

# Local Journalism Sustainability

## Tax Incentive Program

### FAQ

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## APPLICANT INFORMATION

**Q: I work for a publicly traded company. Am I exempt from this incentive?**

**A: No.**

**Q: Our 990 that we file with the IRS does not mention news in the mission, but it does talk about news in the program service activities. (we are public media)**

**A:** *In the case of an entity that maintains tax status under Section 501(c)(3) of the federal Internal Revenue Code, the entity must have declared the coverage of local or State news as the stated mission in its filings with the Internal Revenue Service. If the entity is not 501(c)(3), this does not apply.*

**Q: I am a sole proprietor, and I have one part time employee (24 hours per week). I would be filing for the credit for myself (sole proprietor). Would I qualify?**

**A:** *Sole proprietors are not eligible for the program. Per 35 ILCS 18/40-10, “Employers, including employers that maintain tax status under Section 501(c)(3) of the federal Internal Revenue Code, that are local news organizations and that are required to deduct and withhold taxes as provided in Article 7 of the Illinois Income Tax Act are eligible to receive a credit against payments due under Section 704A of the Illinois Income Tax Act.” Additionally, for any employee to qualify, they would need to be employed for an average of at least 30 hours per week.*

**Q: Can a Sole Proprietor be eligible?**

**A:** *Sole proprietors are not eligible for the program. Per 35 ILCS 18/40-10, “Employers, including employers that maintain tax status under Section 501(c)(3) of the federal Internal Revenue Code, that are local news organizations and that are required to deduct and withhold taxes as provided in Article 7 of the Illinois Income Tax Act are eligible to receive a credit against payments due under Section 704A of the Illinois Income Tax Act.”*

**Q: Can an owner/operator, that isn't paid through payroll and pays their own self-employment taxes, qualify for the credit?**

**A:** *No. Per 35 ILCS 18/40-10, “Employers, including employers that maintain tax status under Section 501(c)(3) of the federal Internal Revenue Code, that are local news organizations and that are required to deduct and withhold taxes as provided in Article 7 of the Illinois Income Tax Act are eligible to receive a credit against payments due under Section 704A of the Illinois Income Tax Act.”*

**Q: We are currently an LLC in the process of becoming a nonprofit. We’ve submitted paperwork to the IRS but have not yet received a letter of determination. I want to go ahead and get my tax credit application in as a for-profit ASAP and hope to get the credit before the IRS gets to our determination letter. Would you agree with that strategy?**

**A:** *The application should be completed using the most accurate and up-to-date information available at the time of submission.*

**Q: Are university licensees eligible for this tax credit?**

*A: Yes, if the applicant meets all other eligibility criteria for the program.*

**Q: The application asks if the "Local News Organization" is a publicly traded entity. The stock of our company was publicly traded for a portion of 2024, but as of 10/1/2024 we are a private company. Do we answer this question "No"?**

*A: The application should be completed using the most accurate and up-to-date information available at the time of submission.*

## FINANCIAL INFORMATION

**Q: For providing gross receipts for previous taxable year. The year would be for 2023, correct?**

*A: Gross receipts would be for the previous taxable year.*

***Example 1:** If an organization's taxable year runs from January 1 to December 31 and the organization is applying in 2025, the gross receipts provided would be for January 1, 2024, to December 31, 2024.*

***Example 2:** If an organization's taxable year runs from July 1 to June 30 and the organization is applying in August 2025, the gross receipts provided would be for July 1, 2024, to June 30, 2025.*

**Q: What if we don't know the 527 or 501(c) organizing details of all of our advertisers?**

*A: If you are unsure whether any of your advertisers fall under Section 527 or maintain 501(c)(4) or 501(c)(6) status, you should make a reasonable effort to determine this information, such as reviewing publicly available records or requesting clarification from the advertiser. If, after due diligence, you are still unable to verify this, please contact [ceo.journalismtaxcredit@illinois.gov](mailto:ceo.journalismtaxcredit@illinois.gov) for further guidance.*

**Q: In the case of a local news organization that is a subsidiary, are the gross receipt figures and cash flow statement related to the whole parent corporation? I mean, if that info is passed by from the local organization to the parent company.**

*A: If the subsidiary is the Local News Organization applying for the tax credits, the financials submitted would need to be at the subsidiary level. If the parent company is the Local News Organization applying for the tax credits, the financials submitted would need to be at the parent company level.*

**Q: For presenting the financial information, if our 990 is filed based on fiscal year (Jul - Jun), can we submit our fiscal year financial statements for the income statement and statement of cash flows (i.e. not calendar year)?**

*A: Both the income statement and cash flow statement submitted should be for the previous taxable year.*

**Q: Would a Cash basis Profit and Loss statement for 2023 be acceptable for Gross Receipts and Revenue earned?**

*A: Cash and accrual basis accounting are both acceptable. Both the income statement and cash flow statement submitted should be for the previous taxable year. Please use the same accounting method used when filing withholding taxes.*

**Q: If your fiscal year is different than the calendar year, can you report on the fiscal year? Our last fiscal year ended June 30, 2024.**

*A: All financials submitted must reflect the Local News Organization's previous taxable year.*

**Q: Can we include our audited income statement and cash flows from June 30, 2024 (from our audited financials) as the uploaded statements? I would also add that our last IRS 990 tax filing is based on the fiscal year ended June 30, 2024.**

*A: All financials submitted must reflect the Local News Organization's previous taxable year.*

**Q: Our year-end is 6/30 - can we submit our 6/30 financials?**

*A: All financials submitted must reflect the Local News Organization's previous taxable year.*

**Q: Do advertisements from political candidates that are not explicitly political in nature, e.g. a newspaper ad in a Christmas-themed special edition that simply says, "Happy Holidays from \_\_\_\_\_," count toward the total for political ads? Is it a matter of content or is it strictly a matter of the client who's paying for the ad?**

*A: The Act focuses on the source of funding from political action committees or other entities described in Section 527 of the federal Internal Revenue Code or from an organization that maintains Section 501(c)(4) or 501(c)(6) status and requires total receipts. Therefore, it is a matter of who is paying for the advertisement.*

**Q: Would a standard profit and loss statement suffice for all financials?**

*A: The Department needs to account for total cash receipts from certain advertising sources, so a standard P&L might work if you can provide any further requested backup.*

**Q: So for print publications all political advertising should be reported?**

*A: Total cash receipts should be reported for from political action committees or other entities described in Section 527 of the federal Internal Revenue Code or from an organization that maintains Section 501(c)(4) or 501(c) for either print or digital publishing.*

**Q: Does printed political advertising count as political advertising?**

*A: Yes.*

**Q: The application asks for an income statement and cash flow statement which is prepared on a consolidated basis for our company. Should we submit these statements, or do we need to create a**

**separate one for just our Illinois operations? The application asks for the organization's gross receipts, is this on a consolidated basis or just for our Illinois operations (we are assuming that this should be for just the Illinois operations)?**

*A: Both the income statement and cash flow statement submitted should be for the previous taxable year from each Local News Organization. Please include all information, not just Illinois financials.*

## **PUBLISHING STANDARDS**

**Q: We publish digitally, with a focus on investigative journalism. We employ 10 journalists full time. Last year, we published just under 40 stories on our website, along with our judicial voters' guide. Is there likely to be any flexibility on the publication restrictions?**

*A: Per the law governing the program - in the case of a digital-only entity, the Local News Organization must have published one piece about the community per week over the previous 12 months and have at least 33% of its digital audience in Illinois, averaged over a 12-month period.*

**Q: What if we don't publish frequently enough, but have won Pulitzers or other major prizes for our work in the recent past?**

*A: Per the law governing the program:*

- 1. In the case of a print publication, the Local News Organization must have published at least one print publication per month over the previous 12 months and either (i) hold a valid United States Postal Service periodical permit or (ii) have at least 25% of its content dedicated to local news;*
- 2. In the case of a digital-only entity, the Local News Organization must have published one piece about the community per week over the previous 12 months and have at least 33% of its digital audience in Illinois, averaged over a 12-month period; and*
- 3. In the case of a hybrid entity that has both print and digital outlets, the Local News Organization must meet requirements (1) or (2) listed above.*

**Q: Would think newsletters could work to help frequency, yes?**

*A: Per the law governing the program:*

- 1) In the case of a print publication, the Local News Organization must have published at least one print publication per month over the previous 12 months and either (i) hold a valid United States Postal Service periodical permit or (ii) have at least 25% of its content dedicated to local news;*
- 2) In the case of a digital-only entity, the Local News Organization must have published one piece about the community per week over the previous 12 months and have at least 33% of its digital audience in Illinois, averaged over a 12-month period; and*
- 3) In the case of a hybrid entity that has both print and digital outlets, the Local News Organization must meet requirements (1) or (2) listed above.*

**Q: Are television and/or radio broadcasting organizations eligible?**

*A: Yes. These are considered digital for this Program.*

**Q: Please confirm whether radio broadcast company with digital products would apply for both the radio and digital portion of our business or only the digital portion?**

*A: Radio broadcasting is considered digital for this program so would fall under the category option "Digital only". The radio broadcasting company would need to engage professionals to create, edit, produce, and distribute original content concerning matters of public interest through reporting activities, including conducting interviews, observing current events, or analyzing documents or other information and meet all other eligibility criteria.*

## BENEFICIAL OWNERSHIP / GOVERNANCE

**Q: Can you publish the beneficial ownership now? Or did it need to occur in 2024?**

*A: The application should be completed using the most accurate and up-to-date information available at the time of submission.*

**Q: If Joe is identified as a beneficial owner of two separate Local News Organizations applying for credits through the Program, and neither organization is independently owned or they include a private fund among their beneficial owners, does the \$250K cap apply collectively across both entities, regardless of differences in other listed owners or variations in ownership percentages?**

*A: Yes, the \$250K cap applies collectively across both entities because they share a common beneficial owner and are not independently owned or include a private fund among their ownership. The cap is enforced regardless of differences in other listed owners or variations in ownership percentages.*

## QUALIFIED JOURNALISTS

**Q: Scenario: 50% of a local news organization organized as an LLC is owned by the publisher who also creates content, takes photos, posts on social media, etc. Can that role which consumes 30 hours per week be considered a qualified journalist?**

*A: If the individual is employed for an average of at least 30 hours per week AND is responsible for gathering, developing, preparing, directing the recording of, producing, collecting, photographing, recording, writing, editing, reporting, designing, presenting, distributing, or publishing original news or information that concerns local matters of public interest – yes.*

**Q: Are sports journalists eligible?**

*A: Yes.*

**Q: The application makes a broad definition of what constitutes a "qualified journalist". Is this your read as well? Most of our staff in some way gathers or develops or prepares or collects or writes/edits/reports/designs etc., etc. on the news. Seems too broad to be practical. Maybe the read is different for larger news orgs, but our small nonprofit shop here is largely dedicated to news related activities.**

*A: A "qualified journalist" is a person who (1) is employed for an average of at least 30 hours per week; and (2) is responsible for gathering, developing, preparing, directing the recording of, producing, collecting, photographing, recording, writing, editing, reporting, designing, presenting, distributing, or publishing original news or information that concerns local matters of public interest*

## TAX CREDITS

**Q: Does the \$150K cap include a mix of the existing and new qualified journalist positions?**

*A: Yes.*

**Q: Regarding shared ownership, if two organizations have unique EINs are considered related organizations from a tax perspective but operate independently, are they subject to the \$250K cap or the \$150K per organization cap?**

*A: If the local news organization is not independently owned or lists a private fund among its beneficial ownership, no more than \$250,000 in credits may be awarded in a single calendar year to all local news organizations that share the same ownership interest.*

*"Independently owned" means (1) the local news organization is not a publicly traded entity and no more than 5% of the beneficial ownership of the local news organization is owned, directly or indirectly, by a publicly traded entity; and (2) the local news organization is not a subsidiary.*

**Q: So it's an annual credit, but claimed vs. a quarter. And if it exceeds IL tax liability what happens? Can this be sold like the film tax credit?**

*A: If the amount of credit exceeds the liability for the reporting period, the excess credit shall be refunded to the taxpayer.*

**Q: This is a refundable tax credit?**

*A: Yes.*

**Q: Do you have any insight on how the tax credit certificate can be applied? Our form 941 for instance indicates we pay about \$36k/year on Illinois payroll tax. If we get a certificate for an annual \$90k (6 employees worth), we use \$36k to offset our payroll taxes to the State, but what happens with the remaining \$54k? Is it refunded to we the news org? Or is it refunded to the State?**

*A: If the amount of the credit exceeds the liability for the reporting period, the excess credit shall be refunded to the taxpayer (Local News Organization Applicant).*

## OTHER

**Q: Lowest unit rate window definition?**

*A: "Lowest unit window" has the meaning given to that term by the Federal Communications Commission in its campaign advertising rate rules.*

**Q: If your application is rejected and an applicant subsequently appeals do they go to the "back of the line"?**

*A: Yes. However, the Department will reach out if there are any questions about the application. If it is determined the applicant is ineligible, the application would be rejected, and any appeal would be reviewed in the order it is received.*