

HB1203



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB1203

Introduced 1/9/2025, by Rep. Dave Severin

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Provides that the rate of tax on individuals, trusts, and estates is 4.85% (currently, 4.95%). Makes a conforming change concerning the pass-through entity tax. Effective immediately.

LRB104 03344 HLH 13366 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 before January 1, 2025, 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, 2025, and
20 ending after December 31, 2024, 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, 2025, as calculated under Section
23 202.5, and (ii) 4.85% of the taxpayer's net income for the
24 period after December 31, 2024, 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, 2025,
2 an amount equal to 4.85% 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, an amount equal to 7%
23 of the taxpayer's net income for the taxable year.

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

26 (b-5) Surcharge; sale or exchange of assets, properties,

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

12 (1) the organization gaming license, organization
13 license, or racetrack property is transferred as a result
14 of any of the following:

15 (A) bankruptcy, a receivership, or a debt
16 adjustment initiated by or against the initial
17 licensee or the substantial owners of the initial
18 licensee;

19 (B) cancellation, revocation, or termination of
20 any such license by the Illinois Gaming Board or the
21 Illinois Racing Board;

22 (C) a determination by the Illinois Gaming Board
23 that transfer of the license is in the best interests
24 of Illinois gaming;

25 (D) the death of an owner of the equity interest in
26 a licensee;

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

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

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

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

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

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

(c) Personal Property Tax Replacement Income Tax.

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

13 (d) Additional Personal Property Tax Replacement Income
14 Tax Rates. The personal property tax replacement income tax
15 imposed by this subsection and subsection (c) of this Section
16 in the case of a corporation, other than a Subchapter S
17 corporation and except as adjusted by subsection (d-1), shall
18 be an additional amount equal to 2.85% of such taxpayer's net
19 income for the taxable year, except that beginning on January
20 1, 1981, and thereafter, the rate of 2.85% specified in this
21 subsection shall be reduced to 2.5%, and in the case of a
22 partnership, trust or a Subchapter S corporation shall be an
23 additional amount equal to 1.5% of such taxpayer's net income
24 for the taxable year.

25 (d-1) Rate reduction for certain foreign insurers. In the
26 case of a foreign insurer, as defined by Section 35A-5 of the

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

23 (1) For the purposes of subsection (d-1), in no event
24 shall the sum of the rates of tax imposed by subsections
25 (b) and (d) be reduced below the rate at which the sum of:
26 (A) the total amount of tax imposed on such

1 foreign insurer under this Act for a taxable year, net
2 of all credits allowed under this Act, plus

3 (B) the privilege tax imposed by Section 409 of
4 the Illinois Insurance Code, the fire insurance
5 company tax imposed by Section 12 of the Fire
6 Investigation Act, and the fire department taxes
7 imposed under Section 11-10-1 of the Illinois
8 Municipal Code,

9 equals 1.25% for taxable years ending prior to December
10 31, 2003, or 1.75% for taxable years ending on or after
11 December 31, 2003, of the net taxable premiums written for
12 the taxable year, as described by subsection (1) of
13 Section 409 of the Illinois Insurance Code. This paragraph
14 will in no event increase the rates imposed under
15 subsections (b) and (d).

16 (2) Any reduction in the rates of tax imposed by this
17 subsection shall be applied first against the rates
18 imposed by subsection (b) and only after the tax imposed
19 by subsection (a) net of all credits allowed under this
20 Section other than the credit allowed under subsection (i)
21 has been reduced to zero, against the rates imposed by
22 subsection (d).

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

25 (e) Investment credit. A taxpayer shall be allowed a
26 credit against the Personal Property Tax Replacement Income

1 Tax for investment in qualified property.

2 (1) A taxpayer shall be allowed a credit equal to .5%
3 of the basis of qualified property placed in service
4 during the taxable year, provided such property is placed
5 in service on or after July 1, 1984. There shall be allowed
6 an additional credit equal to .5% of the basis of
7 qualified property placed in service during the taxable
8 year, provided such property is placed in service on or
9 after July 1, 1986, and the taxpayer's base employment
10 within Illinois has increased by 1% or more over the
11 preceding year as determined by the taxpayer's employment
12 records filed with the Illinois Department of Employment
13 Security. Taxpayers who are new to Illinois shall be
14 deemed to have met the 1% growth in base employment for the
15 first year in which they file employment records with the
16 Illinois Department of Employment Security. The provisions
17 added to this Section by Public Act 85-1200 (and restored
18 by Public Act 87-895) shall be construed as declaratory of
19 existing law and not as a new enactment. If, in any year,
20 the increase in base employment within Illinois over the
21 preceding year is less than 1%, the additional credit
22 shall be limited to that percentage times a fraction, the
23 numerator of which is .5% and the denominator of which is
24 1%, but shall not exceed .5%. The investment credit shall
25 not be allowed to the extent that it would reduce a
26 taxpayer's liability in any tax year below zero, nor may

any credit for qualified property be allowed for any year other than the year in which the property was placed in service in Illinois. For tax years ending on or after December 31, 1987, and on or before December 31, 1988, the credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability or the liability as later amended, such excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit years if the taxpayer (i) makes investments which cause the creation of a minimum of 2,000 full-time equivalent jobs in Illinois, (ii) is located in an enterprise zone established pursuant to the Illinois Enterprise Zone Act and (iii) is certified by the Department of Commerce and Community Affairs (now Department of Commerce and Economic Opportunity) as complying with the requirements specified in clause (i) and (ii) by July 1, 1986. The Department of Commerce and Community Affairs (now Department of Commerce and Economic Opportunity) shall notify the Department of Revenue of all such certifications immediately. For tax years ending after December 31, 1988, the credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability

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

8 (2) The term "qualified property" means property
9 which:

10 (A) is tangible, whether new or used, including
11 buildings and structural components of buildings and
12 signs that are real property, but not including land
13 or improvements to real property that are not a
14 structural component of a building such as
15 landscaping, sewer lines, local access roads, fencing,
16 parking lots, and other appurtenances;

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

22 (C) is acquired by purchase as defined in Section
23 179(d) of the Internal Revenue Code;

24 (D) is used in Illinois by a taxpayer who is
25 primarily engaged in manufacturing, or in mining coal
26 or fluorite, or in retailing, or was placed in service

1 on or after July 1, 2006 in a River Edge Redevelopment
2 Zone established pursuant to the River Edge
3 Redevelopment Zone Act; and

4 (E) has not previously been used in Illinois in
5 such a manner and by such a person as would qualify for
6 the credit provided by this subsection (e) or
7 subsection (f).

8 (3) For purposes of this subsection (e),
9 "manufacturing" means the material staging and production
10 of tangible personal property by procedures commonly
11 regarded as manufacturing, processing, fabrication, or
12 assembling which changes some existing material into new
13 shapes, new qualities, or new combinations. For purposes
14 of this subsection (e) the term "mining" shall have the
15 same meaning as the term "mining" in Section 613(c) of the
16 Internal Revenue Code. For purposes of this subsection
17 (e), the term "retailing" means the sale of tangible
18 personal property for use or consumption and not for
19 resale, or services rendered in conjunction with the sale
20 of tangible personal property for use or consumption and
21 not for resale. For purposes of this subsection (e),
22 "tangible personal property" has the same meaning as when
23 that term is used in the Retailers' Occupation Tax Act,
24 and, for taxable years ending after December 31, 2008,
25 does not include the generation, transmission, or
26 distribution of electricity.

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

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

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

(7) If during any taxable year, any property ceases to be qualified property in the hands of the taxpayer within 48 months after being placed in service, or the situs of any qualified property is moved outside Illinois within 48 months after being placed in service, the Personal Property Tax Replacement Income Tax for such taxable year shall be increased. Such increase shall be determined by (i) recomputing the investment credit which would have been allowed for the year in which credit for such property was originally allowed by eliminating such property from such computation and, (ii) subtracting such recomputed credit from the amount of credit previously allowed. For the purposes of this paragraph (7), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent

1 of such reduction.

2 (8) Unless the investment credit is extended by law,
3 the basis of qualified property shall not include costs
4 incurred after December 31, 2018, except for costs
5 incurred pursuant to a binding contract entered into on or
6 before December 31, 2018.

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

23 For taxable years ending on or after December 31,
24 2000, a partner that qualifies its partnership for a
25 subtraction under subparagraph (I) of paragraph (2) of
26 subsection (d) of Section 203 or a shareholder that

1 qualifies a Subchapter S corporation for a subtraction
2 under subparagraph (S) of paragraph (2) of subsection (b)
3 of Section 203 shall be allowed a credit under this
4 subsection (e) equal to its share of the credit earned
5 under this subsection (e) during the taxable year by the
6 partnership or Subchapter S corporation, determined in
7 accordance with the determination of income and
8 distributive share of income under Sections 702 and 704
9 and Subchapter S of the Internal Revenue Code. This
10 paragraph is exempt from the provisions of Section 250.

11 (f) Investment credit; Enterprise Zone; River Edge
12 Redevelopment Zone.

13 (1) A taxpayer shall be allowed a credit against the
14 tax imposed by subsections (a) and (b) of this Section for
15 investment in qualified property which is placed in
16 service in an Enterprise Zone created pursuant to the
17 Illinois Enterprise Zone Act or, for property placed in
18 service on or after July 1, 2006, a River Edge
19 Redevelopment Zone established pursuant to the River Edge
20 Redevelopment Zone Act. For partners, shareholders of
21 Subchapter S corporations, and owners of limited liability
22 companies, if the liability company is treated as a
23 partnership for purposes of federal and State income
24 taxation, for taxable years ending before December 31,
25 2023, there shall be allowed a credit under this
26 subsection (f) to be determined in accordance with the

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

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

26 (A) is tangible, whether new or used, including

1 buildings and structural components of buildings;

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 (f);

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

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

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

15 (3) The basis of qualified property shall be the basis
16 used to compute the depreciation deduction for federal
17 income tax purposes.

18 (4) If the basis of the property for federal income
19 tax depreciation purposes is increased after it has been
20 placed in service in the Enterprise Zone or River Edge
21 Redevelopment Zone by the taxpayer, the amount of such
22 increase shall be deemed property placed in service on the
23 date of such increase in basis.

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

26 (6) If during any taxable year, any property ceases to

1 be qualified property in the hands of the taxpayer within
2 48 months after being placed in service, or the situs of
3 any qualified property is moved outside the Enterprise
4 Zone or River Edge Redevelopment Zone within 48 months
5 after being placed in service, the tax imposed under
6 subsections (a) and (b) of this Section for such taxable
7 year shall be increased. Such increase shall be determined
8 by (i) recomputing the investment credit which would have
9 been allowed for the year in which credit for such
10 property was originally allowed by eliminating such
11 property from such computation, and (ii) subtracting such
12 recomputed credit from the amount of credit previously
13 allowed. For the purposes of this paragraph (6), a
14 reduction of the basis of qualified property resulting
15 from a redetermination of the purchase price shall be
16 deemed a disposition of qualified property to the extent
17 of such reduction.

18 (7) There shall be allowed an additional credit equal
19 to 0.5% of the basis of qualified property placed in
20 service during the taxable year in a River Edge
21 Redevelopment Zone, provided such property is placed in
22 service on or after July 1, 2006, and the taxpayer's base
23 employment within Illinois has increased by 1% or more
24 over the preceding year as determined by the taxpayer's
25 employment records filed with the Illinois Department of
26 Employment Security. Taxpayers who are new to Illinois

1 shall be deemed to have met the 1% growth in base
2 employment for the first year in which they file
3 employment records with the Illinois Department of
4 Employment Security. If, in any year, the increase in base
5 employment within Illinois over the preceding year is less
6 than 1%, the additional credit shall be limited to that
7 percentage times a fraction, the numerator of which is
8 0.5% and the denominator of which is 1%, but shall not
9 exceed 0.5%.

10 (8) For taxable years beginning on or after January 1,
11 2021, there shall be allowed an Enterprise Zone
12 construction jobs credit against the taxes imposed under
13 subsections (a) and (b) of this Section as provided in
14 Section 13 of the Illinois Enterprise Zone Act.

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

26 For partners, shareholders of Subchapter S

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

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

16 This paragraph (8) is exempt from the provisions of
17 Section 250.

18 (g) (Blank).

19 (h) Investment credit; High Impact Business.

20 (1) Subject to subsections (b) and (b-5) of Section
21 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
22 be allowed a credit against the tax imposed by subsections
23 (a) and (b) of this Section for investment in qualified
24 property which is placed in service by a Department of
25 Commerce and Economic Opportunity designated High Impact
26 Business. The credit shall be .5% of the basis for such

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

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

8 Changes made in this subdivision (h) (1) by Public Act
9 88-670 restore changes made by Public Act 85-1182 and
10 reflect existing law.

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

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

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

19 (C) is acquired by purchase as defined in Section
20 179(d) of the Internal Revenue Code; and

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

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

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

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

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

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

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

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

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

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

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

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

1 rate imposed by subsections (a) and (b) of this Section.

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

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

26 (j) Training expense credit. Beginning with tax years

1 ending on or after December 31, 1986 and prior to December 31,
2 2003, a taxpayer shall be allowed a credit against the tax
3 imposed by subsections (a) and (b) under this Section for all
4 amounts paid or accrued, on behalf of all persons employed by
5 the taxpayer in Illinois or Illinois residents employed
6 outside of Illinois by a taxpayer, for educational or
7 vocational training in semi-technical or technical fields or
8 semi-skilled or skilled fields, which were deducted from gross
9 income in the computation of taxable income. The credit
10 against the tax imposed by subsections (a) and (b) shall be
11 1.6% of such training expenses. For partners, shareholders of
12 subchapter S corporations, and owners of limited liability
13 companies, if the liability company is treated as a
14 partnership for purposes of federal and State income taxation,
15 for taxable years ending before December 31, 2023, there shall
16 be allowed a credit under this subsection (j) to be determined
17 in accordance with the determination of income and
18 distributive share of income under Sections 702 and 704 and
19 subchapter S of the Internal Revenue Code. For taxable years
20 ending on or after December 31, 2023, for partners and
21 shareholders of Subchapter S corporations, the provisions of
22 Section 251 shall apply with respect to the credit under this
23 subsection.

24 Any credit allowed under this subsection which is unused
25 in the year the credit is earned may be carried forward to each
26 of the 5 taxable years following the year for which the credit

1 is first computed until it is used. This credit shall be
2 applied first to the earliest year for which there is a
3 liability. If there is a credit under this subsection from
4 more than one tax year that is available to offset a liability,
5 the earliest credit arising under this subsection shall be
6 applied first. No carryforward credit may be claimed in any
7 tax year ending on or after December 31, 2003.

8 (k) Research and development credit. For tax years ending
9 after July 1, 1990 and prior to December 31, 2003, and
10 beginning again for tax years ending on or after December 31,
11 2004, and ending prior to January 1, 2032, a taxpayer shall be
12 allowed a credit against the tax imposed by subsections (a)
13 and (b) of this Section for increasing research activities in
14 this State. The credit allowed against the tax imposed by
15 subsections (a) and (b) shall be equal to 6 1/2% of the
16 qualifying expenditures for increasing research activities in
17 this State. For partners, shareholders of subchapter S
18 corporations, and owners of limited liability companies, if
19 the liability company is treated as a partnership for purposes
20 of federal and State income taxation, for taxable years ending
21 before December 31, 2023, there shall be allowed a credit
22 under this subsection to be determined in accordance with the
23 determination of income and distributive share of income under
24 Sections 702 and 704 and subchapter S of the Internal Revenue
25 Code. For taxable years ending on or after December 31, 2023,
26 for partners and shareholders of Subchapter S corporations,

1 the provisions of Section 251 shall apply with respect to the
2 credit under this subsection.

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

16 Any credit in excess of the tax liability for the taxable
17 year may be carried forward. A taxpayer may elect to have the
18 unused credit shown on its final completed return carried over
19 as a credit against the tax liability for the following 5
20 taxable years or until it has been fully used, whichever
21 occurs first; provided that no credit earned in a tax year
22 ending prior to December 31, 2003 may be carried forward to any
23 year ending on or after December 31, 2003.

24 If an unused credit is carried forward to a given year from
25 2 or more earlier years, that credit arising in the earliest
26 year will be applied first against the tax liability for the

1 given year. If a tax liability for the given year still
2 remains, the credit from the next earliest year will then be
3 applied, and so on, until all credits have been used or no tax
4 liability for the given year remains. Any remaining unused
5 credit or credits then will be carried forward to the next
6 following year in which a tax liability is incurred, except
7 that no credit can be carried forward to a year which is more
8 than 5 years after the year in which the expense for which the
9 credit is given was incurred.

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

13 It is the intent of the General Assembly that the research
14 and development credit under this subsection (k) shall apply
15 continuously for all tax years ending on or after December 31,
16 2004 and ending prior to January 1, 2032, including, but not
17 limited to, the period beginning on January 1, 2016 and ending
18 on July 6, 2017 (the effective date of Public Act 100-22). All
19 actions taken in reliance on the continuation of the credit
20 under this subsection (k) by any taxpayer are hereby
21 validated.

22 (1) Environmental Remediation Tax Credit.

23 (i) For tax years ending after December 31, 1997 and
24 on or before December 31, 2001, a taxpayer shall be
25 allowed a credit against the tax imposed by subsections
26 (a) and (b) of this Section for certain amounts paid for

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

1 deduction for losses by paragraphs (b), (c), and (f)(1) of
2 Section 267 of the Internal Revenue Code by virtue of
3 being a related taxpayer, as well as any of its partners.
4 The credit allowed against the tax imposed by subsections
5 (a) and (b) shall be equal to 25% of the unreimbursed
6 eligible remediation costs in excess of \$100,000 per site,
7 except that the \$100,000 threshold shall not apply to any
8 site contained in an enterprise zone as determined by the
9 Department of Commerce and Community Affairs (now
10 Department of Commerce and Economic Opportunity). The
11 total credit allowed shall not exceed \$40,000 per year
12 with a maximum total of \$150,000 per site. For partners
13 and shareholders of subchapter S corporations, there shall
14 be allowed a credit under this subsection to be determined
15 in accordance with the determination of income and
16 distributive share of income under Sections 702 and 704
17 and subchapter S of the Internal Revenue Code.

18 (ii) A credit allowed under this subsection that is
19 unused in the year the credit is earned may be carried
20 forward to each of the 5 taxable years following the year
21 for which the credit is first earned until it is used. The
22 term "unused credit" does not include any amounts of
23 unreimbursed eligible remediation costs in excess of the
24 maximum credit per site authorized under paragraph (i).
25 This credit shall be applied first to the earliest year
26 for which there is a liability. If there is a credit under

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

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

21 (m) Education expense credit. Beginning with tax years
22 ending after December 31, 1999, a taxpayer who is the
23 custodian of one or more qualifying pupils shall be allowed a
24 credit against the tax imposed by subsections (a) and (b) of
25 this Section for qualified education expenses incurred on
26 behalf of the qualifying pupils. The credit shall be equal to

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

15 For purposes of this subsection:

16 "Qualifying pupils" means individuals who (i) are
17 residents of the State of Illinois, (ii) are under the age of
18 21 at the close of the school year for which a credit is
19 sought, and (iii) during the school year for which a credit is
20 sought were full-time pupils enrolled in a kindergarten
21 through twelfth grade education program at any school, as
22 defined in this subsection.

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

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

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

11 (n) River Edge Redevelopment Zone site remediation tax
12 credit.

13 (i) For tax years ending on or after December 31,
14 2006, a taxpayer shall be allowed a credit against the tax
15 imposed by subsections (a) and (b) of this Section for
16 certain amounts paid for unreimbursed eligible remediation
17 costs, as specified in this subsection. For purposes of
18 this Section, "unreimbursed eligible remediation costs"
19 means costs approved by the Illinois Environmental
20 Protection Agency ("Agency") under Section 58.14a of the
21 Environmental Protection Act that were paid in performing
22 environmental remediation at a site within a River Edge
23 Redevelopment Zone for which a No Further Remediation
24 Letter was issued by the Agency and recorded under Section
25 58.10 of the Environmental Protection Act. The credit must
26 be claimed for the taxable year in which Agency approval

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

23 (ii) A credit allowed under this subsection that is
24 unused in the year the credit is earned may be carried
25 forward to each of the 5 taxable years following the year
26 for which the credit is first earned until it is used. This

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

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

22 (o) For each of taxable years during the Compassionate Use
23 of Medical Cannabis Program, a surcharge is imposed on all
24 taxpayers on income arising from the sale or exchange of
25 capital assets, depreciable business property, real property
26 used in the trade or business, and Section 197 intangibles of

1 an organization registrant under the Compassionate Use of
2 Medical Cannabis Program Act. The amount of the surcharge is
3 equal to the amount of federal income tax liability for the
4 taxable year attributable to those sales and exchanges. The
5 surcharge imposed does not apply if:

6 (1) the medical cannabis cultivation center
7 registration, medical cannabis dispensary registration, or
8 the property of a registration is transferred as a result
9 of any of the following:

10 (A) bankruptcy, a receivership, or a debt
11 adjustment initiated by or against the initial
12 registration or the substantial owners of the initial
13 registration;

14 (B) cancellation, revocation, or termination of
15 any registration by the Illinois Department of Public
16 Health;

17 (C) a determination by the Illinois Department of
18 Public Health that transfer of the registration is in
19 the best interests of Illinois qualifying patients as
20 defined by the Compassionate Use of Medical Cannabis
21 Program Act;

22 (D) the death of an owner of the equity interest in
23 a registrant;

24 (E) the acquisition of a controlling interest in
25 the stock or substantially all of the assets of a
26 publicly traded company;

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

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

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

(p) Pass-through entity tax.

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

(2) Entity-level tax. A partnership or Subchapter S corporation electing to apply the provisions of this subsection shall be subject to a tax for the privilege of

1 earning or receiving income in this State in an amount
2 equal to a percentage ~~4.95%~~ of the taxpayer's net income
3 for the taxable year. For the purposes of this
4 subparagraph (p), that percentage shall be the tax rate
5 imposed on individuals, trusts, and estates under
6 subsection (b) of this Section.

7 (3) Net income defined.

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

17 (i) the standard exemption allowed under
18 Section 204;

19 (ii) the deduction for net losses allowed
20 under Section 207;

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

23 (iv) in the case of a partnership, the
24 modifications under Section 203(d)(2)(H) and
25 Section 203(d)(2)(I).

26 (B) Special rule for tiered partnerships. If a

1 taxpayer making the election under paragraph (1) is a
2 partner of another taxpayer making the election under
3 paragraph (1), net income shall be computed as
4 provided in subparagraph (A), except that the taxpayer
5 shall subtract its distributive share of the net
6 income of the electing partnership (including its
7 distributive share of the net income of the electing
8 partnership derived as a distributive share from
9 electing partnerships in which it is a partner).

10 (4) Credit for entity level tax. Each partner or
11 shareholder of a taxpayer making the election under this
12 Section shall be allowed a credit against the tax imposed
13 under subsections (a) and (b) of Section 201 of this Act
14 for the taxable year of the partnership or Subchapter S
15 corporation for which an election is in effect ending
16 within or with the taxable year of the partner or
17 shareholder in an amount equal to 4.95% times the partner
18 or shareholder's distributive share of the net income of
19 the electing partnership or Subchapter S corporation, but
20 not to exceed the partner's or shareholder's share of the
21 tax imposed under paragraph (1) which is actually paid by
22 the partnership or Subchapter S corporation. If the
23 taxpayer is a partnership or Subchapter S corporation that
24 is itself a partner of a partnership making the election
25 under paragraph (1), the credit under this paragraph shall
26 be allowed to the taxpayer's partners or shareholders (or

1 if the partner is a partnership or Subchapter S
2 corporation then its partners or shareholders) in
3 accordance with the determination of income and
4 distributive share of income under Sections 702 and 704
5 and Subchapter S of the Internal Revenue Code. If the
6 amount of the credit allowed under this paragraph exceeds
7 the partner's or shareholder's liability for tax imposed
8 under subsections (a) and (b) of Section 201 of this Act
9 for the taxable year, such excess shall be treated as an
10 overpayment for purposes of Section 909 of this Act.

11 (5) Nonresidents. A nonresident individual who is a
12 partner or shareholder of a partnership or Subchapter S
13 corporation for a taxable year for which an election is in
14 effect under paragraph (1) shall not be required to file
15 an income tax return under this Act for such taxable year
16 if the only source of net income of the individual (or the
17 individual and the individual's spouse in the case of a
18 joint return) is from an entity making the election under
19 paragraph (1) and the credit allowed to the partner or
20 shareholder under paragraph (4) equals or exceeds the
21 individual's liability for the tax imposed under
22 subsections (a) and (b) of Section 201 of this Act for the
23 taxable year.

24 (6) Liability for tax. Except as provided in this
25 paragraph, a partnership or Subchapter S making the
26 election under paragraph (1) is liable for the

1 entity-level tax imposed under paragraph (2). If the
2 electing partnership or corporation fails to pay the full
3 amount of tax deemed assessed under paragraph (2), the
4 partners or shareholders shall be liable to pay the tax
5 assessed (including penalties and interest). Each partner
6 or shareholder shall be liable for the unpaid assessment
7 based on the ratio of the partner's or shareholder's share
8 of the net income of the partnership over the total net
9 income of the partnership. If the partnership or
10 Subchapter S corporation fails to pay the tax assessed
11 (including penalties and interest) and thereafter an
12 amount of such tax is paid by the partners or
13 shareholders, such amount shall not be collected from the
14 partnership or corporation.

15 (7) Foreign tax. For purposes of the credit allowed
16 under Section 601(b)(3) of this Act, tax paid by a
17 partnership or Subchapter S corporation to another state
18 which, as determined by the Department, is substantially
19 similar to the tax imposed under this subsection, shall be
20 considered tax paid by the partner or shareholder to the
21 extent that the partner's or shareholder's share of the
22 income of the partnership or Subchapter S corporation
23 allocated and apportioned to such other state bears to the
24 total income of the partnership or Subchapter S
25 corporation allocated or apportioned to such other state.

26 (8) Suspension of withholding. The provisions of

1 Section 709.5 of this Act shall not apply to a partnership
2 or Subchapter S corporation for the taxable year for which
3 an election under paragraph (1) is in effect.

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

10 (10) The provisions of this subsection shall apply
11 only with respect to taxable years for which the
12 limitation on individual deductions applies under Section
13 164(b)(6) of the Internal Revenue Code.

14 (Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21;
15 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff.
16 6-26-24; 103-605, eff. 7-1-24.)

17 Section 99. Effective date. This Act takes effect upon
18 becoming law.