



## 103RD GENERAL ASSEMBLY

### State of Illinois

### 2023 and 2024

### HB5616

Introduced 2/9/2024, by Rep. Jenn Ladisch Douglass

#### SYNOPSIS AS INTRODUCED:

|                  |                         |
|------------------|-------------------------|
| 805 ILCS 5/15.35 | from Ch. 32, par. 15.35 |
| 805 ILCS 5/15.65 | from Ch. 32, par. 15.65 |
| 805 ILCS 5/15.90 | from Ch. 32, par. 15.90 |
| 805 ILCS 5/15.97 | from Ch. 32, par. 15.97 |

Amends the Business Corporation Act of 1983. Provides that, in the case of a domestic or foreign corporation, no payment is required for a franchise tax that would have been due and payable on or after January 1, 2025. Provides that all amounts remaining in the Corporate Franchise Tax Refund Fund shall be transferred to the General Revenue Fund no later than December 31, 2025. Makes changes in provisions concerning the statute of limitations. Repeals provisions concerning franchise taxes payable by domestic and foreign corporations on January 1, 2026. Effective immediately.

LRB103 38799 SPS 68936 b

1 AN ACT concerning business.

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

4 Section 5. The Business Corporation Act of 1983 is amended  
5 by changing Sections 15.35, 15.65, 15.90, and 15.97 as  
6 follows:

7 (805 ILCS 5/15.35) (from Ch. 32, par. 15.35)

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

9 Sec. 15.35. Franchise taxes payable by domestic  
10 corporations. For the privilege of exercising its franchises  
11 in this State, each domestic corporation shall pay to the  
12 Secretary of State the following franchise taxes, computed on  
13 the basis, at the rates and for the periods prescribed in this  
14 Act:

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

17 (b) An additional franchise tax at the time of filing  
18 (1) a report of the issuance of additional shares, or (2) a  
19 report of an increase in paid-in capital without the  
20 issuance of shares, or (3) an amendment to the articles of  
21 incorporation or a report of cumulative changes in paid-in  
22 capital, whenever any amendment or such report discloses  
23 an increase in its paid-in capital over the amount thereof

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

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

1 surviving or new corporation the tax will be computed to  
2 the anniversary month or, in the case of a corporation  
3 which has established an extended filing month, the  
4 extended filing month of the surviving or new corporation  
5 in the next succeeding calendar year.

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

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

22 This Section is repealed on January 1, 2026.

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

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

25 Sec. 15.35. Franchise taxes payable by domestic

1 corporations. For the privilege of exercising its franchises  
2 in this State, each domestic corporation shall pay to the  
3 Secretary of State the following franchise taxes, computed on  
4 the basis, at the rates and for the periods prescribed in this  
5 Act:

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

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

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

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

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

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

1 imposed under this Section. On or after January 1, 2024 and  
2 prior to January 1, 2025, the first \$5,000 in liability is  
3 exempt from the tax imposed under this Section. The provisions  
4 of this Section shall not require the payment of any franchise  
5 tax that would otherwise have been due and payable on or after  
6 January 1, 2025. There shall be no refunds or proration of  
7 franchise tax for any taxes due and payable on or after January  
8 1, 2025 on the basis that a portion of the corporation's  
9 taxable year extends beyond January 1, 2025.

10 This Section is repealed on January 1, 2026.

11 (Source: P.A. 102-282, eff. 1-1-22; 102-558, eff. 8-20-21;  
12 103-8, eff. 6-7-23.)

13 (805 ILCS 5/15.65) (from Ch. 32, par. 15.65)

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

21 (a) An initial franchise tax at the time of filing its  
22 application for authority to transact business in this  
23 State.

24 (b) An additional franchise tax at the time of filing  
25 (1) a report of the issuance of additional shares, or (2) a

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

10 (c) Whenever the corporation shall be a party to a  
11 statutory merger and shall be the surviving corporation,  
12 an additional franchise tax at the time of filing its  
13 report following merger, if such report discloses that the  
14 amount represented in this State of its paid-in capital  
15 immediately after the merger is greater than the aggregate  
16 of the amounts represented in this State of the paid-in  
17 capital of such of the merged corporations as were  
18 authorized to transact business in this State at the time  
19 of the merger, as last reported by them in any documents,  
20 other than annual reports, required by this Act to be  
21 filed in the office of the Secretary of State; and in  
22 addition, the surviving corporation shall be liable for a  
23 further additional franchise tax on the paid-in capital of  
24 each of the merged corporations as last reported by them  
25 in any document, other than an annual report, required by  
26 this Act to be filed with the Secretary of State, from



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

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

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

24 This Section is repealed on January 1, 2026.

25 (Source: P.A. 101-9, eff. 6-5-19; 102-16, eff. 6-17-21;  
26 102-558, eff. 8-20-21; 102-813, eff. 5-13-22.)

1 (805 ILCS 5/15.90) (from Ch. 32, par. 15.90)

2 Sec. 15.90. Statute of limitations.

3 (a) Except as otherwise provided in this Section and  
4 notwithstanding anything to the contrary contained in any  
5 other Section of this Act, prior to January 1, 2025, no  
6 domestic corporation or foreign corporation shall be obligated  
7 to pay any annual franchise tax, fee, or penalty or interest  
8 thereon imposed under this Act, nor shall any administrative  
9 or judicial sanction (including dissolution) be imposed or  
10 enforced nor access to the courts of this State be denied based  
11 upon nonpayment thereof more than 7 years after the date of  
12 filing the annual report with respect to the period during  
13 which the obligation for the tax, fee, penalty or interest  
14 arose, unless (1) within that 7 year period the Secretary of  
15 State sends a written notice to the corporation to the effect  
16 that (A) administrative or judicial action to dissolve the  
17 corporation or revoke its authority for nonpayment of a tax,  
18 fee, penalty or interest has been commenced; or (B) the  
19 corporation has submitted a report but has failed to pay a tax,  
20 fee, penalty or interest required to be paid therewith; or (C)  
21 a report with respect to an event or action giving rise to an  
22 obligation to pay a tax, fee, penalty or interest is required  
23 but has not been filed, or has been filed and is in error or  
24 incomplete; or (2) the annual report by the corporation was  
25 filed with fraudulent intent to evade taxes payable under this

1 Act. A corporation nonetheless shall be required to pay all  
2 taxes that would have been payable during the most recent 7  
3 year period due to a previously unreported increase in paid-in  
4 capital that occurred prior to that 7 year period and interest  
5 and penalties thereon for that period, except that, from  
6 February 1, 2008 through March 15, 2008, with respect to any  
7 corporation that participates in the Franchise Tax and License  
8 Fee Amnesty Act of 2007, the corporation shall be only  
9 required to pay all taxes that would have been payable during  
10 the most recent 4 year period due to a previously unreported  
11 increase in paid-in capital that occurred prior to that 7 year  
12 period. Beginning January 1, 2025, no domestic corporation or  
13 foreign corporation shall be obligated to pay any annual  
14 franchise tax, fee, or penalty or interest thereon imposed  
15 under this Act, nor shall any administrative or judicial  
16 sanction (including dissolution) be imposed or enforced nor  
17 access to the courts of this State be denied based upon  
18 nonpayment thereof more than 7 years after the date of filing  
19 the annual report with respect to the period during which the  
20 obligation for the tax, fee, penalty or interest arose.

21 (b) If within 2 years following a change in control of a  
22 corporation the corporation voluntarily pays in good faith all  
23 known obligations of the corporation imposed by this Article  
24 15 with respect to reports that were required to have been  
25 filed since the beginning of the 7 year period ending on the  
26 effective date of the change in control, no action shall be

1 taken to enforce or collect obligations of that corporation  
2 imposed by this Article 15 with respect to reports that were  
3 required to have been filed prior to that 7 year period  
4 regardless of whether the limitation period set forth in  
5 subsection (a) is otherwise applicable. For purposes of this  
6 subsection (b), a change in control means a transaction, or a  
7 series of transactions consummated within a period of 180  
8 consecutive days, as a result of which a person which owned  
9 less than 10% of the shares having the power to elect directors  
10 of the corporation acquires shares such that the person  
11 becomes the holder of 80% or more of the shares having such  
12 power. For purposes of this subsection (b) a person means any  
13 natural person, corporation, partnership, trust or other  
14 entity together with all other persons controlled by,  
15 controlling or under common control with such person.

16 (c) Except as otherwise provided in this Section and  
17 notwithstanding anything to the contrary contained in any  
18 other Section of this Act, no foreign corporation that has not  
19 previously obtained authority under this Act shall, upon  
20 voluntary application for authority filed with the Secretary  
21 of State prior to January 1, 2001, be obligated to pay any tax,  
22 fee, penalty, or interest imposed under this Act, nor shall  
23 any administrative or judicial sanction be imposed or enforced  
24 based upon nonpayment thereof with respect to a period during  
25 which the obligation arose that is prior to January 1, 1993  
26 unless (1) prior to receipt of the application for authority

1 the Secretary of State had sent written notice to the  
2 corporation regarding its failure to obtain an application for  
3 authority, (2) the corporation had submitted an application  
4 for authority previously but had failed to pay any tax, fee,  
5 penalty or interest to be paid therewith, or (3) the  
6 application for authority was submitted by the corporation  
7 with fraudulent intent to evade taxes payable under this Act.  
8 A corporation nonetheless shall be required to pay all taxes  
9 and fees due under this Act that would have been payable since  
10 January 1, 1993 as a result of commencing the transaction of  
11 its business in this State and interest thereon for that  
12 period.

13 (Source: P.A. 95-233, eff. 8-16-07; 95-707, eff. 1-11-08;  
14 96-66, eff. 1-1-10.)

15 (805 ILCS 5/15.97) (from Ch. 32, par. 15.97)

16 Sec. 15.97. Corporate Franchise Tax Refund Fund.

17 (a) Beginning July 1, 1993, a percentage of the amounts  
18 collected under Sections 15.35, 15.45, 15.65, and 15.75 of  
19 this Act shall be deposited into the Corporate Franchise Tax  
20 Refund Fund, a special Fund hereby created in the State  
21 treasury. From July 1, 1993, until December 31, 1994, there  
22 shall be deposited into the Fund 3% of the amounts received  
23 under those Sections. Beginning January 1, 1995, and for each  
24 fiscal year beginning thereafter, 2% of the amounts collected  
25 under those Sections during the preceding fiscal year shall be

1 deposited into the Fund.

2 (b) Beginning July 1, 1993, moneys in the Fund shall be  
3 expended exclusively for the purpose of paying refunds payable  
4 because of overpayment of franchise taxes, penalties, or  
5 interest under Sections 13.70, 15.35, 15.45, 15.65, 15.75, and  
6 16.05 of this Act and making transfers authorized under this  
7 Section. Refunds in accordance with the provisions of  
8 subsections (f) and (g) of Section 1.15 and Section 1.17 of  
9 this Act may be made from the Fund only to the extent that  
10 amounts collected under Sections 15.35, 15.45, 15.65, and  
11 15.75 of this Act have been deposited in the Fund and remain  
12 available. On or before August 31 of each year, the balance in  
13 the Fund in excess of \$100,000 shall be transferred to the  
14 General Revenue Fund. Notwithstanding the provisions of this  
15 subsection, for the period commencing on or after July 1,  
16 2022, amounts in the fund shall not be transferred to the  
17 General Revenue Fund and shall be used to pay refunds in  
18 accordance with the provisions of this Act. Within a  
19 reasonable time after December 31, 2024, but no later than  
20 December 31, 2025, the Secretary of State shall direct and the  
21 Comptroller shall order transferred to the General Revenue  
22 Fund all amounts remaining in the fund.

23 (c) This Act shall constitute an irrevocable and  
24 continuing appropriation from the Corporate Franchise Tax  
25 Refund Fund for the purpose of paying refunds upon the order of  
26 the Secretary of State in accordance with the provisions of

1 this Section.

2 (d) This Section is repealed on January 1, 2026.

3 (Source: P.A. 102-282, eff. 1-1-22; 103-8, eff. 6-7-23.)

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