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Bulletin

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Changes to the Credit for Wages Paid to Returning Citizens

To: All Illinois taxpayers

Beginning January 1, 2026, taxpayers must apply online with the Illinois Department of Revenue (IDOR) for approval if they wish to claim the Credit for Wages Paid to Returning Citizens on their tax return. Credits shall be awarded on a first-come, first-served basis.

What changes were made to the credit?

Effective for tax years ending on or after December 31, 2025, the total amount of Credit for Wages Paid to Returning Citizens that may be awarded under [35 ILCS 5/216](#) may not exceed \$1,000,000 per taxable year. In addition, a taxpayer is limited to \$7,500 in total credit for each qualified returning citizen.

For tax years beginning on or after January 1, 2025, the taxpayer is entitled to a credit equal to 15% of qualified wages paid by the taxpayer during the taxable year to one or more Illinois residents who qualify as returning citizens. To qualify for the credit, a returning citizen must:

- have been convicted in Illinois or any other jurisdiction;
- have been incarcerated in an Illinois adult correctional facility;
- not be a Sex Offender; and
- have been hired by the taxpayer within 5 years after release from an Illinois correctional facility.

Continued on next page

What are qualifying wages?

Qualifying wages:

- are wages that are subject to federal unemployment tax under IRC Section 3306;
- do not include wages paid to any qualified returning citizen for whom the employer received a federally funded payment for on-the-job training;
- are only attributable to service rendered during the 1-year period beginning with the day the qualified returning citizen begins work; and
- must be reduced by any payments from a program established under Section 482 (e) (1) of the Social Security Act.

How do I apply for the credit?

Taxpayers must apply for the credit through MyTax Illinois at mytax.illinois.gov. You must have a MyTax Illinois account in order to apply for the tax credit. Taxpayers are encouraged to create a MyTax Illinois account as soon as possible to avoid any processing delays when the Credit for Wages Paid to Returning Citizens application becomes available on January 1, 2026. For information about creating a MyTax Illinois account, see the MyTax Illinois Help webpage at <https://tax.illinois.gov/programs/mytax/help.html>.

To apply:

- Login to your MyTax Illinois account.
- Select “Apply for a Returning Citizen Credit” from the “More account options” menus found under your business or individual income tax account.
- Complete and submit the application, ensuring that you are using accurate information.

Note: You may apply for multiple returning citizens with one application but will receive separate correspondence for each returning citizen listed on the application and a separate credit certificate for each approved returning citizen.

What information do I need when applying for the credit?

Taxpayers wishing to apply for the Credit for Wages Paid to Returning Citizens must provide the following information for each returning citizen when applying:

- Returning citizen’s name
- Returning citizen’s date of birth
- Returning citizen’s Illinois Department of Corrections (IDOC) number
- Name of the correctional facility the returning citizen was released from
- Returning citizen’s release date
- Employment information -
 - Qualifying wages
 - Hire date
- Prior credit claimed for the returning citizen

In addition, if the returning citizen cannot be confirmed, you may be asked to provide additional information including, but not limited to:

- a copy of the returning citizen's release papers or other documents from IDOC detailing the release information;
- the returning citizen's Social Security number; or
- other names the returning citizen may have used.

What happens after I submit my application?

Once your application has been submitted, IDOR will review each returning citizen's information individually in the order that each are received. IDOR will notify you of our determination via correspondence through your MyTax Illinois email address. If the information submitted with the application for a returning citizen is verified against IDOC records, the credit thresholds have not been met, and the returning citizen meets the qualifications, the credit will be approved and you will receive correspondence directing you how to retrieve your credit certificate(s). If the information submitted for a returning citizen is not able to be verified against IDOC records, IDOR will contact you for more information and you will have 10 business days to respond or your credit will be denied. If the information submitted with the application demonstrates that the returning citizen is not qualified or the credit thresholds have been met, you will receive correspondence indicating that the credit has been denied.

Note: If an application is denied for a certain returning citizen and you have not met your maximum amount of credit for this citizen or the statewide threshold has not been reached, you may reapply for the credit for wages paid to that returning citizen. Please review any previous correspondence received from IDOR for that returning citizen and make any necessary corrections, if applicable. Do not reapply for credit for wages paid to a returning citizen if you have already been issued a credit certificate for that returning citizen, unless you have additional qualifying wages not represented on the prior credit certificate.

How do I claim the credit?

After receiving the credit certificate in MyTax Illinois, you must claim the credit on your income tax return for the tax year in which the qualifying wages were paid to the returning citizen, regardless of whether you have an income tax liability that year or not. The credit is claimed in Step 3 of:

- Schedule 1299-A for small business corporations and partnerships;
- Schedule 1299-C for individuals; or
- Schedule 1299-D for corporations (except S corporations), trusts, and estates.

Note: When reporting the credit, do not combine multiple returning citizen credits on one line. Instead, use a separate line of your Schedule 1299 to list each returning citizen and the amount of credit.

See the specific Schedule 1299 Instructions and Schedule 1299-I for more information.

What if I don't need all of the tax credit?

Any credit amount that exceeds your tax liability for the year in which you claimed the credit may be carried forward and applied to your tax liability in the subsequent five taxable years. Credits are applied to the earliest year for which there is a tax liability. Credits cannot be carried back to a prior tax year. See the specific Schedule 1299 Instructions for more information.

Note: You do not need to resubmit a returning citizen application to claim unused credits from a prior year.

Can I apply for a returning citizen credit in a prior year?

For tax years ending before December 31, 2025 - You may claim credit for qualifying wages paid to returning citizens for prior years, but are not required to apply to receive a credit certificate because the state-wide aggregate credit limit was not in effect for tax years ending before December 31, 2025. See the tax year's Schedule 1299-I and specific Schedule 1299 Instructions for information on claiming the credit.

For tax years ending on or after December 31, 2025 - You may apply for credit in prior tax years if the state-wide aggregate credit limit has not been reached for the prior year and the wages paid to the returning citizen are eligible for the credit in the prior year.

Note: To claim the credit on a prior year return, you will be required to amend your prior year return.

Example: A corporate taxpayer files 2024 and 2025 IL-1120 tax returns timely. In 2027, after reviewing its account, the taxpayer discovers that certain wages paid to some employees in 2024 and 2025 qualified for the returning citizen credit.

- **For 2024**, the taxpayer does not need to apply with IDOR prior to claiming credit for the qualifying wages on their Schedule 1299-D. Instead, the taxpayer would follow the specific instructions in the 2024 Schedule 1299-I and the 2024 Schedule 1299-D Instructions.
- **For 2025**, the taxpayer must apply with IDOR to earn a credit certificate for wages paid to a returning citizen prior to claiming the credit on Schedule 1299-D. If each of the returning citizens listed on the application are determined to be eligible for the credit and the aggregate state-wide limit has not been reached for 2025, the application will be approved and the credit will be awarded.

The taxpayer is required to amend both the 2024 and 2025 IL-1120 returns and corresponding Schedules 1299-D to claim the credit.

Where can I find more information?

For more information, see your specific [Schedule 1299 Instructions](#) and [Schedule 1299-I, Income Tax Credits Information and Worksheets](#).

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