

HB3776



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3776

Introduced 2/18/2025, by Rep. Travis Weaver

SYNOPSIS AS INTRODUCED:

35 ILCS 5/207

from Ch. 120, par. 2-207

Amends the Illinois Income Tax Act. Removes a provision providing that no carryover deduction shall exceed \$500,000 for any taxable year ending on or after December 31, 2024 and prior to December 31, 2027. Provides that the limitation is inapplicable for all tax years ending on or after December 31, 2024. Effective immediately.

LRB104 10003 HLH 20073 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 207 as follows:

6 (35 ILCS 5/207) (from Ch. 120, par. 2-207)

7 Sec. 207. Net Losses.

8 (a) If after applying all of the (i) modifications
9 provided for in paragraph (2) of Section 203(b), paragraph (2)
10 of Section 203(c) and paragraph (2) of Section 203(d) and (ii)
11 the allocation and apportionment provisions of Article 3 of
12 this Act and subsection (c) of this Section, the taxpayer's
13 net income results in a loss;

14 (1) for any taxable year ending prior to December 31,
15 1999, such loss shall be allowed as a carryover or
16 carryback deduction in the manner allowed under Section
17 172 of the Internal Revenue Code;

18 (2) for any taxable year ending on or after December
19 31, 1999 and prior to December 31, 2003, such loss shall be
20 allowed as a carryback to each of the 2 taxable years
21 preceding the taxable year of such loss and shall be a net
22 operating loss carryover to each of the 20 taxable years
23 following the taxable year of such loss;

1 (3) for any taxable year ending on or after December
2 31, 2003 and prior to December 31, 2021, such loss shall be
3 allowed as a net operating loss carryover to each of the 12
4 taxable years following the taxable year of such loss,
5 except as provided in subsection (d); and

6 (4) for any taxable year ending on or after December
7 31, 2021, and for any net loss incurred in a taxable year
8 prior to a taxable year ending on or after December 31,
9 2021 for which the statute of limitation for utilization
10 of such net loss has not expired, such loss shall be
11 allowed as a net operating loss carryover to each of the 20
12 taxable years following the taxable year of such loss,
13 except as provided in subsection (d).

14 (a-5) Election to relinquish carryback and order of
15 application of losses.

16 (A) For losses incurred in tax years ending prior
17 to December 31, 2003, the taxpayer may elect to
18 relinquish the entire carryback period with respect to
19 such loss. Such election shall be made in the form and
20 manner prescribed by the Department and shall be made
21 by the due date (including extensions of time) for
22 filing the taxpayer's return for the taxable year in
23 which such loss is incurred, and such election, once
24 made, shall be irrevocable.

25 (B) The entire amount of such loss shall be
26 carried to the earliest taxable year to which such

1 loss may be carried. The amount of such loss which
2 shall be carried to each of the other taxable years
3 shall be the excess, if any, of the amount of such loss
4 over the sum of the deductions for carryback or
5 carryover of such loss allowable for each of the prior
6 taxable years to which such loss may be carried.

7 (b) Any loss determined under subsection (a) of this
8 Section must be carried back or carried forward in the same
9 manner for purposes of subsections (a) and (b) of Section 201
10 of this Act as for purposes of subsections (c) and (d) of
11 Section 201 of this Act.

12 (c) Notwithstanding any other provision of this Act, for
13 each taxable year ending on or after December 31, 2008, for
14 purposes of computing the loss for the taxable year under
15 subsection (a) of this Section and the deduction taken into
16 account for the taxable year for a net operating loss
17 carryover under paragraphs (1), (2), and (3) of subsection (a)
18 of this Section, the loss and net operating loss carryover
19 shall be reduced in an amount equal to the reduction to the net
20 operating loss and net operating loss carryover to the taxable
21 year, respectively, required under Section 108(b)(2)(A) of the
22 Internal Revenue Code, multiplied by a fraction, the numerator
23 of which is the amount of discharge of indebtedness income
24 that is excluded from gross income for the taxable year (but
25 only if the taxable year ends on or after December 31, 2008)
26 under Section 108(a) of the Internal Revenue Code and that

1 would have been allocated and apportioned to this State under
2 Article 3 of this Act but for that exclusion, and the
3 denominator of which is the total amount of discharge of
4 indebtedness income excluded from gross income under Section
5 108(a) of the Internal Revenue Code for the taxable year. The
6 reduction required under this subsection (c) shall be made
7 after the determination of Illinois net income for the taxable
8 year in which the indebtedness is discharged.

9 (d) In the case of a corporation (other than a Subchapter S
10 corporation):

11 (1) no carryover deduction shall be allowed under this
12 Section for any taxable year ending after December 31,
13 2010 and prior to December 31, 2012;

14 (2) no carryover deduction shall exceed \$100,000 for
15 any taxable year ending on or after December 31, 2012 and
16 prior to December 31, 2014 and for any taxable year ending
17 on or after December 31, 2021 and prior to December 31,
18 2024; and

19 (3) (blank). ~~no carryover deduction shall exceed~~
20 ~~\$500,000 for any taxable year ending on or after December~~
21 ~~31, 2024 and prior to December 31, 2027.~~

22 It is the intent of the General Assembly that the
23 limitation on carryover deductions enacted in Article 105 of
24 Public Act 103-592 is repealed and inapplicable for all tax
25 years ending on or after December 31, 2024.

26 For the purposes of determining the taxable years to which

1 a net loss may be carried under subsection (a) of this Section,
2 no taxable year for which a deduction is disallowed under this
3 subsection, or for which the deduction would exceed \$100,000
4 or \$500,000, as applicable, if not for this subsection, shall
5 be counted.

6 (e) In the case of a residual interest holder in a real
7 estate mortgage investment conduit subject to Section 860E of
8 the Internal Revenue Code, the net loss in subsection (a)
9 shall be equal to:

10 (1) the amount computed under subsection (a), without
11 regard to this subsection (e), or if that amount is
12 positive, zero;

13 (2) minus an amount equal to the amount computed under
14 subsection (a), without regard to this subsection (e),
15 minus the amount that would be computed under subsection
16 (a) if the taxpayer's federal taxable income were computed
17 without regard to Section 860E of the Internal Revenue
18 Code and without regard to this subsection (e).

19 The modification in this subsection (e) is exempt from the
20 provisions of Section 250.

21 (Source: P.A. 102-16, eff. 6-17-21; 102-669, eff. 11-16-21;
22 103-592, eff. 6-7-24.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.