d-1), shall  
3 be an additional amount equal to 2.85% of such taxpayer's net  
4 income for the taxable year, except that beginning on January  
5 1, 1981, and thereafter, the rate of 2.85% specified in this  
6 subsection shall be reduced to 2.5%, and in the case of a  
7 partnership, trust or a Subchapter S corporation shall be an  
8 additional amount equal to 1.5% of such taxpayer's net income  
9 for the taxable year.

10 (d-1) Rate reduction for certain foreign insurers. In the  
11 case of a foreign insurer, as defined by Section 35A-5 of the  
12 Illinois Insurance Code, whose state or country of domicile  
13 imposes on insurers domiciled in Illinois a retaliatory tax  
14 (excluding any insurer whose premiums from reinsurance assumed  
15 are 50% or more of its total insurance premiums as determined  
16 under paragraph (2) of subsection (b) of Section 304, except  
17 that for purposes of this determination premiums from  
18 reinsurance do not include premiums from inter-affiliate  
19 reinsurance arrangements), beginning with taxable years ending  
20 on or after December 31, 1999, the sum of the rates of tax  
21 imposed by subsections (b) and (d) shall be reduced (but not  
22 increased) to the rate at which the total amount of tax imposed  
23 under this Act, net of all credits allowed under this Act,  
24 shall equal (i) the total amount of tax that would be imposed  
25 on the foreign insurer's net income allocable to Illinois for  
26 the taxable year by such foreign insurer's state or country of

1 domicile if that net income were subject to all income taxes  
2 and taxes measured by net income imposed by such foreign  
3 insurer's state or country of domicile, net of all credits  
4 allowed or (ii) a rate of zero if no such tax is imposed on  
5 such income by the foreign insurer's state of domicile. For  
6 the purposes of this subsection (d-1), an inter-affiliate  
7 includes a mutual insurer under common management.

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

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

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

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

1           (2) Any reduction in the rates of tax imposed by this  
2 subsection shall be applied first against the rates  
3 imposed by subsection (b) and only after the tax imposed  
4 by subsection (a) net of all credits allowed under this  
5 Section other than the credit allowed under subsection (i)  
6 has been reduced to zero, against the rates imposed by  
7 subsection (d).

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

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

13           (1) A taxpayer shall be allowed a credit equal to .5%  
14 of the basis of qualified property placed in service  
15 during the taxable year, provided such property is placed  
16 in service on or after July 1, 1984. There shall be allowed  
17 an additional credit equal to .5% of the basis of  
18 qualified property placed in service during the taxable  
19 year, provided such property is placed in service on or  
20 after July 1, 1986, and the taxpayer's base employment  
21 within Illinois has increased by 1% or more over the  
22 preceding year as determined by the taxpayer's employment  
23 records filed with the Illinois Department of Employment  
24 Security. Taxpayers who are new to Illinois shall be  
25 deemed to have met the 1% growth in base employment for the  
26 first year in which they file employment records with the

1 Illinois Department of Employment Security. The provisions  
2 added to this Section by Public Act 85-1200 (and restored  
3 by Public Act 87-895) shall be construed as declaratory of  
4 existing law and not as a new enactment. If, in any year,  
5 the increase in base employment within Illinois over the  
6 preceding year is less than 1%, the additional credit  
7 shall be limited to that percentage times a fraction, the  
8 numerator of which is .5% and the denominator of which is  
9 1%, but shall not exceed .5%. The investment credit shall  
10 not be allowed to the extent that it would reduce a  
11 taxpayer's liability in any tax year below zero, nor may  
12 any credit for qualified property be allowed for any year  
13 other than the year in which the property was placed in  
14 service in Illinois. For tax years ending on or after  
15 December 31, 1987, and on or before December 31, 1988, the  
16 credit shall be allowed for the tax year in which the  
17 property is placed in service, or, if the amount of the  
18 credit exceeds the tax liability for that year, whether it  
19 exceeds the original liability or the liability as later  
20 amended, such excess may be carried forward and applied to  
21 the tax liability of the 5 taxable years following the  
22 excess credit years if the taxpayer (i) makes investments  
23 which cause the creation of a minimum of 2,000 full-time  
24 equivalent jobs in Illinois, (ii) is located in an  
25 enterprise zone established pursuant to the Illinois  
26 Enterprise Zone Act and (iii) is certified by the

1 Department of Commerce and Community Affairs (now  
2 Department of Commerce and Economic Opportunity) as  
3 complying with the requirements specified in clause (i)  
4 and (ii) by July 1, 1986. The Department of Commerce and  
5 Community Affairs (now Department of Commerce and Economic  
6 Opportunity) shall notify the Department of Revenue of all  
7 such certifications immediately. For tax years ending  
8 after December 31, 1988, the credit shall be allowed for  
9 the tax year in which the property is placed in service,  
10 or, if the amount of the credit exceeds the tax liability  
11 for that year, whether it exceeds the original liability  
12 or the liability as later amended, such excess may be  
13 carried forward and applied to the tax liability of the 5  
14 taxable years following the excess credit years. The  
15 credit shall be applied to the earliest year for which  
16 there is a liability. If there is credit from more than one  
17 tax year that is available to offset a liability, earlier  
18 credit shall be applied first.

19 (2) The term "qualified property" means property  
20 which:

21 (A) is tangible, whether new or used, including  
22 buildings and structural components of buildings and  
23 signs that are real property, but not including land  
24 or improvements to real property that are not a  
25 structural component of a building such as  
26 landscaping, sewer lines, local access roads, fencing,

1 parking lots, and other appurtenances;

2 (B) is depreciable pursuant to Section 167 of the  
3 Internal Revenue Code, except that "3-year property"  
4 as defined in Section 168(c)(2)(A) of that Code is not  
5 eligible for the credit provided by this subsection  
6 (e);

7 (C) is acquired by purchase as defined in Section  
8 179(d) of the Internal Revenue Code;

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

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

19 (3) For purposes of this subsection (e),  
20 "manufacturing" means the material staging and production  
21 of tangible personal property by procedures commonly  
22 regarded as manufacturing, processing, fabrication, or  
23 assembling which changes some existing material into new  
24 shapes, new qualities, or new combinations. For purposes  
25 of this subsection (e) the term "mining" shall have the  
26 same meaning as the term "mining" in Section 613(c) of the

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

12 (4) The basis of qualified property shall be the basis  
13 used to compute the depreciation deduction for federal  
14 income tax purposes.

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

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

22 (7) If during any taxable year, any property ceases to  
23 be qualified property in the hands of the taxpayer within  
24 48 months after being placed in service, or the situs of  
25 any qualified property is moved outside Illinois within 48  
26 months after being placed in service, the Personal



1 Property Tax Replacement Income Tax for such taxable year  
2 shall be increased. Such increase shall be determined by  
3 (i) recomputing the investment credit which would have  
4 been allowed for the year in which credit for such  
5 property was originally allowed by eliminating such  
6 property from such computation and, (ii) subtracting such  
7 recomputed credit from the amount of credit previously  
8 allowed. For the purposes of this paragraph (7), a  
9 reduction of the basis of qualified property resulting  
10 from a redetermination of the purchase price shall be  
11 deemed a disposition of qualified property to the extent  
12 of such reduction.

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

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

1 set forth in Section 704(b) of the Internal Revenue Code,  
2 and the rules promulgated under that Section, and the  
3 allocated amount of the credits shall be allowed to the  
4 partners for that taxable year. The partnership shall make  
5 this election on its Personal Property Tax Replacement  
6 Income Tax return for that taxable year. The election to  
7 pass through the credits shall be irrevocable.

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

22 (f) Investment credit; Enterprise Zone; River Edge  
23 Redevelopment Zone.

24 (1) A taxpayer shall be allowed a credit against the  
25 tax imposed by subsections (a) and (b) of this Section for  
26 investment in qualified property which is placed in

1 service in an Enterprise Zone created pursuant to the  
2 Illinois Enterprise Zone Act or, for property placed in  
3 service on or after July 1, 2006, a River Edge  
4 Redevelopment Zone established pursuant to the River Edge  
5 Redevelopment Zone Act. For partners, shareholders of  
6 Subchapter S corporations, and owners of limited liability  
7 companies, if the liability company is treated as a  
8 partnership for purposes of federal and State income  
9 taxation, there shall be allowed a credit under this  
10 subsection (f) to be determined in accordance with the  
11 determination of income and distributive share of income  
12 under Sections 702 and 704 and Subchapter S of the  
13 Internal Revenue Code. The credit shall be .5% of the  
14 basis for such property. The credit shall be available  
15 only in the taxable year in which the property is placed in  
16 service in the Enterprise Zone or River Edge Redevelopment  
17 Zone and shall not be allowed to the extent that it would  
18 reduce a taxpayer's liability for the tax imposed by  
19 subsections (a) and (b) of this Section to below zero. For  
20 tax years ending on or after December 31, 1985, the credit  
21 shall be allowed for the tax year in which the property is  
22 placed in service, or, if the amount of the credit exceeds  
23 the tax liability for that year, whether it exceeds the  
24 original liability or the liability as later amended, such  
25 excess may be carried forward and applied to the tax  
26 liability of the 5 taxable years following the excess

1 credit year. The credit shall be applied to the earliest  
2 year for which there is a liability. If there is credit  
3 from more than one tax year that is available to offset a  
4 liability, the credit accruing first in time shall be  
5 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, there  
11 shall be allowed a credit under this Section to be  
12 determined in accordance with the determination of income  
13 and distributive share of income under Sections 702 and  
14 704 and Subchapter S of the Internal Revenue Code.

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

18 This paragraph (8) is exempt from the provisions of  
19 Section 250.

20 (g) (Blank).

21 (h) Investment credit; High Impact Business.

22 (1) Subject to subsections (b) and (b-5) of Section  
23 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
24 be allowed a credit against the tax imposed by subsections  
25 (a) and (b) of this Section for investment in qualified  
26 property which is placed in service by a Department of

1 Commerce and Economic Opportunity designated High Impact  
2 Business. The credit shall be .5% of the basis for such  
3 property. The credit shall not be available (i) until the  
4 minimum investments in qualified property set forth in  
5 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
6 Enterprise Zone Act have been satisfied or (ii) until the  
7 time authorized in subsection (b-5) of the Illinois  
8 Enterprise Zone Act for entities designated as High Impact  
9 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
10 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
11 Act, and shall not be allowed to the extent that it would  
12 reduce a taxpayer's liability for the tax imposed by  
13 subsections (a) and (b) of this Section to below zero. The  
14 credit applicable to such investments shall be taken in  
15 the taxable year in which such investments have been  
16 completed. The credit for additional investments beyond  
17 the minimum investment by a designated high impact  
18 business authorized under subdivision (a)(3)(A) of Section  
19 5.5 of the Illinois Enterprise Zone Act shall be available  
20 only in the taxable year in which the property is placed in  
21 service and shall not be allowed to the extent that it  
22 would reduce a taxpayer's liability for the tax imposed by  
23 subsections (a) and (b) of this Section to below zero. For  
24 tax years ending on or after December 31, 1987, the credit  
25 shall be allowed for the tax year in which the property is  
26 placed in service, or, if the amount of the credit exceeds



1 the tax liability for that year, whether it exceeds the  
2 original liability or the liability as later amended, such  
3 excess may be carried forward and applied to the tax  
4 liability of the 5 taxable years following the excess  
5 credit year. The credit shall be applied to the earliest  
6 year for which there is a liability. If there is credit  
7 from more than one tax year that is available to offset a  
8 liability, the credit accruing first in time shall be  
9 applied first.

10 Changes made in this subdivision (h) (1) by Public Act  
11 88-670 restore changes made by Public Act 85-1182 and  
12 reflect existing law.

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

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

16 (B) is depreciable pursuant to Section 167 of the  
17 Internal Revenue Code, except that "3-year property"  
18 as defined in Section 168(c) (2) (A) of that Code is not  
19 eligible for the credit provided by this subsection  
20 (h);

21 (C) is acquired by purchase as defined in Section  
22 179(d) of the Internal Revenue Code; and

23 (D) is not eligible for the Enterprise Zone  
24 Investment Credit provided by subsection (f) of this  
25 Section.

26 (3) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal  
2 income tax purposes.

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

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

11 (6) If during any taxable year ending on or before  
12 December 31, 1996, any property ceases to be qualified  
13 property in the hands of the taxpayer within 48 months  
14 after being placed in service, or the situs of any  
15 qualified property is moved outside Illinois within 48  
16 months after being placed in service, the tax imposed  
17 under subsections (a) and (b) of this Section for such  
18 taxable year shall be increased. Such increase shall be  
19 determined by (i) recomputing the investment credit which  
20 would have been allowed for the year in which credit for  
21 such property was originally allowed by eliminating such  
22 property from such computation, and (ii) subtracting such  
23 recomputed credit from the amount of credit previously  
24 allowed. For the purposes of this paragraph (6), a  
25 reduction of the basis of qualified property resulting  
26 from a redetermination of the purchase price shall be

1           deemed a disposition of qualified property to the extent  
2           of such reduction.

3           (7) Beginning with tax years ending after December 31,  
4           1996, if a taxpayer qualifies for the credit under this  
5           subsection (h) and thereby is granted a tax abatement and  
6           the taxpayer relocates its entire facility in violation of  
7           the explicit terms and length of the contract under  
8           Section 18-183 of the Property Tax Code, the tax imposed  
9           under subsections (a) and (b) of this Section shall be  
10          increased for the taxable year in which the taxpayer  
11          relocated its facility by an amount equal to the amount of  
12          credit received by the taxpayer under this subsection (h).

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

19          The credit or credits may not reduce the taxpayer's  
20          liability to less than zero. If the amount of the credit or  
21          credits exceeds the taxpayer's liability, the excess may be  
22          carried forward and applied against the taxpayer's liability  
23          in succeeding calendar years in the manner provided under  
24          paragraph (4) of Section 211 of this Act. The credit or credits  
25          shall be applied to the earliest year for which there is a tax  
26          liability. If there are credits from more than one taxable

1 year that are available to offset a liability, the earlier  
2 credit shall be applied first.

3 For partners, shareholders of Subchapter S corporations,  
4 and owners of limited liability companies, if the liability  
5 company is treated as a partnership for the purposes of  
6 federal and State income taxation, there shall be allowed a  
7 credit under this Section to be determined in accordance with  
8 the determination of income and distributive share of income  
9 under Sections 702 and 704 and Subchapter S of the Internal  
10 Revenue Code.

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

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

16 (i) Credit for Personal Property Tax Replacement Income  
17 Tax. For tax years ending prior to December 31, 2003, a credit  
18 shall be allowed against the tax imposed by subsections (a)  
19 and (b) of this Section for the tax imposed by subsections (c)  
20 and (d) of this Section. This credit shall be computed by  
21 multiplying the tax imposed by subsections (c) and (d) of this  
22 Section by a fraction, the numerator of which is base income  
23 allocable to Illinois and the denominator of which is Illinois  
24 base income, and further multiplying the product by the tax  
25 rate imposed by subsections (a) and (b) of this Section.

26 Any credit earned on or after December 31, 1986 under this

1 subsection which is unused in the year the credit is computed  
2 because it exceeds the tax liability imposed by subsections  
3 (a) and (b) for that year (whether it exceeds the original  
4 liability or the liability as later amended) may be carried  
5 forward and applied to the tax liability imposed by  
6 subsections (a) and (b) of the 5 taxable years following the  
7 excess credit year, provided that no credit may be carried  
8 forward to any year ending on or after December 31, 2003. This  
9 credit shall be applied first to the earliest year for which  
10 there is a liability. If there is a credit under this  
11 subsection from more than one tax year that is available to  
12 offset a liability the earliest credit arising under this  
13 subsection shall be applied first.

14 If, during any taxable year ending on or after December  
15 31, 1986, the tax imposed by subsections (c) and (d) of this  
16 Section for which a taxpayer has claimed a credit under this  
17 subsection (i) is reduced, the amount of credit for such tax  
18 shall also be reduced. Such reduction shall be determined by  
19 recomputing the credit to take into account the reduced tax  
20 imposed by subsections (c) and (d). If any portion of the  
21 reduced amount of credit has been carried to a different  
22 taxable year, an amended return shall be filed for such  
23 taxable year to reduce the amount of credit claimed.

24 (j) Training expense credit. Beginning with tax years  
25 ending on or after December 31, 1986 and prior to December 31,  
26 2003, a taxpayer shall be allowed a credit against the tax

1 imposed by subsections (a) and (b) under this Section for all  
2 amounts paid or accrued, on behalf of all persons employed by  
3 the taxpayer in Illinois or Illinois residents employed  
4 outside of Illinois by a taxpayer, for educational or  
5 vocational training in semi-technical or technical fields or  
6 semi-skilled or skilled fields, which were deducted from gross  
7 income in the computation of taxable income. The credit  
8 against the tax imposed by subsections (a) and (b) shall be  
9 1.6% of such training expenses. For partners, shareholders of  
10 subchapter S corporations, and owners of limited liability  
11 companies, if the liability company is treated as a  
12 partnership for purposes of federal and State income taxation,  
13 there shall be allowed a credit under this subsection (j) to be  
14 determined in accordance with the determination of income and  
15 distributive share of income under Sections 702 and 704 and  
16 subchapter S of the Internal Revenue Code.

17 Any credit allowed under this subsection which is unused  
18 in the year the credit is earned may be carried forward to each  
19 of the 5 taxable years following the year for which the credit  
20 is first computed until it is used. This credit shall be  
21 applied first to the earliest year for which there is a  
22 liability. If there is a credit under this subsection from  
23 more than one tax year that is available to offset a liability,  
24 the earliest credit arising under this subsection shall be  
25 applied first. No carryforward credit may be claimed in any  
26 tax year ending on or after December 31, 2003.

1 (k) Research and development credit. For tax years ending  
2 after July 1, 1990 and prior to December 31, 2003, and  
3 beginning again for tax years ending on or after December 31,  
4 2004, and ending prior to January 1, 2027, a taxpayer shall be  
5 allowed a credit against the tax imposed by subsections (a)  
6 and (b) of this Section for increasing research activities in  
7 this State. The credit allowed against the tax imposed by  
8 subsections (a) and (b) shall be equal to 6 1/2% of the  
9 qualifying expenditures for increasing research activities in  
10 this State. For partners, shareholders of subchapter S  
11 corporations, and owners of limited liability companies, if  
12 the liability company is treated as a partnership for purposes  
13 of federal and State income taxation, there shall be allowed a  
14 credit under this subsection to be determined in accordance  
15 with the determination of income and distributive share of  
16 income under Sections 702 and 704 and subchapter S of the  
17 Internal Revenue Code.

18 For purposes of this subsection, "qualifying expenditures"  
19 means the qualifying expenditures as defined for the federal  
20 credit for increasing research activities which would be  
21 allowable under Section 41 of the Internal Revenue Code and  
22 which are conducted in this State, "qualifying expenditures  
23 for increasing research activities in this State" means the  
24 excess of qualifying expenditures for the taxable year in  
25 which incurred over qualifying expenditures for the base  
26 period, "qualifying expenditures for the base period" means

1 the average of the qualifying expenditures for each year in  
2 the base period, and "base period" means the 3 taxable years  
3 immediately preceding the taxable year for which the  
4 determination is being made.

5 Any credit in excess of the tax liability for the taxable  
6 year may be carried forward. A taxpayer may elect to have the  
7 unused credit shown on its final completed return carried over  
8 as a credit against the tax liability for the following 5  
9 taxable years or until it has been fully used, whichever  
10 occurs first; provided that no credit earned in a tax year  
11 ending prior to December 31, 2003 may be carried forward to any  
12 year ending on or after December 31, 2003.

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

25 No inference shall be drawn from Public Act 91-644 in  
26 construing this Section for taxable years beginning before



1 January 1, 1999.

2 It is the intent of the General Assembly that the research  
3 and development credit under this subsection (k) shall apply  
4 continuously for all tax years ending on or after December 31,  
5 2004 and ending prior to January 1, 2027, including, but not  
6 limited to, the period beginning on January 1, 2016 and ending  
7 on July 6, 2017 (the effective date of Public Act 100-22). All  
8 actions taken in reliance on the continuation of the credit  
9 under this subsection (k) by any taxpayer are hereby  
10 validated.

11 (l) Environmental Remediation Tax Credit.

12 (i) For tax years ending after December 31, 1997 and  
13 on or before December 31, 2001, a taxpayer shall be  
14 allowed a credit against the tax imposed by subsections  
15 (a) and (b) of this Section for certain amounts paid for  
16 unreimbursed eligible remediation costs, as specified in  
17 this subsection. For purposes of this Section,  
18 "unreimbursed eligible remediation costs" means costs  
19 approved by the Illinois Environmental Protection Agency  
20 ("Agency") under Section 58.14 of the Environmental  
21 Protection Act that were paid in performing environmental  
22 remediation at a site for which a No Further Remediation  
23 Letter was issued by the Agency and recorded under Section  
24 58.10 of the Environmental Protection Act. The credit must  
25 be claimed for the taxable year in which Agency approval  
26 of the eligible remediation costs is granted. The credit

1 is not available to any taxpayer if the taxpayer or any  
2 related party caused or contributed to, in any material  
3 respect, a release of regulated substances on, in, or  
4 under the site that was identified and addressed by the  
5 remedial action pursuant to the Site Remediation Program  
6 of the Environmental Protection Act. After the Pollution  
7 Control Board rules are adopted pursuant to the Illinois  
8 Administrative Procedure Act for the administration and  
9 enforcement of Section 58.9 of the Environmental  
10 Protection Act, determinations as to credit availability  
11 for purposes of this Section shall be made consistent with  
12 those rules. For purposes of this Section, "taxpayer"  
13 includes a person whose tax attributes the taxpayer has  
14 succeeded to under Section 381 of the Internal Revenue  
15 Code and "related party" includes the persons disallowed a  
16 deduction for losses by paragraphs (b), (c), and (f)(1) of  
17 Section 267 of the Internal Revenue Code by virtue of  
18 being a related taxpayer, as well as any of its partners.  
19 The credit allowed against the tax imposed by subsections  
20 (a) and (b) shall be equal to 25% of the unreimbursed  
21 eligible remediation costs in excess of \$100,000 per site,  
22 except that the \$100,000 threshold shall not apply to any  
23 site contained in an enterprise zone as determined by the  
24 Department of Commerce and Community Affairs (now  
25 Department of Commerce and Economic Opportunity). The  
26 total credit allowed shall not exceed \$40,000 per year

1 with a maximum total of \$150,000 per site. For partners  
2 and shareholders of subchapter S corporations, there shall  
3 be allowed a credit under this subsection to be determined  
4 in accordance with the determination of income and  
5 distributive share of income under Sections 702 and 704  
6 and subchapter S of the Internal Revenue Code.

7 (ii) A credit allowed under this subsection that is  
8 unused in the year the credit is earned may be carried  
9 forward to each of the 5 taxable years following the year  
10 for which the credit is first earned until it is used. The  
11 term "unused credit" does not include any amounts of  
12 unreimbursed eligible remediation costs in excess of the  
13 maximum credit per site authorized under paragraph (i).  
14 This credit shall be applied first to the earliest year  
15 for which there is a liability. If there is a credit under  
16 this subsection from more than one tax year that is  
17 available to offset a liability, the earliest credit  
18 arising under this subsection shall be applied first. A  
19 credit allowed under this subsection may be sold to a  
20 buyer as part of a sale of all or part of the remediation  
21 site for which the credit was granted. The purchaser of a  
22 remediation site and the tax credit shall succeed to the  
23 unused credit and remaining carry-forward period of the  
24 seller. To perfect the transfer, the assignor shall record  
25 the transfer in the chain of title for the site and provide  
26 written notice to the Director of the Illinois Department

1 of Revenue of the assignor's intent to sell the  
2 remediation site and the amount of the tax credit to be  
3 transferred as a portion of the sale. In no event may a  
4 credit be transferred to any taxpayer if the taxpayer or a  
5 related party would not be eligible under the provisions  
6 of subsection (i).

7 (iii) For purposes of this Section, the term "site"  
8 shall have the same meaning as under Section 58.2 of the  
9 Environmental Protection Act.

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

1 filing a joint federal tax return or (ii) \$250,000, in the case  
2 of all other taxpayers. This subsection is exempt from the  
3 provisions of Section 250 of this Act.

4 For purposes of this subsection:

5 "Qualifying pupils" means individuals who (i) are  
6 residents of the State of Illinois, (ii) are under the age of  
7 21 at the close of the school year for which a credit is  
8 sought, and (iii) during the school year for which a credit is  
9 sought were full-time pupils enrolled in a kindergarten  
10 through twelfth grade education program at any school, as  
11 defined in this subsection.

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

16 "School" means any public or nonpublic elementary or  
17 secondary school in Illinois that is in compliance with Title  
18 VI of the Civil Rights Act of 1964 and attendance at which  
19 satisfies the requirements of Section 26-1 of the School Code,  
20 except that nothing shall be construed to require a child to  
21 attend any particular public or nonpublic school to qualify  
22 for the credit under this Section.

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

26 (n) River Edge Redevelopment Zone site remediation tax

1 credit.

2 (i) For tax years ending on or after December 31,  
3 2006, a taxpayer shall be allowed a credit against the tax  
4 imposed by subsections (a) and (b) of this Section for  
5 certain amounts paid for unreimbursed eligible remediation  
6 costs, as specified in this subsection. For purposes of  
7 this Section, "unreimbursed eligible remediation costs"  
8 means costs approved by the Illinois Environmental  
9 Protection Agency ("Agency") under Section 58.14a of the  
10 Environmental Protection Act that were paid in performing  
11 environmental remediation at a site within a River Edge  
12 Redevelopment Zone for which a No Further Remediation  
13 Letter was issued by the Agency and recorded under Section  
14 58.10 of the Environmental Protection Act. The credit must  
15 be claimed for the taxable year in which Agency approval  
16 of the eligible remediation costs is granted. The credit  
17 is not available to any taxpayer if the taxpayer or any  
18 related party caused or contributed to, in any material  
19 respect, a release of regulated substances on, in, or  
20 under the site that was identified and addressed by the  
21 remedial action pursuant to the Site Remediation Program  
22 of the Environmental Protection Act. Determinations as to  
23 credit availability for purposes of this Section shall be  
24 made consistent with rules adopted by the Pollution  
25 Control Board pursuant to the Illinois Administrative  
26 Procedure Act for the administration and enforcement of

1 Section 58.9 of the Environmental Protection Act. For  
2 purposes of this Section, "taxpayer" includes a person  
3 whose tax attributes the taxpayer has succeeded to under  
4 Section 381 of the Internal Revenue Code and "related  
5 party" includes the persons disallowed a deduction for  
6 losses by paragraphs (b), (c), and (f)(1) of Section 267  
7 of the Internal Revenue Code by virtue of being a related  
8 taxpayer, as well as any of its partners. The credit  
9 allowed against the tax imposed by subsections (a) and (b)  
10 shall be equal to 25% of the unreimbursed eligible  
11 remediation costs in excess of \$100,000 per site.

12 (ii) A credit allowed under this subsection that is  
13 unused in the year the credit is earned may be carried  
14 forward to each of the 5 taxable years following the year  
15 for which the credit is first earned until it is used. This  
16 credit shall be applied first to the earliest year for  
17 which there is a liability. If there is a credit under this  
18 subsection from more than one tax year that is available  
19 to offset a liability, the earliest credit arising under  
20 this subsection shall be applied first. A credit allowed  
21 under this subsection may be sold to a buyer as part of a  
22 sale of all or part of the remediation site for which the  
23 credit was granted. The purchaser of a remediation site  
24 and the tax credit shall succeed to the unused credit and  
25 remaining carry-forward period of the seller. To perfect  
26 the transfer, the assignor shall record the transfer in

1 the chain of title for the site and provide written notice  
2 to the Director of the Illinois Department of Revenue of  
3 the assignor's intent to sell the remediation site and the  
4 amount of the tax credit to be transferred as a portion of  
5 the sale. In no event may a credit be transferred to any  
6 taxpayer if the taxpayer or a related party would not be  
7 eligible under the provisions of subsection (i).

8 (iii) For purposes of this Section, the term "site"  
9 shall have the same meaning as under Section 58.2 of the  
10 Environmental Protection Act.

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

21 (1) the medical cannabis cultivation center  
22 registration, medical cannabis dispensary registration, or  
23 the property of a registration is transferred as a result  
24 of any of the following:

25 (A) bankruptcy, a receivership, or a debt  
26 adjustment initiated by or against the initial



1 registration or the substantial owners of the initial  
2 registration;

3 (B) cancellation, revocation, or termination of  
4 any registration by the Illinois Department of Public  
5 Health;

6 (C) a determination by the Illinois Department of  
7 Public Health that transfer of the registration is in  
8 the best interests of Illinois qualifying patients as  
9 defined by the Compassionate Use of Medical Cannabis  
10 Program Act;

11 (D) the death of an owner of the equity interest in  
12 a registrant;

13 (E) the acquisition of a controlling interest in  
14 the stock or substantially all of the assets of a  
15 publicly traded company;

16 (F) a transfer by a parent company to a wholly  
17 owned subsidiary; or

18 (G) the transfer or sale to or by one person to  
19 another person where both persons were initial owners  
20 of the registration when the registration was issued;  
21 or

22 (2) the cannabis cultivation center registration,  
23 medical cannabis dispensary registration, or the  
24 controlling interest in a registrant's property is  
25 transferred in a transaction to lineal descendants in  
26 which no gain or loss is recognized or as a result of a

1 transaction in accordance with Section 351 of the Internal  
2 Revenue Code in which no gain or loss is recognized.

3 (p) Pass-through entity tax.

4 (1) For taxable years ending on or after December 31,  
5 2021 and beginning prior to January 1, 2026, a partnership  
6 (other than a publicly traded partnership under Section  
7 7704 of the Internal Revenue Code) or Subchapter S  
8 corporation may elect to apply the provisions of this  
9 subsection. A separate election shall be made for each  
10 taxable year. Such election shall be made at such time,  
11 and in such form and manner as prescribed by the  
12 Department, and, once made, is irrevocable.

13 (2) Entity-level tax. A partnership or Subchapter S  
14 corporation electing to apply the provisions of this  
15 subsection shall be subject to a tax for the privilege of  
16 earning or receiving income in this State in an amount  
17 equal to the applicable percentage ~~4.95%~~ of the taxpayer's  
18 net income for the taxable year.

19 (2.1) Applicable percentage defined. As used in this  
20 subsection (p), the applicable percentage is the tax rate  
21 imposed on individuals, trusts, and estates under  
22 subsection (b) for the taxable year.

23 (3) Net income defined.

24 (A) In general. For purposes of paragraph (2), the  
25 term net income has the same meaning as defined in  
26 Section 202 of this Act, except that the following

1 provisions shall not apply:

2 (i) the standard exemption allowed under  
3 Section 204;

4 (ii) the deduction for net losses allowed  
5 under Section 207;

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

8 (iv) in the case of a partnership, the  
9 modifications under Section 203(d)(2)(H) and  
10 Section 203(d)(2)(I).

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

21 (4) Credit for entity level tax. Each partner or  
22 shareholder of a taxpayer making the election under this  
23 Section shall be allowed a credit against the tax imposed  
24 under subsections (a) and (b) of Section 201 of this Act  
25 for the taxable year of the partnership or Subchapter S  
26 corporation for which an election is in effect ending

1 within or with the taxable year of the partner or  
2 shareholder in an amount equal to 4.95% times the partner  
3 or shareholder's distributive share of the net income of  
4 the electing partnership or Subchapter S corporation, but  
5 not to exceed the partner's or shareholder's share of the  
6 tax imposed under paragraph (1) which is actually paid by  
7 the partnership or Subchapter S corporation. If the  
8 taxpayer is a partnership or Subchapter S corporation that  
9 is itself a partner of a partnership making the election  
10 under paragraph (1), the credit under this paragraph shall  
11 be allowed to the taxpayer's partners or shareholders (or  
12 if the partner is a partnership or Subchapter S  
13 corporation then its partners or shareholders) 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. If the  
17 amount of the credit allowed under this paragraph exceeds  
18 the partner's or shareholder's liability for tax imposed  
19 under subsections (a) and (b) of Section 201 of this Act  
20 for the taxable year, such excess shall be treated as an  
21 overpayment for purposes of Section 909 of this Act.

22 (5) Nonresidents. A nonresident individual who is a  
23 partner or shareholder of a partnership or Subchapter S  
24 corporation for a taxable year for which an election is in  
25 effect under paragraph (1) shall not be required to file  
26 an income tax return under this Act for such taxable year

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

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

26 (7) Foreign tax. For purposes of the credit allowed

1 under Section 601(b)(3) of this Act, tax paid by a  
2 partnership or Subchapter S corporation to another state  
3 which, as determined by the Department, is substantially  
4 similar to the tax imposed under this subsection, shall be  
5 considered tax paid by the partner or shareholder to the  
6 extent that the partner's or shareholder's share of the  
7 income of the partnership or Subchapter S corporation  
8 allocated and apportioned to such other state bears to the  
9 total income of the partnership or Subchapter S  
10 corporation allocated or apportioned to such other state.

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

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

21 (10) The provisions of this subsection shall apply  
22 only with respect to taxable years for which the  
23 limitation on individual deductions applies under Section  
24 164(b)(6) of the Internal Revenue Code.

25 (Source: P.A. 101-9, eff. 6-5-19; 101-31, eff. 6-28-19;  
26 101-207, eff. 8-2-19; 101-363, eff. 8-9-19; 102-558, eff.

1 8-20-21; 102-658, eff. 8-27-21.)

2 Section 99. Effective date. This Act takes effect upon  
3 becoming law.