

# TAX REBATES

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## *Special Edition*

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Illinois has created a state sales tax holiday.

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## **IL Tax Rebates**

The State of IL has passed legislation intended to offer tax relief to resident taxpayers. Under Public Act 102-0700, referred to as the Illinois Family Relief Plan, there are several provisions beneficial to IL taxpayers, including two tax rebates.

### **Individual Income Tax Rebates**

Under the Act, qualifying Illinois taxpayers will receive a one-time income tax rebate. To qualify, your adjusted gross income on your 2021 Form IL-1040 must be under \$400,000

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(if filing jointly) or under \$200,000 (if filing as a single person).

The rebate is \$50 for a single person and \$100 for a married couple filing jointly. If you have dependents, you will receive a rebate of \$100 per dependent (limited to a maximum of \$300 or three dependents).

If you filed your 2021 IL-1040 you will automatically receive your rebate. If you have not yet filed, your rebate will be issued after your 2021 tax return is processed by the state.

### **Property Tax Rebates**

In addition to the income tax rebate, qualified Illinois taxpayers are eligible for a rebate on their property taxes.

Taxpayers qualify for this rebate if 1) they are an Illinois resident and paid Illinois property taxes in 2021 on their primary residence in 2020 and 2) their adjusted gross income on their 2021 Form IL-1040 is \$500,000 or less (if filing jointly) or \$250,000 or less (if filing as a single person).

The property tax rebate is equal to the property tax credit you were entitled to claim on your 2021 IL-1040, up to a maximum rebate of \$300.

If you filed your 2021 IL-1040 including Schedule ICR, you will automatically receive your rebate. If you have not yet filed, your rebate will be issued after your 2021 tax return is processed by the state.

If you filed your IL-1040 without Schedule ICR, you have until October 17, 2022 to file a Property Tax Rebate form (IL-1040-PTR).

### **Timing and Taxation of IL Rebates**

The state expects to begin issuing these rebates the week of September 12, 2022 and are expected to take several months to issue.

Rebates will be sent automatically in the method that your original income tax refund was sent.

If you did not receive a refund on your 2021 Form IL-1040 or you are requesting the property tax rebate

separately, then your rebate will be sent by paper check to your most recent address on file with the State of Illinois.

Taxpayers will be able to check the status of their rebates by using the "Where's My Rebate" application on the IL Department of Revenue's website. This application is expected to become available prior to the start of rebates being issues in September.

These rebates are not taxable income in IL, but if you itemized deductions on your 2021 federal tax return the payments may be federally taxable.

## Grocery Tax Suspension

Public Act 102-0700 includes a suspension of the state's 1% low rate of sales and use tax on retail sales of groceries normally taxed at this rate from July 1, 2022 to June 30, 2023.

### What's Included

Groceries normally taxed at the 1% low rate will be taxed at zero % during this period. Groceries taxed at the low rate include food for human consumption that is to be consumed off the premises where it is sold.

### What's Excluded

This suspension does not apply to alcoholic beverages, food consisting of or infused with adult use cannabis, soft drinks, candy, and food that has been prepared for immediate consumption.

The suspension also does not apply to items that meet the definition of a qualifying medicine or drug.

The Regional Transportation Authority and Metro-East Mass Transit District impose an additional local tax on grocery food that is not suspended under Public Act 102-0700.

### Notification to Taxpayers

Public Act 102-0700 requires retailers to notify customers of the suspension of this tax on the retail sale of groceries. Retailers can include a statement on their cash register tape,

receipt, invoice, or sales ticket issued to customers. For retailers unable to include a statement, they can post a clearly visible sign with the required information.

## IL Sales Tax Holiday

Public Act 102-0700 creates a state sales tax holiday on qualifying items effective August 5, 2022 through August 14, 2022.

### Sales Tax Holiday Dates & Rate

The state sales tax holiday is a 10-day period during which consumers can purchase specified clothing and school-related items and pay sales tax at a reduced rate. The state's portion of sales tax due during the sales tax holiday will be 1.25%. This is a reduction of 5% from the normal state rate of 6.25%.

### Qualifying Purchases

Items that qualify for the reduced sales tax rate include qualifying clothing and footwear with a retail selling price of less than \$125 per item. Also qualifying are certain school supplies used by students in the course of study. School supplies are not subject to the \$125 threshold.

The determination of whether an item of clothing's retail selling price is below \$125 is made after any unreimbursed coupons or store markdowns are considered, but before a reimbursed coupon.

Qualifying clothing include coats, jackets, gloves and mittens, hats, neckties, rainwear, school uniforms, shorts, pants, skirts, dresses, shirts, and blouses with retail selling prices less than \$125 per item among other items.

Qualifying footwear includes shoes, sneakers, sandals, slippers, socks, boots, and insoles for shoes with retail selling prices less than \$125 per item, among other items.

School supplies must be used by students in the course of study, including binders, book bags,

calculators, crayons, erasers, folders, glue, highlighter, lunch boxes, notebook paper, pencils and pencil leads, pens, pencil and school supply boxes, scissors, and other items.

Specifically excluded items from the sales tax holiday include briefcases, cosmetics, handbags, wigs, wallets, umbrellas, jewelry and watches, sports or recreational equipment, protective equipment including hard hats, gloves, and safety glasses, art supplies, reference books, computers and related supplies, and other electronics.

The State of IL has published a listing of qualifying items. For more information or a copy of this listing, please contact our offices, or visit the IL Department of Revenue's website at <https://www2.illinois.gov>.

## IL Tax Tidbits

According to an article published online by WalletHub, Illinois is among the top ten states with the highest overall tax burden for residents.

To rank the states, WalletHub compared the states based on property taxes, individual income taxes, and sales and excise taxes as a share of personal income. These values were added together to determine the overall tax burden for the state.

New York ranked first with a total tax burden of 12.75%, followed by Hawaii at 12.70%. Illinois ranked 10<sup>th</sup>, with a tax burden of 9.70%. Coming in last, with the lowest total tax burden was Alaska at 5.06%.

## For More Info

The articles in this newsletter are intended to present general tax information. Accounting rules and tax laws are complex. Not all ideas presented may be appropriate for your specific circumstances. For additional information, call Kagan & Associates, Ltd. at 847-392-3300 or e-mail us at [info@KaganLtd.com](mailto:info@KaganLtd.com).