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of mid-size companies

MoneyTrends

Illinois Income and Sales Tax Changes and Guidance

Effective July 1, 2017, Illinois has made significant changes to certain tax laws. The following represents a brief summary and highlights from the bill.

Illinois Income Tax Rate for Individuals, Trust and Estates. Tax rates increase from 3.75% to 4.95%. For 2017 returns, calendar year taxpayers will have a choice of specifically allocating the 3.75% rate to income earned before July 1, 2017 and the 4.95% rate to income earned after June 30, 2017, or using a blended rate of 4.3549%.

Standard Exemption Allowance and Illinois Property Tax for Individuals. For tax years beginning on or after January 1, 2017, the personal exemption allowance and Illinois property tax credit may not be claimed for taxpayers whose adjusted gross income exceeds \$500,000 for married filing jointly, or \$250,000 for all other returns.

Replacement Tax Rates for S Corporations, Partnerships and Trusts. The replacement tax rates remain the same. However, if you are filing a 2016 income tax return and your tax year ends on or after July 1, 2017, the income tax rate change will affect how you calculate the amount of pass-through withholding payments you are required to make on behalf of your nonresident members.

Illinois Income Tax Rate for Corporations. Tax rates increase from 5.25% to 7%. For 2017 returns, calendar year taxpayers will have a choice of specifically applying the 5.25% rate to income earned before July 1, 2017 and the 7% rate to income earned after June 30, 2017, or using a blended rate to 6.1322%.

Estimated Tax Payments. If you are required to make estimated tax payments for income received on or after July 1, 2017, you may need to make those payments at a higher rate. Note the safe harbor exceptions are still in place.

Individual Tax Withholding. Since income earned after July 1, 2017 is taxed at the higher rate, be sure tax withholding is increased to the new rate.

Domestic Production Activities Deduction. For tax years ending on or after December 31, 2017, the Domestic Production Activities Deduction allowed for Federal tax purposes must be added back to adjusted gross income for individuals or taxable income for all other taxpayers.

Research and Development Credit. This credit has been reinstated and is retroactive for the 2016 tax year. The department will provide updated forms and instructions in order to claim any credit that was not previously allowed.

This information is provided to inform you of recent changes. Each taxpayer has unique and individual circumstances. Please contact us to discuss your situation.



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