

HB4416



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB4416

Introduced 1/21/2022, by Rep. Chris Miller

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

Amends the Illinois Income Tax Act. Provides that no tax shall be imposed on the net income earned or received by any individual who is 65 years of age or older during the taxable year. Effective immediately.

LRB102 23530 HLH 32712 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. Notwithstanding any other provision of law, for tax
13 years beginning on or after January 1, 2023, no such tax shall
14 be imposed on the net income earned or received by any
15 individual who is 65 years of age or older during the taxable
16 year. Such tax shall be in addition to all other occupation or
17 privilege taxes imposed by this State or by any municipal
18 corporation or political subdivision thereof.

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

22 (1) In the case of an individual, trust or estate, for
23 taxable years ending prior to July 1, 1989, an amount

1 equal to 2 1/2% of the taxpayer's net income for the
2 taxable year.

3 (2) In the case of an individual, trust or estate, for
4 taxable years beginning prior to July 1, 1989 and ending
5 after June 30, 1989, an amount equal to the sum of (i) 2
6 1/2% of the taxpayer's net income for the period prior to
7 July 1, 1989, as calculated under Section 202.3, and (ii)
8 3% of the taxpayer's net income for the period after June
9 30, 1989, as calculated under Section 202.3.

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

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

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

25 (5.1) In the case of an individual, trust, or estate,
26 for taxable years beginning prior to January 1, 2015, and

1 ending after December 31, 2014, an amount equal to the sum
2 of (i) 5% of the taxpayer's net income for the period prior
3 to January 1, 2015, as calculated under Section 202.5, and
4 (ii) 3.75% of the taxpayer's net income for the period
5 after December 31, 2014, as calculated under Section
6 202.5.

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

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

18 (5.4) In the case of an individual, trust, or estate,
19 for taxable years beginning on or after July 1, 2017, an
20 amount equal to 4.95% of the taxpayer's net income for the
21 taxable year.

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

25 (7) In the case of a corporation, for taxable years
26 beginning prior to July 1, 1989 and ending after June 30,

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

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

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

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

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

1 31, 2014, as calculated under Section 202.5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (2) The term "qualified property" means property

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

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

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

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

3 (7) If during any taxable year, any property ceases to
4 be qualified property in the hands of the taxpayer within
5 48 months after being placed in service, or the situs of
6 any qualified property is moved outside Illinois within 48
7 months after being placed in service, the Personal
8 Property Tax Replacement Income Tax for such taxable year
9 shall be increased. Such increase shall be determined by

10 (i) recomputing the investment credit which would have
11 been allowed for the year in which credit for such
12 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 (7), 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 (8) Unless the investment credit is extended by law,
21 the basis of qualified property shall not include costs
22 incurred after December 31, 2018, except for costs
23 incurred pursuant to a binding contract entered into on or
24 before December 31, 2018.

25 (9) Each taxable year ending before December 31, 2000,
26 a partnership may elect to pass through to its partners

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

15 For taxable years ending on or after December 31,
16 2000, a partner that qualifies its partnership for a
17 subtraction under subparagraph (I) of paragraph (2) of
18 subsection (d) of Section 203 or a shareholder that
19 qualifies a Subchapter S corporation for a subtraction
20 under subparagraph (S) of paragraph (2) of subsection (b)
21 of Section 203 shall be allowed a credit under this
22 subsection (e) equal to its share of the credit earned
23 under this subsection (e) during the taxable year by the
24 partnership or Subchapter S corporation, 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. This
2 paragraph is exempt from the provisions of Section 250.

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

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

1 tax years ending on or after December 31, 1985, the credit
2 shall be allowed for the tax year in which the property is
3 placed in service, or, if the amount of the credit exceeds
4 the tax liability for that year, whether it exceeds the
5 original liability or the liability as later amended, such
6 excess may be carried forward and applied to the tax
7 liability of the 5 taxable years following the excess
8 credit year. The credit shall be applied to the earliest
9 year for which there is a liability. If there is credit
10 from more than one tax year that is available to offset a
11 liability, the credit accruing first in time shall be
12 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, there
18 shall be allowed a credit under this Section to be
19 determined in accordance with the determination of income
20 and distributive share of income under Sections 702 and
21 704 and Subchapter S of the Internal Revenue Code.

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

25 This paragraph (8) is exempt from the provisions of
26 Section 250.

1 (g) (Blank).

2 (h) Investment credit; High Impact Business.

3 (1) Subject to subsections (b) and (b-5) of Section
4 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
5 be allowed a credit against the tax imposed by subsections
6 (a) and (b) of this Section for investment in qualified
7 property which is placed in service by a Department of
8 Commerce and Economic Opportunity designated High Impact
9 Business. The credit shall be .5% of the basis for such
10 property. The credit shall not be available (i) until the
11 minimum investments in qualified property set forth in
12 subdivision (a)(3)(A) of Section 5.5 of the Illinois
13 Enterprise Zone Act have been satisfied or (ii) until the
14 time authorized in subsection (b-5) of the Illinois
15 Enterprise Zone Act for entities designated as High Impact
16 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
17 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
18 Act, and shall not be allowed to the extent that it would
19 reduce a taxpayer's liability for the tax imposed by
20 subsections (a) and (b) of this Section to below zero. The
21 credit applicable to such investments shall be taken in
22 the taxable year in which such investments have been
23 completed. The credit for additional investments beyond
24 the minimum investment by a designated high impact
25 business authorized under subdivision (a)(3)(A) of Section
26 5.5 of the Illinois Enterprise Zone Act shall be available

1 only in the taxable year in which the property is placed in
2 service and shall not be allowed to the extent that it
3 would reduce a taxpayer's liability for the tax imposed by
4 subsections (a) and (b) of this Section to below zero. For
5 tax years ending on or after December 31, 1987, the credit
6 shall be allowed for the tax year in which the property is
7 placed in service, or, if the amount of the credit exceeds
8 the tax liability for that year, whether it exceeds the
9 original liability or the liability as later amended, such
10 excess may be carried forward and applied to the tax
11 liability of the 5 taxable years following the excess
12 credit year. The credit shall be applied to the earliest
13 year for which there is a liability. If there is credit
14 from more than one tax year that is available to offset a
15 liability, the credit accruing first in time shall be
16 applied first.

17 Changes made in this subdivision (h) (1) by Public Act
18 88-670 restore changes made by Public Act 85-1182 and
19 reflect existing law.

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

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

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

1 (h);

2 (C) is acquired by purchase as defined in Section
3 179(d) of the Internal Revenue Code; and

4 (D) is not eligible for the Enterprise Zone
5 Investment Credit provided by subsection (f) of this
6 Section.

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

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

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

18 (6) If during any taxable year ending on or before
19 December 31, 1996, any property ceases to be qualified
20 property in the hands of the taxpayer within 48 months
21 after being placed in service, or the situs of any
22 qualified property is moved outside Illinois within 48
23 months after being placed in service, the tax imposed
24 under subsections (a) and (b) of this Section for such
25 taxable year shall be increased. Such increase shall be
26 determined by (i) recomputing the investment credit which

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

10 (7) Beginning with tax years ending after December 31,
11 1996, if a taxpayer qualifies for the credit under this
12 subsection (h) and thereby is granted a tax abatement and
13 the taxpayer relocates its entire facility in violation of
14 the explicit terms and length of the contract under
15 Section 18-183 of the Property Tax Code, the tax imposed
16 under subsections (a) and (b) of this Section shall be
17 increased for the taxable year in which the taxpayer
18 relocated its facility by an amount equal to the amount of
19 credit received by the taxpayer under this subsection (h).

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

26 The credit or credits may not reduce the taxpayer's

1 liability to less than zero. If the amount of the credit or
2 credits exceeds the taxpayer's liability, the excess may be
3 carried forward and applied against the taxpayer's liability
4 in succeeding calendar years in the manner provided under
5 paragraph (4) of Section 211 of this Act. The credit or credits
6 shall be applied to the earliest year for which there is a tax
7 liability. If there are credits from more than one taxable
8 year that are available to offset a liability, the earlier
9 credit shall be applied first.

10 For partners, shareholders of Subchapter S corporations,
11 and owners of limited liability companies, if the liability
12 company is treated as a partnership for the purposes of
13 federal and State income taxation, there shall be allowed a
14 credit under this Section to be determined in accordance with
15 the determination of income and distributive share of income
16 under Sections 702 and 704 and Subchapter S of the Internal
17 Revenue Code.

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

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

23 (i) Credit for Personal Property Tax Replacement Income
24 Tax. For tax years ending prior to December 31, 2003, a credit
25 shall be allowed against the tax imposed by subsections (a)
26 and (b) of this Section for the tax imposed by subsections (c)

1 and (d) of this Section. This credit shall be computed by
2 multiplying the tax imposed by subsections (c) and (d) of this
3 Section by a fraction, the numerator of which is base income
4 allocable to Illinois and the denominator of which is Illinois
5 base income, and further multiplying the product by the tax
6 rate imposed by subsections (a) and (b) of this Section.

7 Any credit earned on or after December 31, 1986 under this
8 subsection which is unused in the year the credit is computed
9 because it exceeds the tax liability imposed by subsections
10 (a) and (b) for that year (whether it exceeds the original
11 liability or the liability as later amended) may be carried
12 forward and applied to the tax liability imposed by
13 subsections (a) and (b) of the 5 taxable years following the
14 excess credit year, provided that no credit may be carried
15 forward to any year ending on or after December 31, 2003. This
16 credit shall be applied first to the earliest year for which
17 there is a liability. If there is a credit under this
18 subsection from more than one tax year that is available to
19 offset a liability the earliest credit arising under this
20 subsection shall be applied first.

21 If, during any taxable year ending on or after December
22 31, 1986, the tax imposed by subsections (c) and (d) of this
23 Section for which a taxpayer has claimed a credit under this
24 subsection (i) is reduced, the amount of credit for such tax
25 shall also be reduced. Such reduction shall be determined by
26 recomputing the credit to take into account the reduced tax

1 imposed by subsections (c) and (d). If any portion of the
2 reduced amount of credit has been carried to a different
3 taxable year, an amended return shall be filed for such
4 taxable year to reduce the amount of credit claimed.

5 (j) Training expense credit. Beginning with tax years
6 ending on or after December 31, 1986 and prior to December 31,
7 2003, a taxpayer shall be allowed a credit against the tax
8 imposed by subsections (a) and (b) under this Section for all
9 amounts paid or accrued, on behalf of all persons employed by
10 the taxpayer in Illinois or Illinois residents employed
11 outside of Illinois by a taxpayer, for educational or
12 vocational training in semi-technical or technical fields or
13 semi-skilled or skilled fields, which were deducted from gross
14 income in the computation of taxable income. The credit
15 against the tax imposed by subsections (a) and (b) shall be
16 1.6% of such training expenses. For partners, shareholders of
17 subchapter S corporations, and owners of limited liability
18 companies, if the liability company is treated as a
19 partnership for purposes of federal and State income taxation,
20 there shall be allowed a credit under this subsection (j) to be
21 determined in accordance with the determination of income and
22 distributive share of income under Sections 702 and 704 and
23 subchapter S of the Internal Revenue Code.

24 Any credit allowed under this subsection which is unused
25 in the year the credit is earned may be carried forward to each
26 of the 5 taxable years following the year for which the credit

1 is first computed until it is used. This credit shall be
2 applied first to the earliest year for which there is a
3 liability. If there is a credit under this subsection from
4 more than one tax year that is available to offset a liability,
5 the earliest credit arising under this subsection shall be
6 applied first. No carryforward credit may be claimed in any
7 tax year ending on or after December 31, 2003.

8 (k) Research and development credit. For tax years ending
9 after July 1, 1990 and prior to December 31, 2003, and
10 beginning again for tax years ending on or after December 31,
11 2004, and ending prior to January 1, 2027, a taxpayer shall be
12 allowed a credit against the tax imposed by subsections (a)
13 and (b) of this Section for increasing research activities in
14 this State. The credit allowed against the tax imposed by
15 subsections (a) and (b) shall be equal to 6 1/2% of the
16 qualifying expenditures for increasing research activities in
17 this State. For partners, shareholders of subchapter S
18 corporations, and owners of limited liability companies, if
19 the liability company is treated as a partnership for purposes
20 of federal and State income taxation, there shall be allowed a
21 credit under this subsection to be determined in accordance
22 with the determination of income and distributive share of
23 income under Sections 702 and 704 and subchapter S of the
24 Internal Revenue Code.

25 For purposes of this subsection, "qualifying expenditures"
26 means the qualifying expenditures as defined for the federal

1 credit for increasing research activities which would be
2 allowable under Section 41 of the Internal Revenue Code and
3 which are conducted in this State, "qualifying expenditures
4 for increasing research activities in this State" means the
5 excess of qualifying expenditures for the taxable year in
6 which incurred over qualifying expenditures for the base
7 period, "qualifying expenditures for the base period" means
8 the average of the qualifying expenditures for each year in
9 the base period, and "base period" means the 3 taxable years
10 immediately preceding the taxable year for which the
11 determination is being made.

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

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

1 credit or credits then will be carried forward to the next
2 following year in which a tax liability is incurred, except
3 that no credit can be carried forward to a year which is more
4 than 5 years after the year in which the expense for which the
5 credit is given was incurred.

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

9 It is the intent of the General Assembly that the research
10 and development credit under this subsection (k) shall apply
11 continuously for all tax years ending on or after December 31,
12 2004 and ending prior to January 1, 2027, including, but not
13 limited to, the period beginning on January 1, 2016 and ending
14 on July 6, 2017 (the effective date of Public Act 100-22). All
15 actions taken in reliance on the continuation of the credit
16 under this subsection (k) by any taxpayer are hereby
17 validated.

18 (l) Environmental Remediation Tax Credit.

19 (i) For tax years ending after December 31, 1997 and
20 on or before December 31, 2001, a taxpayer shall be
21 allowed a credit against the tax imposed by subsections
22 (a) and (b) of this Section for certain amounts paid for
23 unreimbursed eligible remediation costs, as specified in
24 this subsection. For purposes of this Section,
25 "unreimbursed eligible remediation costs" means costs
26 approved by the Illinois Environmental Protection Agency

1 ("Agency") under Section 58.14 of the Environmental
2 Protection Act that were paid in performing environmental
3 remediation at a site for which a No Further Remediation
4 Letter was issued by the Agency and recorded under Section
5 58.10 of the Environmental Protection Act. The credit must
6 be claimed for the taxable year in which Agency approval
7 of the eligible remediation costs is granted. The credit
8 is not available to any taxpayer if the taxpayer or any
9 related party caused or contributed to, in any material
10 respect, a release of regulated substances on, in, or
11 under the site that was identified and addressed by the
12 remedial action pursuant to the Site Remediation Program
13 of the Environmental Protection Act. After the Pollution
14 Control Board rules are adopted pursuant to the Illinois
15 Administrative Procedure Act for the administration and
16 enforcement of Section 58.9 of the Environmental
17 Protection Act, determinations as to credit availability
18 for purposes of this Section shall be made consistent with
19 those rules. For purposes of this Section, "taxpayer"
20 includes a person whose tax attributes the taxpayer has
21 succeeded to under Section 381 of the Internal Revenue
22 Code and "related party" includes the persons disallowed a
23 deduction for losses by paragraphs (b), (c), and (f)(1) of
24 Section 267 of the Internal Revenue Code by virtue of
25 being a related taxpayer, as well as any of its partners.
26 The credit allowed against the tax imposed by subsections

1 (a) and (b) shall be equal to 25% of the unreimbursed
2 eligible remediation costs in excess of \$100,000 per site,
3 except that the \$100,000 threshold shall not apply to any
4 site contained in an enterprise zone as determined by the
5 Department of Commerce and Community Affairs (now
6 Department of Commerce and Economic Opportunity). The
7 total credit allowed shall not exceed \$40,000 per year
8 with a maximum total of \$150,000 per site. For partners
9 and shareholders of subchapter S corporations, there shall
10 be allowed a credit under this subsection to be determined
11 in accordance with the determination of income and
12 distributive share of income under Sections 702 and 704
13 and subchapter S of the Internal Revenue Code.

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

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

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

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

1 years ending on or after December 31, 2017. In no event shall a
2 credit under this subsection reduce the taxpayer's liability
3 under this Act to less than zero. Notwithstanding any other
4 provision of law, for taxable years beginning on or after
5 January 1, 2017, no taxpayer may claim a credit under this
6 subsection (m) if the taxpayer's adjusted gross income for the
7 taxable year exceeds (i) \$500,000, in the case of spouses
8 filing a joint federal tax return or (ii) \$250,000, in the case
9 of all other taxpayers. This subsection is exempt from the
10 provisions of Section 250 of this Act.

11 For purposes of this subsection:

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

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

23 "School" means any public or nonpublic elementary or
24 secondary school in Illinois that is in compliance with Title
25 VI of the Civil Rights Act of 1964 and attendance at which
26 satisfies the requirements of Section 26-1 of the School Code,

1 except that nothing shall be construed to require a child to
2 attend any particular public or nonpublic school to qualify
3 for the credit under this Section.

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

7 (n) River Edge Redevelopment Zone site remediation tax
8 credit.

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

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

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

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

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

18 (o) For each of taxable years during the Compassionate Use
19 of Medical Cannabis Program, a surcharge is imposed on all
20 taxpayers on income arising from the sale or exchange of
21 capital assets, depreciable business property, real property
22 used in the trade or business, and Section 197 intangibles of
23 an organization registrant under the Compassionate Use of
24 Medical Cannabis Program Act. The amount of the surcharge is
25 equal to the amount of federal income tax liability for the
26 taxable year attributable to those sales and exchanges. The

1 surcharge imposed does not apply if:

2 (1) the medical cannabis cultivation center
3 registration, medical cannabis dispensary registration, or
4 the property of a registration is transferred as a result
5 of any of the following:

6 (A) bankruptcy, a receivership, or a debt
7 adjustment initiated by or against the initial
8 registration or the substantial owners of the initial
9 registration;

10 (B) cancellation, revocation, or termination of
11 any registration by the Illinois Department of Public
12 Health;

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

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

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 registration when the registration was issued;

2 or

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

10 (p) Pass-through entity tax.

11 (1) For taxable years ending on or after December 31,
12 2021 and beginning prior to January 1, 2026, a partnership
13 (other than a publicly traded partnership under Section
14 7704 of the Internal Revenue Code) or Subchapter S
15 corporation may elect to apply the provisions of this
16 subsection. A separate election shall be made for each
17 taxable year. Such election shall be made at such time,
18 and in such form and manner as prescribed by the
19 Department, and, once made, is irrevocable.

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

26 (3) Net income defined.

1 (A) In general. For purposes of paragraph (2), the
2 term net income has the same meaning as defined in
3 Section 202 of this Act, except that the following
4 provisions shall not apply:

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

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

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

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

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

24 (4) Credit for entity level tax. Each partner or
25 shareholder of a taxpayer making the election under this
26 Section shall be allowed a credit against the tax imposed

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

25 (5) Nonresidents. A nonresident individual who is a
26 partner or shareholder of a partnership or Subchapter S

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

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

1 shareholders, such amount shall not be collected from the
2 partnership or corporation.

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

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

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

24 (10) The provisions of this subsection shall apply
25 only with respect to taxable years for which the
26 limitation on individual deductions applies under Section

1 164(b)(6) of the Internal Revenue Code.

2 (Source: P.A. 101-9, eff. 6-5-19; 101-31, eff. 6-28-19;
3 101-207, eff. 8-2-19; 101-363, eff. 8-9-19; 102-558, eff.
4 8-20-21; 102-658, eff. 8-27-21.)

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.