



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB5203

Introduced 2/10/2026, by Rep. Michael J. Kelly

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/246 new

Amends the Illinois Income Tax Act. Creates an income tax credit for a taxpayer who owns, operates, or manages a hotel. Provides that the amount of the credit is equal to 25% of the qualified renovation expenditures incurred during the taxable year, subject to specified limitations. Effective immediately.

LRB104 18609 HLH 32052 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 adding Section 246 as follows:

6 (35 ILCS 5/246 new)

7 Sec. 246. Hotel renovation tax credit.

8 (a) As used in this Section:

9 "Qualified renovation expenditures" means expenditures  
10 directly related to the renovation, rehabilitation, or  
11 improvement of a hotel property located in this State, to the  
12 extent those costs are demonstrably increased as a result of  
13 tariffs imposed on imported materials on or after January 1,  
14 2025.

15 "Qualified taxpayer" means a taxpayer that is subject to  
16 tax under subsections (a) and (b) of Section 201 of this Act  
17 and who owns, operates, or manages a hotel as defined in the  
18 Hotel Operators' Occupation Tax Act.

19 "Union labor" means labor performed by individuals who are  
20 members of a bona fide labor organization recognized under  
21 federal or State law.

22 (b) For taxable years beginning on or after January 1,  
23 2027 and beginning before January 1, 2035, a qualified

1 taxpayer is entitled to a credit against the tax imposed by  
2 subsections (a) and (b) of Section 201 of this Act in an amount  
3 equal to 25% of the qualified renovation expenditures incurred  
4 during the taxable year, subject to the limitations provided  
5 in this Section.

6 (c) To be eligible for the credit under this Section:

7 (1) the taxpayer must certify that all construction,  
8 renovation, or rehabilitation work related to the claimed  
9 expenditures was performed using union labor;

10 (2) the taxpayer must provide documentation, as  
11 prescribed by the Department, demonstrating that the  
12 renovation costs were increased due to tariffs on  
13 materials; and

14 (3) the taxpayer must maintain records sufficient to  
15 substantiate eligibility for the credit for a period of  
16 not less than 5 years.

17 (d) The total amount of the credit allowed under this  
18 Section for any taxpayer in a taxable year shall not exceed  
19 \$500,000. The credit may not reduce the taxpayer's liability  
20 to less than zero. Any unused credit may be carried forward and  
21 applied to the taxpayer's liability for up to 5 taxable years  
22 following the year in which the credit is first allowed.

23 (e) The Department shall adopt rules and prescribe forms  
24 as necessary to implement and administer this Section,  
25 including rules for verifying tariff-related cost increases  
26 and union labor compliance.

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