

SB3658



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3658

Introduced 2/5/2026, by Sen. Robert F. Martwick

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201
35 ILCS 5/201.3 new

Amends the Illinois Income Tax Act. Amends the Illinois Income Tax Act. Sets forth a schedule of income-based tax rates for individuals, trusts, and estates for taxable years beginning on or after January 1, 2027.

LRB104 19263 HLH 32709 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 Sections 201, 208, 502, and 901 and by adding
6 Sections 201.3 and 234 as follows:

7 (35 ILCS 5/201)

8 Sec. 201. Tax imposed.

9 (a) In general. A tax measured by net income is hereby
10 imposed on every individual, corporation, trust and estate for
11 each taxable year ending after July 31, 1969 on the privilege
12 of earning or receiving income in or as a resident of this
13 State. Such tax shall be in addition to all other occupation or
14 privilege taxes imposed by this State or by any municipal
15 corporation or political subdivision thereof.

16 (b) Rates. The tax imposed by subsection (a) of this
17 Section shall be determined as follows, except as adjusted by
18 subsection (d-1):

19 (1) In the case of an individual, trust or estate, for
20 taxable years ending prior to July 1, 1989, an amount
21 equal to 2 1/2% of the taxpayer's net income for the
22 taxable year.

23 (2) In the case of an individual, trust or estate, for

1 taxable years beginning prior to July 1, 1989 and ending
2 after June 30, 1989, an amount equal to the sum of (i) 2
3 1/2% of the taxpayer's net income for the period prior to
4 July 1, 1989, as calculated under Section 202.3, and (ii)
5 3% of the taxpayer's net income for the period after June
6 30, 1989, as calculated under Section 202.3.

7 (3) In the case of an individual, trust or estate, for
8 taxable years beginning after June 30, 1989, and ending
9 prior to January 1, 2011, an amount equal to 3% of the
10 taxpayer's net income for the taxable year.

11 (4) In the case of an individual, trust, or estate,
12 for taxable years beginning prior to January 1, 2011, and
13 ending after December 31, 2010, an amount equal to the sum
14 of (i) 3% of the taxpayer's net income for the period prior
15 to January 1, 2011, as calculated under Section 202.5, and
16 (ii) 5% of the taxpayer's net income for the period after
17 December 31, 2010, as calculated under Section 202.5.

18 (5) In the case of an individual, trust, or estate,
19 for taxable years beginning on or after January 1, 2011,
20 and ending prior to January 1, 2015, an amount equal to 5%
21 of the taxpayer's net income for the taxable year.

22 (5.1) In the case of an individual, trust, or estate,
23 for taxable years beginning prior to January 1, 2015, and
24 ending after December 31, 2014, an amount equal to the sum
25 of (i) 5% of the taxpayer's net income for the period prior
26 to January 1, 2015, as calculated under Section 202.5, and

1 (ii) 3.75% of the taxpayer's net income for the period
2 after December 31, 2014, as calculated under Section
3 202.5.

4 (5.2) In the case of an individual, trust, or estate,
5 for taxable years beginning on or after January 1, 2015,
6 and ending prior to July 1, 2017, an amount equal to 3.75%
7 of the taxpayer's net income for the taxable year.

8 (5.3) In the case of an individual, trust, or estate,
9 for taxable years beginning prior to July 1, 2017, and
10 ending after June 30, 2017, an amount equal to the sum of
11 (i) 3.75% of the taxpayer's net income for the period
12 prior to July 1, 2017, as calculated under Section 202.5,
13 and (ii) 4.95% of the taxpayer's net income for the period
14 after June 30, 2017, as calculated under Section 202.5.

15 (5.4) In the case of an individual, trust, or estate,
16 for taxable years beginning on or after July 1, 2017, and
17 beginning prior to January 1, 2027 an amount equal to
18 4.95% of the taxpayer's net income for the taxable year.

19 (5.5) In the case of an individual, trust, or estate,
20 for taxable years beginning on or after January 1, 2027,
21 an amount calculated under the rate structure set forth in
22 Section 201.3.

23 (6) In the case of a corporation, for taxable years
24 ending prior to July 1, 1989, an amount equal to 4% of the
25 taxpayer's net income for the taxable year.

26 (7) In the case of a corporation, for taxable years

1 beginning prior to July 1, 1989 and ending after June 30,
2 1989, an amount equal to the sum of (i) 4% of the
3 taxpayer's net income for the period prior to July 1,
4 1989, as calculated under Section 202.3, and (ii) 4.8% of
5 the taxpayer's net income for the period after June 30,
6 1989, as calculated under Section 202.3.

7 (8) In the case of a corporation, for taxable years
8 beginning after June 30, 1989, and ending prior to January
9 1, 2011, an amount equal to 4.8% of the taxpayer's net
10 income for the taxable year.

11 (9) In the case of a corporation, for taxable years
12 beginning prior to January 1, 2011, and ending after
13 December 31, 2010, an amount equal to the sum of (i) 4.8%
14 of the taxpayer's net income for the period prior to
15 January 1, 2011, as calculated under Section 202.5, and
16 (ii) 7% of the taxpayer's net income for the period after
17 December 31, 2010, as calculated under Section 202.5.

18 (10) In the case of a corporation, for taxable years
19 beginning on or after January 1, 2011, and ending prior to
20 January 1, 2015, an amount equal to 7% of the taxpayer's
21 net income for the taxable year.

22 (11) In the case of a corporation, for taxable years
23 beginning prior to January 1, 2015, and ending after
24 December 31, 2014, an amount equal to the sum of (i) 7% of
25 the taxpayer's net income for the period prior to January
26 1, 2015, as calculated under Section 202.5, and (ii) 5.25%

1 of the taxpayer's net income for the period after December
2 31, 2014, as calculated under Section 202.5.

3 (12) In the case of a corporation, for taxable years
4 beginning on or after January 1, 2015, and ending prior to
5 July 1, 2017, an amount equal to 5.25% of the taxpayer's
6 net income for the taxable year.

7 (13) In the case of a corporation, for taxable years
8 beginning prior to July 1, 2017, and ending after June 30,
9 2017, an amount equal to the sum of (i) 5.25% of the
10 taxpayer's net income for the period prior to July 1,
11 2017, as calculated under Section 202.5, and (ii) 7% of
12 the taxpayer's net income for the period after June 30,
13 2017, as calculated under Section 202.5.

14 (14) In the case of a corporation, for taxable years
15 beginning on or after July 1, 2017, an amount equal to 7%
16 of the taxpayer's net income for the taxable year.

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

19 (b-5) Surcharge; sale or exchange of assets, properties,
20 and intangibles of organization gaming licensees. For each of
21 taxable years 2019 through 2027, a surcharge is imposed on all
22 taxpayers on income arising from the sale or exchange of
23 capital assets, depreciable business property, real property
24 used in the trade or business, and Section 197 intangibles (i)
25 of an organization licensee under the Illinois Horse Racing
26 Act of 1975 and (ii) of an organization gaming licensee under

1 the Illinois Gambling Act. The amount of the surcharge is
2 equal to the amount of federal income tax liability for the
3 taxable year attributable to those sales and exchanges. The
4 surcharge imposed shall not apply if:

5 (1) the organization gaming license, organization
6 license, or racetrack property is transferred as a result
7 of any of the following:

8 (A) bankruptcy, a receivership, or a debt
9 adjustment initiated by or against the initial
10 licensee or the substantial owners of the initial
11 licensee;

12 (B) cancellation, revocation, or termination of
13 any such license by the Illinois Gaming Board or the
14 Illinois Racing Board;

15 (C) a determination by the Illinois Gaming Board
16 that transfer of the license is in the best interests
17 of Illinois gaming;

18 (D) the death of an owner of the equity interest in
19 a licensee;

20 (E) the acquisition of a controlling interest in
21 the stock or substantially all of the assets of a
22 publicly traded company;

23 (F) a transfer by a parent company to a wholly
24 owned subsidiary; or

25 (G) the transfer or sale to or by one person to
26 another person where both persons were initial owners

1 of the license when the license was issued; or

2 (2) the controlling interest in the organization
3 gaming license, organization license, or racetrack
4 property is transferred in a transaction to lineal
5 descendants in which no gain or loss is recognized or as a
6 result of a transaction in accordance with Section 351 of
7 the Internal Revenue Code in which no gain or loss is
8 recognized; or

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

13 The transfer of an organization gaming license,
14 organization license, or racetrack property by a person other
15 than the initial licensee to receive the organization gaming
16 license is not subject to a surcharge. The Department shall
17 adopt rules necessary to implement and administer this
18 subsection.

19 (c) Personal Property Tax Replacement Income Tax.
20 Beginning on July 1, 1979 and thereafter, in addition to such
21 income tax, there is also hereby imposed the Personal Property
22 Tax Replacement Income Tax measured by net income on every
23 corporation (including Subchapter S corporations), partnership
24 and trust, for each taxable year ending after June 30, 1979.
25 Such taxes are imposed on the privilege of earning or
26 receiving income in or as a resident of this State. The

1 Personal Property Tax Replacement Income Tax shall be in
2 addition to the income tax imposed by subsections (a) and (b)
3 of this Section and in addition to all other occupation or
4 privilege taxes imposed by this State or by any municipal
5 corporation or political subdivision thereof.

6 (d) Additional Personal Property Tax Replacement Income
7 Tax Rates. The personal property tax replacement income tax
8 imposed by this subsection and subsection (c) of this Section
9 in the case of a corporation, other than a Subchapter S
10 corporation and except as adjusted by subsection (d-1), shall
11 be an additional amount equal to 2.85% of such taxpayer's net
12 income for the taxable year, except that beginning on January
13 1, 1981, and thereafter, the rate of 2.85% specified in this
14 subsection shall be reduced to 2.5%, and in the case of a
15 partnership, trust or a Subchapter S corporation shall be an
16 additional amount equal to 1.5% of such taxpayer's net income
17 for the taxable year.

18 (d-1) Rate reduction for certain foreign insurers. In the
19 case of a foreign insurer, as defined by Section 35A-5 of the
20 Illinois Insurance Code, whose state or country of domicile
21 imposes on insurers domiciled in Illinois a retaliatory tax
22 (excluding any insurer whose premiums from reinsurance assumed
23 are 50% or more of its total insurance premiums as determined
24 under paragraph (2) of subsection (b) of Section 304, except
25 that for purposes of this determination premiums from
26 reinsurance do not include premiums from inter-affiliate

1 reinsurance arrangements), beginning with taxable years ending
2 on or after December 31, 1999, the sum of the rates of tax
3 imposed by subsections (b) and (d) shall be reduced (but not
4 increased) to the rate at which the total amount of tax imposed
5 under this Act, net of all credits allowed under this Act,
6 shall equal (i) the total amount of tax that would be imposed
7 on the foreign insurer's net income allocable to Illinois for
8 the taxable year by such foreign insurer's state or country of
9 domicile if that net income were subject to all income taxes
10 and taxes measured by net income imposed by such foreign
11 insurer's state or country of domicile, net of all credits
12 allowed or (ii) a rate of zero if no such tax is imposed on
13 such income by the foreign insurer's state of domicile. For
14 the purposes of this subsection (d-1), an inter-affiliate
15 includes a mutual insurer under common management.

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

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

22 (B) the privilege tax imposed by Section 409 of
23 the Illinois Insurance Code, the fire insurance
24 company tax imposed by Section 12 of the Fire
25 Investigation Act, and the fire department taxes
26 imposed under Section 11-10-1 of the Illinois

1 Municipal Code,
2 equals 1.25% for taxable years ending prior to December
3 31, 2003, or 1.75% for taxable years ending on or after
4 December 31, 2003, of the net taxable premiums written for
5 the taxable year, as described by subsection (1) of
6 Section 409 of the Illinois Insurance Code. This paragraph
7 will in no event increase the rates imposed under
8 subsections (b) and (d).

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

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

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

21 (1) A taxpayer shall be allowed a credit equal to .5%
22 of the basis of qualified property placed in service
23 during the taxable year, provided such property is placed
24 in service on or after July 1, 1984. There shall be allowed
25 an additional credit equal to .5% of the basis of
26 qualified property placed in service during the taxable

1 year, provided such property is placed in service on or
2 after July 1, 1986, and the taxpayer's base employment
3 within Illinois has increased by 1% or more over the
4 preceding year as determined by the taxpayer's employment
5 records filed with the Illinois Department of Employment
6 Security. Taxpayers who are new to Illinois shall be
7 deemed to have met the 1% growth in base employment for the
8 first year in which they file employment records with the
9 Illinois Department of Employment Security. The provisions
10 added to this Section by Public Act 85-1200 (and restored
11 by Public Act 87-895) shall be construed as declaratory of
12 existing law and not as a new enactment. If, in any year,
13 the increase in base employment within Illinois over the
14 preceding year is less than 1%, the additional credit
15 shall be limited to that percentage times a fraction, the
16 numerator of which is .5% and the denominator of which is
17 1%, but shall not exceed .5%. The investment credit shall
18 not be allowed to the extent that it would reduce a
19 taxpayer's liability in any tax year below zero, nor may
20 any credit for qualified property be allowed for any year
21 other than the year in which the property was placed in
22 service in Illinois. For tax years ending on or after
23 December 31, 1987, and on or before December 31, 1988, the
24 credit shall be allowed for the tax year in which the
25 property is placed in service, or, if the amount of the
26 credit exceeds the tax liability for that year, whether it

1 exceeds the original liability or the liability as later
2 amended, such excess may be carried forward and applied to
3 the tax liability of the 5 taxable years following the
4 excess credit years if the taxpayer (i) makes investments
5 which cause the creation of a minimum of 2,000 full-time
6 equivalent jobs in Illinois, (ii) is located in an
7 enterprise zone established pursuant to the Illinois
8 Enterprise Zone Act and (iii) is certified by the
9 Department of Commerce and Community Affairs (now
10 Department of Commerce and Economic Opportunity) as
11 complying with the requirements specified in clause (i)
12 and (ii) by July 1, 1986. The Department of Commerce and
13 Community Affairs (now Department of Commerce and Economic
14 Opportunity) shall notify the Department of Revenue of all
15 such certifications immediately. For tax years ending
16 after December 31, 1988, the credit shall be allowed for
17 the tax year in which the property is placed in service,
18 or, if the amount of the credit exceeds the tax liability
19 for that year, whether it exceeds the original liability
20 or the liability as later amended, such excess may be
21 carried forward and applied to the tax liability of the 5
22 taxable years following the excess credit years. The
23 credit shall be applied to the earliest year for which
24 there is a liability. If there is credit from more than one
25 tax year that is available to offset a liability, earlier
26 credit shall be applied first.

1 (2) The term "qualified property" means property
2 which:

3 (A) is tangible, whether new or used, including
4 buildings and structural components of buildings and
5 signs that are real property, but not including land
6 or improvements to real property that are not a
7 structural component of a building such as
8 landscaping, sewer lines, local access roads, fencing,
9 parking lots, and other appurtenances;

10 (B) is depreciable pursuant to Section 167 of the
11 Internal Revenue Code, except that "3-year property"
12 as defined in Section 168(c)(2)(A) of that Code is not
13 eligible for the credit provided by this subsection
14 (e);

15 (C) is acquired by purchase as defined in Section
16 179(d) of the Internal Revenue Code;

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

23 (E) has not previously been used in Illinois in
24 such a manner and by such a person as would qualify for
25 the credit provided by this subsection (e) or
26 subsection (f).

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

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

23 (5) If the basis of the property for federal income
24 tax depreciation purposes is increased after it has been
25 placed in service in Illinois by the taxpayer, the amount
26 of such increase shall be deemed property placed in

1 service on the date of such increase in basis.

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

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

21 (8) Unless the investment credit is extended by law,
22 the basis of qualified property shall not include costs
23 incurred after December 31, 2018, except for costs
24 incurred pursuant to a binding contract entered into on or
25 before December 31, 2018.

26 (9) Each taxable year ending before December 31, 2000,

1 a partnership may elect to pass through to its partners
2 the credits to which the partnership is entitled under
3 this subsection (e) for the taxable year. A partner may
4 use the credit allocated to him or her under this
5 paragraph only against the tax imposed in subsections (c)
6 and (d) of this Section. If the partnership makes that
7 election, those credits shall be allocated among the
8 partners in the partnership in accordance with the rules
9 set forth in Section 704(b) of the Internal Revenue Code,
10 and the rules promulgated under that Section, and the
11 allocated amount of the credits shall be allowed to the
12 partners for that taxable year. The partnership shall make
13 this election on its Personal Property Tax Replacement
14 Income Tax return for that taxable year. The election to
15 pass through the credits shall be irrevocable.

16 For taxable years ending on or after December 31,
17 2000, a partner that qualifies its partnership for a
18 subtraction under subparagraph (I) of paragraph (2) of
19 subsection (d) of Section 203 or a shareholder that
20 qualifies a Subchapter S corporation for a subtraction
21 under subparagraph (S) of paragraph (2) of subsection (b)
22 of Section 203 shall be allowed a credit under this
23 subsection (e) equal to its share of the credit earned
24 under this subsection (e) during the taxable year by the
25 partnership or Subchapter S corporation, determined in
26 accordance with the determination of income and

1 distributive share of income under Sections 702 and 704
2 and Subchapter S of the Internal Revenue Code. This
3 paragraph is exempt from the provisions of Section 250.

4 (f) Investment credit; Enterprise Zone; River Edge
5 Redevelopment Zone.

6 (1) A taxpayer shall be allowed a credit against the
7 tax imposed by subsections (a) and (b) of this Section for
8 investment in qualified property which is placed in
9 service in an Enterprise Zone created pursuant to the
10 Illinois Enterprise Zone Act or, for property placed in
11 service on or after July 1, 2006, a River Edge
12 Redevelopment Zone established pursuant to the River Edge
13 Redevelopment Zone Act. For partners, shareholders of
14 Subchapter S corporations, and owners of limited liability
15 companies, if the liability company is treated as a
16 partnership for purposes of federal and State income
17 taxation, for taxable years ending before December 31,
18 2023, there shall be allowed a credit under this
19 subsection (f) to be determined in accordance with the
20 determination of income and distributive share of income
21 under Sections 702 and 704 and Subchapter S of the
22 Internal Revenue Code. For taxable years ending on or
23 after December 31, 2023, for partners and shareholders of
24 Subchapter S corporations, the provisions of Section 251
25 shall apply with respect to the credit under this
26 subsection. The credit shall be .5% of the basis for such

1 property. The credit shall be available only in the
2 taxable year in which the property is placed in service in
3 the Enterprise Zone or River Edge Redevelopment Zone and
4 shall not be allowed to the extent that it would reduce a
5 taxpayer's liability for the tax imposed by subsections
6 (a) and (b) of this Section to below zero. For tax years
7 ending on or after December 31, 1985, the credit shall be
8 allowed for the tax year in which the property is placed in
9 service, or, if the amount of the credit exceeds the tax
10 liability for that year, whether it exceeds the original
11 liability or the liability as later amended, such excess
12 may be carried forward and applied to the tax liability of
13 the 5 taxable years following the excess credit year. The
14 credit shall be applied to the earliest year for which
15 there is a liability. If there is credit from more than one
16 tax year that is available to offset a liability, the
17 credit accruing first in time shall be applied first.

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

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

21 (B) is depreciable pursuant to Section 167 of the
22 Internal Revenue Code, except that "3-year property"
23 as defined in Section 168(c)(2)(A) of that Code is not
24 eligible for the credit provided by this subsection
25 (f);

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code;

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

4 (E) has not been previously used in Illinois in
5 such a manner and by such a person as would qualify for
6 the credit provided by this subsection (f) or
7 subsection (e).

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

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

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

19 (6) If during any taxable year, any property ceases to
20 be qualified property in the hands of the taxpayer within
21 48 months after being placed in service, or the situs of
22 any qualified property is moved outside the Enterprise
23 Zone or River Edge Redevelopment Zone within 48 months
24 after being placed in service, the tax imposed under
25 subsections (a) and (b) of this Section for such taxable
26 year shall be increased. Such increase shall be determined

1 by (i) recomputing the investment credit which would have
2 been allowed for the year in which credit for such
3 property was originally allowed by eliminating such
4 property from such computation, and (ii) subtracting such
5 recomputed credit from the amount of credit previously
6 allowed. For the purposes of this paragraph (6), a
7 reduction of the basis of qualified property resulting
8 from a redetermination of the purchase price shall be
9 deemed a disposition of qualified property to the extent
10 of such reduction.

11 (7) There shall be allowed an additional credit equal
12 to 0.5% of the basis of qualified property placed in
13 service during the taxable year in a River Edge
14 Redevelopment Zone, provided such property is placed in
15 service on or after July 1, 2006, and the taxpayer's base
16 employment within Illinois has increased by 1% or more
17 over the preceding year as determined by the taxpayer's
18 employment records filed with the Illinois Department of
19 Employment Security. Taxpayers who are new to Illinois
20 shall be deemed to have met the 1% growth in base
21 employment for the first year in which they file
22 employment records with the Illinois Department of
23 Employment Security. If, in any year, the increase in base
24 employment within Illinois over the preceding year is less
25 than 1%, the additional credit shall be limited to that
26 percentage times a fraction, the numerator of which is

1 0.5% and the denominator of which is 1%, but shall not
2 exceed 0.5%.

3 (8) For taxable years beginning on or after January 1,
4 2021, there shall be allowed an Enterprise Zone
5 construction jobs credit against the taxes imposed under
6 subsections (a) and (b) of this Section as provided in
7 Section 13 of the Illinois Enterprise Zone Act.

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

19 For partners, shareholders of Subchapter S
20 corporations, and owners of limited liability companies,
21 if the liability company is treated as a partnership for
22 the purposes of federal and State income taxation, for
23 taxable years ending before December 31, 2023, there shall
24 be allowed a credit under this Section to be determined in
25 accordance with the determination of income and
26 distributive share of income under Sections 702 and 704

1 and Subchapter S of the Internal Revenue Code. For taxable
2 years ending on or after December 31, 2023, for partners
3 and shareholders of Subchapter S corporations, the
4 provisions of Section 251 shall apply with respect to the
5 credit under this subsection.

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

9 This paragraph (8) is exempt from the provisions of
10 Section 250.

11 (g) (Blank).

12 (h) Investment credit; High Impact Business.

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

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

1 Changes made in this subdivision (h) (1) by Public Act
2 88-670 restore changes made by Public Act 85-1182 and
3 reflect existing law.

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

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

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

12 (C) is acquired by purchase as defined in Section
13 179(d) of the Internal Revenue Code; and

14 (D) is not eligible for the Enterprise Zone
15 Investment Credit provided by subsection (f) of this
16 Section.

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

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

26 (5) The term "placed in service" shall have the same

1 meaning as under Section 46 of the Internal Revenue Code.

2 (6) If during any taxable year ending on or before
3 December 31, 1996, any property ceases to be qualified
4 property in the hands of the taxpayer within 48 months
5 after being placed in service, or the situs of any
6 qualified property is moved outside Illinois within 48
7 months after being placed in service, the tax imposed
8 under subsections (a) and (b) of this Section for such
9 taxable year shall be increased. Such increase shall be
10 determined by (i) recomputing the investment credit which
11 would have been allowed for the year in which credit for
12 such property was originally allowed by eliminating such
13 property from such computation, and (ii) subtracting such
14 recomputed credit from the amount of credit previously
15 allowed. For the purposes of this paragraph (6), a
16 reduction of the basis of qualified property resulting
17 from a redetermination of the purchase price shall be
18 deemed a disposition of qualified property to the extent
19 of such reduction.

20 (7) Beginning with tax years ending after December 31,
21 1996, if a taxpayer qualifies for the credit under this
22 subsection (h) and thereby is granted a tax abatement and
23 the taxpayer relocates its entire facility in violation of
24 the explicit terms and length of the contract under
25 Section 18-183 of the Property Tax Code, the tax imposed
26 under subsections (a) and (b) of this Section shall be

1 increased for the taxable year in which the taxpayer
2 relocated its facility by an amount equal to the amount of
3 credit received by the taxpayer under this subsection (h).

4 (h-5) High Impact Business construction jobs credit. For
5 taxable years beginning on or after January 1, 2021, there
6 shall also be allowed a High Impact Business construction jobs
7 credit against the tax imposed under subsections (a) and (b)
8 of this Section as provided in subsections (i) and (j) of
9 Section 5.5 of the Illinois Enterprise Zone Act.

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

20 For partners, shareholders of Subchapter S corporations,
21 and owners of limited liability companies, for taxable years
22 ending before December 31, 2023, if the liability company is
23 treated as a partnership for the purposes of federal and State
24 income taxation, there shall be allowed a credit under this
25 Section to be determined in accordance with the determination
26 of income and distributive share of income under Sections 702

1 and 704 and Subchapter S of the Internal Revenue Code. For
2 taxable years ending on or after December 31, 2023, for
3 partners and shareholders of Subchapter S corporations, the
4 provisions of Section 251 shall apply with respect to the
5 credit under this subsection.

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

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

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

21 Any credit earned on or after December 31, 1986 under this
22 subsection which is unused in the year the credit is computed
23 because it exceeds the tax liability imposed by subsections
24 (a) and (b) for that year (whether it exceeds the original
25 liability or the liability as later amended) may be carried
26 forward and applied to the tax liability imposed by

1 subsections (a) and (b) of the 5 taxable years following the
2 excess credit year, provided that no credit may be carried
3 forward to any year ending on or after December 31, 2003. This
4 credit shall be applied first to the earliest year for which
5 there is a liability. If there is a credit under this
6 subsection from more than one tax year that is available to
7 offset a liability the earliest credit arising under this
8 subsection shall be applied first.

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

19 (j) Training expense credit. Beginning with tax years
20 ending on or after December 31, 1986 and prior to December 31,
21 2003, a taxpayer shall be allowed a credit against the tax
22 imposed by subsections (a) and (b) under this Section for all
23 amounts paid or accrued, on behalf of all persons employed by
24 the taxpayer in Illinois or Illinois residents employed
25 outside of Illinois by a taxpayer, for educational or
26 vocational training in semi-technical or technical fields or

1 semi-skilled or skilled fields, which were deducted from gross
2 income in the computation of taxable income. The credit
3 against the tax imposed by subsections (a) and (b) shall be
4 1.6% of such training expenses. For partners, shareholders of
5 subchapter S corporations, and owners of limited liability
6 companies, if the liability company is treated as a
7 partnership for purposes of federal and State income taxation,
8 for taxable years ending before December 31, 2023, there shall
9 be allowed a credit under this subsection (j) to be determined
10 in accordance with the determination of income and
11 distributive share of income under Sections 702 and 704 and
12 subchapter S of the Internal Revenue Code. For taxable years
13 ending on or after December 31, 2023, for partners and
14 shareholders of Subchapter S corporations, the provisions of
15 Section 251 shall apply with respect to the credit under this
16 subsection.

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

1 (k) Research and development credit. For tax years ending
2 after July 1, 1990 and prior to December 31, 2003, and
3 beginning again for tax years ending on or after December 31,
4 2004, and ending prior to January 1, 2032, a taxpayer shall be
5 allowed a credit against the tax imposed by subsections (a)
6 and (b) of this Section for increasing research activities in
7 this State. The credit allowed against the tax imposed by
8 subsections (a) and (b) shall be equal to 6 1/2% of the
9 qualifying expenditures for increasing research activities in
10 this State. For partners, shareholders of subchapter S
11 corporations, and owners of limited liability companies, if
12 the liability company is treated as a partnership for purposes
13 of federal and State income taxation, for taxable years ending
14 before December 31, 2023, there shall be allowed a credit
15 under this subsection to be determined in accordance with the
16 determination of income and distributive share of income under
17 Sections 702 and 704 and subchapter S of the Internal Revenue
18 Code. For taxable years ending on or after December 31, 2023,
19 for partners and shareholders of Subchapter S corporations,
20 the provisions of Section 251 shall apply with respect to the
21 credit under this subsection.

22 For purposes of this subsection, "qualifying expenditures"
23 means the qualifying expenditures as defined for the federal
24 credit for increasing research activities which would be
25 allowable under Section 41 of the Internal Revenue Code and
26 which are conducted in this State, "qualifying expenditures

1 for increasing research activities in this State" means the
2 excess of qualifying expenditures for the taxable year in
3 which incurred over qualifying expenditures for the base
4 period, "qualifying expenditures for the base period" means
5 the average of the qualifying expenditures for each year in
6 the base period, and "base period" means the 3 taxable years
7 immediately preceding the taxable year for which the
8 determination is being made.

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

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

1 than 5 years after the year in which the expense for which the
2 credit is given was incurred.

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

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

15 (l) Environmental Remediation Tax Credit.

16 (i) For tax years ending after December 31, 1997 and
17 on or before December 31, 2001, a taxpayer shall be
18 allowed a credit against the tax imposed by subsections
19 (a) and (b) of this Section for certain amounts paid for
20 unreimbursed eligible remediation costs, as specified in
21 this subsection. For purposes of this Section,
22 "unreimbursed eligible remediation costs" means costs
23 approved by the Illinois Environmental Protection Agency
24 ("Agency") under Section 58.14 of the Environmental
25 Protection Act that were paid in performing environmental
26 remediation at a site 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. After the Pollution
11 Control Board rules are adopted pursuant to the Illinois
12 Administrative Procedure Act for the administration and
13 enforcement of Section 58.9 of the Environmental
14 Protection Act, determinations as to credit availability
15 for purposes of this Section shall be made consistent with
16 those rules. For purposes of this Section, "taxpayer"
17 includes a person whose tax attributes the taxpayer has
18 succeeded to under Section 381 of the Internal Revenue
19 Code and "related party" includes the persons disallowed a
20 deduction for losses by paragraphs (b), (c), and (f)(1) of
21 Section 267 of the Internal Revenue Code by virtue of
22 being a related taxpayer, as well as any of its partners.
23 The credit allowed against the tax imposed by subsections
24 (a) and (b) shall be equal to 25% of the unreimbursed
25 eligible remediation costs in excess of \$100,000 per site,
26 except that the \$100,000 threshold shall not apply to any

1 site contained in an enterprise zone as determined by the
2 Department of Commerce and Community Affairs (now
3 Department of Commerce and Economic Opportunity). The
4 total credit allowed shall not exceed \$40,000 per year
5 with a maximum total of \$150,000 per site. For partners
6 and shareholders of subchapter S corporations, there shall
7 be allowed a credit under this subsection to be determined
8 in accordance with the determination of income and
9 distributive share of income under Sections 702 and 704
10 and subchapter S of the Internal Revenue Code.

11 (ii) A credit allowed under this subsection that is
12 unused in the year the credit is earned may be carried
13 forward to each of the 5 taxable years following the year
14 for which the credit is first earned until it is used. The
15 term "unused credit" does not include any amounts of
16 unreimbursed eligible remediation costs in excess of the
17 maximum credit per site authorized under paragraph (i).
18 This credit shall be applied first to the earliest year
19 for which there is a liability. If there is a credit under
20 this subsection from more than one tax year that is
21 available to offset a liability, the earliest credit
22 arising under this subsection shall be applied first. A
23 credit allowed under this subsection may be sold to a
24 buyer as part of a sale of all or part of the remediation
25 site for which the credit was granted. The purchaser of a
26 remediation site and the tax credit shall succeed to the

1 unused credit and remaining carry-forward period of the
2 seller. To perfect the transfer, the assignor shall record
3 the transfer in the chain of title for the site and provide
4 written notice to the Director of the Illinois Department
5 of Revenue of the assignor's intent to sell the
6 remediation site and the amount of the tax credit to be
7 transferred as a portion of the sale. In no event may a
8 credit be transferred to any taxpayer if the taxpayer or a
9 related party would not be eligible under the provisions
10 of subsection (i).

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

14 (m) Education expense credit. Beginning with tax years
15 ending after December 31, 1999, a taxpayer who is the
16 custodian of one or more qualifying pupils shall be allowed a
17 credit against the tax imposed by subsections (a) and (b) of
18 this Section for qualified education expenses incurred on
19 behalf of the qualifying pupils. The credit shall be equal to
20 25% of qualified education expenses, but in no event may the
21 total credit under this subsection claimed by a family that is
22 the custodian of qualifying pupils exceed (i) \$500 for tax
23 years ending prior to December 31, 2017, and (ii) \$750 for tax
24 years ending on or after December 31, 2017. In no event shall a
25 credit under this subsection reduce the taxpayer's liability
26 under this Act to less than zero. Notwithstanding any other

1 provision of law, for taxable years beginning on or after
2 January 1, 2017, no taxpayer may claim a credit under this
3 subsection (m) if the taxpayer's adjusted gross income for the
4 taxable year exceeds (i) \$500,000, in the case of spouses
5 filing a joint federal tax return or (ii) \$250,000, in the case
6 of all other taxpayers. This subsection is exempt from the
7 provisions of Section 250 of this Act.

8 For purposes of this subsection:

9 "Qualifying pupils" means individuals who (i) are
10 residents of the State of Illinois, (ii) are under the age of
11 21 at the close of the school year for which a credit is
12 sought, and (iii) during the school year for which a credit is
13 sought were full-time pupils enrolled in a kindergarten
14 through twelfth grade education program at any school, as
15 defined in this subsection.

16 "Qualified education expense" means the amount incurred on
17 behalf of a qualifying pupil in excess of \$250 for tuition,
18 book fees, and lab fees at the school in which the pupil is
19 enrolled during the regular school year.

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

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

4 (n) River Edge Redevelopment Zone site remediation tax
5 credit.

6 (i) For tax years ending on or after December 31,
7 2006, a taxpayer shall be allowed a credit against the tax
8 imposed by subsections (a) and (b) of this Section for
9 certain amounts paid for unreimbursed eligible remediation
10 costs, as specified in this subsection. For purposes of
11 this Section, "unreimbursed eligible remediation costs"
12 means costs approved by the Illinois Environmental
13 Protection Agency ("Agency") under Section 58.14a of the
14 Environmental Protection Act that were paid in performing
15 environmental remediation at a site within a River Edge
16 Redevelopment Zone for which a No Further Remediation
17 Letter was issued by the Agency and recorded under Section
18 58.10 of the Environmental Protection Act. The credit must
19 be claimed for the taxable year in which Agency approval
20 of the eligible remediation costs is granted. The credit
21 is not available to any taxpayer if the taxpayer or any
22 related party caused or contributed to, in any material
23 respect, a release of regulated substances on, in, or
24 under the site that was identified and addressed by the
25 remedial action pursuant to the Site Remediation Program
26 of the Environmental Protection Act. Determinations as to

1 credit availability for purposes of this Section shall be
2 made consistent with rules adopted by the Pollution
3 Control Board pursuant to the Illinois Administrative
4 Procedure Act for the administration and enforcement of
5 Section 58.9 of the Environmental Protection Act. For
6 purposes of this Section, "taxpayer" includes a person
7 whose tax attributes the taxpayer has succeeded to under
8 Section 381 of the Internal Revenue Code and "related
9 party" includes the persons disallowed a deduction for
10 losses by paragraphs (b), (c), and (f)(1) of Section 267
11 of the Internal Revenue Code by virtue of being a related
12 taxpayer, as well as any of its partners. The credit
13 allowed against the tax imposed by subsections (a) and (b)
14 shall be equal to 25% of the unreimbursed eligible
15 remediation costs in excess of \$100,000 per site.

16 (ii) A credit allowed under this subsection that is
17 unused in the year the credit is earned may be carried
18 forward to each of the 5 taxable years following the year
19 for which the credit is first earned until it is used. This
20 credit shall be applied first to the earliest year for
21 which there is a liability. If there is a credit under this
22 subsection from more than one tax year that is available
23 to offset a liability, the earliest credit arising under
24 this subsection shall be applied first. A credit allowed
25 under this subsection may be sold to a buyer as part of a
26 sale of all or part of the remediation site for which the

1 credit was granted. The purchaser of a remediation site
2 and the tax credit shall succeed to the unused credit and
3 remaining carry-forward period of the seller. To perfect
4 the transfer, the assignor shall record the transfer in
5 the chain of title for the site and provide written notice
6 to the Director of the Illinois Department of Revenue of
7 the assignor's intent to sell the remediation site and the
8 amount of the tax credit to be transferred as a portion of
9 the sale. In no event may a credit be transferred to any
10 taxpayer if the taxpayer or a related party would not be
11 eligible under the provisions of subsection (i).

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

15 (o) For each of taxable years during the Compassionate Use
16 of Medical Cannabis Program, 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 of
20 an organization registrant under the Compassionate Use of
21 Medical Cannabis Program Act. The amount of the surcharge is
22 equal to the amount of federal income tax liability for the
23 taxable year attributable to those sales and exchanges. The
24 surcharge imposed does not apply if:

25 (1) the medical cannabis cultivation center
26 registration, medical cannabis dispensary registration, or

1 the property of a registration 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 registration or the substantial owners of the initial
6 registration;

7 (B) cancellation, revocation, or termination of
8 any registration by the Illinois Department of Public
9 Health;

10 (C) a determination by the Illinois Department of
11 Public Health that transfer of the registration is in
12 the best interests of Illinois qualifying patients as
13 defined by the Compassionate Use of Medical Cannabis
14 Program Act;

15 (D) the death of an owner of the equity interest in
16 a registrant;

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

20 (F) a transfer by a parent company to a wholly
21 owned subsidiary; or

22 (G) the transfer or sale to or by one person to
23 another person where both persons were initial owners
24 of the registration when the registration was issued;
25 or

26 (2) the cannabis cultivation center registration,

1 medical cannabis dispensary registration, or the
2 controlling interest in a registrant's property is
3 transferred in a transaction to lineal descendants in
4 which no gain or loss is recognized or as a result of a
5 transaction in accordance with Section 351 of the Internal
6 Revenue Code in which no gain or loss is recognized.

7 (p) Pass-through entity tax.

8 (1) For taxable years ending on or after December 31,
9 2021, a partnership (other than a publicly traded
10 partnership under Section 7704 of the Internal Revenue
11 Code) or Subchapter S corporation may elect to apply the
12 provisions of this subsection. A separate election shall
13 be made for each taxable year. Such election shall be made
14 at such time, and in such form and manner as prescribed by
15 the Department, and, once made, is irrevocable.

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

22 (3) Net income defined.

23 (A) In general. For purposes of paragraph (2), the
24 term net income has the same meaning as defined in
25 Section 202 of this Act, except that, for tax years
26 ending on or after December 31, 2023, a deduction

1 shall be allowed in computing base income for
2 distributions to a retired partner to the extent that
3 the partner's distributions are exempt from tax under
4 Section 203(a)(2)(F) of this Act. In addition, the
5 following modifications shall not apply:

6 (i) the standard exemption allowed under
7 Section 204;

8 (ii) the deduction for net losses allowed
9 under Section 207;

10 (iii) in the case of an S corporation, the
11 modification under Section 203(b)(2)(S); and

12 (iv) in the case of a partnership, the
13 modifications under Section 203(d)(2)(H) and
14 Section 203(d)(2)(I).

15 (B) Special rule for tiered partnerships. If a
16 taxpayer making the election under paragraph (1) is a
17 partner of another taxpayer making the election under
18 paragraph (1), net income shall be computed as
19 provided in subparagraph (A), except that the taxpayer
20 shall subtract its distributive share of the net
21 income of the electing partnership (including its
22 distributive share of the net income of the electing
23 partnership derived as a distributive share from
24 electing partnerships in which it is a partner).

25 (4) Credit for entity level tax. Each partner or
26 shareholder of a taxpayer making the election under this

1 Section shall be allowed a credit against the tax imposed
2 under subsections (a) and (b) of Section 201 of this Act
3 for the taxable year of the partnership or Subchapter S
4 corporation for which an election is in effect ending
5 within or with the taxable year of the partner or
6 shareholder in an amount equal to 4.95% times the partner
7 or shareholder's distributive share of the net income of
8 the electing partnership or Subchapter S corporation, but
9 not to exceed the partner's or shareholder's share of the
10 tax imposed under paragraph (1) which is actually paid by
11 the partnership or Subchapter S corporation. If the
12 taxpayer is a partnership or Subchapter S corporation that
13 is itself a partner of a partnership making the election
14 under paragraph (1), the credit under this paragraph shall
15 be allowed to the taxpayer's partners or shareholders (or
16 if the partner is a partnership or Subchapter S
17 corporation then its partners or shareholders) in
18 accordance with the determination of income and
19 distributive share of income under Sections 702 and 704
20 and Subchapter S of the Internal Revenue Code. If the
21 amount of the credit allowed under this paragraph exceeds
22 the partner's or shareholder's liability for tax imposed
23 under subsections (a) and (b) of Section 201 of this Act
24 for the taxable year, such excess shall be treated as an
25 overpayment for purposes of Section 909 of this Act.

26 (5) Nonresidents. A nonresident individual who is a

1 partner or shareholder of a partnership or Subchapter S
2 corporation for a taxable year for which an election is in
3 effect under paragraph (1) shall not be required to file
4 an income tax return under this Act for such taxable year
5 if the only source of net income of the individual (or the
6 individual and the individual's spouse in the case of a
7 joint return) is from an entity making the election under
8 paragraph (1) and the credit allowed to the partner or
9 shareholder under paragraph (4) equals or exceeds the
10 individual's liability for the tax imposed under
11 subsections (a) and (b) of Section 201 of this Act for the
12 taxable year.

13 (6) Liability for tax. Except as provided in this
14 paragraph, a partnership or Subchapter S making the
15 election under paragraph (1) is liable for the
16 entity-level tax imposed under paragraph (2). If the
17 electing partnership or corporation fails to pay the full
18 amount of tax deemed assessed under paragraph (2), the
19 partners or shareholders shall be liable to pay the tax
20 assessed (including penalties and interest). Each partner
21 or shareholder shall be liable for the unpaid assessment
22 based on the ratio of the partner's or shareholder's share
23 of the net income of the partnership over the total net
24 income of the partnership. If the partnership or
25 Subchapter S corporation fails to pay the tax assessed
26 (including penalties and interest) and thereafter an

1 amount of such tax is paid by the partners or
2 shareholders, such amount shall not be collected from the
3 partnership or corporation.

4 (7) Foreign tax. For purposes of the credit allowed
5 under Section 601(b)(3) of this Act, tax paid by a
6 partnership or Subchapter S corporation to another state
7 which, as determined by the Department, is substantially
8 similar to the tax imposed under this subsection, shall be
9 considered tax paid by the partner or shareholder to the
10 extent that the partner's or shareholder's share of the
11 income of the partnership or Subchapter S corporation
12 allocated and apportioned to such other state bears to the
13 total income of the partnership or Subchapter S
14 corporation allocated or apportioned to such other state.

15 (8) Suspension of withholding. The provisions of
16 Section 709.5 of this Act shall not apply to a partnership
17 or Subchapter S corporation for the taxable year for which
18 an election under paragraph (1) is in effect.

19 (9) Requirement to pay estimated tax. For each taxable
20 year for which an election under paragraph (1) is in
21 effect, a partnership or Subchapter S corporation is
22 required to pay estimated tax for such taxable year under
23 Sections 803 and 804 of this Act if the amount payable as
24 estimated tax can reasonably be expected to exceed \$500.

25 (10) The provisions of this subsection shall apply
26 only with respect to taxable years for which the

1 limitation on individual deductions applies under Section
2 164(b)(6) of the Internal Revenue Code.

3 (Source: P.A. 103-9, eff. 6-7-23; 103-396, eff. 1-1-24;
4 103-595, eff. 6-26-24; 103-605, eff. 7-1-24; 104-453, eff.
5 12-12-25.)

6 (35 ILCS 5/201.3 new)

7 Sec. 201.3. Tax rates. In the case of an individual,
8 trust, or estate, for taxable years beginning on or after
9 January 1, 2027, the amount of the tax imposed by subsection
10 (a) of Section 201 of this Act shall be determined according to
11 the following tax rate structure:

12 (1) for taxpayers who do not file a joint return and
13 have a net income of \$500,000 or less:

14 (A) 4.00% of the portion of the taxpayer's net
15 income that does not exceed \$25,000;

16 (B) 4.125% of the portion of the taxpayer's net
17 income that exceeds \$25,000 but does not exceed
18 \$50,000;

19 (C) 4.25% of the portion of the taxpayer's net
20 income that exceeds \$50,000 but does not exceed
21 \$100,000;

22 (D) 4.75% of the portion of the taxpayer's net
23 income that exceeds \$100,000 but does not exceed
24 \$150,000;

25 (E) 4.95% of the portion of the taxpayer's net

1 income that exceeds 150,000 but does not exceed
2 \$250,000;

3 (F) 5.45% of the portion of the taxpayer's net
4 income that exceeds 250,000 but does not exceed
5 \$375,000;

6 (G) 5.95% of the portion of the taxpayer's net
7 income that exceeds \$375,000 but does not exceed
8 \$500,000; and

9 (2) for taxpayers who do not file a joint return and
10 have a net income that exceeds \$500,000, 6.95% of the
11 taxpayer's net income;

12 (3) for taxpayers who file a joint return and have a
13 net income of \$1,000,000 or less:

14 (A) 4.00% of the portion of the taxpayer's net
15 income that does not exceed \$50,000;

16 (B) 4.125% of the portion of the taxpayer's net
17 income that exceeds \$50,000 but does not exceed
18 \$100,000;

19 (C) 4.25% of the portion of the taxpayer's net
20 income that exceeds \$100,000 but does not exceed
21 \$200,000;

22 (D) 4.75% of the portion of the taxpayer's net
23 income that exceeds \$200,000 but does not exceed
24 \$300,000;

25 (E) 4.95% of the portion of the taxpayer's net
26 income that exceeds \$300,000 but does not exceed

1 \$500,000; and

2 (F) 5.45% of the portion of the taxpayer's net
3 income that exceeds \$500,000 but does not exceed
4 \$750,000; and

5 (G) 5.95% of the portion of the taxpayer's net
6 income that exceeds \$750,000 but does not exceed
7 \$1,000,000; and

8 (4) for taxpayers who file a joint return and have a
9 net income of more than \$1,000,000, 6.95% of the
10 taxpayer's net income.