



informational

Bulletin

David Harris, Director

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

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2026 Income Tax Changes That May Impact Current Tax Year Liabilities

To: All Illinois Income Tax filers

[Public Act 104-0468](#) became effective July 1. It amends the Illinois Income Tax Act (IITA) and may affect tax year liabilities for certain taxpayers.

Decoupling from IRC Section 1202 – Qualified Small Business Stock (QSBS) [35 ILCS 5/203\(a\)\(2\)\(D-26\)](#), [35 ILCS 5/203\(c\)\(2\)\(G-18\)](#), [35 ILCS 5/203\(d\)\(2\)\(D-13\)](#)

For tax years ending on or after December 31, 2026, Illinois decouples from the Internal Revenue Code (IRC) Section 1202 provision, requiring individuals, trusts and estates, and partnerships to add back any federally excluded QSBS gains to their Illinois base income or loss. The 2026 Illinois Schedule M, Other Additions and Subtractions, will be updated accordingly.

Pass-Through Entity (PTE) Tax – Expanded Election for Partnerships [35 ILCS 5/201\(p\)\(2.1\)](#)

For tax years ending on or after December 31, 2026, partnerships electing to compute and pay PTE tax may now choose between two methods for determining their tax base:

1. Paying PTE tax on the Illinois-sourced portion of all partners' distributive shares, or
2. Paying PTE tax on the full distributive shares of resident partners plus Illinois-sourced income of non-resident partners.

Partnerships must select which method of determining the tax base they will use to calculate the PTE tax on the IL-1065.

Review the "Information to minimize or avoid penalties" section in this bulletin for additional assistance in pre-calculating the PTE liability.

Information to minimize or avoid penalties

Will these changes affect my estimated payment requirement?

The changes highlighted in this bulletin may require taxpayers to begin making estimated payments or adjust existing estimated payment amounts.

- If you are already making estimated payments, you should recalculate your liability. The first estimated payment due on or after June 16th should include both the current quarter's payment and any additional amounts that would have been due with your previous quarterly payments. This quarterly payment makes up the difference in your estimated payments.
- If you are not currently making estimated payments, determine whether the changes increase your liability above the estimated payment requirement. Your first payment should be made on or before your next quarterly estimated payment due date. The payment should include the current required amount plus any amounts that would have been due as prior quarterly payments.

Besides making the required estimated payments timely, what else should I do to minimize or avoid penalty?

You may reduce or eliminate your late payment penalty for the underpayment of estimated tax by using the annualized income installment method when filing your tax return. This method allows you to compute your income and liability for each period according to the IITA in effect as of the end of that period. See Form IL-2220, Computation of Penalties for Businesses and Form IL-2210, Computation of Penalties for Individuals, for more information.

This relief is appropriate when the first quarterly estimated payment due on or after June 16, 2026, is paid timely and makes up the difference in your previous estimated payments for the year and all subsequent payments are timely and equal the required payment due amount.

Any penalty assessment is based on the timely estimated installment payments equaling at least 90 percent of this year's tax liability or 100 percent of the prior year's tax liability. See [86 Ill. Adm. Code Section 100.8010\(h\)](#) for more information.

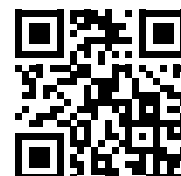
If I am a partnership electing to calculate and pay PTE tax, how do I determine my estimated payment amounts?

Taxpayers electing to pay PTE tax and expecting more than \$500 in tax liability for the tax year must make estimated payments. Partnerships electing to pay PTE tax must choose which method they will use to determine their PTE tax base.

- Partnerships electing to use the Illinois-sourced income method to calculate their PTE tax base should continue to use the Estimated Payment and Prepayment Worksheet in Appendix C of the 2025 IL-1065 instructions to calculate their estimated payments.
- Partnerships electing to use the Illinois resident full distributive share method to calculate their PTE tax base should refer to the Worksheet at the end of this bulletin to calculate their estimated payments. Investment partnerships electing to use this method should refer to Step 4 of Appendix C in the 2025 IL-1065 instructions when calculating the investment partnership withholding portion of their estimated payments requirements.

Where can I find out more information?

Visit IDOR's website at tax.illinois.gov or scan the QR code provided.



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Estimated payment worksheet for partnerships electing to use the Illinois resident full distributive share method to calculate their PTE tax base

Step 1 - Figure your PTE Base Income

Residents -

- 1 a Enter the amount of base income from Line 35 for all resident partners expected in the next tax year. **Investment partnerships** - Subtract income subject to investment partnership withholding for the resident partners from the resident's base income. 1a _____ .00
- 1 b Enter the amount of distributions included in Line 1a for retired partners whose distributions are exempt from tax under 35 ILCS 5/203(a)(2)(F). 1b _____ .00
- 1 Subtract Line 1b from Line 1a. 1 _____ .00
- 2 a Enter the amount of personal service income or reasonable allowance for compensation of partners associated with your resident partners that is expected in the next tax year (Line 26). 2a _____ .00
- 2 b Enter the amount of income distributable to a partner subject to replacement tax associated with your resident partners that is expected in the next tax year (Line 27). 2b _____ .00
- 3 Add Lines 2a and 2b. 3 _____ .00
- 4 PTE base income for resident partners. Add Lines 1 and 3. 4 _____ .00

Non-Residents -

- 5 a Enter the amount of base income from Line 35 for all non-resident partners expected in the next tax year. **Investment partnerships** - Subtract income subject to investment partnership withholding for the non-resident partners from the resident's base income. 5a _____ .00
- 5 b Enter the amount of distributions included in Line 1a for retired partners whose distributions are exempt from tax under 35 ILCS 5/203(a)(2)(F). 5b _____ .00
- 5 Subtract Line 5b from Line 5a. 5 _____ .00
- 6 a Enter the amount of personal service income or reasonable allowance for compensation of partners associated with your non-resident partners that is expected in the next tax year (Line 26). 6a _____ .00
- 6 b Enter the amount of income distributable to a partner subject to replacement tax associated with your non-resident partners that is expected in the next tax year (Line 27). 6b _____ .00
- 7 Add Lines 6a and 6b. 7 _____ .00
- 8 PTE base income for non-resident partners. Add Lines 5 and 7. 8 _____ .00
- 9 Enter the amount of nonbusiness income or loss for non-resident partners expected in the next tax year. 9 _____ .00
- 10 Enter the amount of business income or loss included in Line 8 from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates expected in the next tax year. 10 _____ .00
- 11 Add Lines 9 and 10. 11 _____ .00
- 12 Expected base income or loss for non-resident partners. Subtract Line 11 from Line 8. 12 _____ .00
- 13 Enter the amount of total sales everywhere expected in the next tax year. 13 _____ .00
- 14 Enter the amount of total sales inside Illinois expected in the next tax year. 14 _____ .00
- 15 Divide Line 10 by Line 9. Round to six decimal places. 15 _____ .
- 16 Business income or loss apportionable to Illinois for non-resident partners expected in the next tax year. Multiply Line 12 by Line 15. 16 _____ .00
- 17 Enter the amount of nonbusiness income or loss allocable to Illinois for non-resident partners expected in the next tax year. 17 _____ .00
- 18 Enter the amount of business income or loss apportionable to Illinois for non-resident partners from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates expected in the next tax year. Do not include any income from a partnership or S corporation that will make the PTE election. 18 _____ .00
- 19 Add Lines 16 through 18. 19 _____ .00

Estimated payment worksheet for partnerships electing to use the Illinois resident full distributive share method to calculate their PTE tax base - continued

Step 2 - Figure your PTE Tax

20	PTE Income. Add Lines 4 and 19.	20	_____	•00
21	PTE Tax. Multiply Line 20 by 4.95 percent (.0495).	21	_____	•00

Step 3 - Figure your Replacement Tax

22	Enter the amount of Illinois net income expected in the next tax year.	22	_____	•00
23	Multiply Line 22 by 1.5 percent (.015) and enter the result.	23	_____	•00
24	Enter the amount of recapture of investment credits expected in the next tax year.	24	_____	•00
25	Add Lines 23 and 24. Enter the result.	25	_____	•00
26	Enter the amount of Illinois tax credits expected in the next tax year as calculated on the corresponding Form IL-477 or Schedule 1299-A.	26	_____	•00
27	Enter the amount of pass-through withholding (including any eligible investment partnership withholding) expected to be made on your behalf in the next tax year on any Schedule K-1-P or Schedule K-1-T you receive.	27	_____	•00
28	Enter the amount of any Illinois gambling and sports wagering winnings withholding shown on the next tax year Form W-2G you expect to receive.	28	_____	•00
29	Add Lines 26 through 28. Enter the result.	29	_____	•00
30	Expected Replacement Tax. Subtract Line 29 from Line 25 and enter the result.	30	_____	•00

Step 4 - Figure your Estimated Payments or Prepayments

31	If you completed Step 1, add Lines 21 and 30. Otherwise, enter the amount from Line 30.	31	_____	•00
32	Divide Line 31 by 4. This is the amount of your quarterly estimated payments or prepayments.	32	_____	•00

Note: For investment partnerships calculating their estimated payments requirements for investment partnership withholding, see Step 4 of Appendix C in the 2025 IL-1065 instructions.