



## 103RD GENERAL ASSEMBLY

### State of Illinois

2023 and 2024

HB1578

Introduced 1/31/2023, by Rep. Mark L. Walker

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/201  
35 ILCS 5/704A

Amends the Illinois Income Tax Act. Provides that the research and development credit applies for taxable years ending prior to January 1, 2037 (currently, January 1, 2027). Provides that, in the case of qualifying quantum information science expenditures, the research and development credit shall be equal to 13% of the qualifying expenditures for increasing research activities in this State (currently, 6.5%). Provides that certain qualified startup taxpayers may elect to claim the credit against their obligation to pay withholding taxes. Effective immediately.

LRB103 04639 HLH 49647 b

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Sections 201 and 704A as follows:

6 (35 ILCS 5/201)

7 Sec. 201. Tax imposed.

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

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

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

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

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

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

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

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

21 (5.1) In the case of an individual, trust, or estate,  
22 for taxable years beginning prior to January 1, 2015, and  
23 ending after December 31, 2014, an amount equal to the sum  
24 of (i) 5% of the taxpayer's net income for the period prior  
25 to January 1, 2015, as calculated under Section 202.5, and  
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section  
2 202.5.

3 (5.2) In the case of an individual, trust, or estate,  
4 for taxable years beginning on or after January 1, 2015,  
5 and ending prior to July 1, 2017, an amount equal to 3.75%  
6 of the taxpayer's net income for the taxable year.

7 (5.3) In the case of an individual, trust, or estate,  
8 for taxable years beginning prior to July 1, 2017, and  
9 ending after June 30, 2017, an amount equal to the sum of  
10 (i) 3.75% of the taxpayer's net income for the period  
11 prior to July 1, 2017, as calculated under Section 202.5,  
12 and (ii) 4.95% of the taxpayer's net income for the period  
13 after June 30, 2017, as calculated under Section 202.5.

14 (5.4) In the case of an individual, trust, or estate,  
15 for taxable years beginning on or after July 1, 2017, an  
16 amount equal to 4.95% of the taxpayer's net income for the  
17 taxable year.

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

21 (7) In the case of a corporation, for taxable years  
22 beginning prior to July 1, 1989 and ending after June 30,  
23 1989, an amount equal to the sum of (i) 4% of the  
24 taxpayer's net income for the period prior to July 1,  
25 1989, as calculated under Section 202.3, and (ii) 4.8% of  
26 the taxpayer's net income for the period after June 30,

1 1989, as calculated under Section 202.3.

2 (8) In the case of a corporation, for taxable years  
3 beginning after June 30, 1989, and ending prior to January  
4 1, 2011, an amount equal to 4.8% of the taxpayer's net  
5 income for the taxable year.

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

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

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

24 (12) In the case of a corporation, for taxable years  
25 beginning on or after January 1, 2015, and ending prior to  
26 July 1, 2017, an amount equal to 5.25% of the taxpayer's

1 net income for the taxable year.

2 (13) In the case of a corporation, for taxable years  
3 beginning prior to July 1, 2017, and ending after June 30,  
4 2017, an amount equal to the sum of (i) 5.25% of the  
5 taxpayer's net income for the period prior to July 1,  
6 2017, as calculated under Section 202.5, and (ii) 7% of  
7 the taxpayer's net income for the period after June 30,  
8 2017, as calculated under Section 202.5.

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

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

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

26 (1) the organization gaming license, organization

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (7) If during any taxable year, any property ceases to  
26 be qualified property in the hands of the taxpayer within

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

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

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



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

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

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

1           (1) A taxpayer shall be allowed a credit against the  
2 tax imposed by subsections (a) and (b) of this Section for  
3 investment in qualified property which is placed in  
4 service in an Enterprise Zone created pursuant to the  
5 Illinois Enterprise Zone Act or, for property placed in  
6 service on or after July 1, 2006, a River Edge  
7 Redevelopment Zone established pursuant to the River Edge  
8 Redevelopment Zone Act. For partners, shareholders of  
9 Subchapter S corporations, and owners of limited liability  
10 companies, if the liability company is treated as a  
11 partnership for purposes of federal and State income  
12 taxation, there shall be allowed a credit under this  
13 subsection (f) to be determined in accordance with the  
14 determination of income and distributive share of income  
15 under Sections 702 and 704 and Subchapter S of the  
16 Internal Revenue Code. The credit shall be .5% of the  
17 basis for such property. The credit shall be available  
18 only in the taxable year in which the property is placed in  
19 service in the Enterprise Zone or River Edge Redevelopment  
20 Zone and shall not be allowed to the extent that it would  
21 reduce a taxpayer's liability for the tax imposed by  
22 subsections (a) and (b) of this Section to below zero. For  
23 tax years ending on or after December 31, 1985, the credit  
24 shall be allowed for the tax year in which the property is  
25 placed in service, or, if the amount of the credit exceeds  
26 the tax liability for that year, whether it exceeds the

1 original liability or the liability as later amended, such  
2 excess may be carried forward and applied to the tax  
3 liability of the 5 taxable years following the excess  
4 credit year. The credit shall be applied to the earliest  
5 year for which there is a liability. If there is credit  
6 from more than one tax year that is available to offset a  
7 liability, the credit accruing first in time shall be  
8 applied first.

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

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

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

17 (C) is acquired by purchase as defined in Section  
18 179(d) of the Internal Revenue Code;

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

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

25 (3) The basis of qualified property shall be the basis  
26 used to compute the depreciation deduction for federal

1 income tax purposes.

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

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

10 (6) If during any taxable year, any property ceases to  
11 be qualified property in the hands of the taxpayer within  
12 48 months after being placed in service, or the situs of  
13 any qualified property is moved outside the Enterprise  
14 Zone or River Edge Redevelopment Zone within 48 months  
15 after being placed in service, the tax imposed under  
16 subsections (a) and (b) of this Section for such taxable  
17 year shall be increased. Such increase shall be determined  
18 by (i) recomputing the investment credit which would have  
19 been allowed for the year in which credit for such  
20 property was originally allowed by eliminating such  
21 property from such computation, and (ii) subtracting such  
22 recomputed credit from the amount of credit previously  
23 allowed. For the purposes of this paragraph (6), a  
24 reduction of the basis of qualified property resulting  
25 from a redetermination of the purchase price shall be  
26 deemed a disposition of qualified property to the extent

1 of such reduction.

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

20 (8) For taxable years beginning on or after January 1,  
21 2021, there shall be allowed an Enterprise Zone  
22 construction jobs credit against the taxes imposed under  
23 subsections (a) and (b) of this Section as provided in  
24 Section 13 of the Illinois Enterprise Zone Act.

25 The credit or credits may not reduce the taxpayer's  
26 liability to less than zero. If the amount of the credit or

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

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

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

21 This paragraph (8) is exempt from the provisions of  
22 Section 250.

23 (g) (Blank).

24 (h) Investment credit; High Impact Business.

25 (1) Subject to subsections (b) and (b-5) of Section  
26 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall

1 be allowed a credit against the tax imposed by subsections  
2 (a) and (b) of this Section for investment in qualified  
3 property which is placed in service by a Department of  
4 Commerce and Economic Opportunity designated High Impact  
5 Business. The credit shall be .5% of the basis for such  
6 property. The credit shall not be available (i) until the  
7 minimum investments in qualified property set forth in  
8 subdivision (a) (3) (A) of Section 5.5 of the Illinois  
9 Enterprise Zone Act have been satisfied or (ii) until the  
10 time authorized in subsection (b-5) of the Illinois  
11 Enterprise Zone Act for entities designated as High Impact  
12 Businesses under subdivisions (a) (3) (B), (a) (3) (C), and  
13 (a) (3) (D) of Section 5.5 of the Illinois Enterprise Zone  
14 Act, and shall not be allowed to the extent that it would  
15 reduce a taxpayer's liability for the tax imposed by  
16 subsections (a) and (b) of this Section to below zero. The  
17 credit applicable to such investments shall be taken in  
18 the taxable year in which such investments have been  
19 completed. The credit for additional investments beyond  
20 the minimum investment by a designated high impact  
21 business authorized under subdivision (a) (3) (A) of Section  
22 5.5 of the Illinois Enterprise Zone Act shall be available  
23 only in the taxable year in which the property is placed in  
24 service and shall not be allowed to the extent that it  
25 would 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, 1987, 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 Changes made in this subdivision (h) (1) by Public Act  
14 88-670 restore changes made by Public Act 85-1182 and  
15 reflect existing law.

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

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

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

24 (C) is acquired by purchase as defined in Section  
25 179(d) of the Internal Revenue Code; and

26 (D) is not eligible for the Enterprise Zone



1 Investment Credit provided by subsection (f) of this  
2 Section.

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 a federally designated Foreign Trade  
9 Zone or Sub-Zone located in Illinois by the taxpayer, the  
10 amount of such increase shall be deemed property placed in  
11 service on the 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 ending on or before  
15 December 31, 1996, any property ceases to be qualified  
16 property in the hands of the taxpayer within 48 months  
17 after being placed in service, or the situs of any  
18 qualified property is moved outside Illinois within 48  
19 months after being placed in service, the tax imposed  
20 under subsections (a) and (b) of this Section for such  
21 taxable year shall be increased. Such increase shall be  
22 determined by (i) recomputing the investment credit which  
23 would have been allowed for the year in which credit for  
24 such 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) Beginning with tax years ending after December 31,  
7           1996, if a taxpayer qualifies for the credit under this  
8           subsection (h) and thereby is granted a tax abatement and  
9           the taxpayer relocates its entire facility in violation of  
10          the explicit terms and length of the contract under  
11          Section 18-183 of the Property Tax Code, the tax imposed  
12          under subsections (a) and (b) of this Section shall be  
13          increased for the taxable year in which the taxpayer  
14          relocated its facility by an amount equal to the amount of  
15          credit received by the taxpayer under this subsection (h).

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

22          The credit or credits may not reduce the taxpayer's  
23          liability to less than zero. If the amount of the credit or  
24          credits exceeds the taxpayer's liability, the excess may be  
25          carried forward and applied against the taxpayer's liability  
26          in succeeding calendar years in the manner provided under

1 paragraph (4) of Section 211 of this Act. The credit or credits  
2 shall be applied to the earliest year for which there is a tax  
3 liability. If there are credits from more than one taxable  
4 year that are available to offset a liability, the earlier  
5 credit shall be applied first.

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

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

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

19 (i) Credit for Personal Property Tax Replacement Income  
20 Tax. For tax years ending prior to December 31, 2003, a credit  
21 shall be allowed against the tax imposed by subsections (a)  
22 and (b) of this Section for the tax imposed by subsections (c)  
23 and (d) of this Section. This credit shall be computed by  
24 multiplying the tax imposed by subsections (c) and (d) of this  
25 Section by a fraction, the numerator of which is base income  
26 allocable to Illinois and the denominator of which is Illinois

1 base income, and further multiplying the product by the tax  
2 rate imposed by subsections (a) and (b) of this Section.

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

17 If, during any taxable year ending on or after December  
18 31, 1986, the tax imposed by subsections (c) and (d) of this  
19 Section for which a taxpayer has claimed a credit under this  
20 subsection (i) is reduced, the amount of credit for such tax  
21 shall also be reduced. Such reduction shall be determined by  
22 recomputing the credit to take into account the reduced tax  
23 imposed by subsections (c) and (d). If any portion of the  
24 reduced amount of credit has been carried to a different  
25 taxable year, an amended return shall be filed for such  
26 taxable year to reduce the amount of credit claimed.

1           (j) Training expense credit. Beginning with tax years  
2 ending on or after December 31, 1986 and prior to December 31,  
3 2003, a taxpayer shall be allowed a credit against the tax  
4 imposed by subsections (a) and (b) under this Section for all  
5 amounts paid or accrued, on behalf of all persons employed by  
6 the taxpayer in Illinois or Illinois residents employed  
7 outside of Illinois by a taxpayer, for educational or  
8 vocational training in semi-technical or technical fields or  
9 semi-skilled or skilled fields, which were deducted from gross  
10 income in the computation of taxable income. The credit  
11 against the tax imposed by subsections (a) and (b) shall be  
12 1.6% of such training expenses. 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 taxation,  
16 there shall be allowed a credit under this subsection (j) to be  
17 determined in accordance with the determination of income and  
18 distributive share of income under Sections 702 and 704 and  
19 subchapter S of the Internal Revenue Code.

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

1 the earliest credit arising under this subsection shall be  
2 applied first. No carryforward credit may be claimed in any  
3 tax year ending on or after December 31, 2003.

4 (k) Research and development credit. For tax years ending  
5 after July 1, 1990 and prior to December 31, 2003, and  
6 beginning again for tax years ending on or after December 31,  
7 2004, and ending prior to January 1, 2037 ~~January 1, 2027~~, a  
8 taxpayer shall be allowed a credit against the tax imposed by  
9 subsections (a) and (b) of this Section for increasing  
10 research activities in this State. The credit allowed against  
11 the tax imposed by subsections (a) and (b) shall be equal to 6  
12 1/2% of the qualifying expenditures for increasing research  
13 activities in this State, except that, in the case of  
14 qualifying quantum information science expenditures, the  
15 credit allowed against the tax imposed by subsections (a) and  
16 (b) of this Section shall be equal to 13% of the qualifying  
17 expenditures for increasing research activities in this State.

18 For partners, shareholders of subchapter S corporations, and  
19 owners of limited liability companies, if the liability  
20 company is treated as a partnership for purposes of federal  
21 and State income taxation, there shall be allowed a credit  
22 under this subsection to be determined in accordance with the  
23 determination of income and distributive share of income under  
24 Sections 702 and 704 and subchapter S of the Internal Revenue  
25 Code.

26 In lieu of the credit allowed under this subsection (k)

1 against taxes imposed pursuant to subsections (a) and (b) of  
2 this Section, for any taxable year ending after December 31,  
3 2023, a qualified startup taxpayer may elect to claim the  
4 credit against its obligation to pay over withholding taxes  
5 under Section 704A. However, the taxpayer may not make such an  
6 election for a taxable year if the taxpayer has an Illinois  
7 income tax liability for that taxable year with respect to the  
8 taxes imposed pursuant to subsections (a) and (b) of Section  
9 201 of this Act against which the taxpayer may claim the credit  
10 under this subsection (k).

11 As used in ~~For purposes of~~ this subsection: 7

12 "Business entity" means a corporation, association,  
13 partnership, limited liability company, or other legal  
14 entity.

15 "Qualified startup taxpayer" means a business entity  
16 that (i) was incorporated or organized no more than 5  
17 years before the first day of the taxable year for which  
18 the credit is sought, (ii) has never had any Illinois  
19 income tax liability, excluding any Illinois income tax  
20 liability of a related member, which shall not be  
21 attributed to the startup taxpayer, and (iii) otherwise  
22 meets the requirements of this subsection (k).

23 "Qualifying ~~qualifying~~ expenditures" means the  
24 qualifying expenditures as defined for the federal credit  
25 for increasing research activities which would be  
26 allowable under Section 41 of the Internal Revenue Code

1 and which are conducted in this State. 7

2 "Qualifying ~~qualifying~~ expenditures for increasing  
3 research activities in this State" means the excess of  
4 qualifying expenditures for the taxable year in which  
5 incurred over qualifying expenditures for the base period.

6 7

7 "Qualifying ~~qualifying~~ expenditures for the base  
8 period" means the average of the qualifying expenditures  
9 for each year in the base period, and "base period" means  
10 the 3 taxable years immediately preceding the taxable year  
11 for which the determination is being made.

12 "Qualifying quantum information science expenditures"  
13 means qualifying expenditures in quantum information  
14 science, as that term is defined in Section 2 of the  
15 federal National Quantum Initiative Act.

16 "Related member" has the meaning given to the term in  
17 Section 5-5 of the Economic Development for a Growing  
18 Economy Tax Credit Act.

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



1           If an unused credit is carried forward to a given year from  
2           2 or more earlier years, that credit arising in the earliest  
3           year will be applied first against the tax liability for the  
4           given year. If a tax liability for the given year still  
5           remains, the credit from the next earliest year will then be  
6           applied, and so on, until all credits have been used or no tax  
7           liability for the given year remains. Any remaining unused  
8           credit or credits then will be carried forward to the next  
9           following year in which a tax liability is incurred, except  
10          that no credit can be carried forward to a year which is more  
11          than 5 years after the year in which the expense for which the  
12          credit is given was incurred.

13          If the taxpayer makes qualifying quantum information  
14          science expenditures, and the credit claimed under this  
15          subsection exceeds the taxpayer's Illinois income tax  
16          liability, then 90% of the excess credit amount may be  
17          refunded to the taxpayer in accordance with rules adopted by  
18          the Department. If the excess credit amount is refunded to the  
19          taxpayer, then the portion of the excess credit amount that is  
20          refunded to the taxpayer may not be carried forward and may not  
21          be taken against the taxpayer's obligations to pay withholding  
22          taxes under Section 704A.

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

26          It is the intent of the General Assembly that the research

1 and development credit under this subsection (k) shall apply  
2 continuously for all tax years ending on or after December 31,  
3 2004 and ending prior to January 1, 2027, including, but not  
4 limited to, the period beginning on January 1, 2016 and ending  
5 on July 6, 2017 (the effective date of Public Act 100-22). All  
6 actions taken in reliance on the continuation of the credit  
7 under this subsection (k) by any taxpayer are hereby  
8 validated.

9 (1) Environmental Remediation Tax Credit.

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

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

1 be allowed a credit under this subsection to be determined  
2 in accordance with the determination of income and  
3 distributive share of income under Sections 702 and 704  
4 and subchapter S of the Internal Revenue Code.

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

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

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

8 (m) Education expense credit. Beginning with tax years  
9 ending after December 31, 1999, a taxpayer who is the  
10 custodian of one or more qualifying pupils shall be allowed a  
11 credit against the tax imposed by subsections (a) and (b) of  
12 this Section for qualified education expenses incurred on  
13 behalf of the qualifying pupils. The credit shall be equal to  
14 25% of qualified education expenses, but in no event may the  
15 total credit under this subsection claimed by a family that is  
16 the custodian of qualifying pupils exceed (i) \$500 for tax  
17 years ending prior to December 31, 2017, and (ii) \$750 for tax  
18 years ending on or after December 31, 2017. In no event shall a  
19 credit under this subsection reduce the taxpayer's liability  
20 under this Act to less than zero. Notwithstanding any other  
21 provision of law, for taxable years beginning on or after  
22 January 1, 2017, no taxpayer may claim a credit under this  
23 subsection (m) if the taxpayer's adjusted gross income for the  
24 taxable year exceeds (i) \$500,000, in the case of spouses  
25 filing a joint federal tax return or (ii) \$250,000, in the case  
26 of all other taxpayers. This subsection is exempt from the

1 provisions of Section 250 of this Act.

2 For purposes of this subsection:

3 "Qualifying pupils" means individuals who (i) are  
4 residents of the State of Illinois, (ii) are under the age of  
5 21 at the close of the school year for which a credit is  
6 sought, and (iii) during the school year for which a credit is  
7 sought were full-time pupils enrolled in a kindergarten  
8 through twelfth grade education program at any school, as  
9 defined in this subsection.

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

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

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

24 (n) River Edge Redevelopment Zone site remediation tax  
25 credit.

26 (i) For tax years ending on or after December 31,

1           2006, a taxpayer shall be allowed a credit against the tax  
2           imposed by subsections (a) and (b) of this Section for  
3           certain amounts paid for unreimbursed eligible remediation  
4           costs, as specified in this subsection. For purposes of  
5           this Section, "unreimbursed eligible remediation costs"  
6           means costs approved by the Illinois Environmental  
7           Protection Agency ("Agency") under Section 58.14a of the  
8           Environmental Protection Act that were paid in performing  
9           environmental remediation at a site within a River Edge  
10          Redevelopment Zone for which a No Further Remediation  
11          Letter was issued by the Agency and recorded under Section  
12          58.10 of the Environmental Protection Act. The credit must  
13          be claimed for the taxable year in which Agency approval  
14          of the eligible remediation costs is granted. The credit  
15          is not available to any taxpayer if the taxpayer or any  
16          related party caused or contributed to, in any material  
17          respect, a release of regulated substances on, in, or  
18          under the site that was identified and addressed by the  
19          remedial action pursuant to the Site Remediation Program  
20          of the Environmental Protection Act. Determinations as to  
21          credit availability for purposes of this Section shall be  
22          made consistent with rules adopted by the Pollution  
23          Control Board pursuant to the Illinois Administrative  
24          Procedure Act for the administration and enforcement of  
25          Section 58.9 of the Environmental Protection Act. For  
26          purposes of this Section, "taxpayer" includes a person

1           whose tax attributes the taxpayer has succeeded to under  
2           Section 381 of the Internal Revenue Code and "related  
3           party" includes the persons disallowed a deduction for  
4           losses by paragraphs (b), (c), and (f)(1) of Section 267  
5           of the Internal Revenue Code by virtue of being a related  
6           taxpayer, as well as any of its partners. The credit  
7           allowed against the tax imposed by subsections (a) and (b)  
8           shall be equal to 25% of the unreimbursed eligible  
9           remediation costs in excess of \$100,000 per site.

10           (ii) A credit allowed under this subsection that is  
11           unused in the year the credit is earned may be carried  
12           forward to each of the 5 taxable years following the year  
13           for which the credit is first earned until it is used. This  
14           credit shall be applied first to the earliest year for  
15           which there is a liability. If there is a credit under this  
16           subsection from more than one tax year that is available  
17           to offset a liability, the earliest credit arising under  
18           this subsection shall be applied first. A credit allowed  
19           under this subsection may be sold to a buyer as part of a  
20           sale of all or part of the remediation site for which the  
21           credit was granted. The purchaser of a remediation site  
22           and the tax credit shall succeed to the unused credit and  
23           remaining carry-forward period of the seller. To perfect  
24           the transfer, the assignor shall record the transfer in  
25           the chain of title for the site and provide written notice  
26           to the Director of the Illinois Department of Revenue of



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

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

9 (o) For each of taxable years during the Compassionate Use  
10 of Medical Cannabis Program, a surcharge is imposed on all  
11 taxpayers on income arising from the sale or exchange of  
12 capital assets, depreciable business property, real property  
13 used in the trade or business, and Section 197 intangibles of  
14 an organization registrant under the Compassionate Use of  
15 Medical Cannabis Program Act. The amount of the surcharge is  
16 equal to the amount of federal income tax liability for the  
17 taxable year attributable to those sales and exchanges. The  
18 surcharge imposed does not apply if:

19 (1) the medical cannabis cultivation center  
20 registration, medical cannabis dispensary registration, or  
21 the property of a registration is transferred as a result  
22 of any of the following:

23 (A) bankruptcy, a receivership, or a debt  
24 adjustment initiated by or against the initial  
25 registration or the substantial owners of the initial  
26 registration;

1 (B) cancellation, revocation, or termination of  
2 any registration by the Illinois Department of Public  
3 Health;

4 (C) a determination by the Illinois Department of  
5 Public Health that transfer of the registration is in  
6 the best interests of Illinois qualifying patients as  
7 defined by the Compassionate Use of Medical Cannabis  
8 Program Act;

9 (D) the death of an owner of the equity interest in  
10 a registrant;

11 (E) the acquisition of a controlling interest in  
12 the stock or substantially all of the assets of a  
13 publicly traded company;

14 (F) a transfer by a parent company to a wholly  
15 owned subsidiary; or

16 (G) the transfer or sale to or by one person to  
17 another person where both persons were initial owners  
18 of the registration when the registration was issued;  
19 or

20 (2) the cannabis cultivation center registration,  
21 medical cannabis dispensary registration, or the  
22 controlling interest in a registrant's property is  
23 transferred in a transaction to lineal descendants in  
24 which no gain or loss is recognized or as a result of a  
25 transaction in accordance with Section 351 of the Internal  
26 Revenue Code in which no gain or loss is recognized.

1 (p) Pass-through entity tax.

2 (1) For taxable years ending on or after December 31,  
3 2021 and beginning prior to January 1, 2026, a partnership  
4 (other than a publicly traded partnership under Section  
5 7704 of the Internal Revenue Code) or Subchapter S  
6 corporation may elect to apply the provisions of this  
7 subsection. A separate election shall be made for each  
8 taxable year. Such election shall be made at such time,  
9 and in such form and manner as prescribed by the  
10 Department, and, once made, is irrevocable.

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

17 (3) Net income defined.

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

22 (i) the standard exemption allowed under  
23 Section 204;

24 (ii) the deduction for net losses allowed  
25 under Section 207;

26 (iii) in the case of an S corporation, the

1 modification under Section 203(b) (2) (S); and

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

5 (B) Special rule for tiered partnerships. If a  
6 taxpayer making the election under paragraph (1) is a  
7 partner of another taxpayer making the election under  
8 paragraph (1), net income shall be computed as  
9 provided in subparagraph (A), except that the taxpayer  
10 shall subtract its distributive share of the net  
11 income of the electing partnership (including its  
12 distributive share of the net income of the electing  
13 partnership derived as a distributive share from  
14 electing partnerships in which it is a partner).

15 (4) Credit for entity level tax. Each partner or  
16 shareholder of a taxpayer making the election under this  
17 Section shall be allowed a credit against the tax imposed  
18 under subsections (a) and (b) of Section 201 of this Act  
19 for the taxable year of the partnership or Subchapter S  
20 corporation for which an election is in effect ending  
21 within or with the taxable year of the partner or  
22 shareholder in an amount equal to 4.95% times the partner  
23 or shareholder's distributive share of the net income of  
24 the electing partnership or Subchapter S corporation, but  
25 not to exceed the partner's or shareholder's share of the  
26 tax imposed under paragraph (1) which is actually paid by

1 the partnership or Subchapter S corporation. If the  
2 taxpayer is a partnership or Subchapter S corporation that  
3 is itself a partner of a partnership making the election  
4 under paragraph (1), the credit under this paragraph shall  
5 be allowed to the taxpayer's partners or shareholders (or  
6 if the partner is a partnership or Subchapter S  
7 corporation then its partners or shareholders) in  
8 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. If the  
11 amount of the credit allowed under this paragraph exceeds  
12 the partner's or shareholder's liability for tax imposed  
13 under subsections (a) and (b) of Section 201 of this Act  
14 for the taxable year, such excess shall be treated as an  
15 overpayment for purposes of Section 909 of this Act.

16 (5) Nonresidents. A nonresident individual who is a  
17 partner or shareholder of a partnership or Subchapter S  
18 corporation for a taxable year for which an election is in  
19 effect under paragraph (1) shall not be required to file  
20 an income tax return under this Act for such taxable year  
21 if the only source of net income of the individual (or the  
22 individual and the individual's spouse in the case of a  
23 joint return) is from an entity making the election under  
24 paragraph (1) and the credit allowed to the partner or  
25 shareholder under paragraph (4) equals or exceeds the  
26 individual's liability for the tax imposed under

1 subsections (a) and (b) of Section 201 of this Act for the  
2 taxable year.

3 (6) Liability for tax. Except as provided in this  
4 paragraph, a partnership or Subchapter S making the  
5 election under paragraph (1) is liable for the  
6 entity-level tax imposed under paragraph (2). If the  
7 electing partnership or corporation fails to pay the full  
8 amount of tax deemed assessed under paragraph (2), the  
9 partners or shareholders shall be liable to pay the tax  
10 assessed (including penalties and interest). Each partner  
11 or shareholder shall be liable for the unpaid assessment  
12 based on the ratio of the partner's or shareholder's share  
13 of the net income of the partnership over the total net  
14 income of the partnership. If the partnership or  
15 Subchapter S corporation fails to pay the tax assessed  
16 (including penalties and interest) and thereafter an  
17 amount of such tax is paid by the partners or  
18 shareholders, such amount shall not be collected from the  
19 partnership or corporation.

20 (7) Foreign tax. For purposes of the credit allowed  
21 under Section 601(b)(3) of this Act, tax paid by a  
22 partnership or Subchapter S corporation to another state  
23 which, as determined by the Department, is substantially  
24 similar to the tax imposed under this subsection, shall be  
25 considered tax paid by the partner or shareholder to the  
26 extent that the partner's or shareholder's share of the

1 income of the partnership or Subchapter S corporation  
2 allocated and apportioned to such other state bears to the  
3 total income of the partnership or Subchapter S  
4 corporation allocated or apportioned to such other state.

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

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

15 (10) The provisions of this subsection shall apply  
16 only with respect to taxable years for which the  
17 limitation on individual deductions applies under Section  
18 164(b)(6) of the Internal Revenue Code.

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

22 (35 ILCS 5/704A)

23 Sec. 704A. Employer's return and payment of tax withheld.

24 (a) In general, every employer who deducts and withholds  
25 or is required to deduct and withhold tax under this Act on or

1 after January 1, 2008 shall make those payments and returns as  
2 provided in this Section.

3 (b) Returns. Every employer shall, in the form and manner  
4 required by the Department, make returns with respect to taxes  
5 withheld or required to be withheld under this Article 7 for  
6 each quarter beginning on or after January 1, 2008, on or  
7 before the last day of the first month following the close of  
8 that quarter.

9 (c) Payments. With respect to amounts withheld or required  
10 to be withheld on or after January 1, 2008:

11 (1) Semi-weekly payments. For each calendar year, each  
12 employer who withheld or was required to withhold more  
13 than \$12,000 during the one-year period ending on June 30  
14 of the immediately preceding calendar year, payment must  
15 be made:

16 (A) on or before each Friday of the calendar year,  
17 for taxes withheld or required to be withheld on the  
18 immediately preceding Saturday, Sunday, Monday, or  
19 Tuesday;

20 (B) on or before each Wednesday of the calendar  
21 year, for taxes withheld or required to be withheld on  
22 the immediately preceding Wednesday, Thursday, or  
23 Friday.

24 Beginning with calendar year 2011, payments made under  
25 this paragraph (1) of subsection (c) must be made by  
26 electronic funds transfer.



1           (2) Semi-weekly payments. Any employer who withholds  
2 or is required to withhold more than \$12,000 in any  
3 quarter of a calendar year is required to make payments on  
4 the dates set forth under item (1) of this subsection (c)  
5 for each remaining quarter of that calendar year and for  
6 the subsequent calendar year.

7           (3) Monthly payments. Each employer, other than an  
8 employer described in items (1) or (2) of this subsection,  
9 shall pay to the Department, on or before the 15th day of  
10 each month the taxes withheld or required to be withheld  
11 during the immediately preceding month.

12           (4) Payments with returns. Each employer shall pay to  
13 the Department, on or before the due date for each return  
14 required to be filed under this Section, any tax withheld  
15 or required to be withheld during the period for which the  
16 return is due and not previously paid to the Department.

17           (d) Regulatory authority. The Department may, by rule:

18           (1) Permit employers, in lieu of the requirements of  
19 subsections (b) and (c), to file annual returns due on or  
20 before January 31 of the year for taxes withheld or  
21 required to be withheld during the previous calendar year  
22 and, if the aggregate amounts required to be withheld by  
23 the employer under this Article 7 (other than amounts  
24 required to be withheld under Section 709.5) do not exceed  
25 \$1,000 for the previous calendar year, to pay the taxes  
26 required to be shown on each such return no later than the

1 due date for such return.

2 (2) Provide that any payment required to be made under  
3 subsection (c)(1) or (c)(2) is deemed to be timely to the  
4 extent paid by electronic funds transfer on or before the  
5 due date for deposit of federal income taxes withheld  
6 from, or federal employment taxes due with respect to, the  
7 wages from which the Illinois taxes were withheld.

8 (3) Designate one or more depositories to which  
9 payment of taxes required to be withheld under this  
10 Article 7 must be paid by some or all employers.

11 (4) Increase the threshold dollar amounts at which  
12 employers are required to make semi-weekly payments under  
13 subsection (c)(1) or (c)(2).

14 (e) Annual return and payment. Every employer who deducts  
15 and withholds or is required to deduct and withhold tax from a  
16 person engaged in domestic service employment, as that term is  
17 defined in Section 3510 of the Internal Revenue Code, may  
18 comply with the requirements of this Section with respect to  
19 such employees by filing an annual return and paying the taxes  
20 required to be deducted and withheld on or before the 15th day  
21 of the fourth month following the close of the employer's  
22 taxable year. The Department may allow the employer's return  
23 to be submitted with the employer's individual income tax  
24 return or to be submitted with a return due from the employer  
25 under Section 1400.2 of the Unemployment Insurance Act.

26 (f) Magnetic media and electronic filing. With respect to

1 taxes withheld in calendar years prior to 2017, any W-2 Form  
2 that, under the Internal Revenue Code and regulations  
3 promulgated thereunder, is required to be submitted to the  
4 Internal Revenue Service on magnetic media or electronically  
5 must also be submitted to the Department on magnetic media or  
6 electronically for Illinois purposes, if required by the  
7 Department.

8 With respect to taxes withheld in 2017 and subsequent  
9 calendar years, the Department may, by rule, require that any  
10 return (including any amended return) under this Section and  
11 any W-2 Form that is required to be submitted to the Department  
12 must be submitted on magnetic media or electronically.

13 The due date for submitting W-2 Forms shall be as  
14 prescribed by the Department by rule.

15 (g) For amounts deducted or withheld after December 31,  
16 2009, a taxpayer who makes an election under subsection (f) of  
17 Section 5-15 of the Economic Development for a Growing Economy  
18 Tax Credit Act for a taxable year shall be allowed a credit  
19 against payments due under this Section for amounts withheld  
20 during the first calendar year beginning after the end of that  
21 taxable year equal to the amount of the credit for the  
22 incremental income tax attributable to full-time employees of  
23 the taxpayer awarded to the taxpayer by the Department of  
24 Commerce and Economic Opportunity under the Economic  
25 Development for a Growing Economy Tax Credit Act for the  
26 taxable year and credits not previously claimed and allowed to

1 be carried forward under Section 211(4) of this Act as  
2 provided in subsection (f) of Section 5-15 of the Economic  
3 Development for a Growing Economy Tax Credit Act. The credit  
4 or credits may not reduce the taxpayer's obligation for any  
5 payment due under this Section to less than zero. If the amount  
6 of the credit or credits exceeds the total payments due under  
7 this Section with respect to amounts withheld during the  
8 calendar year, the excess may be carried forward and applied  
9 against the taxpayer's liability under this Section in the  
10 succeeding calendar years as allowed to be carried forward  
11 under paragraph (4) of Section 211 of this Act. The credit or  
12 credits shall be applied to the earliest year for which there  
13 is a tax liability. If there are credits from more than one  
14 taxable year that are available to offset a liability, the  
15 earlier credit shall be applied first. Each employer who  
16 deducts and withholds or is required to deduct and withhold  
17 tax under this Act and who retains income tax withholdings  
18 under subsection (f) of Section 5-15 of the Economic  
19 Development for a Growing Economy Tax Credit Act must make a  
20 return with respect to such taxes and retained amounts in the  
21 form and manner that the Department, by rule, requires and pay  
22 to the Department or to a depository designated by the  
23 Department those withheld taxes not retained by the taxpayer.  
24 For purposes of this subsection (g), the term taxpayer shall  
25 include taxpayer and members of the taxpayer's unitary  
26 business group as defined under paragraph (27) of subsection

1 (a) of Section 1501 of this Act. This Section is exempt from  
2 the provisions of Section 250 of this Act. No credit awarded  
3 under the Economic Development for a Growing Economy Tax  
4 Credit Act for agreements entered into on or after January 1,  
5 2015 may be credited against payments due under this Section.

6 (g-1) For amounts deducted or withheld after December 31,  
7 2024, a taxpayer who makes an election under the Reimagining  
8 Electric Vehicles in Illinois Act shall be allowed a credit  
9 against payments due under this Section for amounts withheld  
10 during the first quarterly reporting period beginning after  
11 the certificate is issued equal to the portion of the REV  
12 Illinois Credit attributable to the incremental income tax  
13 attributable to new employees and retained employees as  
14 certified by the Department of Commerce and Economic  
15 Opportunity pursuant to an agreement with the taxpayer under  
16 the Reimagining Electric Vehicles in Illinois Act for the  
17 taxable year. The credit or credits may not reduce the  
18 taxpayer's obligation for any payment due under this Section  
19 to less than zero. If the amount of the credit or credits  
20 exceeds the total payments due under this Section with respect  
21 to amounts withheld during the quarterly reporting period, the  
22 excess may be carried forward and applied against the  
23 taxpayer's liability under this Section in the succeeding  
24 quarterly reporting period as allowed to be carried forward  
25 under paragraph (4) of Section 211 of this Act. The credit or  
26 credits shall be applied to the earliest quarterly reporting

1 period for which there is a tax liability. If there are credits  
2 from more than one quarterly reporting period that are  
3 available to offset a liability, the earlier credit shall be  
4 applied first. Each employer who deducts and withholds or is  
5 required to deduct and withhold tax under this Act and who  
6 retains income tax withholdings this subsection must make a  
7 return with respect to such taxes and retained amounts in the  
8 form and manner that the Department, by rule, requires and pay  
9 to the Department or to a depository designated by the  
10 Department those withheld taxes not retained by the taxpayer.  
11 For purposes of this subsection (g-1), the term taxpayer shall  
12 include taxpayer and members of the taxpayer's unitary  
13 business group as defined under paragraph (27) of subsection  
14 (a) of Section 1501 of this Act. This Section is exempt from  
15 the provisions of Section 250 of this Act.

16 (g-2) For amounts deducted or withheld after December 31,  
17 2024, a taxpayer who makes an election under the Manufacturing  
18 Illinois Chips for Real Opportunity (MICRO) Act shall be  
19 allowed a credit against payments due under this Section for  
20 amounts withheld during the first quarterly reporting period  
21 beginning after the certificate is issued equal to the portion  
22 of the MICRO Illinois Credit attributable to the incremental  
23 income tax attributable to new employees and retained  
24 employees as certified by the Department of Commerce and  
25 Economic Opportunity pursuant to an agreement with the  
26 taxpayer under the Manufacturing Illinois Chips for Real

1 Opportunity (MICRO) Act for the taxable year. The credit or  
2 credits may not reduce the taxpayer's obligation for any  
3 payment due under this Section to less than zero. If the amount  
4 of the credit or credits exceeds the total payments due under  
5 this Section with respect to amounts withheld during the  
6 quarterly reporting period, the excess may be carried forward  
7 and applied against the taxpayer's liability under this  
8 Section in the succeeding quarterly reporting period as  
9 allowed to be carried forward under paragraph (4) of Section  
10 211 of this Act. The credit or credits shall be applied to the  
11 earliest quarterly reporting period for which there is a tax  
12 liability. If there are credits from more than one quarterly  
13 reporting period that are available to offset a liability, the  
14 earlier credit shall be applied first. Each employer who  
15 deducts and withholds or is required to deduct and withhold  
16 tax under this Act and who retains income tax withholdings  
17 this subsection must make a return with respect to such taxes  
18 and retained amounts in the form and manner that the  
19 Department, by rule, requires and pay to the Department or to a  
20 depository designated by the Department those withheld taxes  
21 not retained by the taxpayer. For purposes of this subsection,  
22 the term taxpayer shall include taxpayer and members of the  
23 taxpayer's unitary business group as defined under paragraph  
24 (27) of subsection (a) of Section 1501 of this Act. This  
25 Section is exempt from the provisions of Section 250 of this  
26 Act.

1       (g-3) A taxpayer who makes an election under subsection  
2       (k) of Section 201 of this Act for a taxable year shall be  
3       allowed a credit against payments due under this Section for  
4       amounts withheld during the first calendar year beginning  
5       after the last day of the taxable year for which the election  
6       is made. The credit against withholding shall be equal to the  
7       amount of the credit allowed under subsection (k) of Section  
8       201 of this Act. The credit or credits may not reduce the  
9       taxpayer's obligation for any payment due under this Section  
10       to less than zero. If the amount of the credit or credits  
11       exceeds the total payments due under this Section with respect  
12       to amounts withheld during the calendar year, the excess may  
13       be carried forward and applied against the taxpayer's  
14       liability under this Section in the succeeding calendar years  
15       as allowed to be carried forward under paragraph (4) of  
16       Section 211 of this Act. The credit or credits shall be applied  
17       to the earliest year for which there is a tax liability. If  
18       there are credits from more than one taxable year that are  
19       available to offset a liability, the earlier credit shall be  
20       applied first. Each employer who deducts and withholds or is  
21       required to deduct and withhold tax under this Act and who  
22       elects to take a credit against taxes imposed under this  
23       Section pursuant to subsection (k) of Section 201 of this Act  
24       must make a return with respect to such taxes and retained  
25       amounts in the form and manner that the Department, by rule,  
26       requires and pay to the Department or to a depository



1 designated by the Department those withheld taxes not retained  
2 by the taxpayer.

3 (h) An employer may claim a credit against payments due  
4 under this Section for amounts withheld during the first  
5 calendar year ending after the date on which a tax credit  
6 certificate was issued under Section 35 of the Small Business  
7 Job Creation Tax Credit Act. The credit shall be equal to the  
8 amount shown on the certificate, but may not reduce the  
9 taxpayer's obligation for any payment due under this Section  
10 to less than zero. If the amount of the credit exceeds the  
11 total payments due under this Section with respect to amounts  
12 withheld during the calendar year, the excess may be carried  
13 forward and applied against the taxpayer's liability under  
14 this Section in the 5 succeeding calendar years. The credit  
15 shall be applied to the earliest year for which there is a tax  
16 liability. If there are credits from more than one calendar  
17 year that are available to offset a liability, the earlier  
18 credit shall be applied first. This Section is exempt from the  
19 provisions of Section 250 of this Act.

20 (i) Each employer with 50 or fewer full-time equivalent  
21 employees during the reporting period may claim a credit  
22 against the payments due under this Section for each qualified  
23 employee in an amount equal to the maximum credit allowable.  
24 The credit may be taken against payments due for reporting  
25 periods that begin on or after January 1, 2020, and end on or  
26 before December 31, 2027. An employer may not claim a credit

1 for an employee who has worked fewer than 90 consecutive days  
2 immediately preceding the reporting period; however, such  
3 credits may accrue during that 90-day period and be claimed  
4 against payments under this Section for future reporting  
5 periods after the employee has worked for the employer at  
6 least 90 consecutive days. In no event may the credit exceed  
7 the employer's liability for the reporting period. Each  
8 employer who deducts and withholds or is required to deduct  
9 and withhold tax under this Act and who retains income tax  
10 withholdings under this subsection must make a return with  
11 respect to such taxes and retained amounts in the form and  
12 manner that the Department, by rule, requires and pay to the  
13 Department or to a depository designated by the Department  
14 those withheld taxes not retained by the employer.

15 For each reporting period, the employer may not claim a  
16 credit or credits for more employees than the number of  
17 employees making less than the minimum or reduced wage for the  
18 current calendar year during the last reporting period of the  
19 preceding calendar year. Notwithstanding any other provision  
20 of this subsection, an employer shall not be eligible for  
21 credits for a reporting period unless the average wage paid by  
22 the employer per employee for all employees making less than  
23 \$55,000 during the reporting period is greater than the  
24 average wage paid by the employer per employee for all  
25 employees making less than \$55,000 during the same reporting  
26 period of the prior calendar year.

1 For purposes of this subsection (i):

2 "Compensation paid in Illinois" has the meaning ascribed  
3 to that term under Section 304(a)(2)(B) of this Act.

4 "Employer" and "employee" have the meaning ascribed to  
5 those terms in the Minimum Wage Law, except that "employee"  
6 also includes employees who work for an employer with fewer  
7 than 4 employees. Employers that operate more than one  
8 establishment pursuant to a franchise agreement or that  
9 constitute members of a unitary business group shall aggregate  
10 their employees for purposes of determining eligibility for  
11 the credit.

12 "Full-time equivalent employees" means the ratio of the  
13 number of paid hours during the reporting period and the  
14 number of working hours in that period.

15 "Maximum credit" means the percentage listed below of the  
16 difference between the amount of compensation paid in Illinois  
17 to employees who are paid not more than the required minimum  
18 wage reduced by the amount of compensation paid in Illinois to  
19 employees who were paid less than the current required minimum  
20 wage during the reporting period prior to each increase in the  
21 required minimum wage on January 1. If an employer pays an  
22 employee more than the required minimum wage and that employee  
23 previously earned less than the required minimum wage, the  
24 employer may include the portion that does not exceed the  
25 required minimum wage as compensation paid in Illinois to  
26 employees who are paid not more than the required minimum

1 wage.

2 (1) 25% for reporting periods beginning on or after  
3 January 1, 2020 and ending on or before December 31, 2020;

4 (2) 21% for reporting periods beginning on or after  
5 January 1, 2021 and ending on or before December 31, 2021;

6 (3) 17% for reporting periods beginning on or after  
7 January 1, 2022 and ending on or before December 31, 2022;

8 (4) 13% for reporting periods beginning on or after  
9 January 1, 2023 and ending on or before December 31, 2023;

10 (5) 9% for reporting periods beginning on or after  
11 January 1, 2024 and ending on or before December 31, 2024;

12 (6) 5% for reporting periods beginning on or after  
13 January 1, 2025 and ending on or before December 31, 2025.

14 The amount computed under this subsection may continue to  
15 be claimed for reporting periods beginning on or after January  
16 1, 2026 and:

17 (A) ending on or before December 31, 2026 for  
18 employers with more than 5 employees; or

19 (B) ending on or before December 31, 2027 for  
20 employers with no more than 5 employees.

21 "Qualified employee" means an employee who is paid not  
22 more than the required minimum wage and has an average wage  
23 paid per hour by the employer during the reporting period  
24 equal to or greater than his or her average wage paid per hour  
25 by the employer during each reporting period for the  
26 immediately preceding 12 months. A new qualified employee is

1 deemed to have earned the required minimum wage in the  
2 preceding reporting period.

3 "Reporting period" means the quarter for which a return is  
4 required to be filed under subsection (b) of this Section.

5 (j) For reporting periods beginning on or after January 1,  
6 2023, if a private employer grants all of its employees the  
7 option of taking a paid leave of absence of at least 30 days  
8 for the purpose of serving as an organ donor or bone marrow  
9 donor, then the private employer may take a credit against the  
10 payments due under this Section in an amount equal to the  
11 amount withheld under this Section with respect to wages paid  
12 while the employee is on organ donation leave, not to exceed  
13 \$1,000 in withholdings for each employee who takes organ  
14 donation leave. To be eligible for the credit, such a leave of  
15 absence must be taken without loss of pay, vacation time,  
16 compensatory time, personal days, or sick time for at least  
17 the first 30 days of the leave of absence. The private employer  
18 shall adopt rules governing organ donation leave, including  
19 rules that (i) establish conditions and procedures for  
20 requesting and approving leave and (ii) require medical  
21 documentation of the proposed organ or bone marrow donation  
22 before leave is approved by the private employer. A private  
23 employer must provide, in the manner required by the  
24 Department, documentation from the employee's medical  
25 provider, which the private employer receives from the  
26 employee, that verifies the employee's organ donation. The

1 private employer must also provide, in the manner required by  
2 the Department, documentation that shows that a qualifying  
3 organ donor leave policy was in place and offered to all  
4 qualifying employees at the time the leave was taken. For the  
5 private employer to receive the tax credit, the employee  
6 taking organ donor leave must allow for the applicable medical  
7 records to be disclosed to the Department. If the private  
8 employer cannot provide the required documentation to the  
9 Department, then the private employer is ineligible for the  
10 credit under this Section. A private employer must also  
11 provide, in the form required by the Department, any  
12 additional documentation or information required by the  
13 Department to administer the credit under this Section. The  
14 credit under this subsection (j) shall be taken within one  
15 year after the date upon which the organ donation leave  
16 begins. If the leave taken spans into a second tax year, the  
17 employer qualifies for the allowable credit in the later of  
18 the 2 years. If the amount of credit exceeds the tax liability  
19 for the year, the excess may be carried and applied to the tax  
20 liability for the 3 taxable years following the excess credit  
21 year. The tax credit shall be applied to the earliest year for  
22 which there is a tax liability. If there are credits for more  
23 than one year that are available to offset liability, the  
24 earlier credit shall be applied first.

25 Nothing in this subsection (j) prohibits a private  
26 employer from providing an unpaid leave of absence to its

1 employees for the purpose of serving as an organ donor or bone  
2 marrow donor; however, if the employer's policy provides for  
3 fewer than 30 days of paid leave for organ or bone marrow  
4 donation, then the employer shall not be eligible for the  
5 credit under this Section.

6 As used in this subsection (j):

7 "Organ" means any biological tissue of the human body that  
8 may be donated by a living donor, including, but not limited  
9 to, the kidney, liver, lung, pancreas, intestine, bone, skin,  
10 or any subpart of those organs.

11 "Organ donor" means a person from whose body an organ is  
12 taken to be transferred to the body of another person.

13 "Private employer" means a sole proprietorship,  
14 corporation, partnership, limited liability company, or other  
15 entity with one or more employees. "Private employer" does not  
16 include a municipality, county, State agency, or other public  
17 employer.

18 This subsection (j) is exempt from the provisions of  
19 Section 250 of this Act.

20 (Source: P.A. 101-1, eff. 2-19-19; 102-669, eff. 11-16-21;  
21 102-700, Article 30, Section 30-5, eff. 4-19-22; 102-700,  
22 Article 110, Section 110-905, eff. 4-19-22; revised 6-1-22.)

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.