ILLINOIS CONTRACTORS — TAX GUIDE

The Contractor's Tax Savings Checklist

Tax Opportunities Every Illinois Contractor Should Know About

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INTRODUCTION

Are You Leaving Money on the Table?

Running a contracting business means managing job costs, crews, and deadlines — tax planning often gets pushed to the bottom of the list.

But contractors have access to more tax-saving opportunities than most business owners realize, and many go unused simply because no one raised them.

This checklist walks through the tax opportunities that most commonly apply to general contractors, subcontractors, and specialty trades. Use it to see where you might be missing out — and bring it to your next conversation with your accountant.

> **QUICK START**
>
> Not sure where to begin? Start with the checklist on page 3, then dig into the sections most relevant to your business.

7	$0	30min
Tax opportunity categories covered in this guide	Cost to find out where you might be overpaying	Free consultation — no obligation

At a Glance — The Checklist

Use this table as a quick scan before diving into the detail sections. If any row applies to your situation, there's a full breakdown in the pages that follow.

OPPORTUNITY	WHAT IT DOES	WORTH CHECKING IF...
Business Structure Review	Reduces tax on pass-through income	You're an LLC, S-Corp, or partnership
Equipment Depreciation	Immediate write-off on equipment purchases	You bought trucks, tools, or equipment this year
Accounting Method Review	Aligns tax timing with your cash flow	You bill on long-term or multi-year jobs
Retainage Planning	Manages when retainage income is taxed	Clients hold back a percentage until job completion
Prevailing Wage Incentives	Additional tax benefits for certain projects	You do public works or government-funded jobs
Hiring Credits	Credits for hiring from certain groups	You've hired new employees this year
Vehicle & Home Office Deductions	Often-missed everyday deductions	You use a truck or home office for the business

THE BOTTOM LINE

Most of these opportunities don't come up automatically — they require someone to be looking for them on your behalf.

SECTION 1

Business Structure — Are You Set Up the Right Way?

Most contracting businesses are set up as LLCs, S-Corps, or partnerships — meaning profits pass through to your personal return. The right structure can mean the difference between paying tax on your full business income and qualifying for meaningful deductions on it.

These decisions aren't one-size-fits-all, but for many contractors, a structure review turns up savings that would otherwise go unnoticed.

WHAT TO CHECK

→ Are you taking full advantage of the Qualified Business Income (QBI) deduction?

→ If you're in Illinois, have you looked at a Pass-Through Entity Tax (PTET) election, which can convert otherwise non-deductible state taxes into a federal deduction?

→ Does your current structure still make sense as your revenue has grown?

KEY TAKEAWAY

A structure review isn't a one-time conversation — it should happen whenever your revenue changes significantly or tax law shifts.

SECTION 2

Equipment & Depreciation

Trucks, tools, and equipment are a major expense for most contractors — and current tax law allows for significant upfront deductions rather than spreading the cost over several years.

Timing matters here. The right purchase in the right tax year can make a meaningful difference in what you owe.

WHAT TO CHECK

→ Have you reviewed whether recent equipment purchases qualify for immediate expensing?

→ Are you timing large purchases to match years where the deduction is most valuable?

→ Is your equipment being properly categorized and tracked for depreciation purposes?

THE BOTTOM LINE

Equipment you bought this year may be fully deductible right now — but only if someone structures the purchase correctly on your return.

SECTION 3

Accounting Methods & Job Timing

Contractors don't always operate on the same tax timeline as other businesses. Multi-year jobs, retainage, and long-term contracts all affect when income and expenses actually hit your tax return.

Getting this right isn't just about compliance — it can directly affect your cash flow.

WHAT TO CHECK

→ Are you using the accounting method (cash, accrual, or completed contract) that best fits your type of work?

→ Is retainage being handled in a way that reflects when you actually have access to that money?

→ Have you reviewed how job costing affects your taxable income across multiple projects?

KEY TAKEAWAY

The method you use to recognize income can legally shift thousands of dollars between tax years — and most contractors never revisit the choice.

Credits & Incentives Worth a Second Look

A few less-common credits and incentives apply specifically to construction work, and they're easy to miss if no one's looking for them.

WHAT TO CHECK

- → **Prevailing Wage Incentives:** Certain public works and government-funded projects come with added tax benefits when prevailing wage requirements are met.
- → **Hiring Credits:** If you've hired veterans or individuals from other qualifying groups, you may be eligible for federal hiring credits (the Work Opportunity Tax Credit).
- → **R&D-Adjacent Activity:** Some contractors doing design-build or innovative construction methods may qualify for research and development-related tax benefits — worth a conversation even if "R&D" doesn't sound like construction work.

A NOTE ON CHANGING LAW

Some construction-specific tax incentives change or sunset over time. It's worth checking with your accountant on what's currently available rather than relying on older guidance.

SECTION 5

The Everyday Deductions

Beyond the bigger strategic items, contractors often miss smaller, recurring deductions that add up over the course of a year. None of these will transform your tax bill on their own — but together they matter, and they're easy to leave on the table if no one's tracking them closely.

- ✓ Vehicle expenses for trucks and equipment used on the job
- ✓ Home office deductions if you manage the business from home
- ✓ Tools and small equipment purchases
- ✓ Continuing education, licensing, and certification costs

THE BOTTOM LINE

Small deductions compound. A contractor who captures every recurring deduction consistently often saves more than one who catches a big item once.

Your Next Step

Reading through a checklist is a good start — but every contracting business is different, and the value of these strategies depends on how they apply to your specific situation.

Questions Worth Asking Your Accountant

1. Is our current business structure still the right one?
2. Are we capturing every available deduction on equipment and vehicles?
3. Are we set up to handle retainage and job timing correctly on our taxes?
4. Are there credits specific to our type of work that we haven't looked into?

WORTH NOTING

If your accountant can't walk you through these questions confidently, it may be worth a second opinion.

Why Contractors Choose Ahlbeck & Cook

We Understand Construction

From job costing to retainage to multi-year contracts, we understand the accounting realities that generic accountants miss.

Local Focus

We work with contractors across Illinois and Chicago — and we know the state and local tax landscape you operate in.

A Partner, Not Just a Preparer

We don't just file your return — we help you plan ahead, spot opportunities, and keep more of what you earn.

Dirk Ahlbeck & Bruce Cook

CO-FOUNDERS & CPAS

Chicago-based CPAs with deep roots in construction and hospitality accounting. We work where you work — and we understand the tax realities that generic accountants miss.

Ahlbeck & Cook
ACCOUNTANTS AND ADVISORS

Ready to see where you might be leaving money on the table?

Schedule a complimentary 30-minute consultation — no obligation, no jargon, just a straight conversation about your business.

(847) 334-9798

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This guide provides general information and should not be considered specific tax advice. Contractors should consult with a qualified tax professional to understand how these opportunities apply to their individual situation.