

# SB2276



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB2276

Introduced 2/7/2025, by Sen. John F. Curran

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/207	from Ch. 120, par. 2-207
805 ILCS 5/15.35	from Ch. 32, par. 15.35
805 ILCS 5/15.65	from Ch. 32, par. 15.65

Amends the Illinois Income Tax Act. Provides that a limitation on carryover deductions for corporations applies for taxable years ending on or after December 31, 2024 and prior to December 31, 2025 (currently, December 31, 2027). Amends the Business Corporation Act of 1983. Provides that no franchise tax shall be imposed on foreign or domestic corporations on or after January 1, 2026, and repeals those provisions on January 1, 2027. Effective immediately.

LRB104 03809 HLH 13833 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) no carryover deduction shall exceed \$500,000 for  
20 any taxable year ending on or after December 31, 2024 and  
21 prior to December 31, 2025 ~~December 31, 2027~~.

22 For the purposes of determining the taxable years to which  
23 a net loss may be carried under subsection (a) of this Section,  
24 no taxable year for which a deduction is disallowed under this  
25 subsection, or for which the deduction would exceed \$100,000  
26 or \$500,000, as applicable, if not for this subsection, shall

1 be counted.

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

6 (1) the amount computed under subsection (a), without  
7 regard to this subsection (e), or if that amount is  
8 positive, zero;

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

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

17 (Source: P.A. 102-16, eff. 6-17-21; 102-669, eff. 11-16-21;  
18 103-592, eff. 6-7-24.)

19 Section 10. The Business Corporation Act of 1983 is  
20 amended by changing Sections 15.35 and 15.65 as follows:

21 (805 ILCS 5/15.35) (from Ch. 32, par. 15.35)

22 (Text of Section from P.A. 102-16, 103-8, and 103-592)

23 Sec. 15.35. Franchise taxes payable by domestic  
24 corporations. For the privilege of exercising its franchises

1 in this State, each domestic corporation shall pay to the  
2 Secretary of State the following franchise taxes, computed on  
3 the basis, at the rates and for the periods prescribed in this  
4 Act:

5 (a) An initial franchise tax at the time of filing its  
6 first report of issuance of shares.

7 (b) An additional franchise tax at the time of filing  
8 (1) a report of the issuance of additional shares, or (2) a  
9 report of an increase in paid-in capital without the  
10 issuance of shares, or (3) an amendment to the articles of  
11 incorporation or a report of cumulative changes in paid-in  
12 capital, whenever any amendment or such report discloses  
13 an increase in its paid-in capital over the amount thereof  
14 last reported in any document, other than an annual  
15 report, interim annual report or final transition annual  
16 report required by this Act to be filed in the office of  
17 the Secretary of State.

18 (c) An additional franchise tax at the time of filing  
19 a report of paid-in capital following a statutory merger  
20 or consolidation, which discloses that the paid-in capital  
21 of the surviving or new corporation immediately after the  
22 merger or consolidation is greater than the sum of the  
23 paid-in capital of all of the merged or consolidated  
24 corporations as last reported by them in any documents,  
25 other than annual reports, required by this Act to be  
26 filed in the office of the Secretary of State; and in

1 addition, the surviving or new corporation shall be liable  
2 for a further additional franchise tax on the paid-in  
3 capital of each of the merged or consolidated corporations  
4 as last reported by them in any document, other than an  
5 annual report, required by this Act to be filed with the  
6 Secretary of State from their taxable year end to the next  
7 succeeding anniversary month or, in the case of a  
8 corporation which has established an extended filing  
9 month, the extended filing month of the surviving or new  
10 corporation; however if the taxable year ends within the  
11 2-month period immediately preceding the anniversary month  
12 or, in the case of a corporation which has established an  
13 extended filing month, the extended filing month of the  
14 surviving or new corporation the tax will be computed to  
15 the anniversary month or, in the case of a corporation  
16 which has established an extended filing month, the  
17 extended filing month of the surviving or new corporation  
18 in the next succeeding calendar year.

19 (d) An annual franchise tax payable each year with the  
20 annual report which the corporation is required by this  
21 Act to file.

22 On or after January 1, 2020 and prior to January 1, 2021,  
23 the first \$30 in liability is exempt from the tax imposed under  
24 this Section. On or after January 1, 2021, and prior to January  
25 1, 2024, the first \$1,000 in liability is exempt from the tax  
26 imposed under this Section. On or after January 1, 2024, and

1 before January 1, 2025, the first \$5,000 in liability is  
2 exempt from the tax imposed under this Section. On and after  
3 January 1, 2025 and before January 1, 2026, the first \$10,000  
4 in liability is exempt from the tax imposed under this  
5 Section. The provisions of this Section shall not require the  
6 payment of any franchise tax that would otherwise have been  
7 due and payable on or after January 1, 2026. There shall be no  
8 refunds or proration of franchise tax for any taxes due and  
9 payable on or after January 1, 2026 on the basis that a portion  
10 of the corporation's taxable year extends beyond January 1,  
11 2026.

12 This Section is repealed on January 1, 2027.

13 (Source: P.A. 102-16, eff. 6-17-21; 103-8, eff. 6-7-23;  
14 103-592, eff. 6-7-24.)

15 (Text of Section from P.A. 102-282, 102-558, 103-8, and  
16 103-592)

17 Sec. 15.35. Franchise taxes payable by domestic  
18 corporations. For the privilege of exercising its franchises  
19 in this State, each domestic corporation shall pay to the  
20 Secretary of State the following franchise taxes, computed on  
21 the basis, at the rates and for the periods prescribed in this  
22 Act:

23 (a) An initial franchise tax at the time of filing its  
24 first report of issuance of shares.

25 (b) An additional franchise tax at the time of filing

1 (1) a report of the issuance of additional shares, or (2) a  
2 report of an increase in paid-in capital without the  
3 issuance of shares, or (3) an amendment to the articles of  
4 incorporation or a report of cumulative changes in paid-in  
5 capital, whenever any amendment or such report discloses  
6 an increase in its paid-in capital over the amount thereof  
7 last reported in any document, other than an annual  
8 report, interim annual report or final transition annual  
9 report required by this Act to be filed in the office of  
10 the Secretary of State.

11 (c) An additional franchise tax at the time of filing  
12 a report of paid-in capital following a statutory merger  
13 or consolidation, which discloses that the paid-in capital  
14 of the surviving or new corporation immediately after the  
15 merger or consolidation is greater than the sum of the  
16 paid-in capital of all of the merged or consolidated  
17 corporations as last reported by them in any documents,  
18 other than annual reports, required by this Act to be  
19 filed in the office of the Secretary of State; and in  
20 addition, the surviving or new corporation shall be liable  
21 for a further additional franchise tax on the paid-in  
22 capital of each of the merged or consolidated corporations  
23 as last reported by them in any document, other than an  
24 annual report, required by this Act to be filed with the  
25 Secretary of State from their taxable year end to the next  
26 succeeding anniversary month or, in the case of a

1 corporation which has established an extended filing  
2 month, the extended filing month of the surviving or new  
3 corporation; however if the taxable year ends within the  
4 2-month period immediately preceding the anniversary month  
5 or, in the case of a corporation which has established an  
6 extended filing month, the extended filing month of the  
7 surviving or new corporation the tax will be computed to  
8 the anniversary month or, in the case of a corporation  
9 which has established an extended filing month, the  
10 extended filing month of the surviving or new corporation  
11 in the next succeeding calendar year.

12 (d) An annual franchise tax payable each year with the  
13 annual report which the corporation is required by this  
14 Act to file.

15 On or after January 1, 2020 and prior to January 1, 2021,  
16 the first \$30 in liability is exempt from the tax imposed under  
17 this Section. On or after January 1, 2021 and prior to January  
18 1, 2024, the first \$1,000 in liability is exempt from the tax  
19 imposed under this Section. On or after January 1, 2024, and  
20 before January 1, 2025, the first \$5,000 in liability is  
21 exempt from the tax imposed under this Section. On and after  
22 January 1, 2025 and before January 1, 2026, the first \$10,000  
23 in liability is exempt from the tax imposed under this  
24 Section. The provisions of this Section shall not require the  
25 payment of any franchise tax that would otherwise have been  
26 due and payable on or after January 1, 2026. There shall be no

1 refunds or proration of franchise tax for any taxes due and  
2 payable on or after January 1, 2026 on the basis that a portion  
3 of the corporation's taxable year extends beyond January 1,  
4 2026.

5 This Section is repealed on January 1, 2027.

6 (Source: P.A. 102-282, eff. 1-1-22; 102-558, eff. 8-20-21;  
7 103-8, eff. 6-7-23; 103-592, eff. 6-7-24.)

8 (805 ILCS 5/15.65) (from Ch. 32, par. 15.65)

9 Sec. 15.65. Franchise taxes payable by foreign  
10 corporations. For the privilege of exercising its authority to  
11 transact such business in this State as set out in its  
12 application therefor or any amendment thereto, each foreign  
13 corporation shall pay to the Secretary of State the following  
14 franchise taxes, computed on the basis, at the rates and for  
15 the periods prescribed in this Act:

16 (a) An initial franchise tax at the time of filing its  
17 application for authority to transact business in this  
18 State.

19 (b) An additional franchise tax at the time of filing  
20 (1) a report of the issuance of additional shares, or (2) a  
21 report of an increase in paid-in capital without the  
22 issuance of shares, or (3) a report of cumulative changes  
23 in paid-in capital or a report of an exchange or  
24 reclassification of shares, whenever any such report  
25 discloses an increase in its paid-in capital over the

1 amount thereof last reported in any document, other than  
2 an annual report, interim annual report or final  
3 transition annual report, required by this Act to be filed  
4 in the office of the Secretary of State.

5 (c) Whenever the corporation shall be a party to a  
6 statutory merger and shall be the surviving corporation,  
7 an additional franchise tax at the time of filing its  
8 report following merger, if such report discloses that the  
9 amount represented in this State of its paid-in capital  
10 immediately after the merger is greater than the aggregate  
11 of the amounts represented in this State of the paid-in  
12 capital of such of the merged corporations as were  
13 authorized to transact business in this State at the time  
14 of the merger, as last reported by them in any documents,  
15 other than annual reports, required by this Act to be  
16 filed in the office of the Secretary of State; and in  
17 addition, the surviving corporation shall be liable for a  
18 further additional franchise tax on the paid-in capital of  
19 each of the merged corporations as last reported by them  
20 in any document, other than an annual report, required by  
21 this Act to be filed with the Secretary of State, from  
22 their taxable year end to the next succeeding anniversary  
23 month or, in the case of a corporation which has  
24 established an extended filing month, the extended filing  
25 month of the surviving corporation; however if the taxable  
26 year ends within the 2-month period immediately preceding

1 the anniversary month or the extended filing month of the  
2 surviving corporation, the tax will be computed to the  
3 anniversary or, extended filing month of the surviving  
4 corporation in the next succeeding calendar year.

5 (d) An annual franchise tax payable each year with any  
6 annual report which the corporation is required by this  
7 Act to file.

8 On or after January 1, 2020 and prior to January 1, 2021,  
9 the first \$30 in liability is exempt from the tax imposed under  
10 this Section. On or after January 1, 2021 and before January 1,  
11 2024, the first \$1,000 in liability is exempt from the tax  
12 imposed under this Section. On and after January 1, 2024 and  
13 before January 1, 2025, the first \$5,000 in liability is  
14 exempt from the tax imposed under this Section. On and after  
15 January 1, 2025 and before January 1, 2026, the first \$10,000  
16 in liability is exempt from the tax imposed under this  
17 Section. The provisions of this Section shall not require the  
18 payment of any franchise tax that would otherwise have been  
19 due and payable on or after January 1, 2026. There shall be no  
20 refunds or proration of franchise tax for any taxes due and  
21 payable on or after January 1, 2026 on the basis that a portion  
22 of the corporation's taxable year extends beyond January 1,  
23 2026.

24 This Section is repealed on January 1, 2027.

25 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;  
26 102-813, eff. 5-13-22; 103-592, eff. 6-7-24.)

1           Section 95. No acceleration or delay. Where this Act makes  
2 changes in a statute that is represented in this Act by text  
3 that is not yet or no longer in effect (for example, a Section  
4 represented by multiple versions), the use of that text does  
5 not accelerate or delay the taking effect of (i) the changes  
6 made by this Act or (ii) provisions derived from any other  
7 Public Act.

8           Section 99. Effective date. This Act takes effect upon  
9 becoming law.