



July 19, 2017

Illinois Regulatory Update – Illinois Public Act 100-0022

On July 6, 2017, the Illinois House passed its first full-year budget since 2015 and, in doing so, retroactively enacted a 32-percent individual state tax increase. **Effective July 1, 2017**, Illinois Public Act 100-0022 (P.A. 100-0022) amends the Illinois Income Tax Act and Retailers' Occupation Tax Act, resulting in numerous state tax changes for individuals and businesses. Major changes have been outlined below:

- Illinois income tax rates for individuals, trusts, and estates increase from 3.75 percent to 4.95 percent.
- Employers, payroll service providers, software developers, and payers of gambling and lottery winnings who withhold Illinois income taxes must now immediately adjust withholding tax rates.
 - Refer to Booklet IL-700-T, Illinois Withholding Tax Tables:
<http://tax.illinois.gov/TaxForms/Withholding/IL-700-T.pdf>.
- For tax years beginning on or after January 1, 2017, taxpayers with AGI for the taxable years exceeding \$500,000 for married filing jointly returns and \$250,000 for all other returns may not claim the personal exemption allowance, the K-12 Education Expense Credit, or the Illinois Property Tax 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.
- For tax years beginning on or after January 1, 2017, an Instructional Materials and Supplies Credit is allowed equal to the amount paid during the taxable year for instructional materials and supplies with respect to classroom-based instructions in a qualified school, or \$250, whichever is less, provided 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.
- For corporations (excluding S corporations), the Illinois income tax rate is increased from 5.25 percent to 7 percent.
- For taxable years ending on or after December 31, 2017, the Domestic Production Activities Deduction allowed under IRC Section 199 must be added back to AGI for individuals or taxable income for all other taxpayers.
- The Illinois Research and Development Credit has been reinstated and is retroactive for the 2016 tax year subject to certain limitations.
- For sales and use tax, the manufacturing and assembling machinery and equipment exemption is expanded to include graphic arts machinery and equipment.

Additional information on P.A. 100-0022 is available on the Illinois Department of Revenue website, www.tax.illinois.gov. If you have any questions regarding how these changes may impact you or your organization, please do not hesitate to contact our office.

Sincerely,

HEINOLD BANWART, LTD.