

**ILLINOIS DEPARTMENT OF REVENUE
TAX PRACTITIONERS MEETING
OCTOBER 26, 2018**

INCOME TAX UPDATE – 2018 Legislation and Rulemaking

I. LEGISLATION

Public Act 100-587 HB 3342 Effective June 4, 2018

Extends the hospital tax credit through 2022. Creates an adoption credit of \$2,000 for children residing out-of-state and \$5,000 for children residing in Illinois. Extends the natural disaster tax credit to tax years beginning prior to January 1, 2019.

Public Act 100-905 HB 4751 Effective August 17, 2018

Allows for tax-free transfers from qualified tuition programs to qualified ABLE accounts.

Public Act 100-686 HB 5214 Effective January 1, 2019

Amends the angel investment tax credit. Limits the special allocation for businesses owned by minorities, women and people with disabilities or located in counties with populations less than 250,00 to the first three quarters of a calendar year, after which unused credits may be claimed by investors in any qualified business venture.

Public Act 100-0865 SB 1437 Effective August 14, 2018

Extends the COLA for the standard exemption to 2023.

Public Act 100-629 SB 3527 Effective January 1, 2019

Amends the river's edge historic preservation tax credit. Transfers administration of the credit from DECO to Department of Natural Resources. Provides that projects may be completed in phases, whereas previously the credit was only awarded in the final year of completion. Adds auditing and recapture provisions.

II. RULEMAKING

A. Adopted

86 Ill. Admin. Code § 100.2050, 100.2055, 100.5270, 100.7050, 100.7070, 100.7100 Effective November 7, 2017

Updates provisions regarding the exemption amounts and tax rates.

86 Ill. Admin Code § 100.7300 Effective November 30, 2017

Changes due date for filing Forms W-2 to January 31.

86 Ill. Admin Code § 100.7300 Effective March 21, 2018

Requires electronic filing of Forms W-2.

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86 Ill. Admin. Code §§ 100.2175

Effective February 28, 2018

Implements the Invest in Kids tax credit.

86 Ill. Admin. Code § 100.2330, 100.2360, 100.2405, 100.2665, 100.2668

Effective September 24, 2018

Addresses various issues concerning net loss deductions.

86 Ill. Admin. Code §§ 100.2565, 100.2770, 100.2775

Effective September 24, 2018

Provides guidance on the subtractions allowed to individuals, trusts and estates for refunds of state taxes and recoveries of itemized deductions that are subject to federal income tax because they are recoveries of items that were deducted in computing federal taxable income, when those recoveries should not be taxed by Illinois because no Illinois income tax deduction was allowed for the original payments.

86 Ill. Admin Code § 100.3420

Effective September 24, 2018

Reflects the provisions of PA 97-507, which amended IITA Section 304(b)(2) to allow reinsurance companies to elect one of three methods of incorporating reinsurance premiums into their apportionment factor computation.

86 Ill. Admin. Code § 100.9715

Effective October 12, 2018

Adds definition of transportation company.

B. Priority Projects86 Ill. Admin. Code §§ 100.3380, 100.3600, 100.5220, 100.5270, 100.9700

Adds section to provide guidance on how a unitary business group computes its apportionment factor when the group includes members that use different apportionment formulas under IITA Section 304. Amends various other provisions to implement these changes. The prohibition on including taxpayers who use different apportionment formulas in the same unitary business group has been repealed, effective for taxable years ending on or after December 31, 2017.

86 Ill. Admin. Code § 100.2850

Adds new provision to provide guidance regarding the application of IITA Section 203(d)(2)(H), which allows partnerships a subtraction modification in an amount equal to the greater of: (i) the personal service income of the partnership, or (ii) a reasonable allowance for compensation for services rendered by partners to the partnership.

C. Other Pending Rulemaking86 Ill. Admin. Code Part 700

Omnibus revisions to provisions under the Uniform Penalty and Interest Act.