

**ILLINOIS DEPARTMENT OF REVENUE
TAX PRACTITIONERS MEETING
OCTOBER 28, 2016**

INCOME TAX UPDATE – 2016 Legislation and Rulemaking

LEGISLATION

Public Act 99-0641 HB 5527 Effective January 1, 2017

Creates the State Tax Preparer Oversight Act. Requires income tax preparers to include Preparer Tax Identification Numbers on income tax returns. Provides that the Department may investigate misconduct and suspend or bar preparers from filing returns for good cause. Imposes penalties for failing to include PTINs on returns.

RULEMAKING

A. Adopted

86 Ill. Admin. Code § 100.3380 Amended at 40 Ill. Reg. 1848, effective January 5, 2016

Amends the Special Rules for Apportionment to provide guidance on including gains and losses from hedging transactions in the sales factor.

86 Ill. Admin. Code § 100.5020 Amended at 40 Ill. Reg. 13432, effective September 7, 2016

Amends the Extensions of Time for Filing Returns to accommodate changes in the federal income tax due dates for corporate returns, which automatically apply to Illinois corporate income tax returns, and potential amendments to the IITA to match the federal income tax changes for partnership returns.

86 Ill. Admin. Code §§ 100.9320, 100.9410 Amended at 40 Ill. Reg. 10925, effective July 29, 2016

Amends the Limitations on Notices of Deficiency and Claims for Refund to reflect legislation and case law arising since the provisions were last amended.

B. Pending

86 Ill. Admin. Code §§ 100.5020, 100.2465 JCAR September 22, 2016

Adds new Claim of Right Repayments section providing guidance on the subtraction modification allowed to taxpayers who claimed a federal income tax itemized deduction, or a federal income tax credit in lieu of a deduction, as the result of repaying an amount that had been included in taxable income in a previous year under the "claim of right" doctrine.

86 Ill. Admin. Code §§ 100.5060, 5100, 5130, 7035

JCAR October 11, 2016

Amends the Composite Return provisions to provide guidance on the effects of PA 98-478. Prior to that Act, partnerships and S corporations were allowed to file composite returns, reporting and paying Illinois income tax on behalf of some nonresident partners and shareholders, and were required to withhold Illinois income tax from nonresidents who were not included on composite returns. That Act repealed the general authority to file composite returns, so that partnerships and S corporations now withhold from nonresident partners and shareholders rather than comply with two different methods of reporting and paying tax for them. The Act also amended the provisions for computing the required withholding to allow credits earned by the partnership or S corporation and passed through to the nonresident partners and shareholders to reduce the amount of required withholding.

86 Ill. Admin. Code § 100.5215

JCAR October 11, 2016

Amends the Filing of Separate Unitary Returns to provide guidance on the filing of unitary returns by taxpayers who are not permitted to join with other members of their unitary business group in the filing of a single combined return to provide examples of the computations for partnerships.

86 Ill. Admin. Code §§ 100.8010, 9400

JCAR October 11, 2016

Amends the Application of Return Overpayments Against Estimated Tax Obligations implementing the provisions of PA 98-925, which amended IITA Section 909 to require the Department of Revenue to adopt regulations allowing a taxpayer to elect to apply overpayments of Illinois income tax reported on any return or amended return against the taxpayer's Illinois income tax obligation for a subsequent taxable year. Under existing regulations, this election could only be made on a timely-filed original return.