

## Insights

### **The Illinois Secretary of State Office Offers Corporate Franchise Tax Penalty and Interest Amnesty until November 17, 2025**

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On October 1, 2025, the Illinois Secretary of State announced an amnesty program for corporations who are behind on paying their annual Franchise Taxes due in Illinois. This applies to those organized as Illinois corporations or those organized in other states but are (or should be) authorized to do business in Illinois. Under this program, those who are late filing or behind on paying their Franchise Taxes can avoid penalties and interest on those late payments if they catch up by November 17, 2025.

Any corporation doing business or seeking to do business in Illinois wherever their headquarters are located must register with the Illinois Secretary of State, file annual reports, and pay an annual “Franchise Tax.”

In short, a corporation computes the amount of its annual Franchise Tax using an allocation factor (“Allocation Factor”) that is applied against the corporation’s paid-in capital. A corporation can elect to calculate the allocation factor in one of two ways.

First, the Allocation Factor can be obtained by dividing the value of corporate property owned in Illinois together with Illinois sourced income by total corporate property and income. Many larger foreign corporations doing business in Illinois utilize this computation method as it typically results in generating a more favorable Allocation Factor.

The second option is to pay the annual Franchise Tax based on a 100% Allocation Factor of a corporation’s paid-in capital. Many smaller corporations only operating in Illinois use this method especially if their stock is “no par” stock creating a minimal paid-in capital account.

A corporation’s paid-in capital consists of (i) the amount initial shareholders pay to the corporation for their stock and (ii) any amount shareholders may contribute (but not loan) to the corporation as capital. It does not include amounts of retained earnings accumulated over the years.

Technically, a corporation’s internal books, financial statements, tax returns, and annual reports should show common stock and capital accounts that are the same. However, this is not always the case if a corporation does not report changes to its paid-in capital on its annual report and file the proper forms.

Illinois law requires any corporation registered in Illinois to report changes to paid-in capital by filing a Form BCA 14.30 with its annual report. If a corporation registered to business in Illinois fails to report changes in its capital accounts or never properly registers to do business in Illinois, the Illinois Secretary of State will require filing of (i) a Form BCA 14.30 and (ii) an amended annual report for each year a corporation’s capital increases or decreases or the corporation failed to file an annual report with the correct value of its paid-in capital or to file all required annual reports, respectively. These annual reports could span decades. The Illinois Secretary

of State will assess additional Franchise Taxes, penalties, and interest for each year a corporation files an amended annual report if the paid-in capital is underreported and will do the same for any year in which no filing was made. These penalties and interest charges can be significant.

Any corporation currently under investigation, inquiry or audit by the Illinois Secretary of State's office is not eligible for the Amnesty.

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

In order to file for amnesty you must:

**1. Complete the C 373 FRANCHISE TAX AND LICENSE FEE AMNESTY ACT OF 2007 PETITION Form (Ctrl + Click to Download form)**

**2. Attach required documentation.** You will need to include any necessary forms and payment with your amnesty petition form.

**3. Submit your documents.** You can submit these either in-person or by mail. It is recommended to use a courier service like FedEx or UPS or other forms of receipted delivery.

If you would like assistance in applying for this amnesty or have questions regarding items in this alert, please contact **Robert Ansani**, **Charlie Blood**, or a member of **Krieg DeVault's Business, Acquisitions, and Securities Practice**.

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