

1 AMENDMENT TO SENATE BILL 1634

2 AMENDMENT NO. _____. Amend Senate Bill 1634 by replacing
3 the title with the following:

4 "AN ACT concerning taxes."; and

5 by replacing everything after the enacting clause with the
6 following:

7 "Section 5. The Illinois Income Tax Act is amended by
8 changing Sections 201, 204, and 207 as follows:

9 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

10 Sec. 201. Tax Imposed.

11 (a) In general. A tax measured by net income is hereby
12 imposed on every individual, corporation, trust and estate
13 for each taxable year ending after July 31, 1969 on the
14 privilege of earning or receiving income in or as a resident
15 of this State. Such tax shall be in addition to all other
16 occupation or privilege taxes imposed by this State or by any
17 municipal corporation or political subdivision thereof.

18 (b) Rates. The tax imposed by subsection (a) of this
19 Section shall be determined as follows, except as adjusted by
20 subsection (d-1):

21 (1) In the case of an individual, trust or estate,

1 for taxable years ending prior to July 1, 1989, an amount
2 equal to 2 1/2% of the taxpayer's net income for the
3 taxable year.

4 (2) In the case of an individual, trust or estate,
5 for taxable years beginning prior to July 1, 1989 and
6 ending after June 30, 1989, an amount equal to the sum of
7 (i) 2 1/2% of the taxpayer's net income for the period
8 prior to July 1, 1989, as calculated under Section 202.3,
9 and (ii) 3% of the taxpayer's net income for the period
10 after June 30, 1989, as calculated under Section 202.3.

11 (3) In the case of an individual, trust or estate,
12 for taxable years beginning after June 30, 1989, an
13 amount equal to 3% of the taxpayer's net income for the
14 taxable year.

15 (4) (Blank).

16 (5) (Blank).

17 (6) In the case of a corporation, for taxable years
18 ending prior to July 1, 1989, an amount equal to 4% of
19 the taxpayer's net income for the taxable year.

20 (7) In the case of a corporation, for taxable years
21 beginning prior to July 1, 1989 and ending after June 30,
22 1989, an amount equal to the sum of (i) 4% of the
23 taxpayer's net income for the period prior to July 1,
24 1989, as calculated under Section 202.3, and (ii) 4.8% of
25 the taxpayer's net income for the period after June 30,
26 1989, as calculated under Section 202.3.

27 (8) In the case of a corporation, for taxable years
28 beginning after June 30, 1989, an amount equal to 4.8% of
29 the taxpayer's net income for the taxable year.

30 (c) Personal Property Tax Replacement Income Tax.
31 Beginning on July 1, 1979 and thereafter, in addition to such
32 income tax, there is also hereby imposed the Personal
33 Property Tax Replacement Income Tax measured by net income on
34 every corporation (including Subchapter S corporations),

1 partnership and trust, for each taxable year ending after
2 June 30, 1979. Such taxes are imposed on the privilege of
3 earning or receiving income in or as a resident of this
4 State. The Personal Property Tax Replacement Income Tax
5 shall be in addition to the income tax imposed by subsections
6 (a) and (b) of this Section and in addition to all other
7 occupation or privilege taxes imposed by this State or by any
8 municipal corporation or political subdivision thereof.

9 (d) Additional Personal Property Tax Replacement Income
10 Tax Rates. The personal property tax replacement income tax
11 imposed by this subsection and subsection (c) of this Section
12 in the case of a corporation, other than a Subchapter S
13 corporation and except as adjusted by subsection (d-1), shall
14 be an additional amount equal to 2.85% of such taxpayer's net
15 income for the taxable year, except that beginning on January
16 1, 1981, and thereafter, the rate of 2.85% specified in this
17 subsection shall be reduced to 2.5%, and in the case of a
18 partnership, trust or a Subchapter S corporation shall be an
19 additional amount equal to 1.5% of such taxpayer's net income
20 for the taxable year.

21 (d-1) Rate reduction for certain foreign insurers. In
22 the case of a foreign insurer, as defined by Section 35A-5 of
23 the Illinois Insurance Code, whose state or country of
24 domicile imposes on insurers domiciled in Illinois a
25 retaliatory tax (excluding any insurer whose premiums from
26 reinsurance assumed are 50% or more of its total insurance
27 premiums as determined under paragraph (2) of subsection (b)
28 of Section 304, except that for purposes of this
29 determination premiums from reinsurance do not include
30 premiums from inter-affiliate reinsurance arrangements),
31 beginning with taxable years ending on or after December 31,
32 1999, the sum of the rates of tax imposed by subsections (b)
33 and (d) shall be reduced (but not increased) to the rate at
34 which the total amount of tax imposed under this Act, net of

1 all credits allowed under this Act, shall equal (i) the total
2 amount of tax that would be imposed on the foreign insurer's
3 net income allocable to Illinois for the taxable year by such
4 foreign insurer's state or country of domicile if that net
5 income were subject to all income taxes and taxes measured by
6 net income imposed by such foreign insurer's state or country
7 of domicile, net of all credits allowed or (ii) a rate of
8 zero if no such tax is imposed on such income by the foreign
9 insurer's state of domicile. For the purposes of this
10 subsection (d-1), an inter-affiliate includes a mutual
11 insurer under common management.

12 (1) For the purposes of subsection (d-1), in no
13 event shall the sum of the rates of tax imposed by
14 subsections (b) and (d) be reduced below the rate at
15 which the sum of:

16 (A) the total amount of tax imposed on such
17 foreign insurer under this Act for a taxable year,
18 net of all credits allowed under this Act, plus

19 (B) the privilege tax imposed by Section 409
20 of the Illinois Insurance Code, the fire insurance
21 company tax imposed by Section 12 of the Fire
22 Investigation Act, and the fire department taxes
23 imposed under Section 11-10-1 of the Illinois
24 Municipal Code,

25 equals 1.25% for taxable years ending prior to December
26 31, 2003, or 1.75% for taxable years ending on or after
27 December 31, 2003, of the net taxable premiums written
28 for the taxable year, as described by subsection (1) of
29 Section 409 of the Illinois Insurance Code. This
30 paragraph will in no event increase the rates imposed
31 under subsections (b) and (d).

32 (2) Any reduction in the rates of tax imposed by
33 this subsection shall be applied first against the rates
34 imposed by subsection (b) and only after the tax imposed

1 by subsection (a) net of all credits allowed under this
2 Section other than the credit allowed under subsection
3 (i) has been reduced to zero, against the rates imposed
4 by subsection (d).

5 This subsection (d-1) is exempt from the provisions of
6 Section 250.

7 (e) Investment credit. A taxpayer shall be allowed a
8 credit against the Personal Property Tax Replacement Income
9 Tax for investment in qualified property.

10 (1) A taxpayer shall be allowed a credit equal to
11 .5% of the basis of qualified property placed in service
12 during the taxable year, provided such property is placed
13 in service on or after July 1, 1984. There shall be
14 allowed an additional credit equal to .5% of the basis of
15 qualified property placed in service during the taxable
16 year, provided such property is placed in service on or
17 after July 1, 1986, and the taxpayer's base employment
18 within Illinois has increased by 1% or more over the
19 preceding year as determined by the taxpayer's employment
20 records filed with the Illinois Department of Employment
21 Security. Taxpayers who are new to Illinois shall be
22 deemed to have met the 1% growth in base employment for
23 the first year in which they file employment records with
24 the Illinois Department of Employment Security. The
25 provisions added to this Section by Public Act 85-1200
26 (and restored by Public Act 87-895) shall be construed as
27 declaratory of existing law and not as a new enactment.
28 If, in any year, the increase in base employment within
29 Illinois over the preceding year is less than 1%, the
30 additional credit shall be limited to that percentage
31 times a fraction, the numerator of which is .5% and the
32 denominator of which is 1%, but shall not exceed .5%.
33 The investment credit shall not be allowed to the extent
34 that it would reduce a taxpayer's liability in any tax

1 year below zero, nor may any credit for qualified
2 property be allowed for any year other than the year in
3 which the property was placed in service in Illinois. For
4 tax years ending on or after December 31, 1987, and on or
5 before December 31, 1988, the credit shall be allowed for
6 the tax year in which the property is placed in service,
7 or, if the amount of the credit exceeds the tax liability
8 for that year, whether it exceeds the original liability
9 or the liability as later amended, such excess may be
10 carried forward and applied to the tax liability of the 5
11 taxable years following the excess credit years if the
12 taxpayer (i) makes investments which cause the creation
13 of a minimum of 2,000 full-time equivalent jobs in
14 Illinois, (ii) is located in an enterprise zone
15 established pursuant to the Illinois Enterprise Zone Act
16 and (iii) is certified by the Department of Commerce and
17 Community Affairs as complying with the requirements
18 specified in clause (i) and (ii) by July 1, 1986. The
19 Department of Commerce and Community Affairs shall notify
20 the Department of Revenue of all such certifications
21 immediately. For tax years ending after December 31,
22 1988, the credit shall be allowed for the tax year in
23 which the property is placed in service, or, if the
24 amount of the credit exceeds the tax liability for that
25 year, whether it exceeds the original liability or the
26 liability as later amended, such excess may be carried
27 forward and applied to the tax liability of the 5 taxable
28 years following the excess credit years. The credit shall
29 be applied to the earliest year for which there is a
30 liability. If there is credit from more than one tax year
31 that is available to offset a liability, earlier credit
32 shall be applied first.

33 (2) The term "qualified property" means property
34 which:

1 (A) is tangible, whether new or used,
2 including buildings and structural components of
3 buildings and signs that are real property, but not
4 including land or improvements to real property that
5 are not a structural component of a building such as
6 landscaping, sewer lines, local access roads,
7 fencing, parking lots, and other appurtenances;

8 (B) is depreciable pursuant to Section 167 of
9 the Internal Revenue Code, except that "3-year
10 property" as defined in Section 168(c)(2)(A) of that
11 Code is not eligible for the credit provided by this
12 subsection (e);

13 (C) is acquired by purchase as defined in
14 Section 179(d) of the Internal Revenue Code;

15 (D) is used in Illinois by a taxpayer who is
16 primarily engaged in manufacturing, or in mining
17 coal or fluorite, or in retailing; and

18 (E) has not previously been used in Illinois
19 in such a manner and by such a person as would
20 qualify for the credit provided by this subsection
21 (e) or subsection (f).

22 (3) For purposes of this subsection (e),
23 "manufacturing" means the material staging and production
24 of tangible personal property by procedures commonly
25 regarded as manufacturing, processing, fabrication, or
26 assembling which changes some existing material into new
27 shapes, new qualities, or new combinations. For purposes
28 of this subsection (e) the term "mining" shall have the
29 same meaning as the term "mining" in Section 613(c) of
30 the Internal Revenue Code. For purposes of this
31 subsection (e), the term "retailing" means the sale of
32 tangible personal property or services rendered in
33 conjunction with the sale of tangible consumer goods or
34 commodities.

1 (4) The basis of qualified property shall be the
2 basis used to compute the depreciation deduction for
3 federal income tax purposes.

4 (5) If the basis of the property for federal income
5 tax depreciation purposes is increased after it has been
6 placed in service in Illinois by the taxpayer, the amount
7 of such increase shall be deemed property placed in
8 service on the date of such increase in basis.

9 (6) The term "placed in service" shall have the
10 same meaning as under Section 46 of the Internal Revenue
11 Code.

12 (7) If during any taxable year, any property ceases
13 to be qualified property in the hands of the taxpayer
14 within 48 months after being placed in service, or the
15 situs of any qualified property is moved outside Illinois
16 within 48 months after being placed in service, the
17 Personal Property Tax Replacement Income Tax for such
18 taxable year shall be increased. Such increase shall be
19 determined by (i) recomputing the investment credit which
20 would have been allowed for the year in which credit for
21 such property was originally allowed by eliminating such
22 property from such computation and, (ii) subtracting such
23 recomputed credit from the amount of credit previously
24 allowed. For the purposes of this paragraph (7), a
25 reduction of the basis of qualified property resulting
26 from a redetermination of the purchase price shall be
27 deemed a disposition of qualified property to the extent
28 of such reduction.

29 (8) Unless the investment credit is extended by
30 law, the basis of qualified property shall not include
31 costs incurred after December 31, 2003, except for costs
32 incurred pursuant to a binding contract entered into on
33 or before December 31, 2003.

34 (9) Each taxable year ending before December 31,

1 2000, a partnership may elect to pass through to its
2 partners the credits to which the partnership is entitled
3 under this subsection (e) for the taxable year. A
4 partner may use the credit allocated to him or her under
5 this paragraph only against the tax imposed in
6 subsections (c) and (d) of this Section. If the
7 partnership makes that election, those credits shall be
8 allocated among the partners in the partnership in
9 accordance with the rules set forth in Section 704(b) of
10 the Internal Revenue Code, and the rules promulgated
11 under that Section, and the allocated amount of the
12 credits shall be allowed to the partners for that taxable
13 year. The partnership shall make this election on its
14 Personal Property Tax Replacement Income Tax return for
15 that taxable year. The election to pass through the
16 credits shall be irrevocable.

17 For taxable years ending on or after December 31,
18 2000, a partner that qualifies its partnership for a
19 subtraction under subparagraph (I) of paragraph (2) of
20 subsection (d) of Section 203 or a shareholder that
21 qualifies a Subchapter S corporation for a subtraction
22 under subparagraph (S) of paragraph (2) of subsection (b)
23 of Section 203 shall be allowed a credit under this
24 subsection (e) equal to its share of the credit earned
25 under this subsection (e) during the taxable year by the
26 partnership or Subchapter S corporation, determined in
27 accordance with the determination of income and
28 distributive share of income under Sections 702 and 704
29 and Subchapter S of the Internal Revenue Code. This
30 paragraph is exempt from the provisions of Section 250.

31 (f) Investment credit; Enterprise Zone.

32 (1) A taxpayer shall be allowed a credit against
33 the tax imposed by subsections (a) and (b) of this
34 Section for investment in qualified property which is

1 placed in service in an Enterprise Zone created pursuant
2 to the Illinois Enterprise Zone Act. For partners,
3 shareholders of Subchapter S corporations, and owners of
4 limited liability companies, if the liability company is
5 treated as a partnership for purposes of federal and
6 State income taxation, there shall be allowed a credit
7 under this subsection (f) to be determined in accordance
8 with the determination of income and distributive share
9 of income under Sections 702 and 704 and Subchapter S of
10 the Internal Revenue Code. The credit shall be .5% of
11 the basis for such property. The credit shall be
12 available only in the taxable year in which the property
13 is placed in service in the Enterprise Zone and shall not
14 be allowed to the extent that it would reduce a
15 taxpayer's liability for the tax imposed by subsections
16 (a) and (b) of this Section to below zero. For tax years
17 ending on or after December 31, 1985, the credit shall be
18 allowed for the tax year in which the property is placed
19 in service, or, if the amount of the credit exceeds the
20 tax liability for that year, whether it exceeds the
21 original liability or the liability as later amended,
22 such excess may be carried forward and applied to the tax
23 liability of the 5 taxable years following the excess
24 credit year. The credit shall be applied to the earliest
25 year for which there is a liability. If there is credit
26 from more than one tax year that is available to offset a
27 liability, the credit accruing first in time shall be
28 applied first.

29 (2) The term qualified property means property
30 which:

31 (A) is tangible, whether new or used,
32 including buildings and structural components of
33 buildings;

34 (B) is depreciable pursuant to Section 167 of

1 the Internal Revenue Code, except that "3-year
2 property" as defined in Section 168(c)(2)(A) of that
3 Code is not eligible for the credit provided by this
4 subsection (f);

5 (C) is acquired by purchase as defined in
6 Section 179(d) of the Internal Revenue Code;

7 (D) is used in the Enterprise Zone by the
8 taxpayer; and

9 (E) has not been previously used in Illinois
10 in such a manner and by such a person as would
11 qualify for the credit provided by this subsection
12 (f) or subsection (e).

13 (3) The basis of qualified property shall be the
14 basis used to compute the depreciation deduction for
15 federal income tax purposes.

16 (4) If the basis of the property for federal income
17 tax depreciation purposes is increased after it has been
18 placed in service in the Enterprise Zone by the taxpayer,
19 the amount of such increase shall be deemed property
20 placed in service on the date of such increase in basis.

21 (5) The term "placed in service" shall have the
22 same meaning as under Section 46 of the Internal Revenue
23 Code.

24 (6) If during any taxable year, any property ceases
25 to be qualified property in the hands of the taxpayer
26 within 48 months after being placed in service, or the
27 situs of any qualified property is moved outside the
28 Enterprise Zone within 48 months after being placed in
29 service, the tax imposed under subsections (a) and (b) of
30 this Section for such taxable year shall be increased.
31 Such increase shall be determined by (i) recomputing the
32 investment credit which would have been allowed for the
33 year in which credit for such property was originally
34 allowed by eliminating such property from such

1 computation, and (ii) subtracting such recomputed credit
2 from the amount of credit previously allowed. For the
3 purposes of this paragraph (6), a reduction of the basis
4 of qualified property resulting from a redetermination of
5 the purchase price shall be deemed a disposition of
6 qualified property to the extent of such reduction.

7 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade
8 Zone or Sub-Zone.

9 (1) A taxpayer conducting a trade or business in an
10 enterprise zone or a High Impact Business designated by
11 the Department of Commerce and Community Affairs
12 conducting a trade or business in a federally designated
13 Foreign Trade Zone or Sub-Zone shall be allowed a credit
14 against the tax imposed by subsections (a) and (b) of
15 this Section in the amount of \$500 per eligible employee
16 hired to work in the zone during the taxable year.

17 (2) To qualify for the credit:

18 (A) the taxpayer must hire 5 or more eligible
19 employees to work in an enterprise zone or federally
20 designated Foreign Trade Zone or Sub-Zone during the
21 taxable year;

22 (B) the taxpayer's total employment within the
23 enterprise zone or federally designated Foreign
24 Trade Zone or Sub-Zone must increase by 5 or more
25 full-time employees beyond the total employed in
26 that zone at the end of the previous tax year for
27 which a jobs tax credit under this Section was
28 taken, or beyond the total employed by the taxpayer
29 as of December 31, 1985, whichever is later; and

30 (C) the eligible employees must be employed
31 180 consecutive days in order to be deemed hired for
32 purposes of this subsection.

33 (3) An "eligible employee" means an employee who
34 is:

1 (A) Certified by the Department of Commerce
2 and Community Affairs as "eligible for services"
3 pursuant to regulations promulgated in accordance
4 with Title II of the Job Training Partnership Act,
5 Training Services for the Disadvantaged or Title III
6 of the Job Training Partnership Act, Employment and
7 Training Assistance for Dislocated Workers Program.

8 (B) Hired after the enterprise zone or
9 federally designated Foreign Trade Zone or Sub-Zone
10 was designated or the trade or business was located
11 in that zone, whichever is later.

12 (C) Employed in the enterprise zone or Foreign
13 Trade Zone or Sub-Zone. An employee is employed in
14 an enterprise zone or federally designated Foreign
15 Trade Zone or Sub-Zone if his services are rendered
16 there or it is the base of operations for the
17 services performed.

18 (D) A full-time employee working 30 or more
19 hours per week.

20 (4) For tax years ending on or after December 31,
21 1985 and prior to December 31, 1988, the credit shall be
22 allowed for the tax year in which the eligible employees
23 are hired. For tax years ending on or after December 31,
24 1988, the credit shall be allowed for the tax year
25 immediately following the tax year in which the eligible
26 employees are hired. If the amount of the credit exceeds
27 the tax liability for that year, whether it exceeds the
28 original liability or the liability as later amended,
29 such excess may be carried forward and applied to the tax
30 liability of the 5 taxable years following the excess
31 credit year. The credit shall be applied to the earliest
32 year for which there is a liability. If there is credit
33 from more than one tax year that is available to offset a
34 liability, earlier credit shall be applied first.

1 (5) The Department of Revenue shall promulgate such
2 rules and regulations as may be deemed necessary to carry
3 out the purposes of this subsection (g).

4 (6) The credit shall be available for eligible
5 employees hired on or after January 1, 1986.

6 (h) Investment credit; High Impact Business.

7 (1) Subject to subsections (b) and (b-5) of Section
8 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
9 be allowed a credit against the tax imposed by
10 subsections (a) and (b) of this Section for investment in
11 qualified property which is placed in service by a
12 Department of Commerce and Community Affairs designated
13 High Impact Business. The credit shall be .5% of the
14 basis for such property. The credit shall not be
15 available (i) until the minimum investments in qualified
16 property set forth in subdivision (a)(3)(A) of Section
17 5.5 of the Illinois Enterprise Zone Act have been
18 satisfied or (ii) until the time authorized in subsection
19 (b-5) of the Illinois Enterprise Zone Act for entities
20 designated as High Impact Businesses under subdivisions
21 (a)(3)(B), (a)(3)(C), and (a)(3)(D) of Section 5.5 of the
22 Illinois Enterprise Zone Act, and shall not be allowed to
23 the extent that it would reduce a taxpayer's liability
24 for the tax imposed by subsections (a) and (b) of this
25 Section to below zero. The credit applicable to such
26 investments shall be taken in the taxable year in which
27 such investments have been completed. The credit for
28 additional investments beyond the minimum investment by a
29 designated high impact business authorized under
30 subdivision (a)(3)(A) of Section 5.5 of the Illinois
31 Enterprise Zone Act shall be available only in the
32 taxable year in which the property is placed in service
33 and shall not be allowed to the extent that it would
34 reduce a taxpayer's liability for the tax imposed by

1 subsections (a) and (b) of this Section to below zero.
2 For tax years ending on or after December 31, 1987, the
3 credit shall be allowed for the tax year in which the
4 property is placed in service, or, if the amount of the
5 credit exceeds the tax liability for that year, whether
6 it exceeds the original liability or the liability as
7 later amended, such excess may be carried forward and
8 applied to the tax liability of the 5 taxable years
9 following the excess credit year. The credit shall be
10 applied to the earliest year for which there is a
11 liability. If there is credit from more than one tax
12 year that is available to offset a liability, the credit
13 accruing first in time shall be applied first.

14 Changes made in this subdivision (h)(1) by Public
15 Act 88-670 restore changes made by Public Act 85-1182 and
16 reflect existing law.

17 (2) The term qualified property means property
18 which:

19 (A) is tangible, whether new or used,
20 including buildings and structural components of
21 buildings;

22 (B) is depreciable pursuant to Section 167 of
23 the Internal Revenue Code, except that "3-year
24 property" as defined in Section 168(c)(2)(A) of that
25 Code is not eligible for the credit provided by this
26 subsection (h);

27 (C) is acquired by purchase as defined in
28 Section 179(d) of the Internal Revenue Code; and

29 (D) is not eligible for the Enterprise Zone
30 Investment Credit provided by subsection (f) of this
31 Section.

32 (3) The basis of qualified property shall be the
33 basis used to compute the depreciation deduction for
34 federal income tax purposes.

1 (4) If the basis of the property for federal income
2 tax depreciation purposes is increased after it has been
3 placed in service in a federally designated Foreign Trade
4 Zone or Sub-Zone located in Illinois by the taxpayer, the
5 amount of such increase shall be deemed property placed
6 in service on the date of such increase in basis.

7 (5) The term "placed in service" shall have the
8 same meaning as under Section 46 of the Internal Revenue
9 Code.

10 (6) If during any taxable year ending on or before
11 December 31, 1996, any property ceases to be qualified
12 property in the hands of the taxpayer within 48 months
13 after being placed in service, or the situs of any
14 qualified property is moved outside Illinois within 48
15 months after being placed in service, the tax imposed
16 under subsections (a) and (b) of this Section for such
17 taxable year shall be increased. Such increase shall be
18 determined by (i) recomputing the investment credit which
19 would have been allowed for the year in which credit for
20 such property was originally allowed by eliminating such
21 property from such computation, and (ii) subtracting such
22 recomputed credit from the amount of credit previously
23 allowed. For the purposes of this paragraph (6), a
24 reduction of the basis of qualified property resulting
25 from a redetermination of the purchase price shall be
26 deemed a disposition of qualified property to the extent
27 of such reduction.

28 (7) Beginning with tax years ending after December
29 31, 1996, if a taxpayer qualifies for the credit under
30 this subsection (h) and thereby is granted a tax
31 abatement and the taxpayer relocates its entire facility
32 in violation of the explicit terms and length of the
33 contract under Section 18-183 of the Property Tax Code,
34 the tax imposed under subsections (a) and (b) of this

1 Section shall be increased for the taxable year in which
2 the taxpayer relocated its facility by an amount equal to
3 the amount of credit received by the taxpayer under this
4 subsection (h).

5 (i) Credit for Personal Property Tax Replacement Income
6 Tax. For tax years ending prior to December 31, 2003, a
7 credit shall be allowed against the tax imposed by
8 subsections (a) and (b) of this Section for the tax imposed
9 by subsections (c) and (d) of this Section. This credit
10 shall be computed by multiplying the tax imposed by
11 subsections (c) and (d) of this Section by a fraction, the
12 numerator of which is base income allocable to Illinois and
13 the denominator of which is Illinois base income, and further
14 multiplying the product by the tax rate imposed by
15 subsections (a) and (b) of this Section.

16 Any credit earned on or after December 31, 1986 under
17 this subsection which is unused in the year the credit is
18 computed because it exceeds the tax liability imposed by
19 subsections (a) and (b) for that year (whether it exceeds the
20 original liability or the liability as later amended) may be
21 carried forward and applied to the tax liability imposed by
22 subsections (a) and (b) of the 5 taxable years following the
23 excess credit year, provided that no credit may be carried
24 forward to any year ending on or after December 31, 2003.

25 This credit shall be applied first to the earliest year for
26 which there is a liability. If there is a credit under this
27 subsection from more than one tax year that is available to
28 offset a liability the earliest credit arising under this
29 subsection shall be applied first.

30 If, during any taxable year ending on or after December
31 31, 1986, the tax imposed by subsections (c) and (d) of this
32 Section for which a taxpayer has claimed a credit under this
33 subsection (i) is reduced, the amount of credit for such tax
34 shall also be reduced. Such reduction shall be determined by

1 recomputing the credit to take into account the reduced tax
2 imposed by subsections (c) and (d). If any portion of the
3 reduced amount of credit has been carried to a different
4 taxable year, an amended return shall be filed for such
5 taxable year to reduce the amount of credit claimed.

6 (j) Training expense credit. Beginning with tax years
7 ending on or after December 31, 1986 and prior to December
8 31, 2003, a taxpayer shall be allowed a credit against the
9 tax imposed by subsections (a) and (b) under this Section for
10 all amounts paid or accrued, on behalf of all persons
11 employed by the taxpayer in Illinois or Illinois residents
12 employed outside of Illinois by a taxpayer, for educational
13 or vocational training in semi-technical or technical fields
14 or semi-skilled or skilled fields, which were deducted from
15 gross income in the computation of taxable income. The
16 credit against the tax imposed by subsections (a) and (b)
17 shall be 1.6% of such training expenses. For partners,
18 shareholders of subchapter S corporations, and owners of
19 limited liability companies, if the liability company is
20 treated as a partnership for purposes of federal and State
21 income taxation, there shall be allowed a credit under this
22 subsection (j) to be determined in accordance with the
23 determination of income and distributive share of income
24 under Sections 702 and 704 and subchapter S of the Internal
25 Revenue Code.

26 Any credit allowed under this subsection which is unused
27 in the year the credit is earned may be carried forward to
28 each of the 5 taxable years following the year for which the
29 credit is first computed until it is used. This credit shall
30 be applied first to the earliest year for which there is a
31 liability. If there is a credit under this subsection from
32 more than one tax year that is available to offset a
33 liability the earliest credit arising under this subsection
34 shall be applied first. No carryforward credit may be

1 claimed in any tax year ending on or after December 31, 2003.

2 (k) Research and development credit.

3 For Beginning-with tax years ending after July 1, 1990
4 and prior to December 31, 2003, a taxpayer shall be allowed a
5 credit against the tax imposed by subsections (a) and (b) of
6 this Section for increasing research activities in this
7 State. The credit allowed against the tax imposed by
8 subsections (a) and (b) shall be equal to 6 1/2% of the
9 qualifying expenditures for increasing research activities in
10 this State. For partners, shareholders of subchapter S
11 corporations, and owners of limited liability companies, if
12 the liability company is treated as a partnership for
13 purposes of federal and State income taxation, there shall be
14 allowed a credit under this subsection to be determined in
15 accordance with the determination of income and distributive
16 share of income under Sections 702 and 704 and subchapter S
17 of the Internal Revenue Code.

18 For purposes of this subsection, "qualifying
19 expenditures" means the qualifying expenditures as defined
20 for the federal credit for increasing research activities
21 which would be allowable under Section 41 of the Internal
22 Revenue Code and which are conducted in this State,
23 "qualifying expenditures for increasing research activities
24 in this State" means the excess of qualifying expenditures
25 for the taxable year in which incurred over qualifying
26 expenditures for the base period, "qualifying expenditures
27 for the base period" means the average of the qualifying
28 expenditures for each year in the base period, and "base
29 period" means the 3 taxable years immediately preceding the
30 taxable year for which the determination is being made.

31 Any credit in excess of the tax liability for the taxable
32 year may be carried forward. A taxpayer may elect to have the
33 unused credit shown on its final completed return carried
34 over as a credit against the tax liability for the following

1 5 taxable years or until it has been fully used, whichever
 2 occurs first; provided that no credit may be carried forward
 3 to any year ending on or after December 31, 2003.

4 If an unused credit is carried forward to a given year
 5 from 2 or more earlier years, that credit arising in the
 6 earliest year will be applied first against the tax liability
 7 for the given year. If a tax liability for the given year
 8 still remains, the credit from the next earliest year will
 9 then be applied, and so on, until all credits have been used
 10 or no tax liability for the given year remains. Any
 11 remaining unused credit or credits then will be carried
 12 forward to the next following year in which a tax liability
 13 is incurred, except that no credit can be carried forward to
 14 a year which is more than 5 years after the year in which the
 15 expense for which the credit is given was incurred.

16 ~~Unless--extended--by--law,--the--credit--shall--not--include~~
 17 ~~costs--incurred--after--December--31,--2004,--except--for--costs~~
 18 ~~incurred--pursuant--to--a--binding--contract--entered--into--on--or~~
 19 ~~before--December--31,--2004.~~

20 No inference shall be drawn from this amendatory Act of
 21 the 91st General Assembly in construing this Section for
 22 taxable years beginning before January 1, 1999.

23 (1) Environmental Remediation Tax Credit.

24 (i) For tax years ending after December 31, 1997
 25 and on or before December 31, 2001, a taxpayer shall be
 26 allowed a credit against the tax imposed by subsections
 27 (a) and (b) of this Section for certain amounts paid for
 28 unreimbursed eligible remediation costs, as specified in
 29 this subsection. For purposes of this Section,
 30 "unreimbursed eligible remediation costs" means costs
 31 approved by the Illinois Environmental Protection Agency
 32 ("Agency") under Section 58.14 of the Environmental
 33 Protection Act that were paid in performing environmental
 34 remediation at a site for which a No Further Remediation

1 Letter was issued by the Agency and recorded under
2 Section 58.10 of the Environmental Protection Act. The
3 credit must be claimed for the taxable year in which
4 Agency approval of the eligible remediation costs is
5 granted. The credit is not available to any taxpayer if
6 the taxpayer or any related party caused or contributed
7 to, in any material respect, a release of regulated
8 substances on, in, or under the site that was identified
9 and addressed by the remedial action pursuant to the Site
10 Remediation Program of the Environmental Protection Act.
11 After the Pollution Control Board rules are adopted
12 pursuant to the Illinois Administrative Procedure Act for
13 the administration and enforcement of Section 58.9 of the
14 Environmental Protection Act, determinations as to credit
15 availability for purposes of this Section shall be made
16 consistent with those rules. For purposes of this
17 Section, "taxpayer" includes a person whose tax
18 attributes the taxpayer has succeeded to under Section
19 381 of the Internal Revenue Code and "related party"
20 includes the persons disallowed a deduction for losses by
21 paragraphs (b), (c), and (f)(1) of Section 267 of the
22 Internal Revenue Code by virtue of being a related
23 taxpayer, as well as any of its partners. The credit
24 allowed against the tax imposed by subsections (a) and
25 (b) shall be equal to 25% of the unreimbursed eligible
26 remediation costs in excess of \$100,000 per site, except
27 that the \$100,000 threshold shall not apply to any site
28 contained in an enterprise zone as determined by the
29 Department of Commerce and Community Affairs. The total
30 credit allowed shall not exceed \$40,000 per year with a
31 maximum total of \$150,000 per site. For partners and
32 shareholders of subchapter S corporations, there shall be
33 allowed a credit under this subsection to be determined
34 in accordance with the determination of income and

1 distributive share of income under Sections 702 and 704
2 and subchapter S of the Internal Revenue Code.

3 (ii) A credit allowed under this subsection that is
4 unused in the year the credit is earned may be carried
5 forward to each of the 5 taxable years following the year
6 for which the credit is first earned until it is used.
7 The term "unused credit" does not include any amounts of
8 unreimbursed eligible remediation costs in excess of the
9 maximum credit per site authorized under paragraph (i).
10 This credit shall be applied first to the earliest year
11 for which there is a liability. If there is a credit
12 under this subsection from more than one tax year that is
13 available to offset a liability, the earliest credit
14 arising under this subsection shall be applied first. A
15 credit allowed under this subsection may be sold to a
16 buyer as part of a sale of all or part of the remediation
17 site for which the credit was granted. The purchaser of
18 a remediation site and the tax credit shall succeed to
19 the unused credit and remaining carry-forward period of
20 the seller. To perfect the transfer, the assignor shall
21 record the transfer in the chain of title for the site
22 and provide written notice to the Director of the
23 Illinois Department of Revenue of the assignor's intent
24 to sell the remediation site and the amount of the tax
25 credit to be transferred as a portion of the sale. In no
26 event may a credit be transferred to any taxpayer if the
27 taxpayer or a related party would not be eligible under
28 the provisions of subsection (i).

29 (iii) For purposes of this Section, the term "site"
30 shall have the same meaning as under Section 58.2 of the
31 Environmental Protection Act.

32 (m) Education expense credit. Beginning with tax years
33 ending after December 31, 1999, a taxpayer who is the
34 custodian of one or more qualifying pupils shall be allowed a

1 credit against the tax imposed by subsections (a) and (b) of
2 this Section for qualified education expenses incurred on
3 behalf of the qualifying pupils. The credit shall be equal
4 to 25% of qualified education expenses, but in no event may
5 the total credit under this subsection claimed by a family
6 that is the custodian of qualifying pupils exceed \$500. In
7 no event shall a credit under this subsection reduce the
8 taxpayer's liability under this Act to less than zero. This
9 subsection is exempt from the provisions of Section 250 of
10 this Act.

11 For purposes of this subsection:

12 "Qualifying pupils" means individuals who (i) are
13 residents of the State of Illinois, (ii) are under the age of
14 21 at the close of the school year for which a credit is
15 sought, and (iii) during the school year for which a credit
16 is sought were full-time pupils enrolled in a kindergarten
17 through twelfth grade education program at any school, as
18 defined in this subsection.

19 "Qualified education expense" means the amount incurred
20 on behalf of a qualifying pupil in excess of \$250 for
21 tuition, book fees, and lab fees at the school in which the
22 pupil is enrolled during the regular school year.

23 "School" means any public or nonpublic elementary or
24 secondary school in Illinois that is in compliance with Title
25 VI of the Civil Rights Act of 1964 and attendance at which
26 satisfies the requirements of Section 26-1 of the School
27 Code, except that nothing shall be construed to require a
28 child to attend any particular public or nonpublic school to
29 qualify for the credit under this Section.

30 "Custodian" means, with respect to qualifying pupils, an
31 Illinois resident who is a parent, the parents, a legal
32 guardian, or the legal guardians of the qualifying pupils.

33 (Source: P.A. 91-9, eff. 1-1-00; 91-357, eff. 7-29-99;
34 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860, eff.

1 6-22-00; 91-913, eff. 1-1-01; 92-12, eff. 7-1-01; 92-16, eff.
2 6-28-01; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02.)

3 (35 ILCS 5/204) (from Ch. 120, par. 2-204)

4 Sec. 204. Standard Exemption.

5 (a) Allowance of exemption. In computing net income
6 under this Act, there shall be allowed as an exemption the
7 sum of the amounts determined under subsections (b), (c) and
8 (d), multiplied by a fraction the numerator of which is the
9 amount of the taxpayer's base income allocable to this State
10 for the taxable year and the denominator of which is the
11 taxpayer's total base income for the taxable year.

12 (b) Basic amount. For the purpose of subsection (a) of
13 this Section, except as provided by subsection (a) of Section
14 205 and in this subsection, each taxpayer shall be allowed a
15 basic amount of \$1000, except that for corporations the basic
16 amount shall be zero for tax years ending on or after
17 December 31, 2003, and for individuals the basic amount shall
18 be:

19 (1) for taxable years ending on or after December
20 31, 1998 and prior to December 31, 1999, \$1,300;

21 (2) for taxable years ending on or after December
22 31, 1999 and prior to December 31, 2000, \$1,650;

23 (3) for taxable years ending on or after December
24 31, 2000, \$2,000.

25 For taxable years ending on or after December 31, 1992, a
26 taxpayer whose Illinois base income exceeds the basic amount
27 and who is claimed as a dependent on another person's tax
28 return under the Internal Revenue Code of 1986 shall not be
29 allowed any basic amount under this subsection.

30 (c) Additional amount for individuals. In the case of an
31 individual taxpayer, there shall be allowed for the purpose
32 of subsection (a), in addition to the basic amount provided
33 by subsection (b), an additional exemption equal to the basic

1 amount for each exemption in excess of one allowable to such
2 individual taxpayer for the taxable year under Section 151 of
3 the Internal Revenue Code.

4 (d) Additional exemptions for an individual taxpayer and
5 his or her spouse. In the case of an individual taxpayer and
6 his or her spouse, he or she shall each be allowed additional
7 exemptions as follows:

8 (1) Additional exemption for taxpayer or spouse 65
9 years of age or older.

10 (A) For taxpayer. An additional exemption of
11 \$1,000 for the taxpayer if he or she has attained
12 the age of 65 before the end of the taxable year.

13 (B) For spouse when a joint return is not
14 filed. An additional exemption of \$1,000 for the
15 spouse of the taxpayer if a joint return is not made
16 by the taxpayer and his spouse, and if the spouse
17 has attained the age of 65 before the end of such
18 taxable year, and, for the calendar year in which
19 the taxable year of the taxpayer begins, has no
20 gross income and is not the dependent of another
21 taxpayer.

22 (2) Additional exemption for blindness of taxpayer
23 or spouse.

24 (A) For taxpayer. An additional exemption of
25 \$1,000 for the taxpayer if he or she is blind at the
26 end of the taxable year.

27 (B) For spouse when a joint return is not
28 filed. An additional exemption of \$1,000 for the
29 spouse of the taxpayer if a separate return is made
30 by the taxpayer, and if the spouse is blind and, for
31 the calendar year in which the taxable year of the
32 taxpayer begins, has no gross income and is not the
33 dependent of another taxpayer. For purposes of this
34 paragraph, the determination of whether the spouse

1 is blind shall be made as of the end of the taxable
2 year of the taxpayer; except that if the spouse dies
3 during such taxable year such determination shall be
4 made as of the time of such death.

5 (C) Blindness defined. For purposes of this
6 subsection, an individual is blind only if his or
7 her central visual acuity does not exceed 20/200 in
8 the better eye with correcting lenses, or if his or
9 her visual acuity is greater than 20/200 but is
10 accompanied by a limitation in the fields of vision
11 such that the widest diameter of the visual fields
12 subtends an angle no greater than 20 degrees.

13 (e) Cross reference. See Article 3 for the manner of
14 determining base income allocable to this State.

15 (f) Application of Section 250. Section 250 does not
16 apply to the amendments to this Section made by Public Act
17 90-613.

18 (Source: P.A. 90-613, eff. 7-9-98; 91-357, eff. 7-29-99.)

19 (35 ILCS 5/207) (from Ch. 120, par. 2-207)

20 Sec. 207. Net Losses.

21 (a) If after applying all of the modifications provided
22 for in paragraph (2) of Section 203(b), paragraph (2) of
23 Section 203(c) and paragraph (2) of Section 203(d) and the
24 allocation and apportionment provisions of Article 3 of this
25 Act, the taxpayer's net income results in a loss;

26 (1) for any taxable year ending prior to December
27 31, 1999, such loss shall be allowed as a carryover or
28 carryback deduction in the manner allowed under Section
29 172 of the Internal Revenue Code; and

30 (2) for any taxable year ending on or after
31 December 31, 1999 and prior to December 31, 2003, such
32 loss shall be allowed as a carryback to each of the 2
33 taxable years preceding the taxable year of such loss and

1 shall be a net operating carryover to each of the 20
2 taxable years following the taxable year of such loss;
3 and

4 (3) for any taxable year ending on or after
5 December 31, 2003, such loss shall be allowed as a net
6 operating carryover to each of the 12 taxable years
7 following the taxable year of such loss.

8 (a-5) Election to relinquish carryback and order of
9 application of losses.

10 (A) For losses incurred in tax years ending
11 prior to December 31, 2003, the taxpayer may elect
12 to relinquish the entire carryback period with
13 respect to such loss. Such election shall be made
14 in the form and manner prescribed by the Department
15 and shall be made by the due date (including
16 extensions of time) for filing the taxpayer's return
17 for the taxable year in which such loss is incurred,
18 and such election, once made, shall be irrevocable.

19 (B) The entire amount of such loss shall be
20 carried to the earliest taxable year to which such
21 loss may be carried. The amount of such loss which
22 shall be carried to each of the other taxable years
23 shall be the excess, if any, of the amount of such
24 loss over the sum of the deductions for carryback or
25 carryover of such loss allowable for each of the
26 prior taxable years to which such loss may be
27 carried.

28 (b) Any loss determined under subsection (a) of this
29 Section must be carried back or carried forward in the same
30 manner for purposes of subsections (a) and (b) of Section 201
31 of this Act as for purposes of subsections (c) and (d) of
32 Section 201 of this Act.

33 (Source: P.A. 91-541, eff. 8-13-99.)

1 Section 10. The Illinois Insurance Code is amended by
2 changing Sections 445 and 531.13 as follows:

3 (215 ILCS 5/445) (from Ch. 73, par. 1057)

4 Sec. 445. Surplus line.

5 (1) Surplus line defined; surplus line insurer
6 requirements. Surplus line insurance is insurance on an
7 Illinois risk of the kinds specified in Classes 2 and 3 of
8 Section 4 of this Code procured from an unauthorized insurer
9 or a domestic surplus line insurer as defined in Section 445a
10 after the insurance producer representing the insured or the
11 surplus line producer is unable, after diligent effort, to
12 procure said insurance from insurers which are authorized to
13 transact business in this State other than domestic surplus
14 line insurers as defined in Section 445a.

15 Insurance producers may procure surplus line insurance
16 only if licensed as a surplus line producer under this
17 Section and may procure that insurance only from an
18 unauthorized insurer or from a domestic surplus line insurer
19 as defined in Section 445a:

20 (a) that based upon information available to the
21 surplus line producer has a policyholders surplus of not
22 less than \$15,000,000 determined in accordance with
23 accounting rules that are applicable to authorized
24 insurers; and

25 (b) that has standards of solvency and management
26 that are adequate for the protection of policyholders;
27 and

28 (c) where an unauthorized insurer does not meet the
29 standards set forth in (a) and (b) above, a surplus line
30 producer may, if necessary, procure insurance from that
31 insurer only if prior written warning of such fact or
32 condition is given to the insured by the insurance
33 producer or surplus line producer.

1 (2) Surplus line producer; license. Any licensed
2 producer who is a resident of this State, or any nonresident
3 who qualifies under Section 500-40, may be licensed as a
4 surplus line producer upon:

5 (a) completing a prelicensing course of study. The
6 course provided for by this Section shall be conducted
7 under rules and regulations prescribed by the Director.
8 The Director may administer the course or may make
9 arrangements, including contracting with an outside
10 educational service, for administering the course and
11 collecting the non-refundable application fee provided
12 for in this subsection. Any charges assessed by the
13 Director or the educational service for administering the
14 course shall be paid directly by the individual
15 applicants. Each applicant required to take the course
16 shall enclose with the application a non-refundable \$10
17 application fee payable to the Director plus a separate
18 course administration fee. An applicant who fails to
19 appear for the course as scheduled, or appears but fails
20 to complete the course, shall not be entitled to any
21 refund, and shall be required to submit a new request to
22 attend the course together with all the requisite fees
23 before being rescheduled for another course at a later
24 date; and

25 (b) payment of an annual license fee of \$200; and

26 (c) procurement of the surety bond required in
27 subsection (4) of this Section.

28 A surplus line producer so licensed shall keep a separate
29 account of the business transacted thereunder which shall be
30 open at all times to the inspection of the Director or his
31 representative.

32 The prelicensing course of study requirement in (a) above
33 shall not apply to insurance producers who were licensed
34 under the Illinois surplus line law on or before the

1 effective date of this amendatory Act of the 92nd General
2 Assembly.

3 (3) Taxes and reports.

4 (a) Surplus line tax and penalty for late payment.

5 A surplus line producer shall file with the Director
6 on or before February 1 and August 1 of each year a
7 report in the form prescribed by the Director on all
8 surplus line insurance procured from unauthorized
9 insurers during the preceding 6 month period ending
10 December 31 or June 30 respectively, and on the filing of
11 such report shall pay to the Director for the use and
12 benefit of the State a sum equal to 3.5% 3% of the gross
13 premiums less returned premiums upon all surplus line
14 insurance procured or cancelled during the preceding 6
15 months.

16 Any surplus line producer who fails to pay the full
17 amount due under this subsection is liable, in addition
18 to the amount due, for such penalty and interest charges
19 as are provided for under Section 412 of this Code. The
20 Director, through the Attorney General, may institute an
21 action in the name of the People of the State of
22 Illinois, in any court of competent jurisdiction, for the
23 recovery of the amount of such taxes and penalties due,
24 and prosecute the same to final judgment, and take such
25 steps as are necessary to collect the same.

26 (b) Fire Marshal Tax.

27 Each surplus line producer shall file with the
28 Director on or before March 31 of each year a report in
29 the form prescribed by the Director on all fire insurance
30 procured from unauthorized insurers subject to tax under
31 Section 12 of the Fire Investigation Act and shall pay to
32 the Director the fire marshal tax required thereunder.

33 (c) Taxes and fees charged to insured. The taxes
34 imposed under this subsection and the countersigning fees

1 charged by the Surplus Line Association of Illinois may
2 be charged to and collected from surplus line insureds.

3 (4) Bond. Each surplus line producer, as a condition to
4 receiving a surplus line producer's license, shall execute
5 and deliver to the Director a surety bond to the People of
6 the State in the penal sum of \$20,000, with a surety which is
7 authorized to transact business in this State, conditioned
8 that the surplus line producer will pay to the Director the
9 tax, interest and penalties levied under subsection (3) of
10 this Section.

11 (5) Submission of documents to Surplus Line Association
12 of Illinois. A surplus line producer shall submit every
13 insurance contract issued under his or her license to the
14 Surplus Line Association of Illinois for recording and
15 countersignature. The submission and countersignature may be
16 effected through electronic means. The submission shall set
17 forth:

- 18 (a) the name of the insured;
- 19 (b) the description and location of the insured
20 property or risk;
- 21 (c) the amount insured;
- 22 (d) the gross premiums charged or returned;
- 23 (e) the name of the unauthorized insurer or
24 domestic surplus line insurer as defined in Section 445a
25 from whom coverage has been procured;
- 26 (f) the kind or kinds of insurance procured; and
- 27 (g) amount of premium subject to tax required by
28 Section 12 of the Fire Investigation Act.

29 Proposals, endorsements, and other documents which
30 are incidental to the insurance but which do not affect
31 the premium charged are exempted from filing and
32 countersignature.

33 The submission of insuring contracts to the Surplus
34 Line Association of Illinois constitutes a certification

1 by the surplus line producer or by the insurance producer
2 who presented the risk to the surplus line producer for
3 placement as a surplus line risk that after diligent
4 effort the required insurance could not be procured from
5 insurers which are authorized to transact business in
6 this State other than domestic surplus line insurers as
7 defined in Section 445a and that such procurement was
8 otherwise in accordance with the surplus line law.

9 (6) Countersignature required. It shall be unlawful for
10 an insurance producer to deliver any unauthorized insurer
11 contract or domestic surplus line insurer contract unless
12 such insurance contract is countersigned by the Surplus Line
13 Association of Illinois.

14 (7) Inspection of records. A surplus line producer
15 shall maintain separate records of the business transacted
16 under his or her license, including complete copies of
17 surplus line insurance contracts maintained on paper or by
18 electronic means, which records shall be open at all times
19 for inspection by the Director and by the Surplus Line
20 Association of Illinois.

21 (8) Violations and penalties. The Director may suspend
22 or revoke or refuse to renew a surplus line producer license
23 for any violation of this Code. In addition to or in lieu of
24 suspension or revocation, the Director may subject a surplus
25 line producer to a civil penalty of up to \$1,000 for each
26 cause for suspension or revocation. Such penalty is
27 enforceable under subsection (5) of Section 403A of this
28 Code.

29 (9) Director may declare insurer ineligible. If the
30 Director determines that the further assumption of risks
31 might be hazardous to the policyholders of an unauthorized
32 insurer, the Director may order the Surplus Line Association
33 of Illinois not to countersign insurance contracts evidencing
34 insurance in such insurer and order surplus line producers to

1 cease procuring insurance from such insurer.

2 (10) Service of process upon Director. Insurance
3 contracts delivered under this Section from unauthorized
4 insurers shall contain a provision designating the Director
5 and his successors in office the true and lawful attorney of
6 the insurer upon whom may be served all lawful process in any
7 action, suit or proceeding arising out of such insurance.
8 Service of process made upon the Director to be valid
9 hereunder must state the name of the insured, the name of the
10 unauthorized insurer and identify the contract of insurance.
11 The Director at his option is authorized to forward a copy of
12 the process to the Surplus Line Association of Illinois for
13 delivery to the unauthorized insurer or the Director may
14 deliver the process to the unauthorized insurer by other
15 means which he considers to be reasonably prompt and certain.

16 (11) The Illinois Surplus Line law does not apply to
17 insurance of property and operations of railroads or aircraft
18 engaged in interstate or foreign commerce, insurance of
19 vessels, crafts or hulls, cargoes, marine builder's risks,
20 marine protection and indemnity, or other risks including
21 strikes and war risks insured under ocean or wet marine forms
22 of policies.

23 (12) Surplus line insurance procured under this Section,
24 including insurance procured from a domestic surplus line
25 insurer, is not subject to the provisions of the Illinois
26 Insurance Code other than Sections 123, 123.1, 401, 401.1,
27 402, 403, 403A, 408, 412, 445, 445.1, 445.2, 445.3, 445.4,
28 and all of the provisions of Article XXXI to the extent that
29 the provisions of Article XXXI are not inconsistent with the
30 terms of this Act.

31 (Source: P.A. 92-386, eff. 1-1-02.)

32 (215 ILCS 5/531.13) (from Ch. 73, par. 1065.80-13)

33 Sec. 531.13. Tax offset. In the event the aggregate

1 Class A, B and C assessments for all member insurers do not
2 exceed \$3,000,000 in any one calendar year, no member insurer
3 shall receive a tax offset. However, for any one calendar
4 year before 1998 in which the total of such assessments
5 exceeds \$3,000,000, the amount in excess of \$3,000,000 shall
6 be subject to a tax offset to the extent of 20% of the amount
7 of such assessment for each of the 5 calendar years following
8 the year in which such assessment was paid, and ending prior
9 to January 1, 2003, and each member insurer may offset the
10 proportionate amount of such excess paid by the insurer
11 against its liabilities for the tax imposed by subsections
12 (a) and (b) of Section 201 of the Illinois Income Tax Act.
13 The provisions of this Section shall expire and be given no
14 effect for any tax period commencing on and after January 1,
15 2003.

16 (Source: P.A. 90-583, eff. 5-29-98.)

17 Section 15. The Health Maintenance Organization Act is
18 amended by changing Section 6-13 as follows:

19 (215 ILCS 125/6-13) (from Ch. 111 1/2, par. 1418.13)

20 Sec. 6-13. Tax offset. In the event the aggregate Class
21 A and B assessments for all member organizations do not
22 exceed \$3,000,000 in any one calendar year, no member
23 organization shall receive a tax offset. However, in any one
24 calendar year in which the total of such assessments exceeds
25 \$3,000,000, the amount in excess of \$3,000,000 shall be
26 subject to a tax offset to the extent of 20% of the amount of
27 such assessment for each of the five calendar years following
28 the year in which such assessment was paid, and ending prior
29 to January 1, 2003, and each member organization may offset
30 the proportionate amount of such excess paid by the
31 organization against its liabilities for the tax imposed by
32 subsections (a) and (b) of Section 201 of the Illinois Income

1 Tax Act. The provisions of this Section shall expire and be
2 given no effect on and after January 1, 2004.

3 (Source: P.A. 85-20.)

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.".