

Illinois Department of Revenue Legislative Recap

2017 Spring Legislative Session

Income Tax

Senate Bill 9, Public Act 100-0022

- **Rate increase** - Increases the income tax rate on individuals, trusts and estates to 4.95% and increases the income tax rate on corporations to 7%. Effective July 1, 2017.
- **Limitations for the Standard Exemption and Property Tax deduction** - For taxable years beginning on or after January 1, 2017, the Standard Exemption and the Property Tax deduction are not allowed if income is greater than \$250,000 for individual returns and \$500,000 for joint returns.
- **Earned Income Tax credit** - For taxable years beginning on or after January 1, 2017 and beginning prior to January 1, 2018, increases the Earned Income Tax credit to 14%. For taxable years ending on or after January 1, 2018, increases the Earned Income Tax credit to 18%.
- **Instructional Materials and Supplies tax credit** - For taxable years beginning on and after January 1, 2017, creates a \$250 credit for Instructional Materials and Supplies, which can be carried forward 5 years.
- **Education Expense tax credit** - For taxable years beginning on or after January 1, 2017, increases the Education Expense credit from \$500 to \$750; however, this credit not allowed if income is greater than \$250,000 for individual returns and \$500,000 for joint returns.
- **R&D credit** - Extends the R&D credit to December 31, 2021 (previously January 1, 2016) and indicates it should be treated as a continuous credit.
- **Domestic Production Activities deduction** - Provides that the Domestic Production Activities deduction allowed federally shall be added back when determining a taxpayer's Illinois base income.
- **Non-combination rule** - Limits the rule to taxable years ending prior to December 31, 2017.
- **Definition of "United States"** - For taxable years ending on or after December 31, 2017, provides the definition of "United States" means the 50 states, the District of Columbia, and any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources.

Senate Bill 652, Public Act 100-0408

New Markets Development Program Act changes – Various changes are described in the miscellaneous section.

Senate Bill 852, Public Act 100-0415

Live theater production tax credit - Extends the Live theater production tax credit to tax years beginning on or after January 1, 2012, and beginning prior to January 1, 2022 (previously January 1, 2017, pursuant to the Act's automatic five-year sunset provision).

Senate Bill 1783, Public Act 100-0236

River Edge Redevelopment Zone tax credit - Extends the River Edge Redevelopment Zone tax credit to tax years beginning on or after January 1, 2012, and ending prior to January 1, 2022 (previously January 1, 2018).

Senate Bill 1947, Public Act 100-0465

Invest in Kids tax credit - Establishes an income tax credit for qualifying donations to a scholarship granting organization. Defines scholarship granting organizations. The credit cannot exceed \$1 million per taxpayer or \$75 million total in any given calendar year. Other limitations apply. Effective January 1, 2018.

Senate Bill 2012, Public Act 100-0328

Angel investment credit - Extends the credit to taxable years ending on or before December 31, 2021. Other related changes.

Senate Bill 2046, Public Act 100-0329

Thriving Youth and Illinois Police Memorial checkoffs - Creates the Thriving Youth and Illinois Police Memorial checkoffs for taxable years ending on or after December 31, 2017.

Income tax legislation - continued

House Bill 162, Public Act 100-0511

EDGE tax credit - Extends the EDGE tax credit to June 30, 2022. Redefines "credit" to limit the credit's scope. Provides for claw back provision if taxpayer ceases principal operations with the intent to shut down the project. Makes other related changes.

House Bill 821, Public Act 100-0303

See electronic filing mandates section.

Sales and Related Taxes

Senate Bill 587, Public Act 100-0213

Makes changes to the **Hotel Operators' Occupation Tax Act** to provide for an exemption for an entity that is organized and operated exclusively for religious purposes and possesses an active Exemption Identification Number issued by the Department of Revenue pursuant to the Retailers' Occupation Tax Act when that entity acts as a hotel operator renting, leasing, or letting rooms (i) in furtherance of the purposes for which it is organized or (ii) to an entity that is organized and operated exclusively for religious purposes and possess an active Exemption Identification Number issued by the Department pursuant to the Retailers' Occupation Tax Act when the room is rented in furtherance of the purposes for which the entity is organized. Provides that retreat centers, conference centers, and hunting lodges are also considered "hotels" for the purposes of the Act.

Senate Bill 1434, Public Act 100-0437

Rental Purchase Agreement Occupation and Use Tax Act - Creates the Rental Purchase Agreement Occupation and Use Tax Act. Provides that an occupation tax is imposed upon persons engaged in this State in the business of renting merchandise under a rental-purchase agreement in Illinois, at the rate of 6.25% of the gross receipts received from such business. Provides that a corresponding use tax is imposed upon the privilege of using merchandise rented under a rental-purchase agreement in Illinois at the rate of 6.25% of the gross receipts received from such business. Provides for electronic registration, filing, and payment. Creates a credit provision for use tax paid during the 6 months prior to implementation. Effective January 1, 2018.

Senate Bill 1871, Public Act 100-0321

Rolling Stock - Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that, for motor vehicles other than limousines, "use as rolling stock moving in interstate commerce" means that: (1) the motor vehicle or trailer is used to transport persons or property for hire; (2) the purchaser certifies that the motor vehicle or trailer will be used by an interstate carrier or carriers for hire who hold an active USDOT Number with certain classifications; and (3) for motor vehicles, the gross vehicle weight rating exceeds 16,000 pounds. Provides active USDOT Number with certain classifications does not apply to a motor vehicle or trailer used at an airport to support the operation of an aircraft moving interstate commerce that meets the other requirements of the definition of "use as rolling stock moving in interstate commerce". Effective August 24, 2017.

Senate Bill 9, Public Act 100-0022

- **Gasohol and alternative fuels** - Provides gasohol shall be taxed at 100%. Extends exemption of majority blended ethanol fuel. Extends exemption of 100% biodiesel and biodiesel blends.
- **Graphic Arts Machinery and Equipment exemption** - Includes Graphic Arts Machinery and Equipment exemption with the Manufacturing Machinery and Equipment exemption.

House Bill 821, Public Act 100-0303

See the electronic filing mandates section for additional changes.

House Bill 2801, Public Act 100-0009

- Amends the **Motor Fuel Tax Law**. Provides that the tax imposed on the privilege of operating motor vehicles that use liquefied natural gas or propane is 21.5 cents per gallon. Provides that the tax imposed on compressed natural gas is 19 cents per gallon. Provides that, in the case of liquefied natural gas and propane, "gallon" means a diesel gallon equivalent. Provides that liquefied natural gas used as motor fuel shall be sold in diesel gallon equivalents,

and compressed natural gas shall be sold in gasoline gallon equivalents. Provides that propane used as motor fuel shall be sold in actual measured gallon volumetric units, subject to adjustment for the purposes of determining the diesel gallon equivalents that are subject to the tax rates under the Motor Fuel Tax Law.

- Amends the **Environmental Impact Fee Law**. Provides that no fee is imposed on the importation or receipt of liquefied natural gas (i) sold to or used by a rail carrier or (ii) consumed or used in the operation of ships, barges, or vessels that are used primarily in or for the transportation of property in interstate commerce for hire on rivers bordering Illinois if the natural gas is delivered to the ship, barge, or vessel by a licensed receiver.

Electronic Filing Mandates

House Bill 821, Public Act 100-0303

- Allows the Department of Revenue to require by rule that withholding income taxes and W-2s be electronically filed. Allows for hardship waivers.
- Requires electronic filing of sales and use tax returns for retailers and servicemen whose annual gross receipts average \$20,000 or more. Allows for hardship waivers. Provides that vendor discounts are only allowed for returns filed electronically.
- Requires electronic filing of taxes as provided for under the Prepaid Wireless 9-1-1 Surcharge Act, the ITAC provisions of the Public Utilities Act, and the Tire User Fee provisions of the Environmental Protection Act.

Lien Registry Act

Senate Bill 9, Public Act 100-0022

Creates the State Tax Lien Registration Act, effective January 1, 2018. Requires the Department of Revenue to create and maintain a public registry for filing notices of tax liens. Provides that Department of Revenue may file a notice of tax lien in the registry within 3 years from the date of the final tax liability. Provides that the lien is perfected upon filing in the registry. Contains provisions concerning the format of the registry, and sets forth information that must be included in the registry. Effective July 6, 2017.

Business Tax Registration / Certificates of Registration

House Bill 819, Public Act 100-0302

Certificates of registration that are issued or renewed on or after July 1, 2017 shall expire in one year, rather than five years, after the issuance or last renewal of that certificate of registration. Effective August 24, 2017.

House Bill 821, Public Act 100-0303

Provides that publicly traded corporations do not need to disclose the last 4 digits of the SSN of their CFO, COO, or other employee responsible for preparing tax returns.

Property Tax

House Bill 2813, Public Act 100-0379

Amends the Property Tax Code. In the definition of "wooded acreage", provides that the property must be defined as "woodlands" by the United States Department of the Interior (currently, defined as "wooded acreage" by the Department of Labor). Provides that the change is intended as a clarification. Effective August 25, 2017.

Senate Bill 473, Public Act 100-0321

Amends the Property Tax Code. In counties with 3,000,000 or more inhabitants, increases the maximum reduction for the Senior Citizen Homestead Exemption, the Senior Citizen Assessment Freeze Homestead Exemption, and the general homestead exemption. Increases the maximum income limitation for the Senior Citizen Assessment Freeze Homestead Exemption. Provides that the maximum reduction for the Senior Citizens Assessment Freeze Homestead Exemption shall be: (1) for taxable year 2017, (i) \$65,000 for qualified property located in a county with 3,000,000 or more inhabitants and (ii) \$55,000 for qualified property located in a county with fewer than 3,000,000 inhabitants; and (2) for taxable years 2018 and thereafter, \$65,000 for all qualified property. Effective August 25, 2017.

Senate Bill 1593, Public Act 100-0455

Amends the Property Tax Code. Provides that parking areas owned by religious institutions, when leased or rented to a municipality for the purpose of providing free public parking, are exempt. Effective August 25, 2017.

Senate Bill 1598, Public Act 100-0456

Amends the Property Tax Code. Provides that the valuation procedures for PPV leases sunset on January 1, 2056 (currently, January 1, 2016). Provides that the valuation procedures in the engrossed bill apply absent a separate settlement agreement entered into under a particular provision of the Code. Provides that, for tax year 2017 and thereafter, for naval training facilities, naval bases, and naval support facilities, "net operating income" means all revenues received minus the actual expenses before interest, taxes, depreciation, and amortization (currently, the lesser of (i) 62% of all revenues or (ii) actual expenses before interest, taxes, depreciation, and amortization). Provides that, to determine the fair cash value of a PPV Lease, the net operating income is divided by (i) a rate of 12% (currently, 7.75%) plus (ii) the actual or most recently ascertainable tax load factor. Effective August 25, 2017.

Local Government

House Bill 465, Public Act 100-0249

Amends the Illinois Municipal Code. Creates a tax increment allocation financing extension for an ordinance adopted on February 5, 1996, by the Village of Pearl City. Effective August 22, 2017.

House Bill 466, Public Act 100-0296

Amends the Mobile Home Local Services Tax Enforcement Act. Provides that a tax purchaser or assignee must give notice of the tax sale and the date of expiration of the redemption period not less than 3 months nor more than 6 months prior to the expiration of the redemption period (currently, not less than 3 months nor more than 5 months). Provides that the purchaser or assignee may file a petition for the issuance of a tax certificate of title at any time within 6 months but not less than 3 months prior to the expiration of the redemption period (currently, any time within 5 months but not less than 3 months prior to the expiration of the redemption period). Effective August 24, 2017.

Senate Bill 588, Public Act 100-0214

Amends the Illinois Municipal Code. Creates a tax increment allocation financing extension for an ordinance adopted on January 31, 1995, by the Village of Milledgeville. Effective August 18, 2017.

Senate Bill 9, Public Act 100-0022

Adjusts the distribution of Local Government Distributive Fund revenues. Beginning August 1, 2017, the Treasurer will transfer 6.06% (previously, 9.23%) of net revenues from the tax imposed on individuals, trusts, and estates from the General Revenue Fund to the Local Government Distributive Fund. The Treasurer will transfer 6.85% (previously, 10%) of net revenues from corporate income tax from the General Revenue Fund to the Local Government Distributive Fund. Creates the State Tax Lien Registration Act, effective January 1, 2018. Requires the Department of Revenue to create and maintain a public registry for filing notices of tax liens. Provides that Department of Revenue may file a notice of tax lien in the registry within 3 years from the date of the final tax liability. Provides that the lien is perfected upon filing in the registry. Contains provisions concerning the format of the registry, and sets forth information that must be included in the registry. Effective July 6, 2017.

Senate Bill 42, Public Act 100-0023

Provides for a 2 percent administrative fee to be deposited into the Tax Compliance and Administration Fund for purposes of administrative costs incurred by the Department of Revenue in collecting and remitting tax revenue. The administrative fee is imposed on the following taxes: the Metropolitan Pier Exposition Authority Automobile Renting Tax, the Metropolitan Pier Exposition Authority Hotel Tax, the Municipal Home Rule Sales Tax, the Municipal Non-Home Rule Sales Tax, the County Home Rule Sales Tax, the Regional Transportation Authority Tax, the Counties Share of Regional Transportation Authority Tax, the Metro-east Mass Transit District Tax, the Metro-east Park and Recreation District Tax, and the Special County Retailers' Occupation Tax for Public Safety. Requires that the amount of tax required under subsection (b) of Section 901 to be transferred by the Treasurer into the Local Government Distributive Fund from the General Revenue Fund shall instead be directly deposited into the Local Government Distributive Fund. Provides that, in State fiscal year 2018 only, the total amount of revenue and deposits under Section 901 attributable to revenues realized during State fiscal year 2018 shall be reduced by 10%.

Liquor Control

House Bill 2878, Public Act 100-0314

Amends the Liquor Control Act of 1934. Provides that an action for a violation of the Act shall be commenced by the State Commission within 2 years after the date the State Commission becomes aware of the violation. Provides that any notice issued by the State Commission to a licensee for a violation of the Act or any notice with respect to a settlement or offer in compromise shall include the field report, photographs, and any other supporting documentation necessary to reasonably inform the licensee of the nature and extent of the violation or the conduct alleged to have occurred. Effective August 18, 2017.

House Bill 3164, Public Act 100-0036

Amends the Liquor Control Act of 1934. Authorizes the issuance and renewal of a license to sell alcoholic liquor at premises located within 100 feet of specific places of worship or schools located in the City of Chicago. Provides that the premises are at least 3,000 but no more than 5,000 square feet. Removes provisions requiring certain premises to be located in buildings with frontage on specified streets and removes a reference to a specific street with regard to the location of the main entrance of a specific place of worship. Authorizes the issuance and renewal of licenses to sell alcoholic liquor within a restaurant at premises located within 100 feet of a specific school located in the City of Chicago. Effective August 4, 2017.

Senate Bill 941, Public Act 100-0017

Amends the Liquor Control Act of 1934. Changes the definition of "special event retailer" to include the sale or offering of spirits by an educational, fraternal, political, civic, religious, or non-profit organization. Defines "third-party provider". Establishes additional reporting and record keeping requirements for third-party providers. Provides that if the Department of Revenue or the State Commission requests a statement of certain information, the third-party provider must provide that statement no later than 30 days after the request is made. Provides that a violation of certain reporting requirements is a Class C misdemeanor. Effective June 30, 2017.

General / Miscellaneous

House Bill 1808, Public Act 100-0047

Uniform Disposition of Unclaimed Property Act changes - Provides that the State Treasurer shall, at least annually, notify the Department of Revenue of the names of persons appearing to be owners of abandoned property held by the State Treasurer, and that the Department of Revenue shall provide address and other information for such persons to the State Treasurer to facilitate the return of unclaimed property. Provides that the State Treasurer may deliver the property without the person filing a claim if: (1) the value of the property that is owed the person is \$2,000 or less; (2) the property is not either tangible property or securities; (3) the last known address for the person according to the Department of Revenue records is less than 12 months old; and (4) the State Treasurer has evidence sufficient to establish that the person who appears in Department of Revenue records is the owner of the property and the owner currently resides at the last known address from the Department of Revenue. Provides that, if the unclaimed property has a value of greater than \$2,000 or is tangible property or securities, then the State Treasurer shall provide notice to the person informing the person that he or she is the owner of abandoned or unclaimed property. Effective August 11, 2017.

House Bill 1811, Public Act 100-0020

Chicago Prepaid Wireless 911 Surcharge - Extends Chicago's 9% surcharge through December 31, 2020 (previously only authorized through June 30, 2017); provides that on and after January 1, 2021, Chicago can only impose the surcharge at the rate of 7%.

House Bill 2360, Public Act 100-0006

Illinois Secure Choice Savings Program Act changes - Requires the Illinois Secure Choice Savings Board to select a default contribution rate within the range of 3% to 6% of an enrollee's wages (rather than 3% of wages). Provides that the Program shall begin during 2018, rather than by July 1, 2017. Provides that the Board shall establish an implementation timeline that ensures that all employees are required to enroll in the Program by December 31, 2020. Provides that the Illinois Secure Choice Savings Program Fund is an instrumentality of the State and not subject to specified provisions of the Illinois Securities Law of 1953. Effective June 30, 2017.

House Bill 3121, Public Act 100-0155

Weights and Measures Act changes - Provides that if any person fails or refuses to pay, within 60 days after the issuance of notice from the Department, a fee authorized by the Section, the Department may prohibit that person from using commercial weighing and measuring devices. Provides that any penalty of \$2,500 or greater (currently, any penalty) not paid within 120 days (currently, 60 days) of issuance of notice from the Department shall be submitted to the Department of Revenue (currently, the Attorney General's office) for collection as provided under the Illinois State Collection Act of 1986. Provides that the Department may prohibit any person from using a commercial weighing or measuring device for failure to pay an administrative monetary penalty within 60 days of issuance of notice from the Department. Effective August 18, 2017.

Senate Bill 652, Public Act 100-0408

New Markets Development Program Act changes - Provides that, to be considered a "qualified equity investment" under the Act, 100% (currently, 85%) of the cash purchase price of the investment must be used by the issuer to make qualified low-income community investments in the State of Illinois. Requires qualified community development entities to submit an annual report. Provides that no qualified active low-income community business that receives a qualified low-income community investment from a qualified community development entity that issues qualified equity investments under the Act may directly or indirectly (i) own or have the right to acquire an ownership interest in a qualified community development entity or member or affiliate of a qualified community development entity or (ii) loan to or invest in a qualified community development entity or member or affiliate of a qualified community development entity. Sets forth a schedule of allocation rounds enabled under the New Markets Development Program Act. Effective August 25, 2017.

Senate Bill 1577, Public Act 100-0452

Illinois False Claims Act changes - Provides that a person who commits certain acts is liable to the State for a civil penalty of not less than the minimum amount and not more than the maximum amount allowed for a civil penalty for a violation of the federal False Claims Act (31 U.S.C. 3729 et seq.) as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461). Provides that notwithstanding any other provision, a person is liable to the State for a civil penalty of not less than \$5,500 and not more than \$11,000, plus 3 times the amount of damages which the State sustains because of the act of that person, when: (i) the civil action was brought by a private person; (ii) the State did not elect to intervene; (iii) the actual amount of the tax owed to the State is equal to or less than \$50,000, which does not include interest, penalties, attorney's fees, costs, or any other amounts owed or paid pursuant to the Illinois False Claims Act; and (iv) the violation of the Illinois False Claims Act relates to or involves a false claim regarding a tax administered by the Department of Revenue, excluding claims, records, or statements made under the Property Tax Code. Effective August 25, 2017.

Senate Bill 1947, Public Act 100-0465

Tax Increment Financing Reform Task Force - Tax Increment Financing Reform Task Force is created and findings of study are due to the General Assembly on or before April 1, 2018.

Senate Bill 1978, Public Act 100-0536

Creates the Employee Misclassification Referral System. Requires the Department of Labor to create an online employee misclassification referral system on its website. Provides that the employee misclassification referral system shall use one form that contains all the necessary information required for employee misclassification complaints to the Department of Employment Security, the Illinois Workers' Compensation Commission, the Department of Revenue, and the Department of Labor; and that the employee misclassification referral system shall refer complaints to the appropriate agency or agencies based on the information supplied by the individual making the complaint. Provides that anonymous and third-party complaints shall not be accepted by the employee misclassification referral system. Provides that upon completion of an investigation that was initiated through the employee misclassification referral system, the agency, except for the Department of Employment Security, shall report to the Department of Labor any determination of an employee misclassification. Requires the Department of Labor to also maintain in the employee misclassification referral system, and make accessible for review by any agency that regulates or licenses the employer that was the subject of the investigation, the results of a determination of employee misclassification and all appeals and administrative reviews. Requires the Department of Employment Security, the Illinois Workers' Compensation Commission, the Department of Revenue, the Department of Labor, and any other agency that regulates or licenses businesses to put on its website, in a relevant and conspicuous place, a description of the purpose of the employee misclassification referral system provided by the Department of Labor and a link to the employee misclassification referral system. Effective June 1, 2018.