



# *i*nformational Bulletin

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## Illinois Income Tax Guidance - Changes to Income Tax Credits

**To: All tax practitioners and individuals and  
businesses subject to Illinois Income Tax**

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

Public Act 100-0587, commonly referred to as the FY2019 Budget Implementation Act,

- retroactively extended the **Hospital Credit** for business income taxpayers to December 31, 2022, and
- established the **Adoption Credit** for individual income taxpayers effective for tax years ending on or after December 31, 2018.

### Hospital Credit

The Hospital Credit was due to expire for tax years beginning on or after June 14, 2017; however, that date has been extended to tax years ending on or before December 31, 2022. For taxpayers with a tax year beginning on or after June 14, 2017, you may now claim this credit. Schedules 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), and 1299-D, Income Tax Credits (for corporations and fiduciaries), as well as the business income tax return instructions have been updated to reflect this information.

#### For information or forms

Visit our website at:  
[tax.illinois.gov](http://tax.illinois.gov)

File your return online at:  
[mytax.illinois.gov](http://mytax.illinois.gov)

Call us at:  
1 800 732-8866 or  
217 782-3336

Call our TDD  
(telecommunications device  
for the deaf) at:  
1 800 544-5304

### Adoption Credit

For tax years ending on or after December 31, 2018, a taxpayer who received the federal adoption tax credit may claim an **Adoption Credit** subject to the following.

#### Who is an eligible child?

An eligible child is defined as any individual who has not attained age 18 or is physically or mentally incapable of caring for himself or herself.

#### What is the maximum credit I can claim?

The maximum adoption credit is

- \$2,000 (\$1,000 married filing separate) per eligible child, or
- \$5,000 (\$2,500 married filing separate) per eligible child who is at least one year of age and a resident of Illinois at the time of adoption, or
- the federal adoption tax credit if less than \$2,000 or \$5,000 as defined above.

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## What are qualified expenses?

Qualified adoption expenses, as defined by Internal Revenue Code Section 23(d), are any reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are

- directly related to, and the principal purpose of which is, the legal adoption of an eligible child by the taxpayer,
- not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement,
- not expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse, and
- not reimbursed under an employer program or otherwise.

These expenses are generally listed on Line 5 of the federal Form 8839, Qualified Adoption Expenses.

## When can I claim the credit?

If the qualified expenses were paid or incurred

- **before** the taxable year in which the adoption becomes final, then you may claim this amount in the taxable year following the taxable year during which the expenses were paid or incurred. For example, you incurred expenses in 2018; however, the adoption is not final. You may claim the expenses on your 2019 tax return.
- **during or after** the taxable year in which such adoption becomes final, then you may claim this amount in the taxable year in which the expenses were paid or incurred. For example, the adoption was final in 2018; however, you have expenses in 2019, you may claim the expenses in the 2019 taxable year.

## What else do I need to know?

- No credit shall be allowed for any expense that received Federal, State or local funds.
- Spouses filing a joint return are considered one taxpayer.
- For nonresident and part-year residents, the amount of credit is proportionate to the amount of income attributable to Illinois.
- The Adoption Credit shall not reduce a taxpayer's liability to less than zero. If the credit exceeds the income tax liability for the applicable tax year, the excess may be carried forward for five taxable years. The credit shall be applied to the earliest year for which there is a tax liability.
- Claim the Adoption Credit on Schedule 1299-C, Income Tax Subtractions and Credits (for individuals). A copy of Federal Form 8839 must be attached to your Schedule 1299-C when you file your Form IL-1040, Individual Income Tax Return.