

2015 PRACTITIONERS' MEETING

INCOME TAX LEGISLATION AND RULEMAKING UPDATE

January 23, 2015

INCOME TAX LEGISLATION

PA 98-0674 SB 0220 Budget Implementation Enacted June 30, 2014

This budget implementation bill amends IITA Section 901 to set the percentages of income tax revenues deposited into the refund fund for FY15 at 10% of regular income tax receipts and 14% of replacement tax receipts.

PA 98-0750 SB 0498 Tri-County River Dev. Auth. Enacted July 16, 2014

This bill creates the Tri-County River Development Authority Act, and allows the authority to issue bonds exempt from Illinois income tax.

PA 98-0925 HB 5664 Overpayment Credits Enacted August 15, 2014

This bill amends IITA Section 909 to require the Department to adopt regulations allowing a taxpayer to elect to apply an overpayment shown on an original return (including a late-filed return) or an amended return against the taxpayer's estimated tax obligation for a subsequent year. Current regulations allow this election to be made only on a timely original return.

PA 98-0970 SB 3334 Statute of Limitations Enacted August 15, 2014

This bill amends IITA Section 911 to toll the statute of limitations for refund claims when an individual taxpayer is unable to manage his or her financial affairs because of a physical or mental impairment. The statute uses language from the IRC.

PA 98-1040 HB 4381 Tax Preparer Regulation Enacted August 25, 2014

This bill amends the Public Accounting Act to establish a task force to prepare a study regarding regulation of commercial income tax return preparers for submission to the General Assembly by December 1, 2015.

PA 98-1052 HB 0961 Transfers to Local Govts Enacted August 26, 2014

This bill amends IITA Section 901 to require the Comptroller to transfer income tax receipts to the Local Government Distributive Fund within 60 days after the amount to be transferred is certified by the Treasurer.

PA 98-1080 HB 5684 Driver's License Suspension Enacted August 26, 2014

This bill amends the Illinois Vehicle Code to allow suspension of a driver's license of an officer, director, shareholder having a ten percent or greater

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ownership interest in the corporation, owner, partner, trustee, manager, or employee of a corporation that fails to pay its Illinois income, replacement tax or wage withholding obligations.

PA 98-1098 SB 2612 Audit Funding

Enacted August 26, 2014

This bill amends IITA Section 901 to require monthly transfers of income tax receipts equal to a percentage of revenues attributable to the Audit Bureau to the Tax Compliance and Administration Fund to fund audit and compliance functions.

INCOME TAX RULEMAKING (86 Ill. Adm. Code)

Adopted Rules

Sections 100.2110, 100.2120, 100.2160, 38 Ill. Reg. 9550 (May 2, 2014)
100.2185, 100.2190, 100.2480,
100.2655, and 100.2657

This rulemaking updates the sunset dates for various credits and subtractions and makes other technical changes.

Sections 100.2198 and 100.7380 38 Ill. Reg. 13941 (July 7, 2014)

This rulemaking amends Section 100.2198 and adds new Section 100.7380 to provide guidance for taxpayers entitled to claim credits against employee wage withholding under the Economic Development for a Growing Economy Act and the Small Business Job Creation Tax Act.

Section 100.3220 38 Ill. Reg. 13941 (July 7, 2014)

This rulemaking amends Section 100.3220 to reflect legislative changes to IITA Section 303 regarding the sourcing of nonbusiness income from lottery prizes and unemployment compensation.

Section 100.2171 38 Ill. Reg. 15994 (July 25, 2014)

This rulemaking implements the Angel Investment Credit statute.

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Section 100.7350 38 Ill. Reg. 15994 (July 25, 2014)

This rulemaking amends Section 100.7350 to reflect the termination of the joint filing program between the Illinois Department of Revenue and the Illinois Department of Employment Security to allow unemployment insurance and income tax withholding for domestic employees to be reported and paid on a single return.

Section 100.2060 38 Ill. Reg. 17043 (August 8, 2014)

This rulemaking implements the income tax surcharge imposed on licensees under the Compassionate Use of Medical Cannabis Pilot Program.

Section 100.5000, 100.5020, and 100.6000 38 Ill. Reg. 18568 (September 5, 2014)

This rulemaking amends Sections 100.5000 and 100.5020 and adds new Section 100.6000 to provide guidance on how extensions allowed under federal law for filing income tax returns and paying income taxes due (in cases of natural disaster, for example) automatically apply to Illinois filing and payment due dates.

Section 100.7310 38 Ill. Reg. 23158 (December 5, 2014)

This rulemaking amends Section 100.7310 to implement changes in the policy of the Department of Revenue regarding permitting employers to file withholding returns annually rather than quarterly.

Section 100.7300 39 Ill. Reg. 483 (January 2, 2015)

This emergency rulemaking changes the due date for filing W-2 information with the Department from March 31 to February 15 each year, beginning with the 2014 calendar year filings.

Section 100.2197 39 Ill. Reg. 1768 (January 23, 2015)

This rulemaking Section 100.2197 to reflect the 2009 legislative changes to the computation of the limit on the credit allowed for taxes paid to other states.

Proposed Rules

Section 100.2470 38 Ill. Reg. 21295 (November 14, 2014)

This rulemaking amends Section 100.2470 to add provisions regarding exempt interest on bonds issued under the Tri-County River Development Authority Act

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and exempt earnings of trusts established under the Illinois Funeral or Burial Funds Act.

Section 100.3450 38 Ill. Reg. 21758 (November 21, 2014)

This rulemaking implements the transportation company apportionment formula in IITA Section 304(d).

Section 100.7300 39 Ill. Reg. 250 (January 2, 2015)

This rulemaking permanently changes the due date for filing W-2 information with the Department from March 31 to February 15 each year.

Current Projects

Section 100.3370 Sales Factor

This rulemaking updates the sales factor regulation to provide guidance on the 2007 legislative changes.

Sections 100.3380 and 100.3390 Alternative Apportionment

This rulemaking amends Sections 100.3380 and 100.3390 to reflect the change in standards for allowing alternative apportionment in IITA Section 304(f) from fairly reflecting the taxpayer's business activity in Illinois to fairly reflecting the taxpayer's market in Illinois. The rulemaking has been posted for comment on the Director's Advisory Group web page.

Section 100.5215 Separate unitary Filing

This rulemaking adds examples of computations when a partnership is required to use separate unitary apportionment. The rulemaking has been posted for comment on the Director's Advisory Group web page.

Sections 100.9320 and 9410 Statutes of Limitation

This rulemaking updates the statutes of limitation provisions for notices of deficiency and refund claims. The rulemaking has been posted for comment on the Director's Advisory Group web page.

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Sections 100.5100, 100.5130, and 100.7035 Composite Returns and Pass-Through Withholding

This rulemaking amends Sections 100.5100, 100.5130, and 100.7035 to reflect the repeal of the general provisions for composite returns and the reporting of pass-through withholding on the Forms IL-1041, IL-1065 and IL-1120-ST rather than the Form IL-1000. The rulemaking has been posted for comment on the Director's Advisory Group web page.

Section 100.8010 and 100.9400 Return Overpayments

This rulemaking implements the 2014 legislation requiring the Department to allow taxpayers to elect to apply return overpayments against their estimated tax liabilities on all original and amended returns. The rulemaking has been posted for comment on the Director's Advisory Group web page.

Section 100.2465 Claim of Right Repayments

This rulemaking adds a new section dealing with the subtraction allowed for repayments of amounts included in income in a prior year under the claim of right doctrine, and for which a federal credit or itemized deduction was claimed.