AN ACT concerning revenue.

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

Section 5. The Illinois Income Tax Act is amended by changing Sections 201, 214, 216, 218, 222, 224, 228, 229, 231, and 237 and by adding Section 251 as follows:

(35 ILCS 5/201)

Sec. 201. Tax imposed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the taxpayer's net income for the period after June 30, 1989, as calculated under Section 202.3.

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

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

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

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

(12) In the case of a corporation, for taxable years beginning on or after January 1, 2015, and ending prior to

July 1, 2017, an amount equal to 5.25% of the taxpayer's net income for the taxable year.

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

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

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

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

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

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

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

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

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

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

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

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

(2) the controlling interest in the organization gaming license, organization license, or racetrack property is transferred in a transaction to lineal

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

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

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

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

corporation or political subdivision thereof.

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

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

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

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

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

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

equals 1.25% for taxable years ending prior to December 31, 2003, or 1.75% for taxable years ending on or after December 31, 2003, of the net taxable premiums written for

the taxable year, as described by subsection (1) of Section 409 of the Illinois Insurance Code. This paragraph will in no event increase the rates imposed under subsections (b) and (d).

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

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

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

(1) A taxpayer shall be allowed a credit equal to .5% of the basis of qualified property placed in service during the taxable year, provided such property is placed in service on or after July 1, 1984. There shall be allowed an additional credit equal to .5% of the basis of qualified property placed in service during the taxable year, provided such property is placed in service on or after July 1, 1986, and the taxpayer's base employment within Illinois has increased by 1% or more over the preceding year as determined by the taxpayer's employment

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

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

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

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

signs that are real property, but not including land or improvements to real property that are not a structural component of a building such as landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances;

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

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

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

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

(3) For purposes of this subsection (e), "manufacturing" means the material staging and production of tangible personal property by procedures commonly regarded as manufacturing, processing, fabrication, or

assembling which changes some existing material into new shapes, new qualities, or new combinations. For purposes of this subsection (e) the term "mining" shall have the same meaning as the term "mining" in Section 613(c) of the Internal Revenue Code. For purposes of this subsection (e), the term "retailing" means the sale of tangible personal property for use or consumption and not for resale, or services rendered in conjunction with the sale of tangible personal property for use or consumption and not for resale. For purposes of this subsection (e), "tangible personal property" has the same meaning as when that term is used in the Retailers' Occupation Tax Act, and, for taxable years ending after December 31, 2008, does not include the generation, transmission, or distribution of electricity.

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

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

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

(7) If during any taxable year, any property ceases to

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

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

(9) Each taxable year ending before December 31, 2000, a partnership may elect to pass through to its partners the credits to which the partnership is entitled under this subsection (e) for the taxable year. A partner may use the credit allocated to him or her under this

paragraph only against the tax imposed in subsections (c) and (d) of this Section. If the partnership makes that election, those credits shall be allocated among the partners in the partnership in accordance with the rules set forth in Section 704(b) of the Internal Revenue Code, and the rules promulgated under that Section, and the allocated amount of the credits shall be allowed to the partners for that taxable year. The partnership shall make this election on its Personal Property Tax Replacement Income Tax return for that taxable year. The election to pass through the credits shall be irrevocable.

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

(f) Investment credit; Enterprise Zone; River Edge

Redevelopment Zone.

(1) A taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for investment in qualified property which is placed in service in an Enterprise Zone created pursuant to the Illinois Enterprise Zone Act or, for property placed in service on or after July 1, 2006, a River Edge Redevelopment Zone established pursuant to the River Edge Redevelopment Zone Act. For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection (f) to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection. The credit shall be .5% of the basis for such property. The credit shall be available only in the taxable year in which the property is placed in service in the Enterprise Zone or River Edge Redevelopment Zone and shall not be allowed to the extent that it would reduce a

taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. For tax years ending on or after December 31, 1985, the credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability or the liability as later amended, such excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit shall be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time shall be applied first.

(2) The term qualified property means property which:

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

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

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

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

(E) has not been previously used in Illinois in

such a manner and by such a person as would qualify for the credit provided by this subsection (f) or subsection (e).

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

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

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

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

recomputed credit from the amount of credit previously allowed. For the purposes of this paragraph (6), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent of such reduction.

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

(8) For taxable years beginning on or after January 1, 2021, there shall be allowed an Enterprise Zone

construction jobs credit against the taxes imposed under subsections (a) and (b) of this Section as provided in Section 13 of the Illinois Enterprise Zone Act.

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

For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for the purposes of federal and State income taxation, <u>for taxable years ending before December 31, 2023,</u> there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. <u>For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the</u>

credit under this subsection.

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

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

(g) (Blank).

(h) Investment credit; High Impact Business.

(1) Subject to subsections (b) and (b-5) of Section 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for investment in qualified property which is placed in service by a Department of Commerce and Economic Opportunity designated High Impact Business. The credit shall be .5% of the basis for such property. The credit shall not be available (i) until the minimum investments in qualified property set forth in subdivision (a)(3)(A) of Section 5.5 of the Illinois Enterprise Zone Act have been satisfied or (ii) until the time authorized in subsection (b-5) of the Illinois Enterprise Zone Act for entities designated as High Impact Businesses under subdivisions (a)(3)(B), (a)(3)(C), and (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone Act, and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. The

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

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

(2) The term qualified property means property which:

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

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

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

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

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

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

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

(6) If during any taxable year ending on or before December 31, 1996, any property ceases to be qualified property in the hands of the taxpayer within 48 months

after being placed in service, or the situs of any qualified property is moved outside Illinois within 48 months after being placed in service, the tax imposed under subsections (a) and (b) of this Section for such taxable year shall be increased. Such increase shall be determined by (i) recomputing the investment credit which would have been allowed for the year in which credit for such property was originally allowed by eliminating such property from such computation, and (ii) subtracting such recomputed credit from the amount of credit previously allowed. For the purposes of this paragraph (6), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent of such reduction.

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

(h-5) High Impact Business construction jobs credit. For

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

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

For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, <u>for taxable years ending before December 31, 2023,</u> if the liability company is treated as a partnership for the purposes of federal and State income taxation, there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. <u>For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the</u>

credit under this subsection.

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

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

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

Any credit earned on or after December 31, 1986 under this subsection which is unused in the year the credit is computed because it exceeds the tax liability imposed by subsections (a) and (b) for that year (whether it exceeds the original liability or the liability as later amended) may be carried forward and applied to the tax liability imposed by subsections (a) and (b) of the 5 taxable years following the excess credit year, provided that no credit may be carried forward to any year ending on or after December 31, 2003. This credit shall be applied first to the earliest year for which

there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability the earliest credit arising under this subsection shall be applied first.

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

(j) Training expense credit. Beginning with tax years ending on or after December 31, 1986 and prior to December 31, 2003, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) under this Section for all amounts paid or accrued, on behalf of all persons employed by the taxpayer in Illinois or Illinois residents employed outside of Illinois by a taxpayer, for educational or vocational training in semi-technical or technical fields or semi-skilled or skilled fields, which were deducted from gross income in the computation of taxable income. The credit against the tax imposed by subsections (a) and (b) shall be 1.6% of such training expenses. For partners, shareholders of

subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection (j) to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

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

(k) Research and development credit. For tax years ending after July 1, 1990 and prior to December 31, 2003, and beginning again for tax years ending on or after December 31, 2004, and ending prior to January 1, 2027, a taxpayer shall be

allowed a credit against the tax imposed by subsections (a) and (b) of this Section for increasing research activities in this State. The credit allowed against the tax imposed by subsections (a) and (b) shall be equal to 6 1/2% of the qualifying expenditures for increasing research activities in this State. For partners, shareholders of subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

For purposes of this subsection, "qualifying expenditures" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under Section 41 of the Internal Revenue Code and which are conducted in this State, "qualifying expenditures for increasing research activities in this State" means the excess of qualifying expenditures for the taxable year in which incurred over qualifying expenditures for the base period, "qualifying expenditures for the base period" means

the average of the qualifying expenditures for each year in the base period, and "base period" means the 3 taxable years immediately preceding the taxable year for which the determination is being made.

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

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

No inference shall be drawn from Public Act 91-644 in construing this Section for taxable years beginning before

January 1, 1999.

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

(l) Environmental Remediation Tax Credit.

(i) For tax years ending after December 31, 1997 and on or before December 31, 2001, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14 of the Environmental Protection Act that were paid in performing environmental remediation at a site for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit

is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. After the Pollution Control Board rules are adopted pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of Section 58.9 of the Environmental Protection Act, determinations as to credit availability for purposes of this Section shall be made consistent with those rules. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under Section 381 of the Internal Revenue Code and "related party" includes the persons disallowed a deduction for losses by paragraphs (b), (c), and (f)(1) of Section 267 of the Internal Revenue Code by virtue of being a related taxpayer, as well as any of its partners. The credit allowed against the tax imposed by subsections (a) and (b) shall be equal to 25% of the unreimbursed eligible remediation costs in excess of $100,000 per site, except that the $100,000 threshold shall not apply to any site contained in an enterprise zone as determined by the Department of Commerce and Community Affairs (now Department of Commerce and Economic Opportunity). The total credit allowed shall not exceed $40,000 per year

with a maximum total of $150,000 per site. For partners and shareholders of subchapter S corporations, there shall be allowed a credit under this subsection to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code.

(ii) A credit allowed under this subsection that is unused in the year the credit is earned may be carried forward to each of the 5 taxable years following the year for which the credit is first earned until it is used. The term "unused credit" does not include any amounts of unreimbursed eligible remediation costs in excess of the maximum credit per site authorized under paragraph (i). This credit shall be applied first to the earliest year for which there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability, the earliest credit arising under this subsection shall be applied first. A credit allowed under this subsection may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The purchaser of a remediation site and the tax credit shall succeed to the unused credit and remaining carry-forward period of the seller. To perfect the transfer, the assignor shall record the transfer in the chain of title for the site and provide written notice to the Director of the Illinois Department

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

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

(m) Education expense credit. Beginning with tax years ending after December 31, 1999, a taxpayer who is the custodian of one or more qualifying pupils shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for qualified education expenses incurred on behalf of the qualifying pupils. The credit shall be equal to 25% of qualified education expenses, but in no event may the total credit under this subsection claimed by a family that is the custodian of qualifying pupils exceed (i) $500 for tax years ending prior to December 31, 2017, and (ii) $750 for tax years ending on or after December 31, 2017. In no event shall a credit under this subsection reduce the taxpayer's liability under this Act to less than zero. Notwithstanding any other provision of law, for taxable years beginning on or after January 1, 2017, no taxpayer may claim a credit under this subsection (m) if the taxpayer's adjusted gross income for the taxable year exceeds (i) $500,000, in the case of spouses

filing a joint federal tax return or (ii) $250,000, in the case of all other taxpayers. This subsection is exempt from the provisions of Section 250 of this Act.

For purposes of this subsection:

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

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

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

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

(n) River Edge Redevelopment Zone site remediation tax

credit.

(i) For tax years ending on or after December 31, 2006, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14a of the Environmental Protection Act that were paid in performing environmental remediation at a site within a River Edge Redevelopment Zone for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. Determinations as to credit availability for purposes of this Section shall be made consistent with rules adopted by the Pollution Control Board pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of

Section 58.9 of the Environmental Protection Act. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under Section 381 of the Internal Revenue Code and "related party" includes the persons disallowed a deduction for losses by paragraphs (b), (c), and (f)(1) of Section 267 of the Internal Revenue Code by virtue of being a related taxpayer, as well as any of its partners. The credit allowed against the tax imposed by subsections (a) and (b) shall be equal to 25% of the unreimbursed eligible remediation costs in excess of $100,000 per site.

(ii) A credit allowed under this subsection that is unused in the year the credit is earned may be carried forward to each of the 5 taxable years following the year for which the credit is first earned until it is used. This credit shall be applied first to the earliest year for which there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability, the earliest credit arising under this subsection shall be applied first. A credit allowed under this subsection may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The purchaser of a remediation site and the tax credit shall succeed to the unused credit and remaining carry-forward period of the seller. To perfect the transfer, the assignor shall record the transfer in

the chain of title for the site and provide written notice to the Director of the Illinois Department of Revenue of the assignor's intent to sell the remediation site and the amount of the tax credit to be transferred as a portion of the sale. In no event may a credit be transferred to any taxpayer if the taxpayer or a related party would not be eligible under the provisions of subsection (i).

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

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

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

(A) bankruptcy, a receivership, or a debt adjustment initiated by or against the initial

registration or the substantial owners of the initial registration;

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

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

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

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

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

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

(2) the cannabis cultivation center registration, medical cannabis dispensary registration, or the controlling interest in a registrant's property is transferred in a transaction to lineal descendants in which no gain or loss is recognized or as a result of a

transaction in accordance with Section 351 of the Internal Revenue Code in which no gain or loss is recognized.

(p) Pass-through entity tax.

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

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

(3) Net income defined.

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

(i) the standard exemption allowed under Section 204;

(ii) the deduction for net losses allowed

under Section 207;

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

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

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

(4) Credit for entity level tax. Each partner or shareholder of a taxpayer making the election under this Section shall be allowed a credit against the tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year of the partnership or Subchapter S corporation for which an election is in effect ending within or with the taxable year of the partner or shareholder in an amount equal to 4.95% times the partner or shareholder's distributive share of the net income of the electing partnership or Subchapter S corporation, but

not to exceed the partner's or shareholder's share of the tax imposed under paragraph (1) which is actually paid by the partnership or Subchapter S corporation. If the taxpayer is a partnership or Subchapter S corporation that is itself a partner of a partnership making the election under paragraph (1), the credit under this paragraph shall be allowed to the taxpayer's partners or shareholders (or if the partner is a partnership or Subchapter S corporation then its partners or shareholders) in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. If the amount of the credit allowed under this paragraph exceeds the partner's or shareholder's liability for tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year, such excess shall be treated as an overpayment for purposes of Section 909 of this Act.

(5) Nonresidents. A nonresident individual who is a partner or shareholder of a partnership or Subchapter S corporation for a taxable year for which an election is in effect under paragraph (1) shall not be required to file an income tax return under this Act for such taxable year if the only source of net income of the individual (or the individual and the individual's spouse in the case of a joint return) is from an entity making the election under paragraph (1) and the credit allowed to the partner or

shareholder under paragraph (4) equals or exceeds the individual's liability for the tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year.

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

(7) Foreign tax. For purposes of the credit allowed under Section 601(b)(3) of this Act, tax paid by a partnership or Subchapter S corporation to another state which, as determined by the Department, is substantially similar to the tax imposed under this subsection, shall be

considered tax paid by the partner or shareholder to the extent that the partner's or shareholder's share of the income of the partnership or Subchapter S corporation allocated and apportioned to such other state bears to the total income of the partnership or Subchapter S corporation allocated or apportioned to such other state.

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

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

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

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

(35 ILCS 5/214)

Sec. 214. Tax credit for affordable housing donations.

(a) Beginning with taxable years ending on or after December 31, 2001 and until the taxable year ending on December 31, 2026, a taxpayer who makes a donation under Section 7.28 of the Illinois Housing Development Act is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 in an amount equal to 50% of the value of the donation. For taxable years ending before December 31, 2023, partners ~~Partners~~, shareholders of subchapter S corporations, and owners of limited liability companies (if the limited liability company is treated as a partnership for purposes of federal and State income taxation) are entitled to a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 703 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a credit under this Section as provided in Section 251. Persons or entities not subject to the tax imposed by subsections (a) and (b) of Section 201 and who make a donation under Section 7.28 of the Illinois Housing Development Act are entitled to a credit as described in this subsection and may transfer that credit as described in subsection (c).

(b) If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess

credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit shall be applied first.

(c) The transfer of the tax credit allowed under this Section may be made (i) to the purchaser of land that has been designated solely for affordable housing projects in accordance with the Illinois Housing Development Act or (ii) to another donor who has also made a donation in accordance with Section 7.28 of the Illinois Housing Development Act.

(d) A taxpayer claiming the credit provided by this Section must maintain and record any information that the Department may require by regulation regarding the project for which the credit is claimed. When claiming the credit provided by this Section, the taxpayer must provide information regarding the taxpayer's donation to the project under the Illinois Housing Development Act.

(Source: P.A. 102-16, eff. 6-17-21; 102-175, eff. 7-29-21.)

(35 ILCS 5/216)

Sec. 216. Credit for wages paid to ex-felons.

(a) For each taxable year beginning on or after January 1, 2007, each taxpayer is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 of this Act in an amount equal to 5% of qualified wages paid by the taxpayer during the taxable year to one or more Illinois

residents who are qualified ex-offenders. The total credit allowed to a taxpayer with respect to each qualified ex-offender may not exceed $1,500 for all taxable years. For taxable years ending before December 31, 2023, for ~~For~~ partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a credit under this Section as provided in Section 251.

(b) For purposes of this Section, "qualified wages":

(1) includes only wages that are subject to federal unemployment tax under Section 3306 of the Internal Revenue Code, without regard to any dollar limitation contained in that Section;

(2) does not include any amounts paid or incurred by an employer for any period to any qualified ex-offender for whom the employer receives federally funded payments for on-the-job training of that qualified ex-offender for that period; and

(3) includes only wages attributable to service

rendered during the one-year period beginning with the day the qualified ex-offender begins work for the employer.

If the taxpayer has received any payment from a program established under Section 482(e)(1) of the federal Social Security Act with respect to a qualified ex-offender, then, for purposes of calculating the credit under this Section, the amount of the qualified wages paid to that qualified ex-offender must be reduced by the amount of the payment.

(c) For purposes of this Section, "qualified ex-offender" means any person who:

(1) has been convicted of a crime in this State or of an offense in any other jurisdiction, not including any offense or attempted offense that would subject a person to registration under the Sex Offender Registration Act;

(2) was sentenced to a period of incarceration in an Illinois adult correctional center; and

(3) was hired by the taxpayer within 3 years after being released from an Illinois adult correctional center.

(d) In no event shall a credit under this Section reduce the taxpayer's liability to less than zero. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit

shall be applied first.

(e) This Section is exempt from the provisions of Section 250.

(Source: P.A. 98-165, eff. 8-5-13.)

(35 ILCS 5/218)

Sec. 218. Credit for student-assistance contributions.

(a) For taxable years ending on or after December 31, 2009 and on or before December 31, 2024, each taxpayer who, during the taxable year, makes a contribution (i) to a specified individual College Savings Pool Account under Section 16.5 of the State Treasurer Act or (ii) to the Illinois Prepaid Tuition Trust Fund in an amount matching a contribution made in the same taxable year by an employee of the taxpayer to that Account or Fund is entitled to a credit against the tax imposed under subsections (a) and (b) of Section 201 in an amount equal to 25% of that matching contribution, but not to exceed $500 per contributing employee per taxable year.

(b) For taxable years ending before December 31, 2023, for ~~For~~ partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there is allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue

Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a credit under this Section as provided in Section 251.

(c) The credit may not be carried back. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit shall be applied first.

(d) A taxpayer claiming the credit under this Section must maintain and record any information that the Illinois Student Assistance Commission, the Office of the State Treasurer, or the Department may require regarding the matching contribution for which the credit is claimed.

(Source: P.A. 101-645, eff. 6-26-20; 102-289, eff. 8-6-21.)

(35 ILCS 5/222)

Sec. 222. Live theater production credit.

(a) For tax years beginning on or after January 1, 2012 and beginning prior to January 1, 2027, a taxpayer who has received a tax credit award under the Live Theater Production Tax Credit Act is entitled to a credit against the taxes imposed under subsections (a) and (b) of Section 201 of this

Act in an amount determined under that Act by the Department of Commerce and Economic Opportunity.

(b) For taxable years ending before December 31, 2023, if ~~If~~ the taxpayer is a partnership, limited liability partnership, limited liability company, or Subchapter S corporation, the tax credit award is allowed to the partners, unit holders, or shareholders in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, if the taxpayer is a partnership or Subchapter S corporation, then the provisions of Section 251 apply.

(c) A sale, assignment, or transfer of the tax credit award may be made by the taxpayer earning the credit within one year after the credit is awarded in accordance with rules adopted by the Department of Commerce and Economic Opportunity.

(d) The Department of Revenue, in cooperation with the Department of Commerce and Economic Opportunity, shall adopt rules to enforce and administer the provisions of this Section.

(e) The tax credit award may not be carried back. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 tax years following the excess credit year. The tax credit award shall be applied to the earliest year for

which there is a tax liability. If there are credits from more than one tax year that are available to offset liability, the earlier credit shall be applied first. In no event may a credit under this Section reduce the taxpayer's liability to less than zero.

(Source: P.A. 102-16, eff. 6-17-21.)

(35 ILCS 5/224)

Sec. 224. Invest in Kids credit.

(a) For taxable years beginning on or after January 1, 2018 and ending before January 1, 2024, each taxpayer for whom a tax credit has been awarded by the Department under the Invest in Kids Act is entitled to a credit against the tax imposed under subsections (a) and (b) of Section 201 of this Act in an amount equal to the amount awarded under the Invest in Kids Act.

(b) For taxable years ending before December 31, 2023, for ~~For~~ partners, shareholders of subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, the credit under this Section shall be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a

credit under this Section as provided in Section 251.

(c) The credit may not be carried back and may not reduce the taxpayer's liability to less than zero. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset the liability, the earlier credit shall be applied first.

(d) A tax credit awarded by the Department under the Invest in Kids Act may not be claimed for any qualified contribution for which the taxpayer claims a federal income tax deduction.

(Source: P.A. 102-699, eff. 4-19-22.)

(35 ILCS 5/228)

Sec. 228. Historic preservation credit. For tax years beginning on or after January 1, 2019 and ending on or before December 31, 2023, a taxpayer who qualifies for a credit under the Historic Preservation Tax Credit Act is entitled to a credit against the taxes imposed under subsections (a) and (b) of Section 201 of this Act as provided in that Act. For taxable years ending before December 31, 2023, if ~~If~~ the taxpayer is a partnership, Subchapter S corporation, or a limited liability company the credit shall be allowed to the partners,

shareholders, or members in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code provided that credits granted to a partnership, a limited liability company taxed as a partnership, or other multiple owners of property shall be passed through to the partners, members, or owners respectively on a pro rata basis or pursuant to an executed agreement among the partners, members, or owners documenting any alternate distribution method. For taxable years ending on or after December 31, 2023, if the taxpayer is a partnership or a Subchapter S corporation, then the provisions of Section 251 apply. If the amount of any tax credit awarded under this Section exceeds the qualified taxpayer's income tax liability for the year in which the qualified rehabilitation plan was placed in service, the excess amount may be carried forward as provided in the Historic Preservation Tax Credit Act.

(Source: P.A. 101-81, eff. 7-12-19; 102-741, eff. 5-6-22.)

(35 ILCS 5/229)

Sec. 229. Data center construction employment tax credit.

(a) A taxpayer who has been awarded a credit by the Department of Commerce and Economic Opportunity under Section 605-1025 of the Department of Commerce and Economic Opportunity Law of the Civil Administrative Code of Illinois is entitled to a credit against the taxes imposed under

subsections (a) and (b) of Section 201 of this Act. The amount of the credit shall be 20% of the wages paid during the taxable year to a full-time or part-time employee of a construction contractor employed by a certified data center if those wages are paid for the construction of a new data center in a geographic area that meets any one of the following criteria:

(1) the area has a poverty rate of at least 20%, according to the U.S. Census Bureau American Community Survey 5-Year Estimates;

(2) 75% or more of the children in the area participate in the federal free lunch program, according to reported statistics from the State Board of Education;

(3) 20% or more of the households in the area receive assistance under the Supplemental Nutrition Assistance Program (SNAP), according to data from the U.S. Census Bureau American Community Survey 5-year Estimates; or

(4) the area has an average unemployment rate, as determined by the Department of Employment Security, that is more than 120% of the national unemployment average, as determined by the U.S. Department of Labor, for a period of at least 2 consecutive calendar years preceding the date of the application.

For taxable years ending before December 31, 2023, if~~If~~ the taxpayer is a partnership, a Subchapter S corporation, or a limited liability company that has elected partnership tax treatment, the credit shall be allowed to the partners,

shareholders, or members in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code, as applicable. For taxable years ending on or after December 31, 2023, if the taxpayer is a partnership or a Subchapter S corporation, then the provisions of Section 251 apply. The Department, in cooperation with the Department of Commerce and Economic Opportunity, shall adopt rules to enforce and administer this Section. This Section is exempt from the provisions of Section 250 of this Act.

(b) In no event shall a credit under this Section reduce the taxpayer's liability to less than zero. If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit shall be applied first.

(c) No credit shall be allowed with respect to any certification for any taxable year ending after the revocation of the certification by the Department of Commerce and Economic Opportunity. Upon receiving notification by the Department of Commerce and Economic Opportunity of the revocation of certification, the Department shall notify the taxpayer that no credit is allowed for any taxable year ending

after the revocation date, as stated in such notification. If any credit has been allowed with respect to a certification for a taxable year ending after the revocation date, any refund paid to the taxpayer for that taxable year shall, to the extent of that credit allowed, be an erroneous refund within the meaning of Section 912 of this Act.

(Source: P.A. 101-31, eff. 6-28-19; 101-604, eff. 12-13-19; 102-558, eff. 8-20-21.)

(35 ILCS 5/231)

Sec. 231. Apprenticeship education expense credit.

(a) As used in this Section:

"Department" means the Department of Commerce and Economic Opportunity.

"Employer" means an Illinois taxpayer who is the employer of the qualifying apprentice.

"Qualifying apprentice" means an individual who: (i) is a resident of the State of Illinois; (ii) is at least 16 years old at the close of the school year for which a credit is sought; (iii) during the school year for which a credit is sought, was a full-time apprentice enrolled in an apprenticeship program which is registered with the United States Department of Labor, Office of Apprenticeship; and (iv) is employed in Illinois by the taxpayer who is the employer.

"Qualified education expense" means the amount incurred on behalf of a qualifying apprentice not to exceed $3,500 for

tuition, book fees, and lab fees at the school or community college in which the apprentice is enrolled during the regular school year.

"School" means any public or nonpublic secondary school in Illinois that is: (i) an institution of higher education that provides a program that leads to an industry-recognized postsecondary credential or degree; (ii) an entity that carries out programs registered under the federal National Apprenticeship Act; or (iii) another public or private provider of a program of training services, which may include a joint labor-management organization.

(b) For taxable years beginning on or after January 1, 2020, and beginning on or before January 1, 2025, the employer of one or more qualifying apprentices shall be allowed a credit against the tax imposed by subsections (a) and (b) of Section 201 of the Illinois Income Tax Act for qualified education expenses incurred on behalf of a qualifying apprentice. The credit shall be equal to 100% of the qualified education expenses, but in no event may the total credit amount awarded to a single taxpayer in a single taxable year exceed $3,500 per qualifying apprentice. A taxpayer shall be entitled to an additional $1,500 credit against the tax imposed by subsections (a) and (b) of Section 201 of the Illinois Income Tax Act if (i) the qualifying apprentice resides in an underserved area as defined in Section 5-5 of the Economic Development for a Growing Economy Tax Credit Act

during the school year for which a credit is sought by an employer or (ii) the employer's principal place of business is located in an underserved area, as defined in Section 5-5 of the Economic Development for a Growing Economy Tax Credit Act. In no event shall a credit under this Section reduce the taxpayer's liability under this Act to less than zero. For taxable years ending before December 31, 2023, for ~~For~~ partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a credit under this Section as provided in Section 251.

(c) The Department shall implement a program to certify applicants for an apprenticeship credit under this Section. Upon satisfactory review, the Department shall issue a tax credit certificate to an employer incurring costs on behalf of a qualifying apprentice stating the amount of the tax credit to which the employer is entitled. If the employer is seeking a tax credit for multiple qualifying apprentices, the Department may issue a single tax credit certificate that encompasses the

aggregate total of tax credits for qualifying apprentices for a single employer.

(d) The Department, in addition to those powers granted under the Civil Administrative Code of Illinois, is granted and shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this Section, including, but not limited to, power and authority to:

(1) Adopt rules deemed necessary and appropriate for the administration of this Section; establish forms for applications, notifications, contracts, or any other agreements; and accept applications at any time during the year and require that all applications be submitted via the Internet. The Department shall require that applications be submitted in electronic form.

(2) Provide guidance and assistance to applicants pursuant to the provisions of this Section and cooperate with applicants to promote, foster, and support job creation within the State.

(3) Enter into agreements and memoranda of understanding for participation of and engage in cooperation with agencies of the federal government, units of local government, universities, research foundations or institutions, regional economic development corporations, or other organizations for the purposes of this Section.

(4) Gather information and conduct inquiries, in the

manner and by the methods it deems desirable, including, without limitation, gathering information with respect to applicants for the purpose of making any designations or certifications necessary or desirable or to gather information in furtherance of the purposes of this Act.

(5) Establish, negotiate, and effectuate any term, agreement, or other document with any person necessary or appropriate to accomplish the purposes of this Section, and consent, subject to the provisions of any agreement with another party, to the modification or restructuring of any agreement to which the Department is a party.

(6) Provide for sufficient personnel to permit administration, staffing, operation, and related support required to adequately discharge its duties and responsibilities described in this Section from funds made available through charges to applicants or from funds as may be appropriated by the General Assembly for the administration of this Section.

(7) Require applicants, upon written request, to issue any necessary authorization to the appropriate federal, State, or local authority or any other person for the release to the Department of information requested by the Department, including, but not be limited to, financial reports, returns, or records relating to the applicant or to the amount of credit allowable under this Section.

(8) Require that an applicant shall, at all times,

keep proper books of record and account in accordance with generally accepted accounting principles consistently applied, with the books, records, or papers related to the agreement in the custody or control of the applicant open for reasonable Department inspection and audits, including, without limitation, the making of copies of the books, records, or papers.

(9) Take whatever actions are necessary or appropriate to protect the State's interest in the event of bankruptcy, default, foreclosure, or noncompliance with the terms and conditions of financial assistance or participation required under this Section or any agreement entered into under this Section, including the power to sell, dispose of, lease, or rent, upon terms and conditions determined by the Department to be appropriate, real or personal property that the Department may recover as a result of these actions.

(e) The Department, in consultation with the Department of Revenue, shall adopt rules to administer this Section. The aggregate amount of the tax credits that may be claimed under this Section for qualified education expenses incurred by an employer on behalf of a qualifying apprentice shall be limited to $5,000,000 per calendar year. If applications for a greater amount are received, credits shall be allowed on a first-come first-served basis, based on the date on which each properly completed application for a certificate of eligibility is

received by the Department. If more than one certificate is received on the same day, the credits will be awarded based on the time of submission for that particular day.

(f) An employer may not sell or otherwise transfer a credit awarded under this Section to another person or taxpayer.

(g) The employer shall provide the Department such information as the Department may require, including but not limited to: (i) the name, age, and taxpayer identification number of each qualifying apprentice employed by the taxpayer during the taxable year; (ii) the amount of qualified education expenses incurred with respect to each qualifying apprentice; and (iii) the name of the school at which the qualifying apprentice is enrolled and the qualified education expenses are incurred.

(h) On or before July 1 of each year, the Department shall report to the Governor and the General Assembly on the tax credit certificates awarded under this Section for the prior calendar year. The report must include:

(1) the name of each employer awarded or allocated a credit;

(2) the number of qualifying apprentices for whom the employer has incurred qualified education expenses;

(3) the North American Industry Classification System (NAICS) code applicable to each employer awarded or allocated a credit;

(4) the amount of the credit awarded or allocated to each employer;

(5) the total number of employers awarded or allocated a credit;

(6) the total number of qualifying apprentices for whom employers receiving credits under this Section incurred qualified education expenses; and

(7) the average cost to the employer of all apprenticeships receiving credits under this Section.

(Source: P.A. 101-207, eff. 8-2-19; 102-558, eff. 8-20-21.)

(35 ILCS 5/237)

Sec. 237. REV Illinois Investment Tax credits.

(a) For tax years beginning on or after the effective date of this amendatory Act of the 102nd General Assembly, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of Section 201 for investment in qualified property which is placed in service at the site of a REV Illinois Project subject to an agreement between the taxpayer and the Department of Commerce and Economic Opportunity pursuant to the Reimagining Electric Vehicles in Illinois Act. For taxable years ending before December 31, 2023, for ~~For~~ partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there shall be allowed a

credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, partners and shareholders of subchapter S corporations are entitled to a credit under this Section as provided in Section 251. The credit shall be 0.5% of the basis for such property. The credit shall be available only in the taxable year in which the property is placed in service and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of Section 201 to below zero. The credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability or the liability as later amended, such excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit shall be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time shall be applied first.

(b) The term qualified property means property which:

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

(2) is depreciable pursuant to Section 167 of the

Internal Revenue Code, except that "3-year property" as defined in Section 168(c)(2)(A) of that Code is not eligible for the credit provided by this Section;

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

(4) is used at the site of the REV Illinois Project by the taxpayer; and

(5) has not been previously used in Illinois in such a manner and by such a person as would qualify for the credit provided by this Section.

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

(d) If the basis of the property for federal income tax depreciation purposes is increased after it has been placed in service at the site of the REV Illinois Project by the taxpayer, the amount of such increase shall be deemed property placed in service on the date of such increase in basis.

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

(f) If during any taxable year, any property ceases to be qualified property in the hands of the taxpayer within 48 months after being placed in service, or the situs of any qualified property is moved from the REV Illinois Project site within 48 months after being placed in service, the tax imposed under subsections (a) and (b) of Section 201 for such

taxable year shall be increased. Such increase shall be determined by (i) recomputing the investment credit which would have been allowed for the year in which credit for such property was originally allowed by eliminating such property from such computation, and (ii) subtracting such recomputed credit from the amount of credit previously allowed. For the purposes of this subsection (f), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent of such reduction.

(Source: P.A. 102-669, eff. 11-16-21.)

(35 ILCS 5/251 new)

Sec. 251. Pass-through of credits to partners and S corporation shareholders. For taxable years ending on or after December 31, 2023, if any person earning a credit against the tax imposed under subsections (a) and (b) of Section 201 is a partnership or Subchapter S corporation, the credit is allowed to pass through to the partners and shareholders in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code, or as otherwise agreed by the partners or shareholders, provided that such agreement shall be executed in writing prior to the due date of the return for the taxable year and meet such other requirements as the Department may establish by rule. Partnership has the meaning

prescribed in subdivision (a)(16) of Section 1501.