

SB2105



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

SB2105

Introduced 2/9/2023, by Sen. Robert F. Martwick

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201
35 ILCS 5/201.3 new

Amends the Illinois Income Tax Act. Amends the Illinois Income Tax Act. Sets forth a schedule of income-based tax rates for individuals, trusts, and estates for taxable years beginning on or after January 1, 2024.

LRB103 29118 HLH 55504 b

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201, 208, 502, and 901 and by adding
6 Sections 201.3 and 234 as follows:

7 (35 ILCS 5/201)

8 Sec. 201. Tax imposed.

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

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

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

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

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

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

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

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

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

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

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

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

15 (5.4) In the case of an individual, trust, or estate,
16 for taxable years beginning on or after July 1, 2017 and
17 beginning prior to January 1, 2024, an amount equal to
18 4.95% of the taxpayer's net income for the taxable year.

19 (5.5) In the case of an individual, trust, or estate,
20 for taxable years beginning on or after January 1, 2024,
21 an amount calculated under the rate structure set forth in
22 Section 201.3.

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

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

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

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

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

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

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

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

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

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

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

17

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

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

1 Act of 1975 and (ii) of an organization gaming licensee under
2 the Illinois Gambling Act. The amount of the surcharge is
3 equal to the amount of federal income tax liability for the
4 taxable year attributable to those sales and exchanges. The
5 surcharge imposed shall not apply if:

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

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

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

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

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

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

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

26 (G) the transfer or sale to or by one person to

1 another person where both persons were initial owners
2 of the license when the license was issued; or

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

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

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

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

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

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

19 (d-1) Rate reduction for certain foreign insurers. In the
20 case of a foreign insurer, as defined by Section 35A-5 of the
21 Illinois Insurance Code, whose state or country of domicile
22 imposes on insurers domiciled in Illinois a retaliatory tax
23 (excluding any insurer whose premiums from reinsurance assumed
24 are 50% or more of its total insurance premiums as determined
25 under paragraph (2) of subsection (b) of Section 304, except
26 that for purposes of this determination premiums from

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

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

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

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

1 imposed under Section 11-10-1 of the Illinois
2 Municipal Code,
3 equals 1.25% for taxable years ending prior to December
4 31, 2003, or 1.75% for taxable years ending on or after
5 December 31, 2003, of the net taxable premiums written for
6 the taxable year, as described by subsection (1) of
7 Section 409 of the Illinois Insurance Code. This paragraph
8 will in no event increase the rates imposed under
9 subsections (b) and (d).

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

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

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

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

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

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

1 credit shall be applied first.

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

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

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

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

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

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

1 subsection (f).

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

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

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

1 of such increase shall be deemed property placed in
2 service on the date of such increase in basis.

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

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

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

1 (9) Each taxable year ending before December 31, 2000,
2 a partnership may elect to pass through to its partners
3 the credits to which the partnership is entitled under
4 this subsection (e) for the taxable year. A partner may
5 use the credit allocated to him or her under this
6 paragraph only against the tax imposed in subsections (c)
7 and (d) of this Section. If the partnership makes that
8 election, those credits shall be allocated among the
9 partners in the partnership in accordance with the rules
10 set forth in Section 704(b) of the Internal Revenue Code,
11 and the rules promulgated under that Section, and the
12 allocated amount of the credits shall be allowed to the
13 partners for that taxable year. The partnership shall make
14 this election on its Personal Property Tax Replacement
15 Income Tax return for that taxable year. The election to
16 pass through the credits shall be irrevocable.

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

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

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

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

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

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

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

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

16 (6) If during any taxable year, any property ceases to
17 be qualified property in the hands of the taxpayer within
18 48 months after being placed in service, or the situs of
19 any qualified property is moved outside the Enterprise
20 Zone or River Edge Redevelopment Zone within 48 months
21 after being placed in service, the tax imposed under
22 subsections (a) and (b) of this Section for such taxable
23 year shall be increased. Such increase shall be determined
24 by (i) recomputing the investment credit which would have
25 been allowed for the year in which credit for such
26 property was originally allowed by eliminating such

1 property from such computation, and (ii) subtracting such
2 recomputed credit from the amount of credit previously
3 allowed. For the purposes of this paragraph (6), a
4 reduction of the basis of qualified property resulting
5 from a redetermination of the purchase price shall be
6 deemed a disposition of qualified property to the extent
7 of such reduction.

8 (7) There shall be allowed an additional credit equal
9 to 0.5% of the basis of qualified property placed in
10 service during the taxable year in a River Edge
11 Redevelopment Zone, provided such property is placed in
12 service on or after July 1, 2006, and the taxpayer's base
13 employment within Illinois has increased by 1% or more
14 over the preceding year as determined by the taxpayer's
15 employment records filed with the Illinois Department of
16 Employment Security. Taxpayers who are new to Illinois
17 shall be deemed to have met the 1% growth in base
18 employment for the first year in which they file
19 employment records with the Illinois Department of
20 Employment Security. If, in any year, the increase in base
21 employment within Illinois over the preceding year is less
22 than 1%, the additional credit shall be limited to that
23 percentage times a fraction, the numerator of which is
24 0.5% and the denominator of which is 1%, but shall not
25 exceed 0.5%.

26 (8) For taxable years beginning on or after January 1,

1 2021, there shall be allowed an Enterprise Zone
2 construction jobs credit against the taxes imposed under
3 subsections (a) and (b) of this Section as provided in
4 Section 13 of the Illinois Enterprise Zone Act.

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

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

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

1 This paragraph (8) is exempt from the provisions of
2 Section 250.

3 (g) (Blank).

4 (h) Investment credit; High Impact Business.

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

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

19 Changes made in this subdivision (h) (1) by Public Act
20 88-670 restore changes made by Public Act 85-1182 and
21 reflect existing law.

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

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

25 (B) is depreciable pursuant to Section 167 of the
26 Internal Revenue Code, except that "3-year property"

1 as defined in Section 168(c)(2)(A) of that Code is not
2 eligible for the credit provided by this subsection
3 (h);

4 (C) is acquired by purchase as defined in Section
5 179(d) of the Internal Revenue Code; and

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

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

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

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

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

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

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

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

1 Section 5.5 of the Illinois Enterprise Zone Act.

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

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

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

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

25 (i) Credit for Personal Property Tax Replacement Income
26 Tax. For tax years ending prior to December 31, 2003, a credit

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

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

23 If, during any taxable year ending on or after December
24 31, 1986, the tax imposed by subsections (c) and (d) of this
25 Section for which a taxpayer has claimed a credit under this
26 subsection (i) is reduced, the amount of credit for such tax

1 shall also be reduced. Such reduction shall be determined by
2 recomputing the credit to take into account the reduced tax
3 imposed by subsections (c) and (d). If any portion of the
4 reduced amount of credit has been carried to a different
5 taxable year, an amended return shall be filed for such
6 taxable year to reduce the amount of credit claimed.

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

26 Any credit allowed under this subsection which is unused

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

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

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

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

22 If an unused credit is carried forward to a given year from
23 2 or more earlier years, that credit arising in the earliest
24 year will be applied first against the tax liability for the
25 given year. If a tax liability for the given year still
26 remains, the credit from the next earliest year will then be

1 applied, and so on, until all credits have been used or no tax
2 liability for the given year remains. Any remaining unused
3 credit or credits then will be carried forward to the next
4 following year in which a tax liability is incurred, except
5 that no credit can be carried forward to a year which is more
6 than 5 years after the year in which the expense for which the
7 credit is given was incurred.

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

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

20 (l) Environmental Remediation Tax Credit.

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

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

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

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

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

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

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

1 the custodian of qualifying pupils exceed (i) \$500 for tax
2 years ending prior to December 31, 2017, and (ii) \$750 for tax
3 years ending on or after December 31, 2017. In no event shall a
4 credit under this subsection reduce the taxpayer's liability
5 under this Act to less than zero. Notwithstanding any other
6 provision of law, for taxable years beginning on or after
7 January 1, 2017, no taxpayer may claim a credit under this
8 subsection (m) if the taxpayer's adjusted gross income for the
9 taxable year exceeds (i) \$500,000, in the case of spouses
10 filing a joint federal tax return or (ii) \$250,000, in the case
11 of all other taxpayers. This subsection is exempt from the
12 provisions of Section 250 of this Act.

13 For purposes of this subsection:

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

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

25 "School" means any public or nonpublic elementary or
26 secondary school in Illinois that is in compliance with Title

1 VI of the Civil Rights Act of 1964 and attendance at which
2 satisfies the requirements of Section 26-1 of the School Code,
3 except that nothing shall be construed to require a child to
4 attend any particular public or nonpublic school to qualify
5 for the credit under this Section.

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

9 (n) River Edge Redevelopment Zone site remediation tax
10 credit.

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

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

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

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

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

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

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

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

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

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

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

20 (D) the death of an owner of the equity interest in
21 a registrant;

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

25 (F) a transfer by a parent company to a wholly
26 owned subsidiary; or

1 (G) the transfer or sale to or by one person to
2 another person where both persons were initial owners
3 of the registration when the registration was issued;
4 or

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

12 (p) Pass-through entity tax.

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

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

1 taxable year.

2 (3) Net income defined.

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

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

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

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

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

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

26 (4) Credit for entity level tax. Each partner or

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

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

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

1 (including penalties and interest) and thereafter an
2 amount of such tax is paid by the partners or
3 shareholders, such amount shall not be collected from the
4 partnership or corporation.

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

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

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

26 (10) The provisions of this subsection shall apply

1 only with respect to taxable years for which the
2 limitation on individual deductions applies under Section
3 164(b)(6) of the Internal Revenue Code.

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

7 (35 ILCS 5/201.3 new)

8 Sec. 201.3. Tax rates. In the case of an individual,
9 trust, or estate, for taxable years beginning on or after
10 January 1, 2024, the amount of the tax imposed by subsection
11 (a) of Section 201 of this Act shall be determined according to
12 the following tax rate structure:

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

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

17 (B) 4.125% of the portion of the taxpayer's net
18 income that exceeds \$25,000 but does not exceed
19 \$50,000;

20 (C) 4.25% of the portion of the taxpayer's net
21 income that exceeds \$50,000 but does not exceed
22 \$100,000;

23 (D) 4.75% of the portion of the taxpayer's net
24 income that exceeds \$100,000 but does not exceed
25 \$150,000;

1 (E) 4.95% of the portion of the taxpayer's net
2 income that exceeds 150,000 but does not exceed
3 \$250,000;

4 (F) 5.45% of the portion of the taxpayer's net
5 income that exceeds 250,000 but does not exceed
6 \$375,000;

7 (G) 5.95% of the portion of the taxpayer's net
8 income that exceeds \$375,000 but does not exceed
9 \$500,000; and

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

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

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

17 (B) 4.125% of the portion of the taxpayer's net
18 income that exceeds \$50,000 but does not exceed
19 \$100,000;

20 (C) 4.25% of the portion of the taxpayer's net
21 income that exceeds \$100,000 but does not exceed
22 \$200,000;

23 (D) 4.75% of the portion of the taxpayer's net
24 income that exceeds \$200,000 but does not exceed
25 \$300,000;

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

1 income that exceeds \$300,000 but does not exceed
2 \$500,000; and

3 (F) 5.45% of the portion of the taxpayer's net
4 income that exceeds \$500,000 but does not exceed
5 \$750,000; and

6 (G) 5.95% of the portion of the taxpayer's net
7 income that exceeds \$750,000 but does not exceed
8 \$1,000,000; and

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