What’s New for Illinois Income Taxes

This bulletin summarizes changes for
• 2021 Illinois Income Tax forms and schedules for individuals and businesses,
• 2022 Withholding Income Tax forms and schedules, and
• tax preparers and software developers.

General Tips and Information for the Filing Season

○ The Illinois Department of Revenue’s (IDOR) taxpayer assistance number is available for tax-related inquiries, and includes automated menus allowing taxpayers to check the status of a refund, identify a PIN, or receive estimated payment information without having to wait for an agent.

○ We continue to use and increase enhanced efforts to protect taxpayers from identity theft and tax fraud. Our highly successful methods combat criminal activity and our objective is to get your tax refund to you as quickly as possible.

○ Filing your return electronically through MyTax Illinois, our free online account management program, or other electronic software and requesting direct deposit for individual and business income tax returns is the fastest way to receive your refund.

○ For amended returns claiming a credit or refund filed on or after June 25, 2021, Public Act 102-0040 provides an automatic six month extension of the time IDOR has to issue an assessment of additional tax due if the amended return is filed within six months of the original expiration of the statute of limitations.

○ Income tax filing and payment relief is available for individuals and businesses affected by the December 2021 tornadoes. See Informational Bulletin FY 2022-14, Illinois Income Taxes Filing and Payment Extension Due to December 2021 Tornadoes, for more information.
What are the changes to the 2021 Form IL-1040, Illinois Individual Income Tax Return, and schedules?

- The 2021 personal exemption amount is $2,375.
- The original due date for filing your 2021 Form IL-1040 and paying any tax you owe is April 18, 2022, unless you are claiming disaster relief due to the December 2021 tornadoes.
- Illinois Individual Income Tax refunds will only be issued through direct deposit or paper check. Debit card refunds are no longer available.
- Quarterly 2021 estimated payments can be made in four equal installments based upon 90 percent of the liability for year 2021 or 100 percent of the liability of year 2020 or 2019 to avoid penalty if the payments are made timely.
- Individual taxpayers are allowed to take the pass-through entity (PTE) tax credit based on the amount distributed to them by a partnership or subchapter S corporation. Use Form IL-1040, Line 28, to claim the PTE tax credit from Schedules K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary's Share of Income and Deductions, that were issued to you.
- Using Where's My Refund? to find out if the Illinois Department of Revenue has initiated the refund process. For more specific information about the status of your refund after IDOR has finished processing it, you can check the Illinois Comptroller’s Find Your Illinois Tax Refund System.
- Ronald McDonald House Charities has been added as a donation option on Schedule G, Voluntary Charitable Donations.

Reminders for Illinois Individual Income Tax filing

- Use Where's My Refund? to find out if the Illinois Department of Revenue has initiated the refund process. For more specific information about the status of your refund after IDOR has finished processing it, you can check the Illinois Comptroller’s Find Your Illinois Tax Refund System.
- To qualify for the Illinois Earned Income Credit, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file. See the Illinois Earned Income Credit (EITC) and Earned Income Credit (EIC) web page for more information.
- For tax years ending on or after December 31, 2019, you can use MyTax Illinois to respond to most income tax correspondence from IDOR if you have a MyTax Illinois account. Simply log in to your account, click “more account options,” and “respond to notice” in the Letters and Messages section.
- The Illinois exemption allowance, Illinois Property Tax Credit, and the K-12 Education Expense Credit are not allowed if the taxpayer’s adjusted gross income for the taxable year exceeds $500,000 for returns with a federal filing status of married filing jointly, or $250,000 for all other returns.

What are the changes to the 2021 Illinois Business Income Tax returns and schedules?

- For tax years ending on or after December 31, 2021, and before December 31, 2024, the Illinois net loss deduction (NLD) for corporations, other than S corporations, may not exceed $100,000.
- The carryover period of any net loss that has not expired as of November 16, 2021, has been extended from 12 years to 20 years (Public Act 102-0669). The net loss carryover period for tax years ending on or after December 31, 2021, is changed to 20 years.
- Gross receipts of winnings from sports wagering conducted in accordance with the Sports Wagering Act are allocable to Illinois for taxable years ending on or after December 31, 2021 (Public Act 102-0040).
- Form IL-990-T, Exempt Organization Income and Replacement Tax Return, and Form IL-1041, Fiduciary Income and Replacement Tax Return, can no longer be filed through MyTax Illinois for tax years beginning on or after January 1, 2021.
**Business Income Tax — continued**

- **Pass-through entity (PTE) tax** ([Public Act 102-0658](https://www.ilga.gov/legislation/publicact/docfiles/102/pa102-0658.pdf)) is an elective tax on partnerships (other than a publicly traded partnership under IRC Section 7704) and subchapter S corporations effective for tax years ending on or after December 31, 2021, and before January 1, 2026. An electing pass-through entity is subject to this tax for the privilege of earning or receiving income in Illinois in an amount equal to 4.95 percent of the taxpayer’s net income for the taxable year. Partners or shareholders of an electing pass-through entity are allowed a credit against their own tax in an amount equal to 4.95 percent times the partner’s or shareholder’s distributive share of the net income of the electing partnership or subchapter S corporation.

  - PTE tax is an amount equal to 4.95 percent of the taxpayer’s calculated net income for the tax year paid by a partnership or subchapter S corporation who elects to pay the tax for taxable years ending on or after December 31, 2021, and beginning prior to January 1, 2026.

  - PTE tax credit is the distributive share of the credit allowed as a result of a partnership or S corporation having elected to pay the PTE tax. PTE tax credit is only applied against income tax. Partnerships, S corporations, and trusts or estates who distribute their income, must pass-through any PTE tax credit to their members on Schedules K-1-P or K-1-T. Corporations, exempt organizations, and trusts who retain the PTE tax credit, may claim any credit passed to them in the payments section of their appropriate return. See the applicable return instructions for more details.

  - Entities who elect to pay PTE tax and reasonably expect their total tax liability to exceed $500 are required to make estimated tax payments. For tax years ending before December 31, 2022, any late estimated payment penalties related to an election to pay PTE tax will be waived.

- Effective for tax years beginning on or after November 16, 2021, [Public Act 102-0669](https://www.ilga.gov/legislation/publicact/docfiles/102/pa102-0669.pdf) provides an income tax credit for investment in qualified property which is placed in service at the site of a Reimagining Electric Vehicles (REV) Illinois Project subject to an agreement between the taxpayer and the Department of Commerce and Economic Opportunity (DCEO) pursuant to the Reimagining Electric Vehicles in Illinois Act. The credit is equal to 0.5% of the basis for the property. The credit is only available in the taxable year in which the property is put into service. The credit is nonrefundable but may be carried forward for five years. See the DCEO web page [Reimagining Electric Vehicles (REV) Illinois Program](https://www.commerceillinois.gov/reimagine/rev) for more information.

- For tax years ending on or after December 31, 2021, [Public Act 102-0016](https://www.ilga.gov/legislation/publicact/docfiles/102/pa102-0016.pdf) amended Section 203 of the Illinois Income Tax Act to decouple Illinois from federal 100 percent bonus depreciation. Use Form IL-4562, Line 8, to include the amount of federal depreciation you would have claimed for this taxable year if you had elected not to claim bonus depreciation on your federal return.


  - **decoupling Illinois from**
    - the federal 100 percent foreign dividends received deduction,
    - the deduction for global intangible low-taxed income (GILTI), and
    - the deduction under Internal Revenue Code (IRC), Section 243(e) for foreign dividends treated as domestic dividends.
  
  - **disallowing a subtraction modification**
    - for foreign dividends eligible for deduction federally under IRC Section 245(a), and
    - for IRC Section 1248 gain.

See the instructions for Schedule M, Other Additions and Subtractions (for businesses), and Schedule J, Foreign Dividends, for more information.

- **Form IL-56, Notice of Fiduciary Relationship**, has been redesigned. Your completed form may be submitted through [MyTax Illinois](https://mymoney.illinois.gov).
Business Income Tax — continued

- Information about the gaming licensee surcharge has been removed from Form IL-1065, Partnership Replacement Tax Return, and Form IL-1065 Instructions.

What are the changes to the Illinois Income Tax credits?

- Beginning November 16, 2021, Public Act 102-0669 created a new credit, REV Illinois Investment. The credit has been added to Schedules 1299-I, 1299-A, 1299-C, and 1299-D. See the DCEO web page about the Reimagining Electric Vehicles (REV) Illinois Program for more information.

- Invest in Kids credit has been extended to tax years ending before January 1, 2024. Note: Contributions may now be designated for use as scholarships to qualified technical academies (Public Act 102-0016).

- Angel Investment credit has been extended to tax years ending on or before December 31, 2026.

- Taxpayers who are already approved for the Economic Development for a Growing Economy (EDGE) tax credit, but were unable to use the credit due to the statewide COVID-19 emergency, and the credit is expiring under the five year limit, may be eligible for an additional five year extension. See the DCEO web page about the Economic Development for a Growing Economy Tax Credit Program (EDGE) for more information.

- Affordable Housing credit has been extended to tax years ending on or before December 31, 2026.

- River Edge Historic Preservation credit has been extended to tax years ending prior to January 1, 2027.

- River Edge Construction Jobs credit has been extended to tax years ending prior to January 1, 2027.

- Live Theater credit has been extended to tax years beginning prior to January 1, 2027.

- Student Assistance credit has been extended to tax years ending on or before December 31, 2024.

- For the New Markets Development credit, no qualified equity investments may be permitted after June 30, 2024.

What are the changes to the 2022 Illinois Withholding Income Tax forms?

- Publication 131-D, 2022 Withholding Income Tax Payment and Return Dates, has been updated to include the specific due dates for withholding payments and Form IL-941, Illinois Withholding Income Tax Return.

<table>
<thead>
<tr>
<th>Monthly Payment and Quarterly Return Schedule</th>
<th>Semi-weekly Payment and Quarterly Return Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Must pay electronically or use Form IL-501 by</strong></td>
<td><strong>Must pay electronically by</strong></td>
</tr>
<tr>
<td>15th of each month for amounts withheld in the preceding month.</td>
<td><strong>Wednesday for amounts withheld on the preceding Wednesday, Thursday, or Friday, and Friday for amounts withheld on the preceding Saturday, Sunday, Monday, or Tuesday</strong></td>
</tr>
<tr>
<td><strong>Must file Form IL-941 electronically by</strong></td>
<td><strong>Must file Form IL-941 electronically by</strong></td>
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<tr>
<td>May 2, 2022, August 1, 2022, October 31, 2022, and January 31, 2023</td>
<td>May 2, 2022, August 1, 2022, October 31, 2022, and January 31, 2023</td>
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Withholding Income Tax — continued

- Beginning with tax year 2022, Schedule P-X, Amended Illinois Withholding Schedule, must be included when filing Form IL-941-X, Amended Withholding Income Tax Return.
- Any person making a payment after December 31, 2021, to a resident or nonresident of winnings from sports wagering conducted in accordance with the Sports Wagering Act must withhold Illinois income tax from such payment, at the individual income tax rate, if the payment is subject to federal withholding. Persons who receive sports wagering winnings subject to federal withholding must complete Form IL-5754, Statement by Person Receiving Gambling Winnings.
- The following withholding income tax forms must be submitted electronically by the due date indicated in the chart below. See Publication 110, Forms W-2, W-2c, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers, including New 1099-K Electronic Filing Requirements for more information.

<table>
<thead>
<tr>
<th>Form</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>W-2, Wage and Tax Statement</td>
<td>February 1, 2022</td>
</tr>
<tr>
<td>W-2G, Certain Gambling Winnings</td>
<td>March 31, 2022</td>
</tr>
<tr>
<td>1099-K, Merchant Card and Third Party Network Payments, issued to payees with Illinois addresses if you are required by the IRS to electronically file or the payee has 4 or more transactions and the cumulative total of the payee’s transactions exceeds $1,000.</td>
<td>March 31, 2022</td>
</tr>
</tbody>
</table>

Note: The Illinois filing requirements for these documents are separate from the federal filing requirements. Failure to submit required documents to Illinois directly may result in penalties.

- Form IL-5754 has been revised to include the reporting of sports wagering winnings subject to federal withholding.

What other information is important for tax preparers and software vendors for the filing season?

- If you are a tax professional, see the Tax Professionals’ web page for current news and resources.
- If you are a tax preparer, make sure your tax preparation software is up to date. Using the most recently updated version of your tax preparation software helps reduce the time it takes us to process your clients’ returns and helps ensure the security of your clients’ tax information.
  
  **NOTE:** Do not mail IDOR any version of a form that contains a watermark.
- Substitute paper forms must be submitted and approved through our Forms Approval Program. For more information, see the IL-8633-SF Guide, Substitute Forms Guidelines, on our website.
- Certain paper returns will be processed using imaging software. All specifications for producing substitute forms, including the updated 1-D barcode, are available in the password protected “Draft Forms” web page for Substitute Forms Developers.

What is coming in 2022?

- **Individual Income Tax Personal Exemption** — Effective for tax years beginning on or after January 1, 2022, the personal exemption allowance for individuals will increase $50 to $2,425 per person. This impacts 2022 Form IL-1040 for individuals, including estimated payments, and 2022 withholding income tax rates for employers (see IL-700-T, Illinois Withholding Tax Tables Booklet).
- **Issuers of Forms 1099-K** — Effective for reporting periods beginning on or after January 1, 2022, Forms 1099-K are required to be electronically filed with IDOR if they are issued to a payee with an Illinois address and you are required by the IRS to electronically file Forms 1099-K.
- We encourage taxpayers to check our website at tax.illinois.gov for the most current information.