



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

SB2522

Introduced 11/8/2011, by Sen. Kyle McCarter

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201	from Ch. 120, par. 2-201
35 ILCS 5/207	from Ch. 120, par. 2-207
35 ILCS 405/Act rep.	

Amends the Illinois Income Tax Act. Provides that, for individuals, trusts, and estates, (i) for taxable years beginning on or after January 1, 2015 and ending prior to January 1, 2016, the rate of tax imposed under the Act is 3.75%, (ii) for taxable years beginning on or after January 1, 2016 and ending prior to January 1, 2017, the rate of tax imposed under the Act is 3.5%, and (iii) for taxable years beginning on or after January 1, 2017, the rate of tax imposed under the Act is 3%. Provides that no tax shall be imposed under the Act on corporations for taxable years beginning on or after January 1, 2015. Restores a net loss carryforward deduction that was suspended for taxable years ending after December 31, 2010 and prior to December 31, 2014. Provides that no net loss carryover deduction shall be allowed for corporations for any taxable year ending after December 31, 2015. Repeals the Illinois Estate and Generation-Skipping Transfer Tax Act. Effective immediately.

LRB097 14129 HLH 58821 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201 and 207 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

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

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

18 (1) In the case of an individual, trust or estate, for
19 taxable years ending prior to July 1, 1989, an amount equal
20 to 2 1/2% of the taxpayer's net income for the taxable
21 year.

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2
2 1/2% of the taxpayer's net income for the period prior to
3 July 1, 1989, as calculated under Section 202.3, and (ii)
4 3% of the taxpayer's net income for the period after June
5 30, 1989, as calculated under Section 202.3.

6 (3) In the case of an individual, trust or estate, for
7 taxable years beginning after June 30, 1989, and ending
8 prior to January 1, 2011, an amount equal to 3% of the
9 taxpayer's net income for the taxable year.

10 (4) In the case of an individual, trust, or estate, for
11 taxable years beginning prior to January 1, 2011, and
12 ending after December 31, 2010, an amount equal to the sum
13 of (i) 3% of the taxpayer's net income for the period prior
14 to January 1, 2011, as calculated under Section 202.5, and
15 (ii) 5% of the taxpayer's net income for the period after
16 December 31, 2010, as calculated under Section 202.5.

17 (5) In the case of an individual, trust, or estate, for
18 taxable years beginning on or after January 1, 2011, and
19 ending prior to January 1, 2015, an amount equal to 5% of
20 the taxpayer's net income for the taxable year.

21 (5.1) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2015, and
23 ending after December 31, 2014, an amount equal to the sum
24 of (i) 5% of the taxpayer's net income for the period prior
25 to January 1, 2015, as calculated under Section 202.5, and
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section 202.5.

2 (5.2) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after January 1, 2015,
4 and ending prior to January 1, 2016 ~~January 1, 2025~~, an
5 amount equal to 3.75% of the taxpayer's net income for the
6 taxable year.

7 (5.3) In the case of an individual, trust, or estate,
8 for taxable years beginning prior to January 1, 2016
9 ~~January 1, 2025~~, and ending after December 31, 2015
10 ~~December 31, 2024~~, an amount equal to the sum of (i) 3.75%
11 of the taxpayer's net income for the period prior to
12 January 1, 2016 ~~January 1, 2025~~, as calculated under
13 Section 202.5, and (ii) 3.5% ~~3.25%~~ of the taxpayer's net
14 income for the period after December 31, 2015 ~~December 31,~~
15 ~~2024~~, as calculated under Section 202.5.

16 (5.4) In the case of an individual, trust, or estate,
17 for taxable years beginning on or after January 1, 2016,
18 and ending prior to January 1, 2017 ~~January 1, 2025~~, an
19 amount equal to 3.5% ~~3.25%~~ of the taxpayer's net income for
20 the taxable year.

21 (5.5) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2017, and
23 ending after December 31, 2016, an amount equal to the sum
24 of (i) 3.5% of the taxpayer's net income for the period
25 prior to January 1, 2017, as calculated under Section
26 202.5, and (ii) 3% of the taxpayer's net income for the

1 period after December 31, 2016, as calculated under Section
2 202.5.

3 (5.6) In the case of an individual, trust, or estate,
4 for taxable years beginning on or after January 1, 2017, 3%
5 of the taxpayer's net income for the taxable year.

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

9 (7) In the case of a corporation, for taxable years
10 beginning prior to July 1, 1989 and ending after June 30,
11 1989, an amount equal to the sum of (i) 4% of the
12 taxpayer's net income for the period prior to July 1, 1989,
13 as calculated under Section 202.3, and (ii) 4.8% of the
14 taxpayer's net income for the period after June 30, 1989,
15 as calculated under Section 202.3.

16 (8) In the case of a corporation, for taxable years
17 beginning after June 30, 1989, and ending prior to January
18 1, 2011, an amount equal to 4.8% of the taxpayer's net
19 income for the taxable year.

20 (9) In the case of a corporation, for taxable years
21 beginning prior to January 1, 2011, and ending after
22 December 31, 2010, an amount equal to the sum of (i) 4.8%
23 of the taxpayer's net income for the period prior to
24 January 1, 2011, as calculated under Section 202.5, and
25 (ii) 7% of the taxpayer's net income for the period after
26 December 31, 2010, as calculated under Section 202.5.

1 (10) In the case of a corporation, for taxable years
2 beginning on or after January 1, 2011, and ending prior to
3 January 1, 2015, an amount equal to 7% of the taxpayer's
4 net income for the taxable year.

5 (11) In the case of a corporation, for taxable years
6 beginning prior to January 1, 2015, and ending after
7 December 31, 2014, ~~an amount equal to the sum of (i) 7% of~~
8 ~~the taxpayer's net income for the period prior to January~~
9 ~~1, 2015, as calculated under Section 202.5, and (ii) 5.25%~~
10 ~~of the taxpayer's net income for the period after December~~
11 ~~31, 2014, as calculated under Section 202.5.~~

12 (12) No tax shall be imposed under this Act on
13 corporations for taxable years beginning on or after
14 January 1, 2015. ~~In the case of a corporation, for taxable~~
15 ~~years beginning on or after January 1, 2015, and ending~~
16 ~~prior to January 1, 2025, an amount equal to 5.25% of the~~
17 ~~taxpayer's net income for the taxable year.~~

18 (13) (Blank). ~~In the case of a corporation, for taxable~~
19 ~~years beginning prior to January 1, 2025, and ending after~~
20 ~~December 31, 2024, an amount equal to the sum of (i) 5.25%~~
21 ~~of the taxpayer's net income for the period prior to~~
22 ~~January 1, 2025, as calculated under Section 202.5, and~~
23 ~~(ii) 4.8% of the taxpayer's net income for the period after~~
24 ~~December 31, 2024, as calculated under Section 202.5.~~

25 (14) (Blank). ~~In the case of a corporation, for taxable~~
26 ~~years beginning on or after January 1, 2025, an amount~~

1 ~~equal to 4.8% of the taxpayer's net income for the taxable~~
2 ~~year.~~

3 The rates under this subsection (b) are subject to the
4 provisions of Section 201.5.

5 (c) Personal Property Tax Replacement Income Tax.
6 Beginning on July 1, 1979 and thereafter, in addition to such
7 income tax, there is also hereby imposed the Personal Property
8 Tax Replacement Income Tax measured by net income on every
9 corporation (including Subchapter S corporations), partnership
10 and trust, for each taxable year ending after June 30, 1979.
11 Such taxes are imposed on the privilege of earning or receiving
12 income in or as a resident of this State. The Personal Property
13 Tax Replacement Income Tax shall be in addition to the income
14 tax imposed by subsections (a) and (b) of this Section and in
15 addition to all other occupation or privilege taxes imposed by
16 this State or by any municipal corporation or political
17 subdivision thereof.

18 (d) Additional Personal Property Tax Replacement Income
19 Tax Rates. The personal property tax replacement income tax
20 imposed by this subsection and subsection (c) of this Section
21 in the case of a corporation, other than a Subchapter S
22 corporation and except as adjusted by subsection (d-1), shall
23 be an additional amount equal to 2.85% of such taxpayer's net
24 income for the taxable year, except that beginning on January
25 1, 1981, and thereafter, the rate of 2.85% specified in this
26 subsection shall be reduced to 2.5%, and in the case of a

1 partnership, trust or a Subchapter S corporation shall be an
2 additional amount equal to 1.5% of such taxpayer's net income
3 for the taxable year.

4 (d-1) Rate reduction for certain foreign insurers. In the
5 case of a foreign insurer, as defined by Section 35A-5 of the
6 Illinois Insurance Code, whose state or country of domicile
7 imposes on insurers domiciled in Illinois a retaliatory tax
8 (excluding any insurer whose premiums from reinsurance assumed
9 are 50% or more of its total insurance premiums as determined
10 under paragraph (2) of subsection (b) of Section 304, except
11 that for purposes of this determination premiums from
12 reinsurance do not include premiums from inter-affiliate
13 reinsurance arrangements), beginning with taxable years ending
14 on or after December 31, 1999, the sum of the rates of tax
15 imposed by subsections (b) and (d) shall be reduced (but not
16 increased) to the rate at which the total amount of tax imposed
17 under this Act, net of all credits allowed under this Act,
18 shall equal (i) the total amount of tax that would be imposed
19 on the foreign insurer's net income allocable to Illinois for
20 the taxable year by such foreign insurer's state or country of
21 domicile if that net income were subject to all income taxes
22 and taxes measured by net income imposed by such foreign
23 insurer's state or country of domicile, net of all credits
24 allowed or (ii) a rate of zero if no such tax is imposed on such
25 income by the foreign insurer's state of domicile. For the
26 purposes of this subsection (d-1), an inter-affiliate includes

1 a mutual insurer under common management.

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

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

8 (B) the privilege tax imposed by Section 409 of the
9 Illinois Insurance Code, the fire insurance company
10 tax imposed by Section 12 of the Fire Investigation
11 Act, and the fire department taxes imposed under
12 Section 11-10-1 of the Illinois Municipal Code,
13 equals 1.25% for taxable years ending prior to December 31,
14 2003, or 1.75% for taxable years ending on or after
15 December 31, 2003, of the net taxable premiums written for
16 the taxable year, as described by subsection (1) of Section
17 409 of the Illinois Insurance Code. This paragraph will in
18 no event increase the rates imposed under subsections (b)
19 and (d).

20 (2) Any reduction in the rates of tax imposed by this
21 subsection shall be applied first against the rates imposed
22 by subsection (b) and only after the tax imposed by
23 subsection (a) net of all credits allowed under this
24 Section other than the credit allowed under subsection (i)
25 has been reduced to zero, against the rates imposed by
26 subsection (d).

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

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

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

1 numerator of which is .5% and the denominator of which is
2 1%, but shall not exceed .5%. The investment credit shall
3 not be allowed to the extent that it would reduce a
4 taxpayer's liability in any tax year below zero, nor may
5 any credit for qualified property be allowed for any year
6 other than the year in which the property was placed in
7 service in Illinois. For tax years ending on or after
8 December 31, 1987, and on or before December 31, 1988, the
9 credit shall be allowed for the tax year in which the
10 property is placed in service, or, if the amount of the
11 credit exceeds the tax liability for that year, whether it
12 exceeds the original liability or the liability as later
13 amended, such excess may be carried forward and applied to
14 the tax liability of the 5 taxable years following the
15 excess credit years if the taxpayer (i) makes investments
16 which cause the creation of a minimum of 2,000 full-time
17 equivalent jobs in Illinois, (ii) is located in an
18 enterprise zone established pursuant to the Illinois
19 Enterprise Zone Act and (iii) is certified by the
20 Department of Commerce and Community Affairs (now
21 Department of Commerce and Economic Opportunity) as
22 complying with the requirements specified in clause (i) and
23 (ii) by July 1, 1986. The Department of Commerce and
24 Community Affairs (now Department of Commerce and Economic
25 Opportunity) shall notify the Department of Revenue of all
26 such certifications immediately. For tax years ending

1 after December 31, 1988, the credit shall be allowed for
2 the tax year in which the property is placed in service,
3 or, if the amount of the credit exceeds the tax liability
4 for that year, whether it exceeds the original liability or
5 the liability as later amended, such excess may be carried
6 forward and applied to the tax liability of the 5 taxable
7 years following the excess credit years. The credit shall
8 be applied to the earliest year for which there is a
9 liability. If there is credit from more than one tax year
10 that is available to offset a liability, earlier credit
11 shall be applied first.

12 (2) The term "qualified property" means property
13 which:

14 (A) is tangible, whether new or used, including
15 buildings and structural components of buildings and
16 signs that are real property, but not including land or
17 improvements to real property that are not a structural
18 component of a building such as landscaping, sewer
19 lines, local access roads, fencing, parking lots, and
20 other appurtenances;

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

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code;

2 (D) is used in Illinois by a taxpayer who is
3 primarily engaged in manufacturing, or in mining coal
4 or fluorite, or in retailing, or was placed in service
5 on or after July 1, 2006 in a River Edge Redevelopment
6 Zone established pursuant to the River Edge
7 Redevelopment Zone Act; and

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

12 (3) For purposes of this subsection (e),
13 "manufacturing" means the material staging and production
14 of tangible personal property by procedures commonly
15 regarded as manufacturing, processing, fabrication, or
16 assembling which changes some existing material into new
17 shapes, new qualities, or new combinations. For purposes of
18 this subsection (e) the term "mining" shall have the same
19 meaning as the term "mining" in Section 613(c) of the
20 Internal Revenue Code. For purposes of this subsection (e),
21 the term "retailing" means the sale of tangible personal
22 property for use or consumption and not for resale, or
23 services rendered in conjunction with the sale of tangible
24 personal property for use or consumption and not for
25 resale. For purposes of this subsection (e), "tangible
26 personal property" has the same meaning as when that term

1 is used in the Retailers' Occupation Tax Act, and, for
2 taxable years ending after December 31, 2008, does not
3 include the generation, transmission, or distribution of
4 electricity.

5 (4) The basis of qualified property shall be the basis
6 used to compute the depreciation deduction for federal
7 income tax purposes.

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

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

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

1 purposes of this paragraph (7), a reduction of the basis of
2 qualified property resulting from a redetermination of the
3 purchase price shall be deemed a disposition of qualified
4 property to the extent of such reduction.

5 (8) Unless the investment credit is extended by law,
6 the basis of qualified property shall not include costs
7 incurred after December 31, 2013, except for costs incurred
8 pursuant to a binding contract entered into on or before
9 December 31, 2013.

10 (9) Each taxable year ending before December 31, 2000,
11 a partnership may elect to pass through to its partners the
12 credits to which the partnership is entitled under this
13 subsection (e) for the taxable year. A partner may use the
14 credit allocated to him or her under this paragraph only
15 against the tax imposed in subsections (c) and (d) of this
16 Section. If the partnership makes that election, those
17 credits shall be allocated among the partners in the
18 partnership in accordance with the rules set forth in
19 Section 704(b) of the Internal Revenue Code, and the rules
20 promulgated under that Section, and the allocated amount of
21 the credits shall be allowed to the partners for that
22 taxable year. The partnership shall make this election on
23 its Personal Property Tax Replacement Income Tax return for
24 that taxable year. The election to pass through the credits
25 shall be irrevocable.

26 For taxable years ending on or after December 31, 2000,

1 a partner that qualifies its partnership for a subtraction
2 under subparagraph (I) of paragraph (2) of subsection (d)
3 of Section 203 or a shareholder that qualifies a Subchapter
4 S corporation for a subtraction under subparagraph (S) of
5 paragraph (2) of subsection (b) of Section 203 shall be
6 allowed a credit under this subsection (e) equal to its
7 share of the credit earned under this subsection (e) during
8 the taxable year by the partnership or Subchapter S
9 corporation, determined in accordance with the
10 determination of income and distributive share of income
11 under Sections 702 and 704 and Subchapter S of the Internal
12 Revenue Code. This paragraph is exempt from the provisions
13 of Section 250.

14 (f) Investment credit; Enterprise Zone; River Edge
15 Redevelopment Zone.

16 (1) A taxpayer shall be allowed a credit against the
17 tax imposed by subsections (a) and (b) of this Section for
18 investment in qualified property which is placed in service
19 in an Enterprise Zone created pursuant to the Illinois
20 Enterprise Zone Act or, for property placed in service on
21 or after July 1, 2006, a River Edge Redevelopment Zone
22 established pursuant to the River Edge Redevelopment Zone
23 Act. For partners, shareholders of Subchapter S
24 corporations, and owners of limited liability companies,
25 if the liability company is treated as a partnership for
26 purposes of federal and State income taxation, there shall

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

23 (2) The term qualified property means property which:

24 (A) is tangible, whether new or used, including
25 buildings and structural components of buildings;

26 (B) is depreciable pursuant to Section 167 of the

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

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

7 (D) is used in the Enterprise Zone or River Edge
8 Redevelopment Zone by the taxpayer; and

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

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

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

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

24 (6) If during any taxable year, any property ceases to
25 be qualified property in the hands of the taxpayer within
26 48 months after being placed in service, or the situs of

1 any qualified property is moved outside the Enterprise Zone
2 or River Edge Redevelopment Zone within 48 months after
3 being placed in service, the tax imposed under subsections
4 (a) and (b) of this Section for such taxable year shall be
5 increased. Such increase shall be determined by (i)
6 recomputing the investment credit which would have been
7 allowed for the year in which credit for such property was
8 originally allowed by eliminating such property from such
9 computation, and (ii) subtracting such recomputed credit
10 from the amount of credit previously allowed. For the
11 purposes of this paragraph (6), a reduction of the basis of
12 qualified property resulting from a redetermination of the
13 purchase price shall be deemed a disposition of qualified
14 property to the extent of such reduction.

15 (7) There shall be allowed an additional credit equal
16 to 0.5% of the basis of qualified property placed in
17 service during the taxable year in a River Edge
18 Redevelopment Zone, provided such property is placed in
19 service on or after July 1, 2006, and the taxpayer's base
20 employment within Illinois has increased by 1% or more over
21 the preceding year as determined by the taxpayer's
22 employment records filed with the Illinois Department of
23 Employment Security. Taxpayers who are new to Illinois
24 shall be deemed to have met the 1% growth in base
25 employment for the first year in which they file employment
26 records with the Illinois Department of Employment

1 Security. If, in any year, the increase in base employment
2 within Illinois over the preceding year is less than 1%,
3 the additional credit shall be limited to that percentage
4 times a fraction, the numerator of which is 0.5% and the
5 denominator of which is 1%, but shall not exceed 0.5%.

6 (g) Jobs Tax Credit; Enterprise Zone, River Edge
7 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

8 (1) A taxpayer conducting a trade or business in an
9 enterprise zone or a High Impact Business designated by the
10 Department of Commerce and Economic Opportunity or for
11 taxable years ending on or after December 31, 2006, in a
12 River Edge Redevelopment Zone conducting a trade or
13 business in a federally designated Foreign Trade Zone or
14 Sub-Zone shall be allowed a credit against the tax imposed
15 by subsections (a) and (b) of this Section in the amount of
16 \$500 per eligible employee hired to work in the zone during
17 the taxable year.

18 (2) To qualify for the credit:

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

23 (B) the taxpayer's total employment within the
24 enterprise zone, River Edge Redevelopment Zone, or
25 federally designated Foreign Trade Zone or Sub-Zone
26 must increase by 5 or more full-time employees beyond

1 the total employed in that zone at the end of the
2 previous tax year for which a jobs tax credit under
3 this Section was taken, or beyond the total employed by
4 the taxpayer as of December 31, 1985, whichever is
5 later; and

6 (C) the eligible employees must be employed 180
7 consecutive days in order to be deemed hired for
8 purposes of this subsection.

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

10 (A) Certified by the Department of Commerce and
11 Economic Opportunity as "eligible for services"
12 pursuant to regulations promulgated in accordance with
13 Title II of the Job Training Partnership Act, Training
14 Services for the Disadvantaged or Title III of the Job
15 Training Partnership Act, Employment and Training
16 Assistance for Dislocated Workers Program.

17 (B) Hired after the enterprise zone, River Edge
18 Redevelopment Zone, or federally designated Foreign
19 Trade Zone or Sub-Zone was designated or the trade or
20 business was located in that zone, whichever is later.

21 (C) Employed in the enterprise zone, River Edge
22 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
23 An employee is employed in an enterprise zone or
24 federally designated Foreign Trade Zone or Sub-Zone if
25 his services are rendered there or it is the base of
26 operations for the services performed.

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

3 (4) For tax years ending on or after December 31, 1985
4 and prior to December 31, 1988, the credit shall be allowed
5 for the tax year in which the eligible employees are hired.
6 For tax years ending on or after December 31, 1988, the
7 credit shall be allowed for the tax year immediately
8 following the tax year in which the eligible employees are
9 hired. If the amount of the credit exceeds the tax
10 liability for that year, whether it exceeds the original
11 liability or the liability as later amended, such excess
12 may be carried forward and applied to the tax liability of
13 the 5 taxable years following the excess credit year. The
14 credit shall be applied to the earliest year for which
15 there is a liability. If there is credit from more than one
16 tax year that is available to offset a liability, earlier
17 credit shall be applied first.

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

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

23 (h) Investment credit; High Impact Business.

24 (1) Subject to subsections (b) and (b-5) of Section 5.5
25 of the Illinois Enterprise Zone Act, a taxpayer shall be
26 allowed a credit against the tax imposed by subsections (a)

1 and (b) of this Section for investment in qualified
2 property which is placed in service by a Department of
3 Commerce and Economic Opportunity designated High Impact
4 Business. The credit shall be .5% of the basis for such
5 property. The credit shall not be available (i) until the
6 minimum investments in qualified property set forth in
7 subdivision (a)(3)(A) of Section 5.5 of the Illinois
8 Enterprise Zone Act have been satisfied or (ii) until the
9 time authorized in subsection (b-5) of the Illinois
10 Enterprise Zone Act for entities designated as High Impact
11 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
12 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
13 Act, and shall not be allowed to the extent that it would
14 reduce a taxpayer's liability for the tax imposed by
15 subsections (a) and (b) of this Section to below zero. The
16 credit applicable to such investments shall be taken in the
17 taxable year in which such investments have been completed.
18 The credit for additional investments beyond the minimum
19 investment by a designated high impact business authorized
20 under subdivision (a)(3)(A) of Section 5.5 of the Illinois
21 Enterprise Zone Act shall be available only in the taxable
22 year in which the property is placed in service and shall
23 not be allowed to the extent that it would reduce a
24 taxpayer's liability for the tax imposed by subsections (a)
25 and (b) of this Section to below zero. For tax years ending
26 on or after December 31, 1987, the credit shall be allowed

1 for the tax year in which the property is placed in
2 service, or, if the amount of the credit exceeds the tax
3 liability for that year, whether it exceeds the original
4 liability or the liability as later amended, such excess
5 may be carried forward and applied to the tax liability of
6 the 5 taxable years following the excess credit year. The
7 credit shall be applied to the earliest year for which
8 there is a liability. If there is credit from more than one
9 tax year that is available to offset a liability, the
10 credit accruing first in time shall be applied first.

11 Changes made in this subdivision (h) (1) by Public Act
12 88-670 restore changes made by Public Act 85-1182 and
13 reflect existing law.

14 (2) The term qualified property means property which:

15 (A) is tangible, whether new or used, including
16 buildings and structural components of buildings;

17 (B) is depreciable pursuant to Section 167 of the
18 Internal Revenue Code, except that "3-year property"
19 as defined in Section 168(c) (2) (A) of that Code is not
20 eligible for the credit provided by this subsection
21 (h);

22 (C) is acquired by purchase as defined in Section
23 179(d) of the Internal Revenue Code; and

24 (D) is not eligible for the Enterprise Zone
25 Investment Credit provided by subsection (f) of this
26 Section.

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

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

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

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

1 redetermination of the purchase price shall be deemed a
2 disposition of qualified property to the extent of such
3 reduction.

4 (7) Beginning with tax years ending after December 31,
5 1996, if a taxpayer qualifies for the credit under this
6 subsection (h) and thereby is granted a tax abatement and
7 the taxpayer relocates its entire facility in violation of
8 the explicit terms and length of the contract under Section
9 18-183 of the Property Tax Code, the tax imposed under
10 subsections (a) and (b) of this Section shall be increased
11 for the taxable year in which the taxpayer relocated its
12 facility by an amount equal to the amount of credit
13 received by the taxpayer under this subsection (h).

14 (i) Credit for Personal Property Tax Replacement Income
15 Tax. For tax years ending prior to December 31, 2003, a credit
16 shall be allowed against the tax imposed by subsections (a) and
17 (b) of this Section for the tax imposed by subsections (c) and
18 (d) of this Section. This credit shall be computed by
19 multiplying the tax imposed by subsections (c) and (d) of this
20 Section by a fraction, the numerator of which is base income
21 allocable to Illinois and the denominator of which is Illinois
22 base income, and further multiplying the product by the tax
23 rate imposed by subsections (a) and (b) of this Section.

24 Any credit earned on or after December 31, 1986 under this
25 subsection which is unused in the year the credit is computed
26 because it exceeds the tax liability imposed by subsections (a)

1 and (b) for that year (whether it exceeds the original
2 liability or the liability as later amended) may be carried
3 forward and applied to the tax liability imposed by subsections
4 (a) and (b) of the 5 taxable years following the excess credit
5 year, provided that no credit may be carried forward to any
6 year ending on or after December 31, 2003. This credit shall be
7 applied first to the earliest year for which there is a
8 liability. If there is a credit under this subsection from more
9 than one tax year that is available to offset a liability the
10 earliest credit arising under this subsection shall be applied
11 first.

12 If, during any taxable year ending on or after December 31,
13 1986, the tax imposed by subsections (c) and (d) of this
14 Section for which a taxpayer has claimed a credit under this
15 subsection (i) is reduced, the amount of credit for such tax
16 shall also be reduced. Such reduction shall be determined by
17 recomputing the credit to take into account the reduced tax
18 imposed by subsections (c) and (d). If any portion of the
19 reduced amount of credit has been carried to a different
20 taxable year, an amended return shall be filed for such taxable
21 year to reduce the amount of credit claimed.

22 (j) Training expense credit. Beginning with tax years
23 ending on or after December 31, 1986 and prior to December 31,
24 2003, a taxpayer shall be allowed a credit against the tax
25 imposed by subsections (a) and (b) under this Section for all
26 amounts paid or accrued, on behalf of all persons employed by

1 the taxpayer in Illinois or Illinois residents employed outside
2 of Illinois by a taxpayer, for educational or vocational
3 training in semi-technical or technical fields or semi-skilled
4 or skilled fields, which were deducted from gross income in the
5 computation of taxable income. The credit against the tax
6 imposed by subsections (a) and (b) shall be 1.6% of such
7 training expenses. For partners, shareholders of subchapter S
8 corporations, and owners of limited liability companies, if the
9 liability company is treated as a partnership for purposes of
10 federal and State income taxation, there shall be allowed a
11 credit under this subsection (j) to be determined in accordance
12 with the determination of income and distributive share of
13 income under Sections 702 and 704 and subchapter S of the
14 Internal Revenue Code.

15 Any credit allowed under this subsection which is unused in
16 the year the credit is earned may be carried forward to each of
17 the 5 taxable years following the year for which the credit is
18 first computed until it is used. This credit shall be applied
19 first to the earliest year for which there is a liability. If
20 there is a credit under this subsection from more than one tax
21 year that is available to offset a liability the earliest
22 credit arising under this subsection shall be applied first. No
23 carryforward credit may be claimed in any tax year ending on or
24 after December 31, 2003.

25 (k) Research and development credit.

26 For tax years ending after July 1, 1990 and prior to

1 December 31, 2003, and beginning again for tax years ending on
2 or after December 31, 2004, and ending prior to January 1,
3 2011, a taxpayer shall be allowed a credit against the tax
4 imposed by subsections (a) and (b) of this Section for
5 increasing research activities in this State. The credit
6 allowed against the tax imposed by subsections (a) and (b)
7 shall be equal to 6 1/2% of the qualifying expenditures for
8 increasing research activities in this State. For partners,
9 shareholders of subchapter S corporations, and owners of
10 limited liability companies, if the liability company is
11 treated as a partnership for purposes of federal and State
12 income taxation, there shall be allowed a credit under this
13 subsection to be determined in accordance with the
14 determination of income and distributive share of income under
15 Sections 702 and 704 and subchapter S of the Internal Revenue
16 Code.

17 For purposes of this subsection, "qualifying expenditures"
18 means the qualifying expenditures as defined for the federal
19 credit for increasing research activities which would be
20 allowable under Section 41 of the Internal Revenue Code and
21 which are conducted in this State, "qualifying expenditures for
22 increasing research activities in this State" means the excess
23 of qualifying expenditures for the taxable year in which
24 incurred over qualifying expenditures for the base period,
25 "qualifying expenditures for the base period" means the average
26 of the qualifying expenditures for each year in the base

1 period, and "base period" means the 3 taxable years immediately
2 preceding the taxable year for which the determination is being
3 made.

4 Any credit in excess of the tax liability for the taxable
5 year may be carried forward. A taxpayer may elect to have the
6 unused credit shown on its final completed return carried over
7 as a credit against the tax liability for the following 5
8 taxable years or until it has been fully used, whichever occurs
9 first; provided that no credit earned in a tax year ending
10 prior to December 31, 2003 may be carried forward to any year
11 ending on or after December 31, 2003, and no credit may be
12 carried forward to any taxable year ending on or after January
13 1, 2011.

14 If an unused credit is carried forward to a given year from
15 2 or more earlier years, that credit arising in the earliest
16 year will be applied first against the tax liability for the
17 given year. If a tax liability for the given year still
18 remains, the credit from the next earliest year will then be
19 applied, and so on, until all credits have been used or no tax
20 liability for the given year remains. Any remaining unused
21 credit or credits then will be carried forward to the next
22 following year in which a tax liability is incurred, except
23 that no credit can be carried forward to a year which is more
24 than 5 years after the year in which the expense for which the
25 credit is given was incurred.

26 No inference shall be drawn from this amendatory Act of the

1 91st General Assembly in construing this Section for taxable
2 years beginning before January 1, 1999.

3 (1) Environmental Remediation Tax Credit.

4 (i) For tax years ending after December 31, 1997 and on
5 or before December 31, 2001, a taxpayer shall be allowed a
6 credit against the tax imposed by subsections (a) and (b)
7 of this Section for certain amounts paid for unreimbursed
8 eligible remediation costs, as specified in this
9 subsection. For purposes of this Section, "unreimbursed
10 eligible remediation costs" means costs approved by the
11 Illinois Environmental Protection Agency ("Agency") under
12 Section 58.14 of the Environmental Protection Act that were
13 paid in performing environmental remediation at a site for
14 which a No Further Remediation Letter was issued by the
15 Agency and recorded under Section 58.10 of the
16 Environmental Protection Act. The credit must be claimed
17 for the taxable year in which Agency approval of the
18 eligible remediation costs is granted. The credit is not
19 available to any taxpayer if the taxpayer or any related
20 party caused or contributed to, in any material respect, a
21 release of regulated substances on, in, or under the site
22 that was identified and addressed by the remedial action
23 pursuant to the Site Remediation Program of the
24 Environmental Protection Act. After the Pollution Control
25 Board rules are adopted pursuant to the Illinois
26 Administrative Procedure Act for the administration and

1 enforcement of Section 58.9 of the Environmental
2 Protection Act, determinations as to credit availability
3 for purposes of this Section shall be made consistent with
4 those rules. For purposes of this Section, "taxpayer"
5 includes a person whose tax attributes the taxpayer has
6 succeeded to under Section 381 of the Internal Revenue Code
7 and "related party" includes the persons disallowed a
8 deduction for losses by paragraphs (b), (c), and (f)(1) of
9 Section 267 of the Internal Revenue Code by virtue of being
10 a related taxpayer, as well as any of its partners. The
11 credit allowed against the tax imposed by subsections (a)
12 and (b) shall be equal to 25% of the unreimbursed eligible
13 remediation costs in excess of \$100,000 per site, except
14 that the \$100,000 threshold shall not apply to any site
15 contained in an enterprise zone as determined by the
16 Department of Commerce and Community Affairs (now
17 Department of Commerce and Economic Opportunity). The
18 total credit allowed shall not exceed \$40,000 per year with
19 a maximum total of \$150,000 per site. For partners and
20 shareholders of subchapter S corporations, there shall be
21 allowed a credit under this subsection to be determined in
22 accordance with the determination of income and
23 distributive share of income under Sections 702 and 704 and
24 subchapter S of the Internal Revenue Code.

25 (ii) A credit allowed under this subsection that is
26 unused in the year the credit is earned may be carried

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

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

1 (m) Education expense credit. Beginning with tax years
2 ending after December 31, 1999, a taxpayer who is the custodian
3 of one or more qualifying pupils shall be allowed a credit
4 against the tax imposed by subsections (a) and (b) of this
5 Section for qualified education expenses incurred on behalf of
6 the qualifying pupils. The credit shall be equal to 25% of
7 qualified education expenses, but in no event may the total
8 credit under this subsection claimed by a family that is the
9 custodian of qualifying pupils exceed \$500. In no event shall a
10 credit under this subsection reduce the taxpayer's liability
11 under this Act to less than zero. This subsection is exempt
12 from the provisions of Section 250 of this Act.

13 For purposes of this subsection:

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

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

25 "School" means any public or nonpublic elementary or
26 secondary school in Illinois that is in compliance with Title

1 VI of the Civil Rights Act of 1964 and attendance at which
2 satisfies the requirements of Section 26-1 of the School Code,
3 except that nothing shall be construed to require a child to
4 attend any particular public or nonpublic school to qualify for
5 the credit under this Section.

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

9 (n) River Edge Redevelopment Zone site remediation tax
10 credit.

11 (i) For tax years ending on or after December 31, 2006,
12 a taxpayer shall be allowed a credit against the tax
13 imposed by subsections (a) and (b) of this Section for
14 certain amounts paid for unreimbursed eligible remediation
15 costs, as specified in this subsection. For purposes of
16 this Section, "unreimbursed eligible remediation costs"
17 means costs approved by the Illinois Environmental
18 Protection Agency ("Agency") under Section 58.14a of the
19 Environmental Protection Act that were paid in performing
20 environmental remediation at a site within a River Edge
21 Redevelopment Zone for which a No Further Remediation
22 Letter was issued by the Agency and recorded under Section
23 58.10 of the Environmental Protection Act. The credit must
24 be claimed for the taxable year in which Agency approval of
25 the eligible remediation costs is granted. The credit is
26 not available to any taxpayer if the taxpayer or any

1 related party caused or contributed to, in any material
2 respect, a release of regulated substances on, in, or under
3 the site that was identified and addressed by the remedial
4 action pursuant to the Site Remediation Program of the
5 Environmental Protection Act. Determinations as to credit
6 availability for purposes of this Section shall be made
7 consistent with rules adopted by the Pollution Control
8 Board pursuant to the Illinois Administrative Procedure
9 Act for the administration and enforcement of Section 58.9
10 of the Environmental Protection Act. For purposes of this
11 Section, "taxpayer" includes a person whose tax attributes
12 the taxpayer has succeeded to under Section 381 of the
13 Internal Revenue Code and "related party" includes the
14 persons disallowed a deduction for losses by paragraphs
15 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
16 Code by virtue of being a related taxpayer, as well as any
17 of its partners. The credit allowed against the tax imposed
18 by subsections (a) and (b) shall be equal to 25% of the
19 unreimbursed eligible remediation costs in excess of
20 \$100,000 per site.

21 (ii) A credit allowed under this subsection that is
22 unused in the year the credit is earned may be carried
23 forward to each of the 5 taxable years following the year
24 for which the credit is first earned until it is used. This
25 credit shall be applied first to the earliest year for
26 which there is a liability. If there is a credit under this

1 subsection from more than one tax year that is available to
2 offset a liability, the earliest credit arising under this
3 subsection shall be applied first. A credit allowed under
4 this subsection may be sold to a buyer as part of a sale of
5 all or part of the remediation site for which the credit
6 was granted. The purchaser of a remediation site and the
7 tax credit shall succeed to the unused credit and remaining
8 carry-forward period of the seller. To perfect the
9 transfer, the assignor shall record the transfer in the
10 chain of title for the site and provide written notice to
11 the Director of the Illinois Department of Revenue of the
12 assignor's intent to sell the remediation site and the
13 amount of the tax credit to be transferred as a portion of
14 the sale. In no event may a credit be transferred to any
15 taxpayer if the taxpayer or a related party would not be
16 eligible under the provisions of subsection (i).

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

20 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
21 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
22 1-13-11; 97-2, eff. 5-6-11.)

23 (35 ILCS 5/207) (from Ch. 120, par. 2-207)
24 Sec. 207. Net Losses.

25 (a) If after applying all of the (i) modifications provided

1 for in paragraph (2) of Section 203(b), paragraph (2) of
2 Section 203(c) and paragraph (2) of Section 203(d) and (ii) the
3 allocation and apportionment provisions of Article 3 of this
4 Act and subsection (c) of this Section, the taxpayer's net
5 income results in a loss;

6 (1) for any taxable year ending prior to December 31,
7 1999, such loss shall be allowed as a carryover or
8 carryback deduction in the manner allowed under Section 172
9 of the Internal Revenue Code;

10 (2) for any taxable year ending on or after December
11 31, 1999 and prior to December 31, 2003, such loss shall be
12 allowed as a carryback to each of the 2 taxable years
13 preceding the taxable year of such loss and shall be a net
14 operating loss carryover to each of the 20 taxable years
15 following the taxable year of such loss; and

16 (3) for any taxable year ending on or after December
17 31, 2003, such loss shall be allowed as a net operating
18 loss carryover to each of the 12 taxable years following
19 the taxable year of such loss, except as provided in
20 subsection (d).

21 (a-5) Election to relinquish carryback and order of
22 application of losses.

23 (A) For losses incurred in tax years ending prior
24 to December 31, 2003, the taxpayer may elect to
25 relinquish the entire carryback period with respect to
26 such loss. Such election shall be made in the form and

1 manner prescribed by the Department and shall be made
2 by the due date (including extensions of time) for
3 filing the taxpayer's return for the taxable year in
4 which such loss is incurred, and such election, once
5 made, shall be irrevocable.

6 (B) The entire amount of such loss shall be carried
7 to the earliest taxable year to which such loss may be
8 carried. The amount of such loss which shall be carried
9 to each of the other taxable years shall be the excess,
10 if any, of the amount of such loss over the sum of the
11 deductions for carryback or carryover of such loss
12 allowable for each of the prior taxable years to which
13 such loss may be carried.

14 (b) Any loss determined under subsection (a) of this
15 Section must be carried back or carried forward in the same
16 manner for purposes of subsections (a) and (b) of Section 201
17 of this Act as for purposes of subsections (c) and (d) of
18 Section 201 of this Act.

19 (c) Notwithstanding any other provision of this Act, for
20 each taxable year ending on or after December 31, 2008, for
21 purposes of computing the loss for the taxable year under
22 subsection (a) of this Section and the deduction taken into
23 account for the taxable year for a net operating loss carryover
24 under paragraphs (1), (2), and (3) of subsection (a) of this
25 Section, the loss and net operating loss carryover shall be
26 reduced in an amount equal to the reduction to the net

1 operating loss and net operating loss carryover to the taxable
2 year, respectively, required under Section 108(b)(2)(A) of the
3 Internal Revenue Code, multiplied by a fraction, the numerator
4 of which is the amount of discharge of indebtedness income that
5 is excluded from gross income for the taxable year (but only if
6 the taxable year ends on or after December 31, 2008) under
7 Section 108(a) of the Internal Revenue Code and that would have
8 been allocated and apportioned to this State under Article 3 of
9 this Act but for that exclusion, and the denominator of which
10 is the total amount of discharge of indebtedness income
11 excluded from gross income under Section 108(a) of the Internal
12 Revenue Code for the taxable year. The reduction required under
13 this subsection (c) shall be made after the determination of
14 Illinois net income for the taxable year in which the
15 indebtedness is discharged.

16 (d) In the case of a corporation (other than a Subchapter S
17 corporation), no carryover deduction shall be allowed under
18 this Section for any taxable year ending after December 31,
19 2015 ~~December 31, 2010 and prior to December 31, 2014~~; provided
20 that, for purposes of determining the taxable years to which a
21 net loss may be carried under subsection (a) of this Section,
22 no taxable year for which a deduction is disallowed under this
23 subsection shall be counted.

24 (e) In the case of a residual interest holder in a real
25 estate mortgage investment conduit subject to Section 860E of
26 the Internal Revenue Code, the net loss in subsection (a) shall

1 be equal to:

2 (1) the amount computed under subsection (a), without
3 regard to this subsection (e), or if that amount is
4 positive, zero;

5 (2) minus an amount equal to the amount computed under
6 subsection (a), without regard to this subsection (e),
7 minus the amount that would be computed under subsection
8 (a) if the taxpayer's federal taxable income were computed
9 without regard to Section 860E of the Internal Revenue Code
10 and without regard to this subsection (e).

11 The modification in this subsection (e) is exempt from the
12 provisions of Section 250.

13 (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11.)

14 (35 ILCS 405/Act rep.)

15 Section 10. The Illinois Estate and Generation-Skipping
16 Transfer Tax Act is repealed.

17 Section 99. Effective date. This Act takes effect upon
18 becoming law.