

**104TH GENERAL ASSEMBLY****State of Illinois****2025 and 2026****HB2697**

Introduced 2/6/2025, by Rep. Curtis J. Tarver, II

**SYNOPSIS AS INTRODUCED:**

35 ILCS 5/804

from Ch. 120, par. 8-804

Amends the Illinois Income Tax Act. In provisions concerning the estimated tax, provides that the required annual payment is the lesser of: (i) 90% of the tax shown on the return for the taxable year, or if no return is filed, 90% of the tax for the year; (ii) 100% of the tax shown on the return of the taxpayer for the preceding taxable year if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and the preceding year was a taxable year of 12 months; or (iii) 90% of the tax for the taxable year that would have been due based on the Act as it exists on the first day of the taxable year. Effective immediately.

LRB104 08343 HLH 18394 b

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 804 as follows:

6           (35 ILCS 5/804) (from Ch. 120, par. 8-804)

7           Sec. 804. Failure to pay estimated tax.

8           (a) In general. In case of any underpayment of estimated  
9           tax by a taxpayer, except as provided in subsection (d) or (e),  
10           the taxpayer shall be liable to a penalty in an amount  
11           determined at the rate prescribed by Section 3-3 of the  
12           Uniform Penalty and Interest Act upon the amount of the  
13           underpayment (determined under subsection (b)) for each  
14           required installment.

15           (b) Amount of underpayment. For purposes of subsection  
16           (a), the amount of the underpayment shall be the excess of:

17           (1) the amount of the installment which would be  
18           required to be paid under subsection (c), over

19           (2) the amount, if any, of the installment paid on or  
20           before the last date prescribed for payment.

21           (c) Amount of Required Installments.

22           (1) Amount.

23           (A) In General. Except as provided in paragraphs

(2) and (3), the amount of any required installment shall be 25% of the required annual payment.

(B) Required Annual Payment. For purposes of subparagraph (A), the term "required annual payment" means the lesser of:

(i) 90% of the tax shown on the return for the taxable year, or if no return is filed, 90% of the tax for such year;

(ii) for installments due prior to February 1, 2011, and after January 31, 2012, 100% of the tax shown on the return of the taxpayer for the preceding taxable year if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and such preceding year was a taxable year of 12 months; ~~or~~

(iii) for installments due after January 31, 2011, and prior to February 1, 2012, 150% of the tax shown on the return of the taxpayer for the preceding taxable year if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and such preceding year was a taxable year of 12 months; or   .

(iv) 90% of the tax for the taxable year that would have been due based on this Act as it exists on the first day of the taxable year.

(2) Lower Required Installment where Annualized Income

Installment is Less Than Amount Determined Under Paragraph (1).

(A) In General. In the case of any required installment if a taxpayer establishes that the annualized income installment is less than the amount determined under paragraph (1),

(i) the amount of such required installment shall be the annualized income installment, and

(ii) any reduction in a required installment resulting from the application of this subparagraph shall be recaptured by increasing the amount of the next required installment determined under paragraph (1) by the amount of such reduction, and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under this clause.

(B) Determination of Annualized Income  
Installment. In the case of any required installment, the annualized income installment is the excess, if any, of:

(i) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the net income for months in the taxable year ending before the due date for the installment, over

(ii) the aggregate amount of any prior

1 required installments for the taxable year.

2 (C) Applicable Percentage.

3	In the case of the following	The applicable
4	required installments:	percentage is:
5	1st.....	22.5%
6	2nd.....	45%
7	3rd.....	67.5%
8	4th.....	90%

9 (D) Annualized Net Income; Individuals. For  
10 individuals, net income shall be placed on an  
11 annualized basis by:

12 (i) multiplying by 12, or in the case of a  
13 taxable year of less than 12 months, by the number  
14 of months in the taxable year, the net income  
15 computed without regard to the standard exemption  
16 for the months in the taxable year ending before  
17 the month in which the installment is required to  
18 be paid;

19 (ii) dividing the resulting amount by the  
20 number of months in the taxable year ending before  
21 the month in which such installment date falls;  
22 and

23 (iii) deducting from such amount the standard  
24 exemption allowable for the taxable year, such  
25 standard exemption being determined as of the last  
26 date prescribed for payment of the installment.

(E) Annualized Net Income; Corporations. For corporations, net income shall be placed on an annualized basis by multiplying by 12 the taxable income

(i) for the first 3 months of the taxable year, in the case of the installment required to be paid in the 4th month,

(ii) for the first 3 months or for the first 5 months of the taxable year, in the case of the installment required to be paid in the 6th month,

(iii) for the first 6 months or for the first 8 months of the taxable year, in the case of the installment required to be paid in the 9th month, and

(iv) for the first 9 months or for the first 11 months of the taxable year, in the case of the installment required to be paid in the 12th month of the taxable year,

then dividing the resulting amount by the number of months in the taxable year (3, 5, 6, 8, 9, or 11 as the case may be).

(3) Notwithstanding any other provision of this subsection (c), in the case of a federally regulated exchange that elects to apportion its income under Section 304(c-1) of this Act, the amount of each required installment due prior to June 30 of the first taxable year

1 to which the election applies shall be 25% of the tax that  
2 would have been shown on the return for that taxable year  
3 if the taxpayer had not made such election.

4 (d) Exceptions. Notwithstanding the provisions of the  
5 preceding subsections, the penalty imposed by subsection (a)  
6 shall not be imposed if the taxpayer was not required to file  
7 an Illinois income tax return for the preceding taxable year,  
8 or, for individuals, if the taxpayer had no tax liability for  
9 the preceding taxable year and such year was a taxable year of  
10 12 months. The penalty imposed by subsection (a) shall also  
11 not be imposed on any underpayments of estimated tax due  
12 before the effective date of this amendatory Act of 1998 which  
13 underpayments are solely attributable to the change in  
14 apportionment from subsection (a) to subsection (h) of Section  
15 304. The provisions of this amendatory Act of 1998 apply to tax  
16 years ending on or after December 31, 1998.

17 (e) The penalty imposed for underpayment of estimated tax  
18 by subsection (a) of this Section shall not be imposed to the  
19 extent that the Director or his or her designate determines,  
20 pursuant to Section 3-8 of the Uniform Penalty and Interest  
21 Act that the penalty should not be imposed.

22 (f) Definition of tax. For purposes of subsections (b) and  
23 (c), the term "tax" means the excess of the tax imposed under  
24 Article 2 of this Act, over the amounts credited against such  
25 tax under Sections 601(b) (3) and (4).

26 (g) Application of Section in case of tax withheld under

1 Article 7. For purposes of applying this Section:

2 (1) tax withheld from compensation for the taxable  
3 year shall be deemed a payment of estimated tax, and an  
4 equal part of such amount shall be deemed paid on each  
5 installment date for such taxable year, unless the  
6 taxpayer establishes the dates on which all amounts were  
7 actually withheld, in which case the amounts so withheld  
8 shall be deemed payments of estimated tax on the dates on  
9 which such amounts were actually withheld;

10 (2) amounts timely paid by a partnership, Subchapter S  
11 corporation, or trust on behalf of a partner, shareholder,  
12 or beneficiary pursuant to subsection (f) of Section 502  
13 or Section 709.5 and claimed as a payment of estimated tax  
14 shall be deemed a payment of estimated tax made on the last  
15 day of the taxable year of the partnership, Subchapter S  
16 corporation, or trust for which the income from the  
17 withholding is made was computed; and

18 (3) all other amounts pursuant to Article 7 shall be  
19 deemed a payment of estimated tax on the date the payment  
20 is made to the taxpayer of the amount from which the tax is  
21 withheld.

22 (g-5) Amounts withheld under the State Salary and Annuity  
23 Withholding Act. An individual who has amounts withheld under  
24 paragraph (10) of Section 4 of the State Salary and Annuity  
25 Withholding Act may elect to have those amounts treated as  
26 payments of estimated tax made on the dates on which those

1 amounts are actually withheld.

2       (i) Short taxable year. The application of this Section to  
3 taxable years of less than 12 months shall be in accordance  
4 with regulations prescribed by the Department.

5       The changes in this Section made by Public Act 84-127  
6 shall apply to taxable years ending on or after January 1,  
7 1986.

8       (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11;  
9 97-636, eff. 6-1-12.)

10       Section 99. Effective date. This Act takes effect upon  
11 becoming law.