

HB2609



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2609

Introduced 2/6/2025, by Rep. Adam M. Niemerg

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Reduces the rate of tax on corporations from 7% to 5.5%. Effective immediately.

LRB104 10355 HLH 20429 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, an
16 amount equal to 4.95% of the taxpayer's net income for the
17 taxable year.

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

21 (7) In the case of a corporation, for taxable years
22 beginning prior to July 1, 1989 and ending after June 30,
23 1989, an amount equal to the sum of (i) 4% of the
24 taxpayer's net income for the period prior to July 1,
25 1989, as calculated under Section 202.3, and (ii) 4.8% of
26 the taxpayer's net income for the period after June 30,

1 1989, as calculated under Section 202.3.

2 (8) In the case of a corporation, for taxable years
3 beginning after June 30, 1989, and ending prior to January
4 1, 2011, an amount equal to 4.8% of the taxpayer's net
5 income for the taxable year.

6 (9) In the case of a corporation, for taxable years
7 beginning prior to January 1, 2011, and ending after
8 December 31, 2010, an amount equal to the sum of (i) 4.8%
9 of the taxpayer's net income for the period prior to
10 January 1, 2011, as calculated under Section 202.5, and
11 (ii) 7% of the taxpayer's net income for the period after
12 December 31, 2010, as calculated under Section 202.5.

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

17 (11) In the case of a corporation, for taxable years
18 beginning prior to January 1, 2015, and ending after
19 December 31, 2014, an amount equal to the sum of (i) 7% of
20 the taxpayer's net income for the period prior to January
21 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
22 of the taxpayer's net income for the period after December
23 31, 2014, as calculated under Section 202.5.

24 (12) In the case of a corporation, for taxable years
25 beginning on or after January 1, 2015, and ending prior to
26 July 1, 2017, an amount equal to 5.25% of the taxpayer's

1 net income for the taxable year.

2 (13) In the case of a corporation, for taxable years
3 beginning prior to July 1, 2017, and ending after June 30,
4 2017, an amount equal to the sum of (i) 5.25% of the
5 taxpayer's net income for the period prior to July 1,
6 2017, as calculated under Section 202.5, and (ii) 7% of
7 the taxpayer's net income for the period after June 30,
8 2017, as calculated under Section 202.5.

9 (14) In the case of a corporation, for taxable years
10 beginning on or after July 1, 2017 and ending prior to
11 January 1, 2025, an amount equal to 7% of the taxpayer's
12 net income for the taxable year.

13 (15) In the case of a corporation, for taxable years
14 beginning prior to January 1, 2025, and ending after
15 December 31, 2024, an amount equal to the sum of (i) 7% of
16 the taxpayer's net income for the period prior to January
17 1, 2025, as calculated under Section 202.5, and (ii) 5.5%
18 of the taxpayer's net income for the period after December
19 31, 2024, as calculated under Section 202.5.

20 (16) In the case of a corporation, for taxable years
21 beginning on or after January 1, 2025, an amount equal to
22 5.5% of the taxpayer's net income for the taxable year.

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

25 (b-5) Surcharge; sale or exchange of assets, properties,
26 and intangibles of organization gaming licensees. For each of

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

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

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

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

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

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

26 (E) the acquisition of a controlling interest in

1 the stock or substantially all of the assets of a
2 publicly traded company;

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

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

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

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

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

25 (c) Personal Property Tax Replacement Income Tax.
26 Beginning on July 1, 1979 and thereafter, in addition to such

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

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

24 (d-1) Rate reduction for certain foreign insurers. In the
25 case of a foreign insurer, as defined by Section 35A-5 of the
26 Illinois Insurance Code, whose state or country of domicile

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

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

25 (A) the total amount of tax imposed on such
26 foreign insurer under this Act for a taxable year, net

1 of all credits allowed under this Act, plus

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

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

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

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

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

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

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

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

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

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

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 (e);

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

23 (D) is used in Illinois by a taxpayer who is
24 primarily engaged in manufacturing, or in mining coal
25 or fluorite, or in retailing, or was placed in service
26 on or after July 1, 2006 in a River Edge Redevelopment

1 Zone established pursuant to the River Edge
2 Redevelopment Zone Act; and

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

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

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

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

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

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

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

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

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

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

1 under subparagraph (S) of paragraph (2) of subsection (b)
2 of Section 203 shall be allowed a credit under this
3 subsection (e) equal to its share of the credit earned
4 under this subsection (e) during the taxable year by the
5 partnership or Subchapter S corporation, 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. This
9 paragraph is exempt from the provisions of Section 250.

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

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

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

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

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

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

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

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

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

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

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

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

25 (6) If during any taxable year, any property ceases to
26 be qualified property in the hands of the taxpayer within

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

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

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

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

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

25 For partners, shareholders of Subchapter S
26 corporations, and owners of limited liability companies,

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

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

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

17 (g) (Blank).

18 (h) Investment credit; High Impact Business.

19 (1) Subject to subsections (b) and (b-5) of Section
20 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
21 be allowed a credit against the tax imposed by subsections
22 (a) and (b) of this Section for investment in qualified
23 property which is placed in service by a Department of
24 Commerce and Economic Opportunity designated High Impact
25 Business. The credit shall be .5% of the basis for such
26 property. The credit shall not be available (i) until the

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

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

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

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

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

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

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

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

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

26 (4) If the basis of the property for federal income

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

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

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

26 (7) Beginning with tax years ending after December 31,

1 1996, if a taxpayer qualifies for the credit under this
2 subsection (h) and thereby is granted a tax abatement and
3 the taxpayer relocates its entire facility in violation of
4 the explicit terms and length of the contract under
5 Section 18-183 of the Property Tax Code, the tax imposed
6 under subsections (a) and (b) of this Section shall be
7 increased for the taxable year in which the taxpayer
8 relocated its facility by an amount equal to the amount of
9 credit received by the taxpayer under this subsection (h).

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

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

26 For partners, shareholders of Subchapter S corporations,

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

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

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

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

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

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

25 (j) Training expense credit. Beginning with tax years
26 ending on or after December 31, 1986 and prior to December 31,

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

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

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

7 (k) Research and development credit. For tax years ending
8 after July 1, 1990 and prior to December 31, 2003, and
9 beginning again for tax years ending on or after December 31,
10 2004, and ending prior to January 1, 2032, a taxpayer shall be
11 allowed a credit against the tax imposed by subsections (a)
12 and (b) of this Section for increasing research activities in
13 this State. The credit allowed against the tax imposed by
14 subsections (a) and (b) shall be equal to 6 1/2% of the
15 qualifying expenditures for increasing research activities in
16 this State. For partners, shareholders of subchapter S
17 corporations, and owners of limited liability companies, if
18 the liability company is treated as a partnership for purposes
19 of federal and State income taxation, for taxable years ending
20 before December 31, 2023, there shall be allowed a credit
21 under this subsection to be determined in accordance with the
22 determination of income and distributive share of income under
23 Sections 702 and 704 and subchapter S of the Internal Revenue
24 Code. For taxable years ending on or after December 31, 2023,
25 for partners and shareholders of Subchapter S corporations,
26 the provisions of Section 251 shall apply with respect to the

1 credit under this subsection.

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

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

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

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

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

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

21 (l) Environmental Remediation Tax Credit.

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

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

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

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

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

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

20 (m) Education expense credit. Beginning with tax years
21 ending after December 31, 1999, a taxpayer who is the
22 custodian of one or more qualifying pupils shall be allowed a
23 credit against the tax imposed by subsections (a) and (b) of
24 this Section for qualified education expenses incurred on
25 behalf of the qualifying pupils. The credit shall be equal to
26 25% of qualified education expenses, but in no event may the

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

14 For purposes of this subsection:

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

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

26 "School" means any public or nonpublic elementary or

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

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

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

12 (i) For tax years ending on or after December 31,
13 2006, a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) of this Section for
15 certain amounts paid for unreimbursed eligible remediation
16 costs, as specified in this subsection. For purposes of
17 this Section, "unreimbursed eligible remediation costs"
18 means costs approved by the Illinois Environmental
19 Protection Agency ("Agency") under Section 58.14a of the
20 Environmental Protection Act that were paid in performing
21 environmental remediation at a site within a River Edge
22 Redevelopment Zone 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. Determinations as to
7 credit availability for purposes of this Section shall be
8 made consistent with rules adopted by the Pollution
9 Control Board pursuant to the Illinois Administrative
10 Procedure Act for the administration and enforcement of
11 Section 58.9 of the Environmental Protection Act. For
12 purposes of this Section, "taxpayer" includes a person
13 whose tax attributes the taxpayer has succeeded to under
14 Section 381 of the Internal Revenue Code and "related
15 party" includes the persons disallowed a deduction for
16 losses by paragraphs (b), (c), and (f)(1) of Section 267
17 of the Internal Revenue Code by virtue of being a related
18 taxpayer, as well as any of its partners. The credit
19 allowed against the tax imposed by subsections (a) and (b)
20 shall be equal to 25% of the unreimbursed eligible
21 remediation costs in excess of \$100,000 per site.

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

1 which there is a liability. If there is a credit under this
2 subsection from more than one tax year that is available
3 to offset a liability, the earliest credit arising under
4 this subsection shall be applied first. A credit allowed
5 under this subsection may be sold to a buyer as part of a
6 sale of all or part of the remediation site for which the
7 credit was granted. The purchaser of a remediation site
8 and the tax credit shall succeed to the unused credit and
9 remaining carry-forward period of the seller. To perfect
10 the transfer, the assignor shall record the transfer in
11 the chain of title for the site and provide written notice
12 to the Director of the Illinois Department of Revenue of
13 the assignor's intent to sell the remediation site and the
14 amount of the tax credit to be transferred as a portion of
15 the sale. In no event may a credit be transferred to any
16 taxpayer if the taxpayer or a related party would not be
17 eligible under the provisions 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 (o) For each of taxable years during the Compassionate Use
22 of Medical Cannabis Program, a surcharge is imposed on all
23 taxpayers on income arising from the sale or exchange of
24 capital assets, depreciable business property, real property
25 used in the trade or business, and Section 197 intangibles of
26 an organization registrant under the Compassionate Use of

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

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

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

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

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

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

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

26 (F) a transfer by a parent company to a wholly

1 owned subsidiary; or

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

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

13 (p) Pass-through entity tax.

14 (1) For taxable years ending on or after December 31,
15 2021 and beginning prior to January 1, 2026, a partnership
16 (other than a publicly traded partnership under Section
17 7704 of the Internal Revenue Code) or Subchapter S
18 corporation may elect to apply the provisions of this
19 subsection. A separate election shall be made for each
20 taxable year. Such election shall be made at such time,
21 and in such form and manner as prescribed by the
22 Department, and, once made, is irrevocable.

23 (2) Entity-level tax. A partnership or Subchapter S
24 corporation electing to apply the provisions of this
25 subsection shall be subject to a tax for the privilege of
26 earning or receiving income in this State in an amount

1 equal to 4.95% of the taxpayer's net income for the
2 taxable year.

3 (3) Net income defined.

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

13 (i) the standard exemption allowed under
14 Section 204;

15 (ii) the deduction for net losses allowed
16 under Section 207;

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

19 (iv) in the case of a partnership, the
20 modifications under Section 203(d)(2)(H) and
21 Section 203(d)(2)(I).

22 (B) Special rule for tiered partnerships. If a
23 taxpayer making the election under paragraph (1) is a
24 partner of another taxpayer making the election under
25 paragraph (1), net income shall be computed as
26 provided in subparagraph (A), except that the taxpayer

1 shall subtract its distributive share of the net
2 income of the electing partnership (including its
3 distributive share of the net income of the electing
4 partnership derived as a distributive share from
5 electing partnerships in which it is a partner).

6 (4) Credit for entity level tax. Each partner or
7 shareholder of a taxpayer making the election under this
8 Section shall be allowed a credit against the tax imposed
9 under subsections (a) and (b) of Section 201 of this Act
10 for the taxable year of the partnership or Subchapter S
11 corporation for which an election is in effect ending
12 within or with the taxable year of the partner or
13 shareholder in an amount equal to 4.95% times the partner
14 or shareholder's distributive share of the net income of
15 the electing partnership or Subchapter S corporation, but
16 not to exceed the partner's or shareholder's share of the
17 tax imposed under paragraph (1) which is actually paid by
18 the partnership or Subchapter S corporation. If the
19 taxpayer is a partnership or Subchapter S corporation that
20 is itself a partner of a partnership making the election
21 under paragraph (1), the credit under this paragraph shall
22 be allowed to the taxpayer's partners or shareholders (or
23 if the partner is a partnership or Subchapter S
24 corporation then its partners or shareholders) in
25 accordance with the determination of income and
26 distributive share of income under Sections 702 and 704

1 and Subchapter S of the Internal Revenue Code. If the
2 amount of the credit allowed under this paragraph exceeds
3 the partner's or shareholder's liability for tax imposed
4 under subsections (a) and (b) of Section 201 of this Act
5 for the taxable year, such excess shall be treated as an
6 overpayment for purposes of Section 909 of this Act.

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

20 (6) Liability for tax. Except as provided in this
21 paragraph, a partnership or Subchapter S making the
22 election under paragraph (1) is liable for the
23 entity-level tax imposed under paragraph (2). If the
24 electing partnership or corporation fails to pay the full
25 amount of tax deemed assessed under paragraph (2), the
26 partners or shareholders shall be liable to pay the tax

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

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

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

26 (9) Requirement to pay estimated tax. For each taxable

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

6 (10) The provisions of this subsection shall apply
7 only with respect to taxable years for which the
8 limitation on individual deductions applies under Section
9 164(b)(6) of the Internal Revenue Code.

10 (Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21;
11 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff.
12 6-26-24; 103-605, eff. 7-1-24.)

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.