



*i*nformational Bulletin

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Guidance for Corporations Affected by Changes to Net Loss Deduction Limitation for Tax Years Ending On or After December 31, 2024

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

To: Corporations (other than S corporations)

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On June 7, 2024, [Public Act 103-0592](#) was signed into law limiting net loss deductions (NLD) for corporations filing Form IL-1120 to \$500,000 for tax years ending on or after December 31, 2024, and before December 31, 2027.

For tax years ending on or after December 31, 2021, and before December 31, 2024, NLD for corporations filing Form IL-1120 is limited to \$100,000. [Public Act 102-0016](#)

Because of the statutory change, certain taxpayers may have an increase in their current tax year liabilities and may be subject to increased late-payment penalties.

Taxpayers who calculated their estimated payments without considering a NLD limitation may need to

- begin making estimated tax payments, or
- increase their estimated tax payments

for the remainder of the tax year to avoid or minimize the late-payment penalty for underpayment of estimated tax due. In both cases, taxpayers should make up the difference from the missed estimated payments with the next payment.

This bulletin provides information to help these taxpayers determine if they must start paying estimated payments or modify their estimated tax payments. In addition, the bulletin outlines ways to minimize or avoid late-payment penalties.

What are the estimated payment requirements?

For corporations who file Form IL-1120, you are required to make estimated payments if you reasonably expect your Illinois income and replacement tax and surcharge liability to be more than \$400 for the tax year. The due dates for filing estimated payments are the 15th day of the 4th, 6th, 9th, and 12th months of your tax year. See Form IL-1120 Instructions, Appendix B, Estimated Payment Worksheets, to determine the amount of your estimated payments.

What is a late-payment penalty?

A late-payment penalty is assessed when you fail to pay the tax you owe by the due date. This penalty could result from two different underpayment situations and is assessed at either 2 percent or 10 percent of the unpaid liability based on the number of days the payment is late. (The penalty rates listed are for returns due on or after January 1, 2005. For returns due before January 1, 2005, see Publication 103, Penalties and Interest for Illinois Taxes.)

You will be assessed a late-payment penalty for unpaid tax if you do not pay the total tax you owe by the original due date of the return.

You will be assessed a late-payment penalty for underpayment of estimated tax if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date. However, you may avoid being assessed a late-payment penalty for underpayment of estimated tax if you pay the lesser of:

- 90 percent of the tax shown on the taxpayer's return for the taxable year or, if no return is filed, 90 percent of the tax for that year; or
- if a return showing a liability for tax was filed for the preceding taxable year, and that taxable year consisted of a period of 12 months, 100 percent of the tax shown on the taxpayer's return for that preceding taxable year.

For more information about the late-payment penalty for underpayment of estimated tax due, see Publication 103, Penalties and Interest for Illinois Taxes.

Will I be assessed a penalty on timely filed estimated payment installments made prior to the date the new statutory changes went into effect?

If the Illinois Income Tax Act (IITA) is amended during a taxable year, and those changes do not include specific provisions granting relief from late-payment penalties for underpayment of estimated tax, then no late-payment penalty for underpayment of estimated tax shall apply for late payment of an installment of estimated tax due before the amendment becomes law. This applies only if, on or before the due date of the installment, the taxpayer uses the **annualized income installment method** to calculate and pay the required estimated tax installment based on the tax laws in effect at the time of the installment payment. See [86 Ill. Admin. Code 100.8010\(h\)](#) for more information. The annualized income installment method allows you to compute your estimated taxes for each estimated period based on the income and liability in effect at the end of that period.

When using the annualized income installment method to avoid the late-payment penalty, a taxpayer must adjust their net income to the correct amount on the applicable line (either Line 31 or 34) of the Illinois Schedule IL-2220 annualization worksheet that corresponds to when the new law goes into effect (e.g., net income increased in the sixth month for calendar year filers because Public Act 103-0592 was effective as of June 7, 2024), and must timely pay the correct amount of all subsequent estimated payment installments calculated on the annualization worksheet. This will make up the difference in any previous estimated payments for the year.

The annualized income installment method is found in Step 6 of [Schedule IL-2220, Computation of Penalties for Businesses](#). Schedule IL-2220 must be completed and submitted with Form IL-1120 when filing the annual tax return.

What should I do now to minimize or avoid penalty?

If you are already making estimated payments, you should recalculate your estimated payments using the annualization worksheet in Illinois Schedule IL-2220. Be sure to include the additional amounts that would have been due with your previous quarterly payments, as well as the full current quarterly payment. This quarterly payment makes up the difference in your estimated payments.

If you are not currently making estimated payments, you should determine if the statutory changes cause your tax liability to increase to more than the estimated payment requirement. Use the annualization worksheet in Illinois Schedule IL-2220 to determine when to make your first payment. The first payment should include the current estimated payment due and the amount of all the previous quarterly payments due based on the statutory changes. This quarterly payment makes up the difference in your estimated payments.

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Example: Taxpayer Z is a calendar-year corporate filer, its income is earned evenly across the tax year, and it is required to make estimated payments. Taxpayer Z had enough NLD to reduce its estimated \$1,000,000 base income for the 2024 tax year to \$0. Taxpayer Z has no additional credits or deductions and has made no additional payments outside what is described in this example. Taxpayer Z's tax liability for 2023 was \$85,500.

Taxpayer Z made no estimated payment for the installment due April 15 because the law in effect at the time would have allowed the taxpayer to use all of its NLD to offset its base income. When Public Act 103-0592 (which limited the NLD to \$500,000 for TY 2024) was signed into law, Taxpayer Z was required to reevaluate its base income based on the new law. Taxpayer Z now has an estimated base income of \$500,000 with an estimated tax payment liability of \$42,750 ($\$500,000 \times 0.095$ (tax rate of 7% income tax + 2.5% replacement tax) $\times 0.9$ (90% of this year's tax liability)) for 2024. The four equal installments of estimated tax for 2024 would be \$10,688. However, since Taxpayer Z did not calculate an estimated payment for the first installment, it decides to use the annualized income installment method to avoid late-payment penalties for underpayment of estimated tax. The breakdown of the annualized income installment method works as follows:

Traditionally, the first estimated payment (**April 15**) should have been \$10,688. Taxpayer Z paid \$0 in estimated tax. Taxpayer Z would claim \$0 on the Schedule IL-2220 annualization worksheet for the "First 3 months" income line (Line 34, Column A) and downfoot the worksheet accordingly.

Public Act 103-0592 became law on June 7, 2024, which requires Taxpayer Z to reevaluate its liability.

Traditionally, the second estimated payment (**June 15***) should have been \$10,688 but because Taxpayer Z did not make the first estimated installment payment, the second installment liability would have increased to \$21,376 (\$10,688 missing from first installment + \$10,688 for this installment). Although the new law went into effect before the second installment due date, Taxpayer Z again makes no estimated payments for this installment because the second installment liability, when using the annualized income installment method, is based on net income through the third and fifth months, which were before the new law went into effect. Taxpayer Z would claim \$0 on the Schedule IL-2220 annualization worksheet for the "First 3 months" income line (Line 31, Column B) and "First 5 months" income line (Line 34, Column B).

Traditionally, the third estimated payment (**September 15***) should have been \$10,688 but because Taxpayer Z had not paid any estimated payments, the third installment liability would have increased to \$32,064 (\$10,688 missing from first installment + \$10,688 missing from second installment + \$10,688 for this installment). Taxpayer Z makes a \$32,063 estimated payment (as calculated on Illinois Schedule IL-2220) to catch up the estimated payments. Taxpayer Z increases its net income from \$0 to \$250,000 ($\$500,000$ divided by 12 and multiplied by 6 months) on the Schedule IL-2220 annualization worksheet for the "First 6 months" income line (Line 31, Column C), which would catch up its income on the annualization worksheet. Taxpayer Z would then enter \$333,333 ($\$500,000$ divided by 12 and multiplied by 8 months) for the "First 8 months" income line (Line 34, Column C).

Taxpayer Z is back on track with the required estimated tax payments, so the fourth estimated payment (**December 15***) installment is \$10,687 ($\$42,750$ (total estimated tax payment liability for 2024) minus \$32,063 (estimated payments made)). Taxpayer Z makes the \$10,687 estimated payment. Taxpayer Z claims \$375,000 ($\$500,000$ divided by 12 and multiplied by 9 months) on the Schedule IL-2220 annualization worksheet for the "First 9 months" income line (Line 31, Column D) and would claim \$458,333 ($\$500,000$ divided by 12 and multiplied by 11 months) for the "First 11 months" income line (Line 34, Column D).

See the example of the Illinois Schedule IL-2220 Annualization Worksheet on the following page.

Taxpayer Z must mark the checkbox on Step 1, Line W, of its Form IL-1120 stating that it is annualizing its income and must submit its completed Schedule IL-2220 with its Form IL-1120 return when filing for the 2024 tax year. Taxpayer Z must also pay its remaining liability of \$4,750 ($\$500,000 \times 0.095$ (tax rate) minus \$42,750 (amount of estimated taxes paid)) by the original due date (April 15, 2025) of its 2024 return to avoid a late-payment penalty for unpaid tax.

* For 2024, this estimated payment due date falls on a weekend and will be extended to the next business day.

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Example of Illinois Schedule IL-2220, Annualization Worksheet

Step 6: Complete the annualization worksheet for Step 2, Line 12

Complete this worksheet if your income was not received evenly throughout the year and you choose to annualize your income. **Beginning with Column A, complete Lines 31 through 51 of each column.** If you fail to complete all lines of Step 6, Lines 31 through 51, Columns A through D, we may disregard your election to annualize your income and calculate your late-payment penalty for underpayment of estimated tax based on four equal installments.

	A	B	C	D
		First 3 months	First 6 months	First 9 months
31 Enter your Illinois net income for each period. If negative, enter zero. 31	31 0.00	0.00	250,000.00	375,000.00
32 Annualization factors 32	32 4	4	2	1.33333
33 Multiply Line 31 by Line 32. 33	33 0.00	0.00	500,000.00	499,999.00
		First 5 months	First 8 months	First 11 months
34 Enter your Illinois net income for each period. If negative, enter zero. 34	34 0.00	0.00	333,333.00	458,333.00
35 Annualization factors 35	35 4	2.4	1.5	1.09091
36 Multiply Line 34 by Line 35. 36	36 0.00	0.00	500,000.00	500,000.00
37 In Column A, enter the amount from Line 36, Column A. In Columns B, C, and D, enter the lesser of Line 33 or 36 for each period. 37	37 0.00	0.00	500,000.00	499,999.00
38 Net replacement tax for the period. See instructions. 38	38 0.00	0.00	12,500.00	12,500.00
39 Net income tax or PTE tax for the period. See instructions. 39	39 0.00	0.00	35,000.00	35,000.00
40 Cannabis surcharge for the period. See instructions. 40	40 0.00	0.00	0.00	0.00
41 Sale of Assets by Gaming Licensee surcharge for the period. See instructions. 41	41 0.00	0.00	0.00	0.00
42 Add Lines 38, 39, 40, and 41. 42	42 0.00	0.00	47,500.00	47,500.00
43 Applicable percentage 43	43 22.5% (.225)	45% (.45)	67.5% (.675)	90% (.9)
44 Multiply Line 42 by Line 43. This is your annualized installment. 44	44 0.00	0.00	32,063.00	42,750.00
45 Add the amounts on Line 51 of each of the preceding columns and enter the total here. 45	45 Do not write on this line.	0.00	0.00	32,063.00
46 Subtract Line 45 from Line 44. If less than zero, enter zero. 46	46 0.00	0.00	32,063.00	10,687.00
47 See instructions. 47	47 10,688.00	10,688.00	10,688.00	10,688.00
48 Enter the amount from Line 50 of the preceding column. 48	48 Do not write on this line.	10,688.00	21,376.00	1.00
49 Add Lines 47 and 48. 49	49 10,688.00	21,376.00	32,064.00	10,689.00
50 If Line 49 is greater than Line 46, subtract Line 46 from Line 49. Otherwise, enter zero. 50	50 10,688.00	21,376.00	1.00	Do not write on this line.
51 Enter the lesser of Line 46 or 49 here and on Step 2, Line 12. This is your required installment. 51	51 0.00	0.00	32,063.00	10,687.00
	Go to Column B, Line 31	Go to Column C, Line 31	Go to Column D, Line 31	

Where do I find more information?

See the [Corporation Tax Information Page](#) on our website at tax.illinois.gov for more information about Corporations.

See the [Business Income Tax Forms Page](#) for links to Income Tax forms, schedules, and their corresponding instructions.