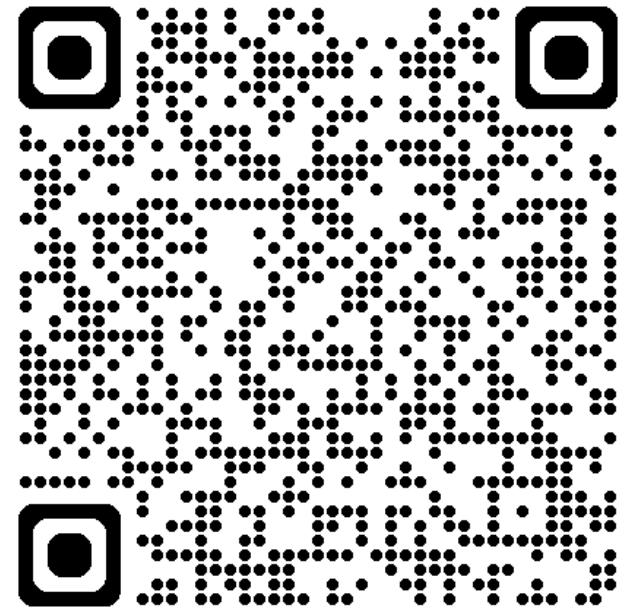




TAXPAYERS'
FEDERATION
— OF ILLINOIS —

Illinois Update—What's New, and What Isn't

Taxpayers' Federation of Illinois
Annual Meeting
June 12, 2025



Maurice Scholten Bio

Maurice Scholten joined the Taxpayers' Federation of Illinois in 2015 and is currently President of the Federation. Before joining TFI, Mr. Scholten was Senior Legal Counsel for the Senate President's Office for five years where he worked on taxes, pensions, workers' compensation, and unemployment insurance.

Mr. Scholten received a Bachelor of Science in Mechanical Engineering from Iowa State University and his law degree from Loyola University Chicago School of Law.

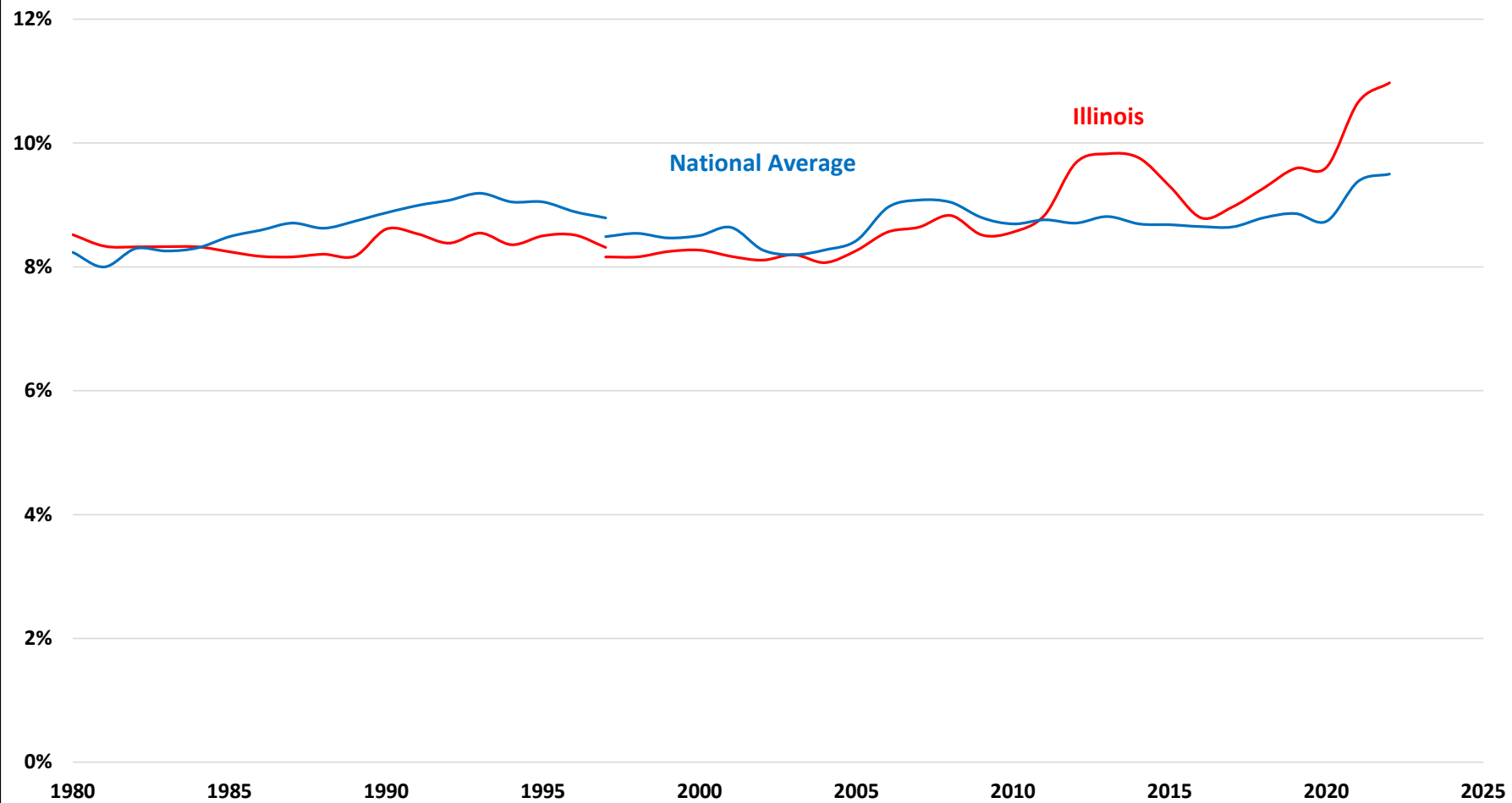


This Morning's Agenda

- Illinois by the Numbers
- FY2026 Budget Overview
- What (tax-related bills) Passed?
- What (tax-related bills) Didn't Pass?
- Rule-making Update
- What's next?

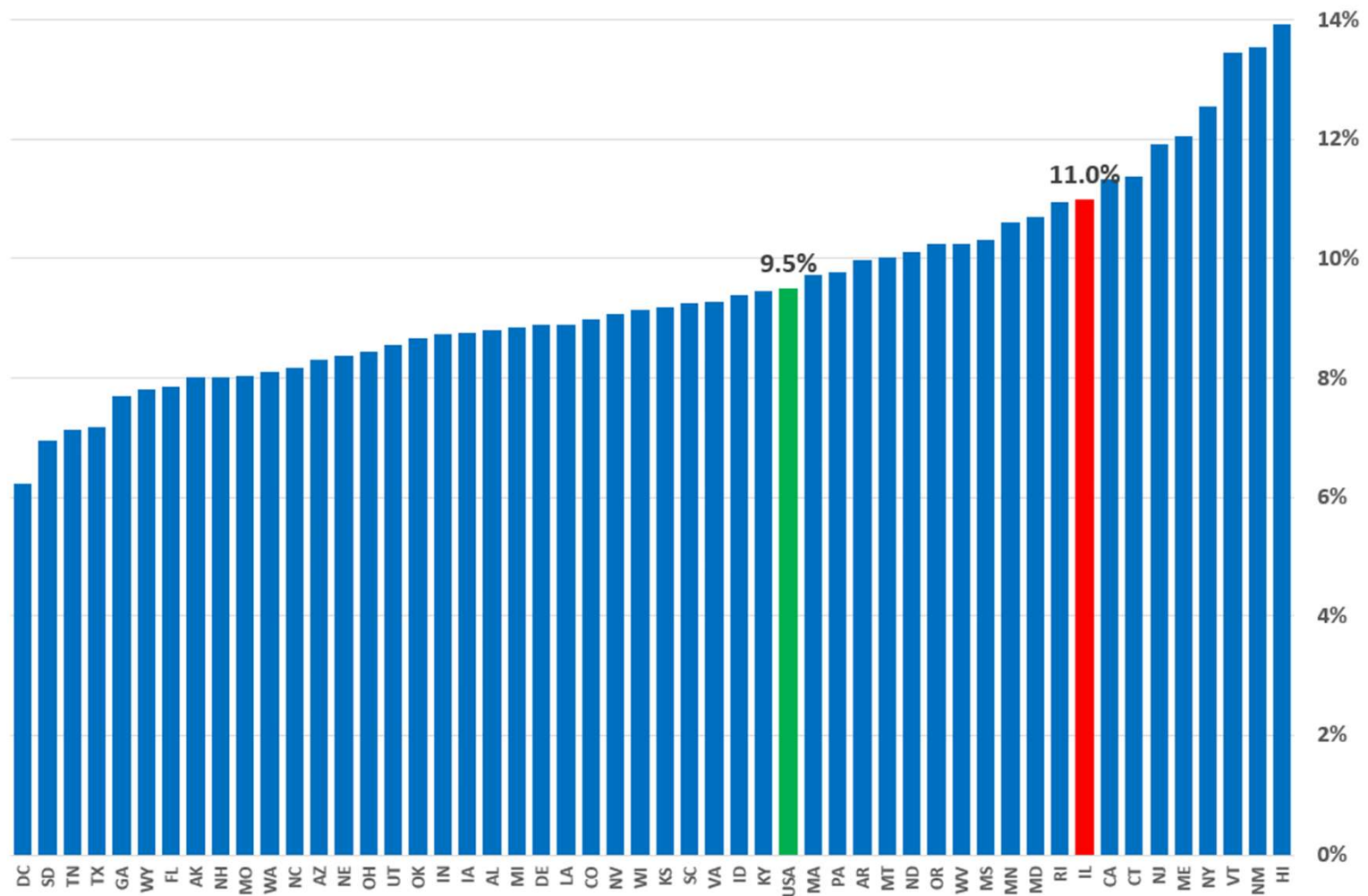


Illinois State and Local Government Total Tax Revenues as a Percentage of Gross State Product Compared to the National Average



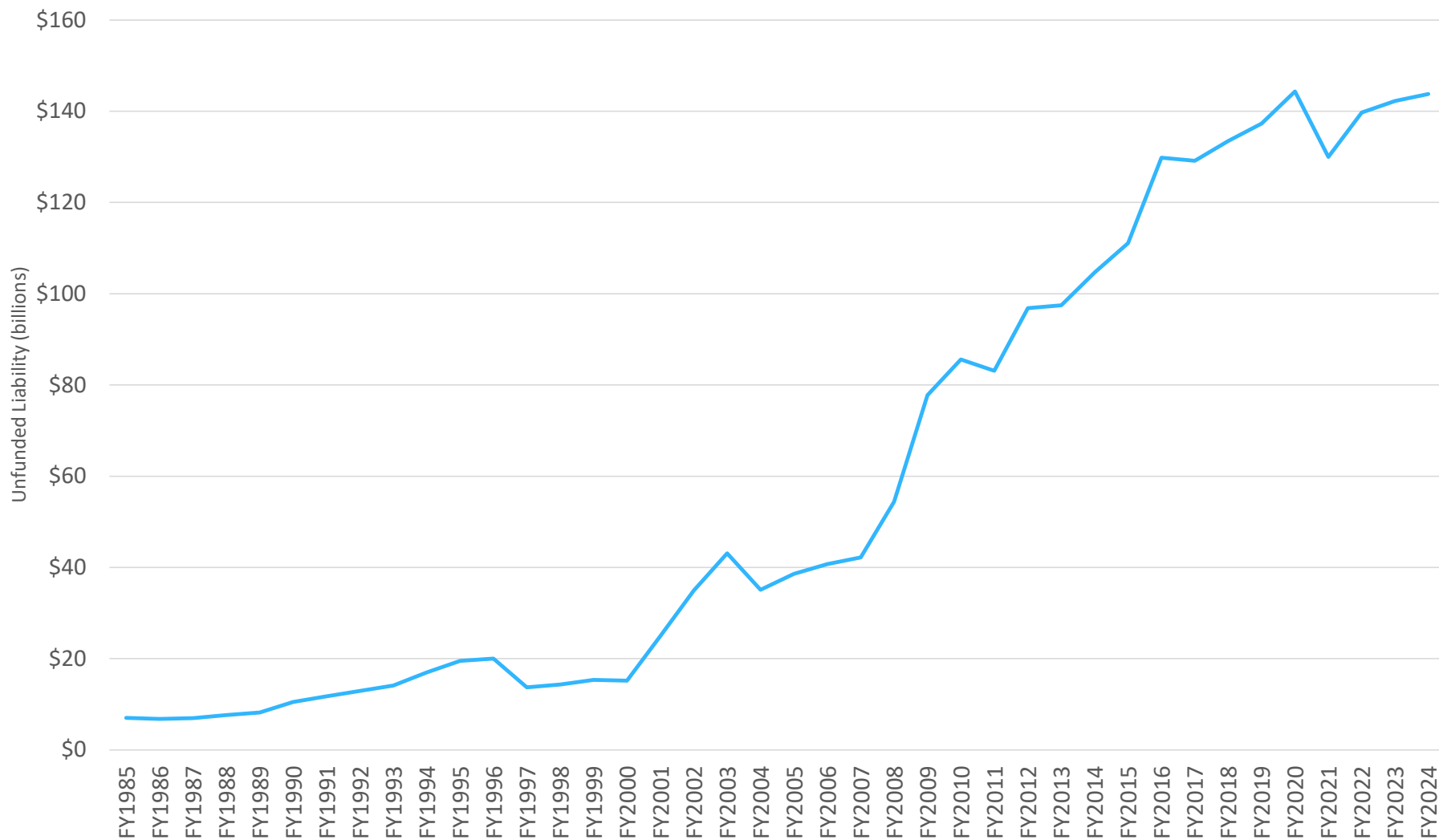
Source: Calculations Performed by TFI with U.S. Census Data

State and Local Government Total Tax Revenue of the 50 States as a Percentage of Gross State Product (FY 2022)

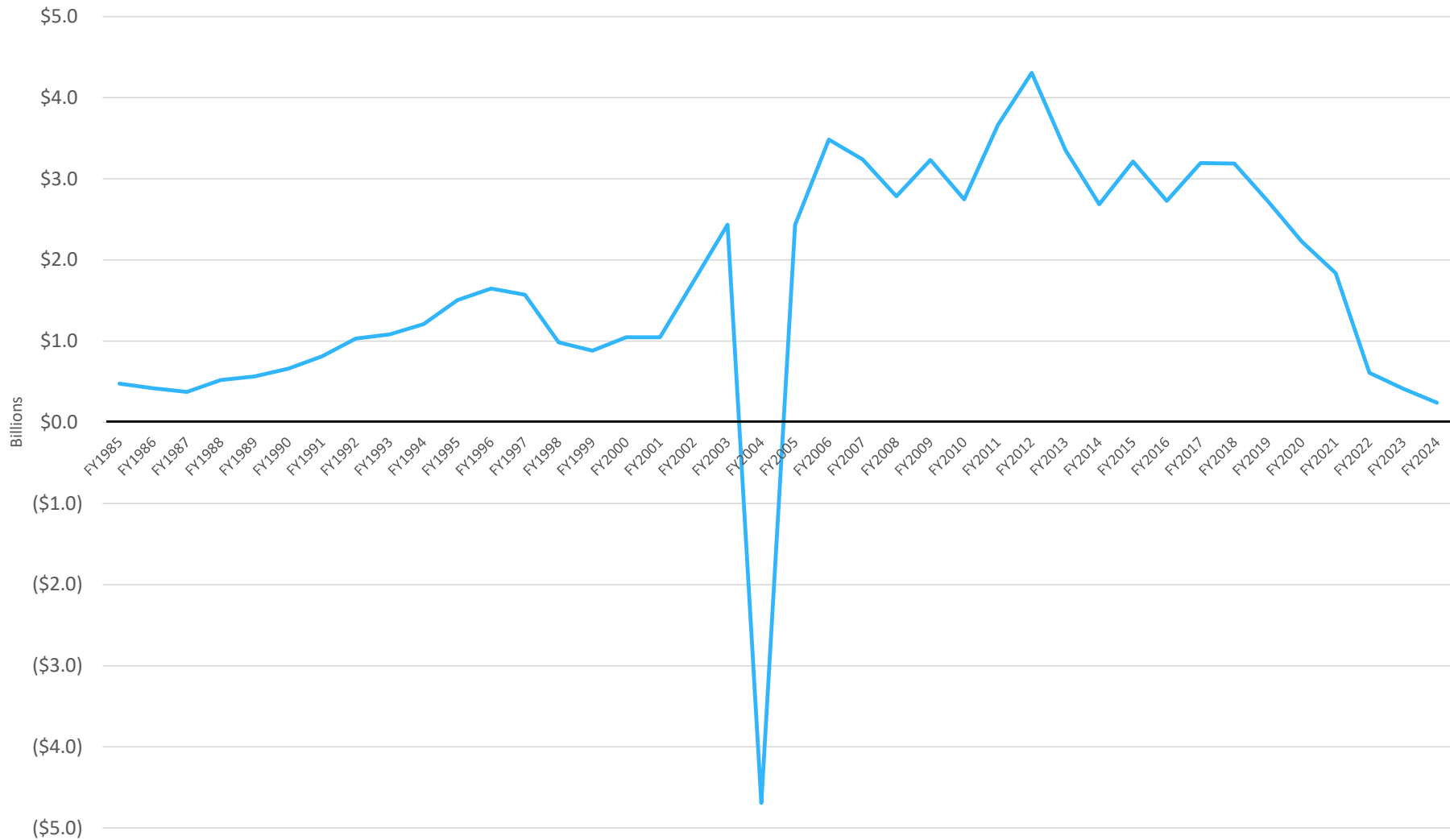


Source: Calculations
Performed by TFI Using
U.S. Census Bureau Data

Unfunded Liability of the Illinois' Pension Systems



State of Illinois Employer Pension Contribution Shortfall



FY2026 Budget

- Spends \$55.2 billion
 - Relies on \$544 million in temporary revenues
 - Relies on \$422 million in permanent tax increases
- Gov. Pritzker's proposed FY2026 budget spent \$55.2 billion
- Revenue estimate since February had declined
- FY2025 Budget originally spent \$53.2 billion



\$544 Million in Temporary Revenues

- \$228 million from tax amnesty
- \$171 million in pause for shift of sales tax on motor fuels
- \$100 million in fund sweeps
- \$45 million from pause in transfers from GRF to Rainy Day Fund



Bills that Passed Both Chambers and Amend the Revenue Chapter

- HB1075 – BIMP
- HB2547 – Renames Department of Veterans' Affairs to Department of Veterans Affairs
- **HB2755 – Revenue Omnibus**
- HB3078 – Repeals the Autism Research Checkoff
- HB3187 – Musicians Tax Credit Report
- SB2394 – General Revisory



HB2755: Revenue - Various (aka Revenue Omnibus)

- 5:08 PM: House Revenue Committee announces that they will meet at 5:15 on HB1928
- 6:00 PM: Amendment to HB1928 introduced
- 6:15 PM: House Revenue Committee begins
- 6:47 PM: New amendment filed on HB2755
- 8:24 PM: Senate Executive has hearing on HB2755
- 10:29 PM: Amendment to HB2755 filed
- 10:50 PM: Passes the Senate 31-25-0
- 11:44 PM: Passes the House 74-39-0



GILTI & Interest & Intangible Expense Addback

- GILTI
 - 50% of GILTI received or deemed received.
 - \$200 million in GRF, \$15 million in LGDF, \$77 million PPRT
- Interest & Intangible Expense Addback
 - Removes subject to tax exemption & non-tax avoidance exemption.
 - Allocates any disallowed interest under 163(j) to non-foreign persons first.
 - \$80 million in GRF, \$6 million in LGDF, \$31 million PPRT



Joyce → Finnigan

- Joyce: For a unitary group, each member of the group has to have nexus with Illinois.
- Finnigan: The entire unitary group is treated as a taxpayer, so if one entity has nexus, the entire group has nexus.
- **This does not amend the definition of taxpayer.**
- For purposes of Section 304, sales of each member that is not a taxpayer shall be aggregated. Each taxpayer member of the unitary group shall include in its sales factor numerator, a pro-rated amount of those aggregated sales.
- \$80 million in GRF, \$5 million in LGDF, \$28 million PPRT



Sourcing of Sales of Pass-Through Entities

- Old law: Sale of a pass-through entity was intangible income and sourced to Illinois if the taxpayer had its commercial domicile in this state.
- New law: Sale of a pass-through entity is taxable in Illinois if the pass-through entity was taxable in Illinois. The income is allocable to IL based on the entity's 3-year average Illinois apportionment factor.
- Illinois residents now eligible for credit for taxes paid to other states.



Sports Wagering Tax

- Creates a \$0.25 tax per wager for the first 20,000,000 wagers
- Tax is increased to \$0.50 per wager for any additional wagers.
- Governor's estimate is \$36 million



Tobacco Products Tax

- Expands definition of “tobacco products” to include snus, shisha, and tobacco for use in water pipes.
- Beginning July 1, 2025, “tobacco products” any products made from tobacco or nicotine , including pouches, lozenges, and gum.
- Excludes cigarettes and products approved by the FDA a tobacco or smoking cessation product.
- Increases tobacco products tax from 36% to 45% of the wholesale price and will generate \$50 million.



Tax Amnesty

- General IDOR Amnesty
 - Tax periods ending after June 30, 2018, and before July 1, 2024
 - Payments can be made between October 1 and November 15.
 - Penalties and interest is abated. No additional penalty if amnesty is not utilized.
- Remote Retailer Amnesty
 - Tax periods from January 1, 2021, through June 30, 2026.
 - Payments made between August 1, 2026, and October 31, 2026.
 - Pay a simplified sales tax rate of 9% for general merchandise and 1.75% for lower rate items. Local share will be distributed in the same manner as the local use tax share.



Franchise Tax Amnesty

- Tax periods from June 30, 2019, through June 30, 2025.
- Payments can be made from October 1, 2025, through November 15, 2025.
- Previously, amnesty did not apply if taxpayer was involved in civil or criminal litigation in circuit court or beyond.
- This limitation is expanded. Taxpayers that have received interrogatories cannot participate in the amnesty program.



Other Various Tax Changes

- HOOT expansion for short term rentals
- Telecommunications tax increase from 7% to 8.65% for 9-8-8 Suicide and crisis line.
- Removal of 200 transaction threshold for sales tax nexus
- 15% penalty sales tax rate if documents to source the sales are not available.
- Leveling the Playing Field applies to SOT & SUT



Economic Development

- Advancing Innovative Manufacturing for Illinois Tax Credit: Up to 7% credit for capital investment.
- New River Edge Redevelopment Zones in Alton and Sterling
- Expands High Impact Businesses to include businesses that construct new high voltage direct current converter station facility





Yet...



HB3438: Transit Reform

- First Version – Senate Amendment #2
 - 50¢ toll surcharge
 - 10% ride-share tax for all rides in Cook and collar counties
 - Real estate transfer tax increase of 0.3% in suburban Cook and collar counties.
 - Statewide public electric vehicle charging tax of 6¢ per kwh
 - Redirects 0.25% sales tax from collar counties to RTA



HB3438: Transit Reform

- Second Version – Senate Amendment #3
 - Imposes a \$1.50 statewide ~~retail-delivery-tax~~ environmental impact fee for every delivery of tangible personal property subject to ROT, excluding groceries and drugs and medications.
 - Sales subject to SOT exempt? Medical appliances not exempt?
 - 10% ride-share tax for all rides in Cook and collar counties
 - Real estate transfer tax increase of 0.3% in suburban Cook and collar counties.
 - Statewide public electric vehicle charging tax of 3¢ per kwh
- Passed the Senate 32-22-0



Property Tax Omnibuses

- SB2156: Passed the House but wasn't voted on by the Senate
- HB3790: Passed the Senate but wasn't voted on by the House
- Common Issues:
 - Increase the income limitation for the senior citizen assessment freeze
 - Delay of the tax sale process



Rule-Making Activity

- Sales tax leasing
 - Introduced on May 16
 - Comments due on June 30



What's Next?

- August 5: Candidates can start collecting petition signatures
 - Who will run for what office?
- Fall: Veto session. Senate returns in October.
- Transit Fiscal Cliff
- November 3: Deadline to file petitions
- January 1: Start of the City of Chicago's Fiscal Year
- January 14: Start of new legislative session



Headwinds

- \$544 million in temporary revenues
- NOL suspension last applies for the 2026 tax year. Will first affect FY2027 revenues.
- PPRT reconciliation
- Federal government?
- Economy?



Questions?



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