



MULTISTATE INCOME/FRANCHISE TAX

Illinois fiscal year 2025 state budget tax highlights

Tax Alert

Overview

On June 7, 2024, [Public Act 103-0592](#) (the “Omnibus Revenue Package” or the “Act”) was signed into law. The Omnibus Revenue Package’s tax-related provisions include: a three-year extension on the limitation of C corporation net loss deduction with an increased cap of \$500,000; an increase of the franchise tax credit to \$10,000; changes to the financial organization apportionment rules; updates to Sports Wagering Tax rate; and other changes. Further, the Retailers’ Occupation Tax and Use Tax (“sales and use tax”) base is expanded to include leases of tangible personal property, and caps sales and use tax filer discounts at \$1,000/month. The Omnibus Revenue Package also subjects re-renters to the Hotel Occupancy Tax (“hotel tax”) and extends the current motor fuel tax rate through 2030.

This Tax Alert summarizes certain provisions included in the Act.

Corporate net loss deduction limitation extension

The Omnibus Revenue Package extends the current limitation on the use of a net loss deduction (“NLD”) for an additional three years. The current NLD limitation applies to taxable years ending on or after December 31, 2021, and prior to December 31, 2024. The extended limitation applies to taxable years ending on or after December 31, 2024, and prior to December 31, 2027. Additionally, the extended limitation is increased from \$100,000 to \$500,000 and continues to only apply to C corporations. Additional carryforward of the NLD may be allowed if the NLD could have been utilized in a year the NLD was limited.

Sales and use tax

The Omnibus Revenue Package expands the sales and use tax base to include leases of tangible personal property. Accordingly, sales and use tax is now imposed upon leases of tangible personal property entered into or renewed on or after January 1, 2025. This change does not apply to leases of motor vehicles, watercraft, aircraft, and semitrailers. Two exemptions are applied under the expanded sales and use tax lease base, including: (1) an exemption for leases of certain electronically downloaded software to mirror the current exclusion for the purchase of electronically downloaded software under the

five-part test provided under Ill. Adm. Code 130.1935; and (2) leases of tangible personal property that are subject to the Chicago personal property lease transaction tax.

Furthermore, the Omnibus Revenue Package amends the vendor discount relating to the filing of sales and use tax returns to include a \$1,000 per month cap in aggregate beginning January 1, 2025.

Other tax provisions

Franchise tax credit

For tax years beginning on and after January 1, 2025, the franchise tax credit is increased from \$5,000 to \$10,000.

Financial organization apportionment

The Omnibus Revenue Package amends the Illinois apportionment factor calculation for financial institutions, changing how receipts from trading assets and activities are treated for tax years ending on or after December 31, 2024. The change includes removing language that assigned receipts to the apportionment numerator based on whether gross income from funds or securities were assigned to a fixed place of business of the taxpayer in Illinois.

Sports wagering tax

The Omnibus Revenue Package amends the Sports Wagering Act and implements a tiered structure tax rate ranging from 20% up to 40% beginning on July 1, 2024.

Hotel tax

The Omnibus Revenue Package amends the Illinois hotel tax, Chicago hotel tax, the Metropolitan Pier and Exposition's hotel tax, and the Illinois Sports Facilities Authority's hotel tax to include a "re-renter of hotel rooms" in the definition of "rent" or "rental," subjecting such charges to hotel taxes effective July 1, 2024.

A "re-renter of hotel rooms" is one who is not employed by the hotel operator, but who collects or processes the payment of rent for a hotel room and either: (1) obtains the right or authority to grant control of, access to, or occupancy of a hotel room to a guest of the hotel or (2) facilitates the booking of a hotel room. A "re-renter of hotel rooms" does not include one who operates under a shared hotel brand with the operator. Fees, charges, or commissions charged by a hosting platform, including charges for providing an online application, software, website, or system for locating short-term rentals, and are not part of the room charge are excluded.

Further, the hotel tax is expanded to include remote renter nexus provisions such that a re-renter who has in excess of \$100,000, or 200 separate transactions within the prior 12-month period shall be required to register and collect the applicable hotel tax.

Motor fuel

The motor fuel tax of an existing \$0.003 per gallon has been extended from January 1, 2025 through January 1, 2030.

Additional tax provisions

Other provisions in the Act include updates and changes to:

- Interchange Fee
- New Child Tax Credit
- Adoption Credit
- Video Gaming
- Workforce Development through Charitable Loan Repayment Act
- Housing Abatement Program
- Property Tax Sale Redemption by County
- Homestead Exemption on Tax Bill
- Property Tax Rebate
- Property Tax Exemption
- Property Tax Settlement
- Local Journalism Sustainability Act
- Live Theater Production Tax Credit
- Music and Musicians Tax Credit and Jobs Act
- Returning Citizens Tax Credit
- Volunteer Emergency Workers Tax Credit
- Cigarette Tax
- Student Assistance Tax Credit
- County Distribution of Interest
- Senior Homestead Exemption
- Historic Residence Assessment Freeze
- Illinois Gives Act
- Mental Health Facilities

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