

ILLINOIS REGISTER

DEPARTMENT OF REVENUE

JANUARY 2017 REGULATORY AGENDA

a) Part (Heading and Code Citations): Income Tax, 86 Ill. Adm. Code 100

1) Rulemaking:

A) Description: New rules will be added to Part 100 concerning the tax credit for Tech Prep Youth Vocational Programs (IITA Section 209); the reallocation of items under IITA Section 404; pass-through of investment credits from partnerships and Subchapter S corporations to their partners and shareholders; filing of refund claims and other collection matters, and interest computations.

Part 100 will be amended by adding rules and amending existing rules governing the computation of base income under Article 2 of the IITA, the allocation and apportionment of base income under Article 3 of the IITA, and the filing of returns and payment of taxes under Articles 5 and 6 of the IITA.

Part 100 will be amended to update the provisions defining unitary business groups and computing the combined tax liability of unitary business groups.

Part 100 will be amended by adding rules providing guidance on the addition and subtraction modifications allowed in IITA Section 203, on the credit for residential property taxes paid in IITA Section 208, on the acceptance of substitute W-2s, electronic filing of returns, and rounding amounts on returns to the nearest dollar.

Part 100 will be amended to clarify definitions of terms in IITA Section 1501(a).

Part 100 will be amended to implement legislation enacted in 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, and 2016, including the historic preservation and hospital credits, the credits and subtractions allowed with respect to enterprise zones, credits for hiring veterans and ex-felons, bonus depreciation adjustments, withholding by employers, partnerships, Subchapter S corporations and trusts, changes to apportionment formulas and taxation of real estate investment trusts and their investors, recoveries of itemized deductions, special net loss rules for cooperatives, recipients of nondeductible dividends from controlled foreign corporations, and holders of residual interests in real estate mortgage investment companies, appeals to the Tax Tribunal, Illinois Secure Choice Savings Program Act, and the State Tax Preparer Oversight Act.

Part 100 will be amended to provide additional guidance on nexus and on the Illinois income tax consequences of changes in federal income tax laws.

Finally, the Department will continue the updating and correction of Part 100.

B) Statutory Authority: 35 ILCS 5/101 and 35 ILCS 5/1401.

C) Scheduled meeting/hearing dates: No schedule has been established at this time.

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D) Date agency anticipates First Notice: As noted above, there will be a number of rulemakings proposed with respect to Part 100 over the next six months. We anticipate filing rulemakings amending Part 100 on a regular basis during the next six months of this year.

E) Affect on small business, small municipalities or not for profit corporations: These rulemakings will affect any business that incurs an income tax filing obligation.

F) Agency contact person for information:

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G) Related rulemakings and other pertinent information: None.

b) Part (Heading and Code Citations): Retailers' Occupation Tax, 86 Ill. Adm. Code 130

1) Rulemaking:

A) Description: Amendments will be made to update the Retailers' Occupation Tax regulations to reflect new statutory developments, decisional law and Department policies. Rulemakings are also promulgated as part of the Department's continuing effort to codify policies contained in various letter rulings.

New rules will be added to Part 130 provide guidance regarding the documentation requirement for sales by retailers to exempt organizations holding active exemption numbers issued by the Department; to describe how "deal of the day" types of transactions are taxed and to provide examples regarding those transactions; to implement P.A. 98-1058 regarding the furnishing of financial information to a municipality, including confidentiality requirements.

Section 130.311 will be amended to reflect the provisions of P.A. 99-855, which provides an exemption for menstrual pads, tampons and menstrual cups. This section will also be amended to reflect the provisions of P.A. 99-858, which provides that the preferential low rate of tax applies to products classified as Class III medical devices by the United States Food and Drug Administration that are used for cancer treatment pursuant to a prescription, as well as any accessories and components related to those devices.

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Section 130.2007 will be amended to explain the proper use by an exempt organization of its exemption identification number issued by the Department and consequences of an organization's failure to use ordinary care to ensure that the exemption identification number is not improperly utilized. Consequences include revocation of the exemption identification number.

Sections 130.455 and 130.2013 will be amended to implement the provisions of P.A. 98-628 and P.A. 98-1080, which change the method of determining the "selling price" for first division and certain types of second division motor vehicles that are leased for defined periods in excess of one year.

Sections 130.501 and 130.745 will be amended to reflect changes made as a result of P.A. 98-0496, which authorizes the Department to disallow the vendor's discount under certain circumstances.

Section 130.910 will be amended in response to enactment of P.A. 98-0352, which prohibits the sale, possession and use of automated sales suppression devices, or zappers. This section will also be amended in response to enactment of P.A. 97-1074, which added the criminal offense of sales tax evasion.

Section 130.450 will be amended to clarify the documentation required to demonstrate a separate agreement between the seller and purchaser for installation, alteration and special service charges.

Section 130.1960 will be amended to reflect the changes from Public Act 99-0217 regarding bad debt deductions, including bad debt deductions for private label credit cards.

- B) Statutory Authority: 35 ILCS 120/12.
- C) Scheduled meetings/hearing dates: No schedule has been established at this time.
- D) Date agency anticipates First Notice: As noted above, there will be a number of rulemakings proposed with respect to Part 130 over the next six months. We anticipate filing rulemakings amending Part 130 on a regular basis during the next six months of this year.
- E) Effect on small business, small municipalities or not for profit corporations: Small businesses that sell tangible personal property at retail will be affected by these regulations. Tax exempt organizations will be affected by the changes proposed to Section 130.2005, 130.2007, and the new section providing guidance on how to document exempt sales to those organizations. Persons purchasing rolling stock, including aircraft and watercraft for use as rolling stock moving in interstate

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commerce, will be affected by the changes to Section 130.340, as will sellers of such items.

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G) Related rulemakings and other pertinent information: None.

c) Part (Heading and Code Citations): Use Tax, 86 Ill. Adm. Code 150

1) Rulemaking:

A) Description: Amendments will be made to update the Use Tax regulations to reflect new statutory developments, decisional law and Department policies.

Section 150.401 will be amended to clarify when out-of-state retailers attending trade shows in this State are not considered to have a Use Tax collection on remote sales to Illinois customers and to provide guidance on other issues presented by retailer presence at trade shows in Illinois.

Section 150.1015 will be amended to add new provisions in response to P.A. 98-0352, which prohibits the sale, possession and use of automated sales suppression devices, or zappers

B) Statutory Authority: 35 ILCS 105/12.

C) Scheduled meetings/hearing dates: No schedule has been established at this time.

D) Date agency anticipates First Notice: We anticipate filing rulemakings amending Part 150 during the next six months of this year.

E) Effect on small business, small municipalities or not for profit corporations: These amendments will affect persons subject to the Use Tax.

F) Agency contact person for information:

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G) Related rulemakings and other pertinent information: None.

d) Part (Heading and Code Citations): Bingo License and Tax Act, 86 Ill. Adm. Code 430

1) Rulemaking:

A) Description: Regulations will be updated to reflect the provisions of Public P.A. 93-742, which authorizes the Department to issue 3-year bingo licenses, including regular licenses, limited licenses or senior citizen restricted licenses, the amendments in P.A. 95-228, dealing with licensing, the amendments in P.A. 97-1150, implementing the Criminal Code of 2012. The regulations will also be amended to clarify definitions, record keeping requirements and the documentation required for a license application, and the amendments in P.A. 99-177 regarding special permits.

B) Statutory Authority: 230 ILCS 25/1.

C) Scheduled meeting/hearing dates: No schedule has been established at this time.

D) Date agency anticipates First Notice: We anticipate filing rulemakings during the next six months of this year.

E) Affect on small business, small municipalities or not for profit corporations: Entities eligible for bingo licenses will be affected by this rulemaking.

F) Agency contact person for information:

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E) Related rulemakings and other pertinent information: There are no related rulemakings.

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e) Part (Heading and Code Citations): Pull Tabs and Jar Games Act, 86 Ill. Adm. Code 432

1) Rulemaking:

- A) Description: Regulations will be amended to implement the amendments in P.A. 95-228 dealing with licensing and to clarify record keeping requirements and the documentation required for a license application and the amendments in P.A. 97-1150, implementing the Criminal Code of 2012.
- B) Statutory Authority: 230 ILCS 20/1.
- C) Scheduled meeting/hearing dates: No schedule has been established at this time.
- D) Date agency anticipates First Notice: We anticipate filing rulemakings during the next six months of this year.
- E) Affect on small business, small municipalities or not for profit corporations: Entities eligible for pull tabs and jar games licenses will be affected by this rulemaking.
- F) Agency contact person for information:

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Telephone: (217) 782-2844
- G) Related rulemakings and other pertinent information: There are no related rulemakings.

f) Part (Heading and Code Citations): Hydraulic Fracturing Tax, 86 Ill. Adm. Code 475

1) Rulemaking:

- A) Description: A new Part will be promulgated in response to enactment of P.A. 98-0022 and P.A. 98-0023 (Hydraulic Fracturing Regulatory Act, including the Illinois Hydraulic Fracturing Tax).
- B) Statutory Authority: 35 ILCS 450/2-65.
- C) Scheduled meetings/hearing dates: No schedule has been established at this time.

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- D) Date agency anticipates First Notice: We anticipate filing rulemakings during the next six months of this year.
- E) Effect on small business, small municipalities or not for profit corporations: Small businesses may be included in the persons required to file returns, pay taxes and maintain books and records.
- F) Agency contact person for information:
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- G) Related rulemakings and other pertinent information: There are no related rulemakings.
- g) Part (Heading and Code Citations): Uniform Penalty and Interest Act, 86 Ill. Adm. Code 700
- 1) Rulemaking:
- A) Description: The Department will amend the regulations in Part 700 to reflect recent amendments to the Uniform Penalty and Interest Act and Department policies.
- B) Statutory Authority: 20 ILCS 2505/2505-795.
- C) Scheduled meeting/hearing dates: No schedule has been established at this time.
- D) Date agency anticipates First Notice: We anticipate filing rulemakings during the next six months of this year.
- E) Affect on small business, small municipalities and not for profit corporations: These rulemakings will provide guidance for any business or not for profit corporation that incurs tax liabilities potentially subject to penalty or interest obligations under the Uniform Penalty and Interest Act.
- F) Agency contact person for information:
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G) Related rulemakings and other pertinent information: None.

h) Part (Heading and Code Citations): The Illinois Liquor Control Commission, 11 Ill. Adm. Code 100

1) Rulemaking:

A) Description: Section 270.115 will be amended to reflect the provisions of P.A. 99-0216, which changes the manner in which conditional sales are sourced. The amendments specify that a retailer selling tangible personal property to a nominal lessee or bailee pursuant to a lease with a dollar or other nominal option to purchase is engaged in the business of selling at the location where the property is first delivered to the lessee or bailee for its intended use.

B) Statutory Authority: 35 ILCS 120/2-12.

C) Scheduled meeting/hearing dates: No schedule has been established at this time.

D) Date agency anticipates First Notice: We anticipate filing rules within the next six months of the year.

E) Effect on small business, small municipalities or not for profit corporations: These rulemakings will affect any business that operates at retail and makes conditional sales.

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G) Related rulemakings and other pertinent information: Similar rulemakings will be promulgated for other local taxes administered by the Department.