



Informational

Bulletin

Constance Beard, Director

Summary of Illinois Income Tax and Sales Tax Changes from P.A. 100-0022

***To: All Illinois taxpayers and
practitioners***

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

P.A. 100-0022 amends the Illinois Income Tax Act and the Retailers' Occupation Tax Act. General information is included regarding the Illinois Income Tax increase, changes to various credits, deductions, and additions to income. General information is provided about changes to graphic arts machinery and equipment exemptions, and the sales tax imposed on gasohol, ethanol, and biodiesel blends.

For information or forms

Visit our website at:
tax.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

Individual and Business Income Tax

What are the changes to Illinois Income Tax?

Tax Rates

Effective July 1, 2017, income tax rates increase as follows:

- For individuals, trusts, and estates, the Illinois Income Tax is increasing from 3.75 percent (.0375) to 4.95 percent (.0495).
- For corporations (excluding S corporations), the Illinois Income Tax is increasing from 5.25 percent (.0525) to 7 percent (.07).

Earned Income Tax Credit

For tax years beginning on or after January 1, 2017, and before January 1, 2018, the earned income credit is increased to 14 percent of the federal earned income tax credit. For tax years beginning on or after January 1, 2018, the earned income credit increases to 18 percent of the federal earned income tax credit.

Standard Exemption Allowance

For tax years beginning on or after January 1, 2017, the personal exemption allowance may not be claimed 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.

K-12 Education Expense Credit

For tax years ending on or after December 31, 2017, the maximum amount of the K-12 Education Expense Credit has been increased to \$750 per family. The K-12 Education Expense Credit is 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.

Illinois Property Tax Credit

For tax years beginning on or after January 1, 2017, the Illinois Property Tax Credit is 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.

Instructional Materials and Supplies Credit (New)

For tax years beginning on or after January 1, 2017, a credit is allowed equal to the amount paid during the taxable year for instructional materials and supplies with respect to classroom-based instruction in a qualified school, or \$250, whichever is less, provided that the taxpayer is a teacher, instructor, counselor, principal, or aide in a qualified school for at least 900 hours during a school year. The credit may not be carried back and may not reduce the tax liability to less than zero. Any excess credit may be carried forward and applied to tax liabilities for five years following the excess credit year.

Domestic Production Activities Deduction

For tax years ending on or after December 31, 2017, the Domestic Production Activities Deduction allowed under Section 199 of the Internal Revenue Code must be added back to the adjusted gross income (for individuals) or taxable income (for all other taxpayers).

Research and Development Credit

The Research and Development Credit has been reinstated and is retroactive for the 2016 tax year. The department will provide updated forms and instructions in order to claim any credit that was not previously allowed.

Unitary Businesses

For tax years ending on or after December 31, 2017, the noncombination rule is eliminated. Unitary business groups will no longer exclude members which are ordinarily required to apportion business income under different subsections of Section 304.

A change to the definition of "United States" will now require unitary businesses to include members

operating in any area over which the U.S. has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources (i.e., the outercontinental shelf). This does not include members operating in any territory or possession of the United States.

How do the changes to the Illinois Income Tax affect me?

For more information, see Informational Bulletins

- FY 2018-02, Illinois Income Tax Increase, Guidance - Detailed Instructions for Filing Your 2016 Illinois Income Tax Return and 2017 Estimated Payments, and
- FY 2018-03, Withholding Tax Rate and Personal Exemption Amount Changes.

The department will issue additional guidance, forms, and instructions in the near future to assist taxpayers in completing any required returns, either original or amended, for prior or current tax years.

Employers and withholding agents: Booklet IL-700-T, Illinois Withholding Tax Tables, with amounts and calculations effective July 1, 2017, is available on our website at tax.illinois.gov.

Sales and Use Taxes

What are the changes for Sales and Use Tax?

Effective July 1, 2017, the manufacturing and assembling machinery and equipment exemption is expanded to include graphic arts machinery and equipment.

Effective July 1, 2017, tax is imposed on 100 percent of the proceeds from sales of gasohol, which eliminates the current 20 percent exemption.

The 100 percent exemption for majority blended ethanol fuel, 100 percent biodiesel, and biodiesel blends with more than 10 percent but no more than 99 percent biodiesel, is extended through December 31, 2023.

How do the changes to the Illinois Retailers Occupation Tax Act affect me?

The department will issue additional guidance, forms, and instructions in the near future to assist taxpayers in completing any required returns.