



TAXPAYERS'
FEDERATION
— OF ILLINOIS —

ALTERNATIVE TAXES: ILLINOIS FRANCHISE, CHICAGO PAYROLL, HEAD & OTHER LOCAL TAXES

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Presentation Overview

- Illinois Franchise Tax
- Chicago Payroll or Head Tax
- Other Chicago Taxes
 - Lease Tax
 - Amusement Tax
 - Hotel/Parking/Other



ILLINOIS FRANCHISE TAX

- Amnesty Program (October 1, 2025 - November 15, 2025)
- ILSOS Guidance Issued
- Amnesty Form



FRANCHISE TAX AMNESTY Tax – INFORMATION SHEET

2025 Amnesty Information Sheet

The Illinois General Assembly has amended the Franchise Tax and License Fee Amnesty Act of 2007 through Public Act 104-0006. Here are the details about the new amnesty program:

Who is eligible for the new amnesty program?

- Domestic (Illinois) corporations
- Foreign corporations authorized to transact business in Illinois
- Foreign corporations that have been transacting business in Illinois without authority

Note: Corporations involved in a pending litigation or investigation with the Department of Business Services are not eligible.

What corporations are ineligible?

Corporations that cannot receive amnesty include those involved in any civil, administrative, or criminal investigation or to any civil, administrative, or criminal litigation that is pending in any circuit court, appellate court or the Supreme Court of this state for nonpayment, delinquency, or fraud in relation to any franchise tax or license fee imposed by Article XV of the Business Corporation Act of 1983. A civil, administrative, or criminal investigation includes, but is not limited to, the Secretary of State's Department of Business Services sending interrogatories to a taxpayer. 805 ILCS 8/5-10.

When is the amnesty program?

The amnesty program runs from October 1, 2025, to November 15, 2025.



FRANCHISE TAX AMNESTY TAX – INFORMATION SHEET

What tax relief is granted under the amnesty program?

The amnesty program allows for the cancellation of penalties and interest due on:

- Unreported increases to paid-in capital
- Annual franchise tax
- Any increase of paid-in capital or issued shares pursuant to Section 14.30 or pursuant to a merger – Section 14.35
- Initial franchise tax

When can I submit my amnesty application?

You can submit your amnesty application starting from October 1, 2025. Applications submitted before this date will not be accepted.

What are the submission guidelines for the amnesty application?

The amnesty form must be dated between October 1, 2025, and November 15, 2025. Applications with incorrect dates will be rejected.

When is the final date to submit my documents?

The final submission date is Monday, November 17, 2025. The extension is due to November 15 falling on a Saturday.

What happens if my documents are rejected?

If your documents are rejected, you have 30 days from the rejection date to correct and resubmit them. Only one 30-day extension is allowed.

Important: All franchise taxes that are due and applicable filing fees must be paid. The amnesty program only applies to penalties and interest on the franchise tax due.



FRANCHISE TAX AMNESTY TAX – INFORMATION SHEET

How to apply for tax relief granted under the amnesty program?

If your corporation is eligible for tax relief, follow these steps:

1. Complete the form. Download **C 373 FRANCHISE TAX AND LICENSE FEE AMNESTY ACT OF 2007 PETITION** form (amended and effective 7-1-2025).

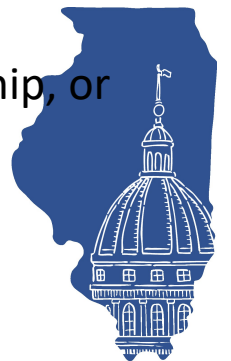
2. Attach required documentation. Include any necessary forms and payment with your amnesty petition form.

For example, if you are requesting amnesty for an unreported increase of paid-in capital or issued shares pursuant to Section 14.30 for 2023 and 2024, you must submit:

- **Franchise Tax and License Fee Amnesty Act of 2007 Petition** (amended and effective 7-1-2025) form identifying the 14.30 form and years, and
- **14.30 Cumulative Report of Changes in Issued Shares and Paid in Capital** for 2023 with filing fee and applicable franchise tax, and
- **14.30 Cumulative Report of Changes in Issued Shares and Paid in Capital** for 2024 with filing fee and applicable franchise tax.

3. Submit your documents.

- In-person at our Chicago location at 69 W. Washington Suite 1200, our Chicago Flagship, Springfield Flagship, or Secretary of State's DMV+ facilities that have a Business Services Counter.
- By mail. We recommend that you use a courier service like FedEx or UPS



FRANCHISE TAX AMNESTY TAX – INFORMATION SHEET

Contact Us:

- [Business Services Contact Form](https://apps.ilsos.gov/ContactFormsWeb/businessservices_contact.jsp) –
(https://apps.ilsos.gov/ContactFormsWeb/businessservices_contact.jsp)
- Phone Number - 800-252-8980
- Email BusSrvWebQuestions@ilsos.gov



ILLINOIS FRANCHISE TAX

- Corporations Registered With IL Secretary of State
- 2019 Franchise Tax Repeal (5 Year Phase Out)
- 2021 Reversal of Franchise Tax Repeal
- Current \$10,000 Exemption On Annual Return
- Annual Franchise Tax \$2,000,000 Cap
- Continued Focus on Mergers and Paid-In Capital Changes
- Administratively Difficult – Not the ILDOR
- Responsibility – Tax, Legal, Treasury...



Imposition of Illinois Franchise Tax

- Imposed upon:
 - Corporations “for the privilege of exercising its authority to transact such business in this State..”
 - Imposed strictly on corporations; excludes banks and insurance companies that are required to register with different state agencies
 - LLCs are also not subject to this tax
 - No consolidated returns permitted
 - Franchise tax is administered by the Illinois Secretary of State Business Services Unit



BASIS OF THE TAX – ALLOCATED PAID IN CAPITAL

- Paid-In Capital is defined as “the sum of the cash and other consideration received, less expenses, including commissions, paid or incurred by the corporation, in connection with the issuance of shares, plus any cash and other consideration contributed to the corporation by or behalf of its shareholders, plus amounts added or transferred to paid-in capital by action of the board of directors or shareholders pursuant to a share dividend, share split, or otherwise, minus reductions as provided elsewhere in the Act.” 805 ICLS 5/1.80(j)



ALLOCATION FACTOR

- Single factor with two components:
 - Business transacted: the gross amount of business transacted by it or from place of business in Illinois and everywhere
 - Property: the value of its property located in Illinois and everywhere
 - Single allocation factor:
 - $$\frac{\text{Gross Amount of IL Business Transacted} + \text{Property in Illinois}}{\text{Gross Amount of Business Transacted Everywhere} + \text{Property Everywhere}}$$

Property and receipts **are not** calculated in the same manner as they are for state income tax purposes



ILLINOIS GOOD STANDING IMPORTANCE

Failure to be in ILSOS “good standing” may impact ability to –

- Purchase, Sell or Merge with Another Entity;
- Issue Additional Shares of Stock;
- Issue Bonds or Participate in Other Financings;
- Bid on Federal or State Contracts;
- Obtain/Renew State Licenses to do Business in IL;
- Purchase or Rent Real Estate;
- Maintain Legal Name and Ability to File Claims;
-



How Do Franchise Tax Issues Occur?

- File Annual Report Late Failure to File Annual Report
- Failure to Report Merger or Acquisition
- Failure to Report Increase in Paid-In-Capital
- Incorrectly Report Reduction of PIC
- File Incorrect or Incomplete Forms
- Corporation is Headquartered in Illinois
- Report Low or Zero Allocation Factor
- All Other Items At Discretion of ILSOS



What To Do

- Don't Panic – Commonly Happens To Taxpayers
- Do Not Ignore - 2% Monthly Interest (24%)
- Determine What Information Is Required or is Being Requested
- Talk with Your Attorney or CPA – Stand Alone Entity Reporting
- Address Issue Before Corporation's Status is Revoked



Alternative Taxes – Governments That Can Impose Taxes

- General purpose governmental bodies - Counties, townships and municipalities
- Special purpose governmental bodies – school districts, community college districts, airport authorities, cemeteries, civic centers/exposition authorities, drainage districts
- According to the Civic Federation, there are approximately 2800 general purpose governmental bodies and approximately 6000 special purpose governmental bodies



Alternative Taxes – Local Power to Tax

- Illinois Constitution Article VII Section 6 – home-rule municipalities and counties are granted broad taxing powers
- Home rule municipalities are municipalities with population over 25,000, other municipalities that have voted for home rule status, and Cook County – municipalities can opt out of home rule status – Example: Rockford and Westmont
- Home-rule units may not impose taxes on occupations, income or earnings, or licenses for revenue without authority from the Illinois General Assembly



Alternative Taxes – Local Power to Tax

- Non-home rule counties and municipalities and school districts and other units of local government have authority for real property taxation and other powers granted by the General Assembly
- For non-home rule units “Dillon’s Rule” applies - almost total legislative control of local government taxing authority *City of Clinton v. Cedar Rapids & Missouri River Railroad Co.*, 24 Iowa 455 (1868), *Ives v. City of Chicago*, 30 Ill.2d 582 (1964)
- Local government powers are narrowly construed



Alternative Taxes – Taxes Imposed by Local Governments

- Amusement Taxes and Dining Taxes
 - All municipalities have the authority to impose these taxes 65 ILCS 5/11-42-5
 - Home rule municipalities and counties can impose amusement taxes under their home rule powers
 - Amusement – “diversion, entertainment, recreation, pastime and sport” *Chicago Health Clubs, Inc. v. Picur*, 124 Ill.2d 1 (1988)



Alternative Taxes – Taxes Imposed by Local Governments

- Tobacco and Liquor Taxes
 - Municipalities can impose cigarette taxes by statute 65 ILCS 5/8-11-3
 - Home rule units can impose cigarette and liquor taxes per their home rule powers
 - By law, home rule municipalities are forbidden from imposing taxes on cigarettes and other tobacco products if they didn't impose such taxes prior to July 1, 1993



Alternative Taxes – Taxes Imposed by Local Governments

- Hotel Taxes
 - Illinois law authorizes local hotel taxes by municipalities, counties and designated special districts (Illinois Sports Facilities Authority, Metropolitan Pier and Exposition Authority) 65 ILCS 5/8-3-13
 - Home rule municipalities and counties have home rule authority to impose hotel taxes
 - Exemptions can differ in local hotel taxes



Alternative Taxes – Taxes Imposed by Local Governments

- Leasing Taxes
 - Home rule taxes on leasing tangible personal property are within the powers of home rule units *Webster v. City of Chicago*, 132 Ill. App.3d 666 (1st Dist. 1985)
 - P.A. 103-592 modified the sales taxation of leases. Effective 1/1/25 with certain exceptions state and local retailers' occupation taxes are imposed on the rental charges for leases of tangible personal property
 - Until 1/1/30 there is an exception from the state and local retailers' occupation taxes for property that is subject to a tax on lease receipts imposed by a home rule unit of local government if the ordinance imposing the tax was adopted prior to 1/1/23



Alternative Taxes – Taxes Imposed by Local Governments

- City of Chicago tax list
 - Amusement tax
 - Boat Mooring Tax
 - Bottled Water Tax
 - Checkout Bag Tax
 - Cigarette Tax
 - Electricity taxes – infrastructure maintenance fee, electricity use tax
 - Emergency Telephone System Surcharge (911 tax)
 - Foreign Fire Insurance Tax



Alternative Taxes – Taxes Imposed by Local Governments

- Chicago Tax List continued
 - Fountain soft drink tax
 - Natural gas use tax
 - Ground Transportation Tax
 - Hotel Accommodations Tax
 - Liquid Nicotine Products Tax
 - MPEA Airport Departure Tax
 - Motor Vehicle Lessor Tax
 - Occupation Tax – Natural gas distributors and resellers



Alternative Taxes – Taxes Imposed by Local Governments

- Chicago Tax List continued
 - Parking Tax
 - Personal Property Lease Transaction Tax
 - Real property transfer tax
 - Restaurant tax
 - Telecommunications tax
 - Tire fee
 - Use Tax for non-titled personal property
 - Vehicle Fuel Tax



Alternative Taxes – Chicago Mayor's Task Force

- Options for existing taxes
 - Keep the grocery tax
 - Expand the sales tax to services (state legislation required)
 - Increase liquor tax
 - Increase property tax
 - Increase city share of state local government distributive fund (state legislation)
 - Expand amusement tax to resellers (state legislation required)
 - Apply 911 surcharge to digital prepaid wireless (state legislation required)
 - Increase bottled water tax
 - Increase the plastic checkout bag tax



Alternative Taxes – Chicago Mayor's Task Force

- Chicago's Mayor proposed to revive the Chicago Employers' Expense Tax (Head Tax) repealed in 2014
- The tax could be imposed under Chicago's home rule authority – no need for specific authority from the Illinois General Assembly
- If revived, it will likely be similar to the former tax
- It was imposed on employers doing business in Chicago
- It was based on full time employees – not independent contractors



Alternative Taxes – Chicago Mayor's Task Force

- The full-time employee determination was based on earnings per quarter – at the time of repeal \$900 per quarter and tips included in the calculation
- Applied to employers with 50 or more full time employees
- Unitary combination of certain related corporations required to determine the number of employees
- Tax was \$4 per employee until reduced to \$2 in 2012 during phase out



Alternative Taxes – Chicago Mayor's Task Force

- Internet Gaming Tax – the task force recommended placing a \$.50 tax on all wagers placed via online betting in the city of Chicago. The task force asserts the city has legal authority to impose this tax
- Payments in Lieu of Taxes (PILOT) – voluntary payments from tax exempt institutions



QUESTIONS?

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