

SB1813



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB1813

Introduced 2/5/2025, by Sen. Ram Villivalam

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Provides that the education expense credit shall be 50% of the qualified education expenses incurred by a custodian on behalf of a qualifying pupil. Provides that, for tax years ending on or after December 31, 2025, the education expense credit shall be no more than \$2,000 per child for a maximum of \$6,000 per family. Provides that no taxpayer may claim an education expense credit if the taxpayer's adjusted gross income exceeds 400% of the federal poverty level. Makes changes concerning the definition of "qualified education expense". Effective immediately.

LRB104 09191 HLH 19247 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, an amount equal to 7%
11 of the taxpayer's net income for the taxable year.

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

14 (b-5) Surcharge; sale or exchange of assets, properties,
15 and intangibles of organization gaming licensees. For each of
16 taxable years 2019 through 2027, a surcharge is imposed on all
17 taxpayers on income arising from the sale or exchange of
18 capital assets, depreciable business property, real property
19 used in the trade or business, and Section 197 intangibles (i)
20 of an organization licensee under the Illinois Horse Racing
21 Act of 1975 and (ii) of an organization gaming licensee under
22 the Illinois Gambling Act. The amount of the surcharge is
23 equal to the amount of federal income tax liability for the
24 taxable year attributable to those sales and exchanges. The
25 surcharge imposed shall not apply if:

26 (1) the organization gaming license, organization

1 license, or racetrack property is transferred as a result
2 of any of the following:

3 (A) bankruptcy, a receivership, or a debt
4 adjustment initiated by or against the initial
5 licensee or the substantial owners of the initial
6 licensee;

7 (B) cancellation, revocation, or termination of
8 any such license by the Illinois Gaming Board or the
9 Illinois Racing Board;

10 (C) a determination by the Illinois Gaming Board
11 that transfer of the license is in the best interests
12 of Illinois gaming;

13 (D) the death of an owner of the equity interest in
14 a licensee;

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

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

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

23 (2) the controlling interest in the organization
24 gaming license, organization license, or racetrack
25 property is transferred in a transaction to lineal
26 descendants in which no gain or loss is recognized or as a

1 result of a transaction in accordance with Section 351 of
2 the Internal Revenue Code in which no gain or loss is
3 recognized; or

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

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

14 (c) Personal Property Tax Replacement Income Tax.
15 Beginning on July 1, 1979 and thereafter, in addition to such
16 income tax, there is also hereby imposed the Personal Property
17 Tax Replacement Income Tax measured by net income on every
18 corporation (including Subchapter S corporations), partnership
19 and trust, for each taxable year ending after June 30, 1979.
20 Such taxes are imposed on the privilege of earning or
21 receiving income in or as a resident of this State. The
22 Personal Property Tax Replacement Income Tax shall be in
23 addition to the income tax imposed by subsections (a) and (b)
24 of this Section and in addition to all other occupation or
25 privilege taxes imposed by this State or by any municipal
26 corporation or political subdivision thereof.

1 (d) Additional Personal Property Tax Replacement Income
2 Tax Rates. The personal property tax replacement income tax
3 imposed by this subsection and subsection (c) of this Section
4 in the case of a corporation, other than a Subchapter S
5 corporation and except as adjusted by subsection (d-1), shall
6 be an additional amount equal to 2.85% of such taxpayer's net
7 income for the taxable year, except that beginning on January
8 1, 1981, and thereafter, the rate of 2.85% specified in this
9 subsection shall be reduced to 2.5%, and in the case of a
10 partnership, trust or a Subchapter S corporation shall be an
11 additional amount equal to 1.5% of such taxpayer's net income
12 for the taxable year.

13 (d-1) Rate reduction for certain foreign insurers. In the
14 case of a foreign insurer, as defined by Section 35A-5 of the
15 Illinois Insurance Code, whose state or country of domicile
16 imposes on insurers domiciled in Illinois a retaliatory tax
17 (excluding any insurer whose premiums from reinsurance assumed
18 are 50% or more of its total insurance premiums as determined
19 under paragraph (2) of subsection (b) of Section 304, except
20 that for purposes of this determination premiums from
21 reinsurance do not include premiums from inter-affiliate
22 reinsurance arrangements), beginning with taxable years ending
23 on or after December 31, 1999, the sum of the rates of tax
24 imposed by subsections (b) and (d) shall be reduced (but not
25 increased) to the rate at which the total amount of tax imposed
26 under this Act, net of all credits allowed under this Act,

1 shall equal (i) the total amount of tax that would be imposed
2 on the foreign insurer's net income allocable to Illinois for
3 the taxable year by such foreign insurer's state or country of
4 domicile if that net income were subject to all income taxes
5 and taxes measured by net income imposed by such foreign
6 insurer's state or country of domicile, net of all credits
7 allowed or (ii) a rate of zero if no such tax is imposed on
8 such income by the foreign insurer's state of domicile. For
9 the purposes of this subsection (d-1), an inter-affiliate
10 includes a mutual insurer under common management.

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

14 (A) the total amount of tax imposed on such
15 foreign insurer under this Act for a taxable year, net
16 of all credits allowed under this Act, plus

17 (B) the privilege tax imposed by Section 409 of
18 the Illinois Insurance Code, the fire insurance
19 company tax imposed by Section 12 of the Fire
20 Investigation Act, and the fire department taxes
21 imposed under Section 11-10-1 of the Illinois
22 Municipal Code,

23 equals 1.25% for taxable years ending prior to December
24 31, 2003, or 1.75% for taxable years ending on or after
25 December 31, 2003, of the net taxable premiums written for
26 the taxable year, as described by subsection (1) of

1 Section 409 of the Illinois Insurance Code. This paragraph
2 will in no event increase the rates imposed under
3 subsections (b) and (d).

4 (2) Any reduction in the rates of tax imposed by this
5 subsection shall be applied first against the rates
6 imposed by subsection (b) and only after the tax imposed
7 by subsection (a) net of all credits allowed under this
8 Section other than the credit allowed under subsection (i)
9 has been reduced to zero, against the rates imposed by
10 subsection (d).

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

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

16 (1) A taxpayer shall be allowed a credit equal to .5%
17 of the basis of qualified property placed in service
18 during the taxable year, provided such property is placed
19 in service on or after July 1, 1984. There shall be allowed
20 an additional credit equal to .5% of the basis of
21 qualified property placed in service during the taxable
22 year, provided such property is placed in service on or
23 after July 1, 1986, and the taxpayer's base employment
24 within Illinois has increased by 1% or more over the
25 preceding year as determined by the taxpayer's employment
26 records filed with the Illinois Department of Employment

1 Security. Taxpayers who are new to Illinois shall be
2 deemed to have met the 1% growth in base employment for the
3 first year in which they file employment records with the
4 Illinois Department of Employment Security. The provisions
5 added to this Section by Public Act 85-1200 (and restored
6 by Public Act 87-895) shall be construed as declaratory of
7 existing law and not as a new enactment. If, in any year,
8 the increase in base employment within Illinois over the
9 preceding year is less than 1%, the additional credit
10 shall be limited to that percentage times a fraction, the
11 numerator of which is .5% and the denominator of which is
12 1%, but shall not exceed .5%. The investment credit shall
13 not be allowed to the extent that it would reduce a
14 taxpayer's liability in any tax year below zero, nor may
15 any credit for qualified property be allowed for any year
16 other than the year in which the property was placed in
17 service in Illinois. For tax years ending on or after
18 December 31, 1987, and on or before December 31, 1988, the
19 credit shall be allowed for the tax year in which the
20 property is placed in service, or, if the amount of the
21 credit exceeds the tax liability for that year, whether it
22 exceeds the original liability or the liability as later
23 amended, such excess may be carried forward and applied to
24 the tax liability of the 5 taxable years following the
25 excess credit years if the taxpayer (i) makes investments
26 which cause the creation of a minimum of 2,000 full-time

1 equivalent jobs in Illinois, (ii) is located in an
2 enterprise zone established pursuant to the Illinois
3 Enterprise Zone Act and (iii) is certified by the
4 Department of Commerce and Community Affairs (now
5 Department of Commerce and Economic Opportunity) as
6 complying with the requirements specified in clause (i)
7 and (ii) by July 1, 1986. The Department of Commerce and
8 Community Affairs (now Department of Commerce and Economic
9 Opportunity) shall notify the Department of Revenue of all
10 such certifications immediately. For tax years ending
11 after December 31, 1988, the credit shall be allowed for
12 the tax year in which the property is placed in service,
13 or, if the amount of the credit exceeds the tax liability
14 for that year, whether it exceeds the original liability
15 or the liability as later amended, such excess may be
16 carried forward and applied to the tax liability of the 5
17 taxable years following the excess credit years. The
18 credit shall be applied to the earliest year for which
19 there is a liability. If there is credit from more than one
20 tax year that is available to offset a liability, earlier
21 credit shall be applied first.

22 (2) The term "qualified property" means property
23 which:

24 (A) is tangible, whether new or used, including
25 buildings and structural components of buildings and
26 signs that are real property, but not including land

1 or improvements to real property that are not a
2 structural component of a building such as
3 landscaping, sewer lines, local access roads, fencing,
4 parking lots, and other appurtenances;

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

10 (C) is acquired by purchase as defined in Section
11 179(d) of the Internal Revenue Code;

12 (D) is used in Illinois by a taxpayer who is
13 primarily engaged in manufacturing, or in mining coal
14 or fluorite, or in retailing, or was placed in service
15 on or after July 1, 2006 in a River Edge Redevelopment
16 Zone established pursuant to the River Edge
17 Redevelopment Zone Act; and

18 (E) has not previously been used in Illinois in
19 such a manner and by such a person as would qualify for
20 the credit provided by this subsection (e) or
21 subsection (f).

22 (3) For purposes of this subsection (e),
23 "manufacturing" means the material staging and production
24 of tangible personal property by procedures commonly
25 regarded as manufacturing, processing, fabrication, or
26 assembling which changes some existing material into new

1 shapes, new qualities, or new combinations. For purposes
2 of this subsection (e) the term "mining" shall have the
3 same meaning as the term "mining" in Section 613(c) of the
4 Internal Revenue Code. For purposes of this subsection
5 (e), the term "retailing" means the sale of tangible
6 personal property for use or consumption and not for
7 resale, or services rendered in conjunction with the sale
8 of tangible personal property for use or consumption and
9 not for resale. For purposes of this subsection (e),
10 "tangible personal property" has the same meaning as when
11 that term is used in the Retailers' Occupation Tax Act,
12 and, for taxable years ending after December 31, 2008,
13 does not include the generation, transmission, or
14 distribution of electricity.

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

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

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

25 (7) 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 Illinois within 48
3 months after being placed in service, the Personal
4 Property Tax Replacement Income Tax for such taxable year
5 shall be increased. Such increase shall be determined by
6 (i) recomputing the investment credit which would have
7 been allowed for the year in which credit for such
8 property was originally allowed by eliminating such
9 property from such computation and, (ii) subtracting such
10 recomputed credit from the amount of credit previously
11 allowed. For the purposes of this paragraph (7), a
12 reduction of the basis of qualified property resulting
13 from a redetermination of the purchase price shall be
14 deemed a disposition of qualified property to the extent
15 of such reduction.

16 (8) Unless the investment credit is extended by law,
17 the basis of qualified property shall not include costs
18 incurred after December 31, 2018, except for costs
19 incurred pursuant to a binding contract entered into on or
20 before December 31, 2018.

21 (9) Each taxable year ending before December 31, 2000,
22 a partnership may elect to pass through to its partners
23 the credits to which the partnership is entitled under
24 this subsection (e) for the taxable year. A partner may
25 use the credit allocated to him or her under this
26 paragraph only against the tax imposed in subsections (c)

1 and (d) of this Section. If the partnership makes that
2 election, those credits shall be allocated among the
3 partners in the partnership in accordance with the rules
4 set forth in Section 704(b) of the Internal Revenue Code,
5 and the rules promulgated under that Section, and the
6 allocated amount of the credits shall be allowed to the
7 partners for that taxable year. The partnership shall make
8 this election on its Personal Property Tax Replacement
9 Income Tax return for that taxable year. The election to
10 pass through the credits shall be irrevocable.

11 For taxable years ending on or after December 31,
12 2000, a partner that qualifies its partnership for a
13 subtraction under subparagraph (I) of paragraph (2) of
14 subsection (d) of Section 203 or a shareholder that
15 qualifies a Subchapter S corporation for a subtraction
16 under subparagraph (S) of paragraph (2) of subsection (b)
17 of Section 203 shall be allowed a credit under this
18 subsection (e) equal to its share of the credit earned
19 under this subsection (e) during the taxable year by the
20 partnership or Subchapter S corporation, determined in
21 accordance with the determination of income and
22 distributive share of income under Sections 702 and 704
23 and Subchapter S of the Internal Revenue Code. This
24 paragraph is exempt from the provisions of Section 250.

25 (f) Investment credit; Enterprise Zone; River Edge
26 Redevelopment Zone.

1 (1) A taxpayer shall be allowed a credit against the
2 tax imposed by subsections (a) and (b) of this Section for
3 investment in qualified property which is placed in
4 service in an Enterprise Zone created pursuant to the
5 Illinois Enterprise Zone Act or, for property placed in
6 service on or after July 1, 2006, a River Edge
7 Redevelopment Zone established pursuant to the River Edge
8 Redevelopment Zone Act. For partners, shareholders of
9 Subchapter S corporations, and owners of limited liability
10 companies, if the liability company is treated as a
11 partnership for purposes of federal and State income
12 taxation, for taxable years ending before December 31,
13 2023, there shall be allowed a credit under this
14 subsection (f) to be determined in accordance with the
15 determination of income and distributive share of income
16 under Sections 702 and 704 and Subchapter S of the
17 Internal Revenue Code. For taxable years ending on or
18 after December 31, 2023, for partners and shareholders of
19 Subchapter S corporations, the provisions of Section 251
20 shall apply with respect to the credit under this
21 subsection. The credit shall be .5% of the basis for such
22 property. The credit shall be available only in the
23 taxable year in which the property is placed in service in
24 the Enterprise Zone or River Edge Redevelopment Zone and
25 shall not be allowed to the extent that it would reduce a
26 taxpayer's liability for the tax imposed by subsections

1 (a) and (b) of this Section to below zero. For tax years
2 ending on or after December 31, 1985, the credit shall be
3 allowed for the tax year in which the property is placed in
4 service, or, if the amount of the credit exceeds the tax
5 liability for that year, whether it exceeds the original
6 liability or the liability as later amended, such excess
7 may be carried forward and applied to the tax liability of
8 the 5 taxable years following the excess credit year. The
9 credit shall be applied to the earliest year for which
10 there is a liability. If there is credit from more than one
11 tax year that is available to offset a liability, the
12 credit accruing first in time shall be applied first.

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

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

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 (f);

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

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

25 (E) has not been previously used in Illinois in
26 such a manner and by such a person as would qualify for

1 the credit provided by this subsection (f) or
2 subsection (e).

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

6 (4) If the basis of the property for federal income
7 tax depreciation purposes is increased after it has been
8 placed in service in the Enterprise Zone or River Edge
9 Redevelopment Zone by the taxpayer, the amount of such
10 increase shall be deemed property placed in service on the
11 date of such increase in basis.

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

14 (6) If during any taxable year, any property ceases to
15 be qualified property in the hands of the taxpayer within
16 48 months after being placed in service, or the situs of
17 any qualified property is moved outside the Enterprise
18 Zone or River Edge Redevelopment Zone within 48 months
19 after being placed in service, the tax imposed under
20 subsections (a) and (b) of this Section for such taxable
21 year shall be increased. Such increase shall be determined
22 by (i) recomputing the investment credit which would have
23 been allowed for the year in which credit for such
24 property was originally allowed by eliminating such
25 property from such computation, and (ii) subtracting such
26 recomputed credit from the amount of credit previously

1 allowed. For the purposes of this paragraph (6), a
2 reduction of the basis of qualified property resulting
3 from a redetermination of the purchase price shall be
4 deemed a disposition of qualified property to the extent
5 of such reduction.

6 (7) There shall be allowed an additional credit equal
7 to 0.5% of the basis of qualified property placed in
8 service during the taxable year in a River Edge
9 Redevelopment Zone, provided such property is placed in
10 service on or after July 1, 2006, and the taxpayer's base
11 employment within Illinois has increased by 1% or more
12 over the preceding year as determined by the taxpayer's
13 employment records filed with the Illinois Department of
14 Employment Security. Taxpayers who are new to Illinois
15 shall be deemed to have met the 1% growth in base
16 employment for the first year in which they file
17 employment records with the Illinois Department of
18 Employment Security. If, in any year, the increase in base
19 employment within Illinois over the preceding year is less
20 than 1%, the additional credit shall be limited to that
21 percentage times a fraction, the numerator of which is
22 0.5% and the denominator of which is 1%, but shall not
23 exceed 0.5%.

24 (8) For taxable years beginning on or after January 1,
25 2021, there shall be allowed an Enterprise Zone
26 construction jobs credit against the taxes imposed under

1 subsections (a) and (b) of this Section as provided in
2 Section 13 of the Illinois Enterprise Zone Act.

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

14 For partners, shareholders of Subchapter S
15 corporations, and owners of limited liability companies,
16 if the liability company is treated as a partnership for
17 the purposes of federal and State income taxation, for
18 taxable years ending before December 31, 2023, there shall
19 be allowed a credit under this Section to be determined in
20 accordance with the determination of income and
21 distributive share of income under Sections 702 and 704
22 and Subchapter S of the Internal Revenue Code. For taxable
23 years ending on or after December 31, 2023, for partners
24 and shareholders of Subchapter S corporations, the
25 provisions of Section 251 shall apply with respect to the
26 credit under this subsection.

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

4 This paragraph (8) is exempt from the provisions of
5 Section 250.

6 (g) (Blank).

7 (h) Investment credit; High Impact Business.

8 (1) Subject to subsections (b) and (b-5) of Section
9 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
10 be allowed a credit against the tax imposed by subsections
11 (a) and (b) of this Section for investment in qualified
12 property which is placed in service by a Department of
13 Commerce and Economic Opportunity designated High Impact
14 Business. The credit shall be .5% of the basis for such
15 property. The credit shall not be available (i) until the
16 minimum investments in qualified property set forth in
17 subdivision (a)(3)(A) of Section 5.5 of the Illinois
18 Enterprise Zone Act have been satisfied or (ii) until the
19 time authorized in subsection (b-5) of the Illinois
20 Enterprise Zone Act for entities designated as High Impact
21 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
22 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
23 Act, and shall not be allowed to the extent that it would
24 reduce a taxpayer's liability for the tax imposed by
25 subsections (a) and (b) of this Section to below zero. The
26 credit applicable to such investments shall be taken in

1 the taxable year in which such investments have been
2 completed. The credit for additional investments beyond
3 the minimum investment by a designated high impact
4 business authorized under subdivision (a) (3) (A) of Section
5 5.5 of the Illinois Enterprise Zone Act shall be available
6 only in the taxable year in which the property is placed in
7 service and shall not be allowed to the extent that it
8 would reduce a taxpayer's liability for the tax imposed by
9 subsections (a) and (b) of this Section to below zero. For
10 tax years ending on or after December 31, 1987, the credit
11 shall be allowed for the tax year in which the property is
12 placed in service, or, if the amount of the credit exceeds
13 the tax liability for that year, whether it exceeds the
14 original liability or the liability as later amended, such
15 excess may be carried forward and applied to the tax
16 liability of the 5 taxable years following the excess
17 credit year. The credit shall be applied to the earliest
18 year for which there is a liability. If there is credit
19 from more than one tax year that is available to offset a
20 liability, the credit accruing first in time shall be
21 applied first.

22 Changes made in this subdivision (h) (1) by Public Act
23 88-670 restore changes made by Public Act 85-1182 and
24 reflect existing law.

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 (h);

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

9 (D) is not eligible for the Enterprise Zone
10 Investment Credit provided by subsection (f) of this
11 Section.

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

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

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

23 (6) If during any taxable year ending on or before
24 December 31, 1996, any property ceases to be qualified
25 property in the hands of the taxpayer within 48 months
26 after being placed in service, or the situs of any

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

15 (7) Beginning with tax years ending after December 31,
16 1996, if a taxpayer qualifies for the credit under this
17 subsection (h) and thereby is granted a tax abatement and
18 the taxpayer relocates its entire facility in violation of
19 the explicit terms and length of the contract under
20 Section 18-183 of the Property Tax Code, the tax imposed
21 under subsections (a) and (b) of this Section shall be
22 increased for the taxable year in which the taxpayer
23 relocated its facility by an amount equal to the amount of
24 credit received by the taxpayer under this subsection (h).

25 (h-5) High Impact Business construction jobs credit. For
26 taxable years beginning on or after January 1, 2021, there

1 shall also be allowed a High Impact Business construction jobs
2 credit against the tax imposed under subsections (a) and (b)
3 of this Section as provided in subsections (i) and (j) of
4 Section 5.5 of the Illinois Enterprise Zone Act.

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

15 For partners, shareholders of Subchapter S corporations,
16 and owners of limited liability companies, for taxable years
17 ending before December 31, 2023, if the liability company is
18 treated as a partnership for the purposes of federal and State
19 income taxation, there shall be allowed a credit under this
20 Section to be determined in accordance with the determination
21 of income and distributive share of income under Sections 702
22 and 704 and Subchapter S of the Internal Revenue Code. For
23 taxable years ending on or after December 31, 2023, for
24 partners and shareholders of Subchapter S corporations, the
25 provisions of Section 251 shall apply with respect to the
26 credit under this subsection.

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

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

6 (i) Credit for Personal Property Tax Replacement Income
7 Tax. For tax years ending prior to December 31, 2003, a credit
8 shall be allowed against the tax imposed by subsections (a)
9 and (b) of this Section for the tax imposed by subsections (c)
10 and (d) of this Section. This credit shall be computed by
11 multiplying the tax imposed by subsections (c) and (d) of this
12 Section by a fraction, the numerator of which is base income
13 allocable to Illinois and the denominator of which is Illinois
14 base income, and further multiplying the product by the tax
15 rate imposed by subsections (a) and (b) of this Section.

16 Any credit earned on or after December 31, 1986 under this
17 subsection which is unused in the year the credit is computed
18 because it exceeds the tax liability imposed by subsections
19 (a) and (b) for that year (whether it exceeds the original
20 liability or the liability as later amended) may be carried
21 forward and applied to the tax liability imposed by
22 subsections (a) and (b) of the 5 taxable years following the
23 excess credit year, provided that no credit may be carried
24 forward to any year ending on or after December 31, 2003. This
25 credit shall be applied first to the earliest year for which
26 there is a liability. If there is a credit under this

1 subsection from more than one tax year that is available to
2 offset a liability the earliest credit arising under this
3 subsection shall be applied first.

4 If, during any taxable year ending on or after December
5 31, 1986, the tax imposed by subsections (c) and (d) of this
6 Section for which a taxpayer has claimed a credit under this
7 subsection (i) is reduced, the amount of credit for such tax
8 shall also be reduced. Such reduction shall be determined by
9 recomputing the credit to take into account the reduced tax
10 imposed by subsections (c) and (d). If any portion of the
11 reduced amount of credit has been carried to a different
12 taxable year, an amended return shall be filed for such
13 taxable year to reduce the amount of credit claimed.

14 (j) Training expense credit. Beginning with tax years
15 ending on or after December 31, 1986 and prior to December 31,
16 2003, a taxpayer shall be allowed a credit against the tax
17 imposed by subsections (a) and (b) under this Section for all
18 amounts paid or accrued, on behalf of all persons employed by
19 the taxpayer in Illinois or Illinois residents employed
20 outside of Illinois by a taxpayer, for educational or
21 vocational training in semi-technical or technical fields or
22 semi-skilled or skilled fields, which were deducted from gross
23 income in the computation of taxable income. The credit
24 against the tax imposed by subsections (a) and (b) shall be
25 1.6% of such training expenses. For partners, shareholders of
26 subchapter S corporations, and owners of limited liability

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

12 Any credit allowed under this subsection which is unused
13 in the year the credit is earned may be carried forward to each
14 of the 5 taxable years following the year for which the credit
15 is first computed until it is used. This credit shall be
16 applied first to the earliest year for which there is a
17 liability. If there is a credit under this subsection from
18 more than one tax year that is available to offset a liability,
19 the earliest credit arising under this subsection shall be
20 applied first. No carryforward credit may be claimed in any
21 tax year ending on or after December 31, 2003.

22 (k) Research and development credit. For tax years ending
23 after July 1, 1990 and prior to December 31, 2003, and
24 beginning again for tax years ending on or after December 31,
25 2004, and ending prior to January 1, 2032, a taxpayer shall be
26 allowed a credit against the tax imposed by subsections (a)

1 and (b) of this Section for increasing research activities in
2 this State. The credit allowed against the tax imposed by
3 subsections (a) and (b) shall be equal to 6 1/2% of the
4 qualifying expenditures for increasing research activities in
5 this State. For partners, shareholders of subchapter S
6 corporations, and owners of limited liability companies, if
7 the liability company is treated as a partnership for purposes
8 of federal and State income taxation, for taxable years ending
9 before December 31, 2023, there shall be allowed a credit
10 under this subsection to be determined in accordance with the
11 determination of income and distributive share of income under
12 Sections 702 and 704 and subchapter S of the Internal Revenue
13 Code. For taxable years ending on or after December 31, 2023,
14 for partners and shareholders of Subchapter S corporations,
15 the provisions of Section 251 shall apply with respect to the
16 credit under this subsection.

17 For purposes of this subsection, "qualifying expenditures"
18 means the qualifying expenditures as defined for the federal
19 credit for increasing research activities which would be
20 allowable under Section 41 of the Internal Revenue Code and
21 which are conducted in this State, "qualifying expenditures
22 for increasing research activities in this State" means the
23 excess of qualifying expenditures for the taxable year in
24 which incurred over qualifying expenditures for the base
25 period, "qualifying expenditures for the base period" means
26 the average of the qualifying expenditures for each year in

1 the base period, and "base period" means the 3 taxable years
2 immediately preceding the taxable year for which the
3 determination is being made.

4 Any credit in excess of the tax liability for the taxable
5 year may be carried forward. A taxpayer may elect to have the
6 unused credit shown on its final completed return carried over
7 as a credit against the tax liability for the following 5
8 taxable years or until it has been fully used, whichever
9 occurs first; provided that no credit earned in a tax year
10 ending prior to December 31, 2003 may be carried forward to any
11 year ending on or after December 31, 2003.

12 If an unused credit is carried forward to a given year from
13 2 or more earlier years, that credit arising in the earliest
14 year will be applied first against the tax liability for the
15 given year. If a tax liability for the given year still
16 remains, the credit from the next earliest year will then be
17 applied, and so on, until all credits have been used or no tax
18 liability for the given year remains. Any remaining unused
19 credit or credits then will be carried forward to the next
20 following year in which a tax liability is incurred, except
21 that no credit can be carried forward to a year which is more
22 than 5 years after the year in which the expense for which the
23 credit is given was incurred.

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

1 It is the intent of the General Assembly that the research
2 and development credit under this subsection (k) shall apply
3 continuously for all tax years ending on or after December 31,
4 2004 and ending prior to January 1, 2032, including, but not
5 limited to, the period beginning on January 1, 2016 and ending
6 on July 6, 2017 (the effective date of Public Act 100-22). All
7 actions taken in reliance on the continuation of the credit
8 under this subsection (k) by any taxpayer are hereby
9 validated.

10 (1) Environmental Remediation Tax Credit.

11 (i) For tax years ending after December 31, 1997 and
12 on or before December 31, 2001, a taxpayer shall be
13 allowed a credit against the tax imposed by subsections
14 (a) and (b) of this Section for certain amounts paid for
15 unreimbursed eligible remediation costs, as specified in
16 this subsection. For purposes of this Section,
17 "unreimbursed eligible remediation costs" means costs
18 approved by the Illinois Environmental Protection Agency
19 ("Agency") under Section 58.14 of the Environmental
20 Protection Act that were paid in performing environmental
21 remediation at a site for which a No Further Remediation
22 Letter was issued by the Agency and recorded under Section
23 58.10 of the Environmental Protection Act. The credit must
24 be claimed for the taxable year in which Agency approval
25 of the eligible remediation costs is granted. The credit
26 is not available to any taxpayer if the taxpayer or any

1 related party caused or contributed to, in any material
2 respect, a release of regulated substances on, in, or
3 under the site that was identified and addressed by the
4 remedial action pursuant to the Site Remediation Program
5 of the Environmental Protection Act. After the Pollution
6 Control Board rules are adopted pursuant to the Illinois
7 Administrative Procedure Act for the administration and
8 enforcement of Section 58.9 of the Environmental
9 Protection Act, determinations as to credit availability
10 for purposes of this Section shall be made consistent with
11 those rules. For purposes of this Section, "taxpayer"
12 includes a person whose tax attributes the taxpayer has
13 succeeded to under Section 381 of the Internal Revenue
14 Code and "related party" includes the persons disallowed a
15 deduction for losses by paragraphs (b), (c), and (f)(1) of
16 Section 267 of the Internal Revenue Code by virtue of
17 being a related taxpayer, as well as any of its partners.
18 The credit allowed against the tax imposed by subsections
19 (a) and (b) shall be equal to 25% of the unreimbursed
20 eligible remediation costs in excess of \$100,000 per site,
21 except that the \$100,000 threshold shall not apply to any
22 site contained in an enterprise zone as determined by the
23 Department of Commerce and Community Affairs (now
24 Department of Commerce and Economic Opportunity). The
25 total credit allowed shall not exceed \$40,000 per year
26 with a maximum total of \$150,000 per site. For partners

1 and shareholders of subchapter S corporations, there shall
2 be allowed a credit under this subsection to be determined
3 in 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.

6 (ii) A credit allowed under this subsection that is
7 unused in the year the credit is earned may be carried
8 forward to each of the 5 taxable years following the year
9 for which the credit is first earned until it is used. The
10 term "unused credit" does not include any amounts of
11 unreimbursed eligible remediation costs in excess of the
12 maximum credit per site authorized under paragraph (i).
13 This credit shall be applied first to the earliest year
14 for which there is a liability. If there is a credit under
15 this subsection from more than one tax year that is
16 available to offset a liability, the earliest credit
17 arising under this subsection shall be applied first. A
18 credit allowed under this subsection may be sold to a
19 buyer as part of a sale of all or part of the remediation
20 site for which the credit was granted. The purchaser of a
21 remediation site and the tax credit shall succeed to the
22 unused credit and remaining carry-forward period of the
23 seller. To perfect the transfer, the assignor shall record
24 the transfer in the chain of title for the site and provide
25 written notice to the Director of the Illinois Department
26 of Revenue of the assignor's intent to sell the

1 remediation site and the amount of the tax credit to be
2 transferred as a portion of the sale. In no event may a
3 credit be transferred to any taxpayer if the taxpayer or a
4 related party would not be eligible under the provisions
5 of subsection (i).

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

9 (m) Education expense credit. Beginning with tax years
10 ending after December 31, 1999, a taxpayer who is the
11 custodian of one or more qualifying pupils shall be allowed a
12 credit against the tax imposed by subsections (a) and (b) of
13 this Section for qualified education expenses incurred on
14 behalf of the qualifying pupils. For tax years ending before
15 December 31, 2025, the ~~The~~ credit shall be equal to 25% of
16 those qualified education expenses. For tax years ending on or
17 after December 31, 2025, the credit shall be equal to 50% of
18 those qualified education expenses. ~~However, but~~ in no event
19 may the total credit under this subsection claimed by a family
20 that is the custodian of qualifying pupils exceed (i) \$500 for
21 tax years ending prior to December 31, 2017, ~~and~~ (ii) \$750 for
22 tax years ending on or after December 31, 2017 and ending
23 before December 31, 2025, and (iii) for tax years ending on or
24 after December 31, 2025, \$2,000 per qualifying pupil for a
25 maximum of \$6,000 per family per taxable year. In no event
26 shall a credit under this subsection reduce the taxpayer's

1 liability under this Act to less than zero. Notwithstanding
2 any other provision of law, for taxable years beginning on or
3 after January 1, 2017 and beginning before January 1, 2025, no
4 taxpayer may claim a credit under this subsection (m) if the
5 taxpayer's adjusted gross income for the taxable year exceeds
6 (i) \$500,000, in the case of spouses filing a joint federal tax
7 return or (ii) \$250,000, in the case of all other taxpayers.
8 Notwithstanding any other provision of law, for taxable years
9 beginning on or after January 1, 2025, no taxpayer may claim a
10 credit under this subsection (m) if the taxpayer's adjusted
11 gross income exceeds 400% of the federal poverty level. This
12 subsection is exempt from the provisions of Section 250 of
13 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: (i)
24 tuition, book fees, and lab fees at the school in which the
25 pupil is enrolled during the regular school year; (ii) any fee
26 or cost associated with tutoring, AP, IB, SAT, or ACT exams,

1 exam preparation courses for the qualified pupil; or (iii)
2 out-of-school academic enrichment activities, including
3 educational lessons, classes, or camps.

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

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

14 (n) River Edge Redevelopment Zone site remediation tax
15 credit.

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

1 Letter was issued by the Agency and recorded under Section
2 58.10 of the Environmental Protection Act. The credit must
3 be claimed for the taxable year in which Agency approval
4 of the eligible remediation costs is granted. The credit
5 is not available to any taxpayer if the taxpayer or any
6 related party caused or contributed to, in any material
7 respect, a release of regulated substances on, in, or
8 under the site that was identified and addressed by the
9 remedial action pursuant to the Site Remediation Program
10 of the Environmental Protection Act. Determinations as to
11 credit availability for purposes of this Section shall be
12 made consistent with rules adopted by the Pollution
13 Control Board pursuant to the Illinois Administrative
14 Procedure Act for the administration and enforcement of
15 Section 58.9 of the Environmental Protection Act. For
16 purposes of this Section, "taxpayer" includes a person
17 whose tax attributes the taxpayer has succeeded to under
18 Section 381 of the Internal Revenue Code and "related
19 party" includes the persons disallowed a deduction for
20 losses by paragraphs (b), (c), and (f)(1) of Section 267
21 of the Internal Revenue Code by virtue of being a related
22 taxpayer, as well as any of its partners. The credit
23 allowed against the tax imposed by subsections (a) and (b)
24 shall be equal to 25% of the unreimbursed eligible
25 remediation costs in excess of \$100,000 per site.

26 (ii) A credit allowed under this subsection that is

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

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

25 (o) For each of taxable years during the Compassionate Use
26 of Medical Cannabis Program, a surcharge is imposed on all

1 taxpayers on income arising from the sale or exchange of
2 capital assets, depreciable business property, real property
3 used in the trade or business, and Section 197 intangibles of
4 an organization registrant under the Compassionate Use of
5 Medical Cannabis Program Act. The amount of the surcharge is
6 equal to the amount of federal income tax liability for the
7 taxable year attributable to those sales and exchanges. The
8 surcharge imposed does not apply if:

9 (1) the medical cannabis cultivation center
10 registration, medical cannabis dispensary registration, or
11 the property of a registration is transferred as a result
12 of any of the following:

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

17 (B) cancellation, revocation, or termination of
18 any registration by the Illinois Department of Public
19 Health;

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

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

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

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

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

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

17 (p) Pass-through entity tax.

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

1 (2) Entity-level tax. A partnership or Subchapter S
2 corporation electing to apply the provisions of this
3 subsection shall be subject to a tax for the privilege of
4 earning or receiving income in this State in an amount
5 equal to 4.95% of the taxpayer's net income for the
6 taxable year.

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.