

STATE OF ILLINOIS



HOUSE JOURNAL

HOUSE OF REPRESENTATIVES

NINETY-THIRD GENERAL ASSEMBLY

131ST LEGISLATIVE DAY

THURSDAY, MAY 20, 2004

10:00 O'CLOCK A.M.

**HOUSE OF REPRESENTATIVES
Daily Journal Index
131st Legislative Day**

Action	Page(s)
Adjournment	246
Agreed Resolutions	97
Change of Sponsorship.....	93
Fiscal Notes Supplied.....	7
Judicial Note Supplied.....	7
Letter of Transmittal.....	5
Messages from the Senate	7
Motions Submitted	6
Pension Note Supplied	7
Quorum Roll Call	5
Reports from Standing Committees	89
Resolutions.....	93
Senate Bills on First Reading	96
Temporary Committee Assignments.....	5

Bill Number	Legislative Action	Page(s)
HB 0622	Motion Submitted	6
HB 0622	Senate Message – Passage w/ SA	14
HB 0649	Senate Message – Passage w/ SA	23
HB 0686	Committee Report - Concur in SA.....	92
HB 0752	Committee Report - Concur in SA.....	91
HB 0843	Senate Message – Passage w/ SA	25
HB 0848	Senate Message – Passage w/ SA	89
HB 0956	Committee Report - Concur in SA.....	90
HB 1020	Senate Message – Passage w/ SA	27
HB 1659	Senate Message – Passage w/ SA	34
HB 2220	Senate Message – Passage w/ SA	17
HB 2257	Second Reading – amendment.....	109
HB 2268	Motion Submitted	6
HB 2572	Committee Report - Concur in SA.....	89
HB 2587	Senate Message – Passage w/ SA	36
HB 2830	Second Reading.....	197
HB 3882	Motion Submitted	6
HB 4012	Motion Submitted	6
HB 4099	Concurrence in Senate Amendment/s	105
HB 4108	Committee Report - Concur in SA	90
HB 4247	Refuse to Concur in Senate Amendment/s.....	198
HB 4280	Motion Submitted	6
HB 4283	Senate Message – Passage w/ SA	19
HB 4403	Concurrence in Senate Amendment/s	198
HB 4450	Committee Report - Concur in SA	91
HB 4481	Concurrence in Senate Amendment/s	198
HB 4558	Concurrence in Senate Amendment/s	197
HB 4566	Concurrence in Senate Amendment/s	198
HB 4771	Motion Submitted	6
HB 4788	Concurrence in Senate Amendment/s	198
HB 5017	Motion Submitted	6
HB 5252	Second Reading – amendment.....	101
HB 6415	Third Reading	197
HB 6906	Committee Report - Concur in SA.....	91

HJR 0049	Committee Report	92
HJR 0064	Adoption	199
HJR 0079	Adoption	199
HJR 0086	Committee Report	90
HJR 0087	Resolution	95
HJR 0088	Adoption	246
HR 0415	Committee Report	92
HR 0492	Committee Report	92
HR 0596	Committee Report	92
HR 0711	Committee Report	90
HR 0771	Committee Report	92
HR 0772	Committee Report	92
HR 0832	Committee Report	92
HR 0855	Adoption	106
HR 0942	Adoption	246
HR 0944	Adoption	246
HR 0945	Adoption	246
HR 0946	Adoption	246
HR 0947	Adoption	246
HR 0948	Adoption	246
HR 0949	Adoption	246
HR 0950	Adoption	246
HR 0951	Adoption	246
HR 0952	Adoption	246
HR 0953	Adoption	246
HR 0954	Adoption	246
HR 0955	Resolution	93
HR 0956	Adoption	246
HR 0957	Adoption	246
HR 0958	Adoption	246
HR 0959	Adoption	246
HR 0960	Resolution	94
HR 0961	Adoption	246
HR 0962	Resolution	94
HR 0963	Resolution	97
HR 0963	Adoption	246
HR 0964	Resolution	97
HR 0964	Adoption	246
HR 0965	Resolution	98
HR 0965	Adoption	246
HR 0966	Resolution	98
HR 0966	Adoption	246
HR 0967	Resolution	99
HR 0968	Resolution	100
HR 0968	Adoption	246
HR 0969	Resolution	100
HR 0969	Adoption	246
HR 0970	Resolution	94
HR 0971	Resolution	95
HR 0972	Resolution	101
HR 0972	Adoption	246
SB 0031	Second Reading – Amendment/s	140
SB 0086	Committee Report – Floor Amendment/s	91
SB 0086	Second Reading – Amendments/s	130
SB 0132	Third Reading	106
SB 0797	Committee Report – Floor Amendment/s	90

SB 0827	Third Reading	106
SB 0833	Second Reading – Amendment/s	141
SB 0984	Second Reading – Amendment/s	107
SB 1006	Third Reading	106
SB 1605	Committee Report – Floor Amendment/s	92
SB 1631	Third Reading	106
SB 2175	Third Reading	107
SB 2205	Second Reading – Amendment/s	149
SB 2206	Second Reading – Amendment/s	162
SB 2207	Second Reading – Amendment/s	174
SB 2208	Committee Report.....	89
SB 2208	Second Reading – Amendment/s	199
SB 2209	Committee Report.....	89
SB 2209	Second Reading – Amendment/s	204
SB 2210	Committee Report.....	89
SB 2210	Second Reading – Amendment/s	211
SB 2211	Committee Report.....	89
SB 2211	Second Reading – Amendment/s	233
SB 2215	Third Reading	107
SB 2244	Committee Report – Floor Amendment/s	92
SB 2244	Second Reading – Amendment/s	193
SB 2251	Second Reading – Amendment/s	107
SB 2270	Second Reading	110
SB 2299	Second Reading – Amendment/s	110
SB 2349	Second Reading	116
SB 2367	Second Reading – Amendment/s	116
SB 2382	Second Reading – Amendment/s	117
SB 2496	Second Reading – Amendment/s	121
SB 2791	First Reading.....	97
SB 2878	Second Reading – Amendment/s	127
SB 3000	Senate Message – Passage of Senate Bill	20
SB 3002	Senate Message – Passage of Senate Bill	20
SB 3013	Second Reading	193
SB 3064	Second Reading – Amendment/s	128
SB 3077	Second Reading – Amendment/s	129
SB 3340	Committee Report.....	89
SB 3340	Second Reading	245
SB 3343	Committee Report.....	89
SB 3343	Second Reading	245
SB 3350	Committee Report.....	89
SB 3350	Second Reading	245
SB 3356	Committee Report.....	89
SB 3356	Second Reading	245
SB 3359	Committee Report.....	89
SB 3359	Second Reading	245
SB 3361	Committee Report.....	89
SB 3361	Second Reading	245
SB 3362	Committee Report.....	89
SB 3362	Second Reading	245
SB 3367	Committee Report.....	89
SB 3367	Second Reading	245
SB 3368	Committee Report.....	89
SB 3368	Second Reading	245
SJR 0075	Senate Message.....	21

The House met pursuant to adjournment.

Representative Hannig in the chair.

Prayer by Sister Catherine Wellinghoff with the St. Paul's Catholic Church in Johnston City, IL.

Representative John Bradley led the House in the Pledge of Allegiance.

By direction of the Speaker, a roll call was taken to ascertain the attendance of Members, as follows:

118 present. (ROLL CALL 1)

TEMPORARY COMMITTEE ASSIGNMENTS

Representative John Bradley replaced Representative Howard in the Committee on Judiciary II - Criminal Law on May 19, 2004.

Representative Feigenholtz replaced Representative Fritchey in the Committee on Judiciary I - Civil Law on May 18, 2004.

Representative Joseph Lyons replaced Representative Hannig in the Committee on Rules on May 17, 2004.

Representative Lang replaced Representative Turner in the Committee on Rules on May 17, 2004.

Representative Kelly replaced Representative Mautino in the Committee on Appropriations-Public Safety on May 18, 2004.

Representative Lang replaced Representative Delgado in the Committee on Appropriations-Public Safety on May 18, 2004.

Representative Dunkin replaced Representative Nekritz in the Committee on Appropriations-Public Safety on May 18, 2004.

Representative Grunloh replaced Representative Phelps in the Committee on Insurance on May 18, 2004.

Representative John Bradley replaced Representative Steve Davis in the Committee on Environment & Energy on May 18, 2004.

Representative Kelly replaced Representative Acevedo in the Committee on Veterans Affairs on May 18, 2004.

Representative Smith replaced Representative Capparelli in the Committee on Executive on May 18, 2004.

Representative Scully replaced Representative Phelps in the Committee on Appropriations-Public Safety on May 19, 2004.

Representative Kelly replaced Representative Delgado in the Committee on Appropriations-Public Safety on May 19, 2004.

Representative Reitz replaced Representative Acevedo in the Committee on Labor on May 19, 2004.

Representative Yarbrough replaced Representative Delgado in the Committee on Labor on May 19, 2004.

Representative John Bradley replaced Representative Currie in the Committee on Elementary & Secondary Education on May 19, 2004.

LETTER OF TRANSMITTAL

May 19, 2004

Mark Mahoney
Chief Clerk of the House
402 State House
Springfield, IL 60706

Dear Clerk Mahoney:

Please be advised that I am extending the Committee and/or Third Reading Deadline to May 31, 2004 for the following Senate Bills:

Senate Bills: 1648, 2239, 3192, 3201.

If you have questions, please contact my Chief of Staff, Tim Mapes, at 782-6360.

With kindest personal regards, I remain

Sincerely yours,
s/Michael J. Madigan
Speaker of the House

MOTIONS SUBMITTED

Representative Froehlich submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendment No. 1 to HOUSE BILL 4012.

Representative Delgado submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendments numbered 1, 2 and 4 to HOUSE BILL 2268.

Representative Dugan submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendment No. 1 to HOUSE BILL 4771.

Representative Dugan submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendment No. 1 to HOUSE BILL 3882.

Representative Grunloh submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendment No. 2 to HOUSE BILL 622.

Representative William Davis submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendments numbered 1 and 2 to HOUSE BILL 4280.

Representative McCarthy submitted the following written motion, which was referred to the Committee on Rules:

MOTION

I move to concur with Senate Amendments numbered 2, 3 and 4 to HOUSE BILL 5017.

PENSION NOTE SUPPLIED

A Pension Note has been supplied for HOUSE BILL 5252, as amended.

JUDICIAL NOTE SUPPLIED

A Judicial Note has been supplied for SENATE BILL 797, as amended.

FISCAL NOTES SUPPLIED

Fiscal Notes have been supplied for SENATE BILLS 2238, as amended, and 827, as amended.

MESSAGES FROM THE SENATE

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 622

A bill for AN ACT in relation to economic development.

Together with the attached amendment thereto (which amendment has been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 2 to HOUSE BILL NO. 622

Passed the Senate, as amended, May 18, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 2 . Amend House Bill 622 by replacing everything after the enacting clause with the following:

"Section 5. Short title. This Act may be cited as the Southeastern Illinois Economic Development Authority Act.

Section 10. Findings. The General Assembly determines and declares the following:

- (1) that labor surplus areas currently exist in southeastern Illinois;
- (2) that the economic burdens resulting from involuntary unemployment fall, in part, upon the State in the form of increased need for public assistance and reduced tax revenues and, in the event that the unemployed worker and his or her family migrate elsewhere to find work, the burden may also fall upon the municipalities and other taxing districts within the areas of unemployment in the form of reduced tax revenues, thereby endangering their financial ability to support necessary governmental services for their remaining inhabitants;
- (3) that the State has a responsibility to help create a favorable climate for new and improved job opportunities for its citizens by encouraging the development of tourism, commercial, and service businesses and industrial and manufacturing plants within the southeastern region of Illinois;
- (4) that a lack of decent housing contributes to urban blight, crime, anti-social behavior, disease, a higher need for public assistance, reduced tax revenues, and the migration of workers and their families away from areas which fail to offer adequate, decent, and affordable housing;
- (5) that decent, affordable housing is a necessary ingredient of life affording each citizen basic human dignity, a sense of self worth, confidence, and a firm foundation upon which to build a family and educate children;
- (6) that in order to foster civic and neighborhood pride, citizens require access to educational institutions, recreation, parks and open spaces, entertainment, sports, a reliable transportation network, cultural facilities, and theaters; and
- (7) that the main purpose of this Act is to promote industrial, commercial, residential, service,

transportation, and recreational activities and facilities, thereby reducing the evils attendant upon unemployment and enhancing the public health, safety, morals, happiness, and general welfare of the State.

Section 15. Definitions. In this Act:

"Authority" means the Southeastern Illinois Economic Development Authority.

"Governmental agency" means any federal, State, or local governmental body and any agency or instrumentality thereof, corporate or otherwise.

"Person" means any natural person, firm, partnership, corporation, both domestic and foreign, company, association or joint stock association and includes any trustee, receiver, assignee or personal representative thereof.

"Revenue bond" means any bond issued by the Authority, the principal and interest of which is payable solely from revenues or income derived from any project or activity of the Authority.

"Board" means the Board of Directors of the Southeastern Illinois Economic Development Authority.

"Governor" means the Governor of the State of Illinois.

"City" means any city, village, incorporated town, or township within the geographical territory of the Authority.

"Industrial project" means the following:

(1) a capital project, including one or more buildings and other structures, improvements, machinery and equipment whether or not on the same site or sites now existing or hereafter acquired, suitable for use by any manufacturing, industrial, research, transportation or commercial enterprise including but not limited to use as a factory, mill, processing plant, assembly plant, packaging plant, fabricating plant, ethanol plant, office building, industrial distribution center, warehouse, repair, overhaul or service facility, freight terminal, research facility, test facility, power generation facility, mining operation, railroad facility, solid waste and wastewater treatment and disposal sites and other pollution control facilities, resource or waste reduction, recovery, treatment and disposal facilities, tourism-related facilities, including hotels, theaters, water parks, and amusement parks, and including also the sites thereof and other rights in land therefore whether improved or unimproved, site preparation and landscaping and all appurtenances and facilities incidental thereto such as utilities, access roads, railroad sidings, truck docking and similar facilities, parking facilities, dockage, wharfage, railroad roadbed, track, trestle, depot, terminal, switching and signaling equipment or related equipment and other improvements necessary or convenient thereto; or

(2) any land, buildings, machinery or equipment comprising an addition to or renovation, rehabilitation or improvement of any existing capital project.

"Commercial project" means any project, including, but not limited to, one or more buildings and other structures, improvements, machinery, and equipment, whether or not on the same site or sites now existing or hereafter acquired, suitable for use by any retail or wholesale concern, distributorship, or agency, or health facility or retirement facility.

"Project" means an industrial, housing, residential, commercial, or service project, or any combination thereof, provided that all uses fall within one of the categories described above. Any project automatically includes all site improvements and new construction involving sidewalks, sewers, solid waste and wastewater treatment and disposal sites and other pollution control facilities, resource or waste reduction, recovery, treatment and disposal facilities, parks, open spaces, wildlife sanctuaries, streets, highways, and runways.

"Lease agreement" means an agreement in which a project acquired by the Authority by purchase, gift, or lease is leased to any person or corporation that will use, or cause the project to be used, as a project, upon terms providing for lease rental payments at least sufficient to pay, when due, all principal of and interest and premium, if any, on any bonds, notes, or other evidences of indebtedness of the Authority, issued with respect to the project, providing for the maintenance, insurance, and operation of the project on terms satisfactory to the Authority and providing for disposition of the project upon termination of the lease term, including purchase options or abandonment of the premises, with other terms as may be deemed desirable by the Authority.

"Loan agreement" means any agreement in which the Authority agrees to loan the proceeds of its bonds, notes, or other evidences of indebtedness, issued with respect to a project, to any person or corporation which will use or cause the project to be used as a project, upon terms providing for loan repayment installments at least sufficient to pay, when due, all principal of and interest and premium, if any, on any bonds, notes, or other evidences of indebtedness of the Authority issued with respect to the project, providing for maintenance, insurance, and operation of the project on terms satisfactory to the Authority and providing for other terms deemed advisable by the Authority.

"Financial aid" means the expenditure of Authority funds or funds provided by the Authority for the development, construction, acquisition or improvement of a project, through the issuance of revenue bonds, notes, or other evidences of indebtedness.

"Costs incurred in connection with the development, construction, acquisition or improvement of a project" means the following:

- (1) the cost of purchase and construction of all lands and improvements in connection therewith and equipment and other property, rights, easements, and franchises acquired which are deemed necessary for the construction;
- (2) financing charges;
- (3) interest costs with respect to bonds, notes, and other evidences of indebtedness of the Authority prior to and during construction and for a period of 6 months thereafter;
- (4) engineering and legal expenses; and
- (5) the costs of plans, specifications, surveys, and estimates of costs and other expenses necessary or incident to determining the feasibility or practicability of any project, together with such other expenses as may be necessary or incident to the financing, insuring, acquisition, and construction of a specific project and the placing of the same in operation.

Section 20. Creation.

(a) There is created a political subdivision, body politic, and municipal corporation named the Southeastern Illinois Economic Development Authority. The territorial jurisdiction of the Authority is that geographic area within the boundaries of the following counties: Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White and any navigable waters and air space located therein.

(b) The governing and administrative powers of the Authority shall be vested in a body consisting of 10 members as follows:

(1) Nine members shall be appointed by the Governor with the advice and consent of the Senate.

(2) One member shall be appointed by the Director of Commerce and Economic Opportunity.

All public members shall reside within the territorial jurisdiction of the Authority. The public members shall be persons of recognized ability and experience in one or more of the following areas: economic development, finance, banking, industrial development, state or local government, commercial agriculture, small business management, real estate development, community development, venture finance, organized labor, or civic or community organization.

(c) Six members shall constitute a quorum.

(d) The chairman of the Authority shall be elected annually by the Board.

(e) The terms of all initial members of the Authority shall begin 30 days after the effective date of this Act. Of the 10 original members appointed pursuant to subsection (b), one shall serve until the third Monday in January, 2005; one shall serve until the third Monday in January, 2006; 2 shall serve until the third Monday in January, 2007; 2 shall serve until the third Monday in January, 2008; 2 shall serve until the third Monday in January, 2009; and 2 shall serve until the third Monday in January, 2010. All successors to these original public members shall be appointed by the Governor with the advice and consent of the Senate, or by the Director of Commerce and Economic Opportunity, as the case may be, pursuant to subsection (b), and shall hold office for a term of 3 years commencing the third Monday in January of the year in which their term commences, except in the case of an appointment to fill a vacancy. Vacancies occurring among the public members shall be filled for the remainder of the term. In case of vacancy in a Governor-appointed membership when the Senate is not in session, the Governor may make a temporary appointment until the next meeting of the Senate when a person shall be nominated to fill the office and, upon confirmation by the Senate, he or she shall hold office during the remainder of the term and until a successor is appointed and qualified. Members of the Authority are not entitled to compensation for their services as members but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. Members of the Board may participate in Board meetings by teleconference or video conference.

(f) The Governor may remove any public member of the Authority appointed by the Governor, and the Director of Commerce and Economic Opportunity may remove any public member appointed by the Director, in case of incompetence, neglect of duty, or malfeasance in office.

(g) The Board shall appoint an Executive Director who shall have a background in finance, including familiarity with the legal and procedural requirements of issuing bonds, real estate, or economic development and administration. The Executive Director shall hold office at the discretion of the Board.

The Executive Director shall be the chief administrative and operational officer of the Authority, shall direct and supervise its administrative affairs and general management, perform such other duties as may be prescribed from time to time by the members, and receive compensation fixed by the Authority. The Executive Director shall attend all meetings of the Authority. However, no action of the Authority shall be invalid on account of the absence of the Executive Director from a meeting. The Authority may engage the services of the Illinois Finance Authority, attorneys, appraisers, engineers, accountants, credit analysts, and other consultants, if the Southeastern Illinois Economic Development Authority deems it advisable.

Section 25. Duty. All official acts of the Authority shall require the approval of at least 6 members. It shall be the duty of the Authority to promote development within the territorial jurisdiction of the Authority. The Authority shall use the powers conferred upon it to assist in the development, construction, and acquisition of industrial, commercial, housing, or residential projects within those counties.

Section 30. Powers.

(a) The Authority possesses all the powers of a body corporate necessary and convenient to accomplish the purposes of this Act, including, without any intended limitation upon the general powers hereby conferred, the following powers:

- (1) to enter into loans, contracts, agreements, and mortgages in any matter connected with any of its corporate purposes and to invest its funds;
- (2) to sue and be sued;
- (3) to utilize services of the Illinois Finance Authority;
- (4) to have and use a common seal and to alter the seal at its discretion;
- (5) to adopt all needful ordinances, resolutions, by-laws, rules, and regulations for the conduct of its business and affairs and for the management and use of the projects developed, constructed, acquired, and improved in furtherance of its purposes;
- (6) to own or finance communications projects such as telecommunications, fiber optics, and data transfer projects;
- (7) to designate the fiscal year for the Authority;
- (8) to accept and expend appropriations;
- (9) to acquire, own, lease, sell, or otherwise dispose of interests in and to real property and improvements situated on that real property and in personal property necessary to fulfill the purposes of the Authority;
- (10) to engage in any activity or operation which is incidental to and in furtherance of efficient operation to accomplish the Authority's primary purpose;
- (11) to acquire, own, construct, lease, operate, and maintain bridges, terminals, terminal facilities, and port facilities and to fix and collect just, reasonable, and nondiscriminatory charges for the use of such facilities. These charges shall be used to defray the reasonable expenses of the Authority and to pay the principal and interest of any revenue bonds issued by the Authority;
- (12) subject to any applicable condition imposed by this Act, to locate, establish and maintain a public airport, public airports and public airport facilities within its corporate limits or within or upon any body of water adjacent thereto and to construct, develop, expand, extend and improve any such airport or airport facility; and
- (13) to have and exercise all powers and be subject to all duties usually incident to boards of directors of corporations.

(b) The Authority shall not issue any bonds relating to the financing of a project located within the planning and subdivision control jurisdiction of any municipality or county unless notice, including a description of the proposed project and the financing for that project, is submitted to the corporate authorities of the municipality or, in the case of a proposed project in an unincorporated area, to the county board.

(c) If any of the powers set forth in this Act are exercised within the jurisdictional limits of any municipality, all ordinances of the municipality remain in full force and effect and are controlling.

Section 35. Bonds.

(a) The Authority, with the written approval of the Governor, shall have the continuing power to issue bonds, notes, or other evidences of indebtedness in an aggregate amount not to exceed \$250,000,000 for the following purposes: (i) development, construction, acquisition, or improvement of projects, including those established by business entities locating or expanding property within the territorial jurisdiction of the Authority; (ii) entering into venture capital agreements with businesses locating or expanding within the territorial jurisdiction of the Authority; (iii) acquisition and improvement of any property necessary and useful in connection therewith; and (iv) for the purposes of the Employee Ownership Assistance Act. For

the purpose of evidencing the obligations of the Authority to repay any money borrowed, the Authority may, pursuant to resolution, from time to time, issue and dispose of its interest-bearing revenue bonds, notes, or other evidences of indebtedness and may also from time to time issue and dispose of such bonds, notes, or other evidences of indebtedness to refund, at maturity, at a redemption date or in advance of either, any bonds, notes, or other evidences of indebtedness pursuant to redemption provisions or at any time before maturity. All such bonds, notes, or other evidences of indebtedness shall be payable solely and only from the revenues or income to be derived from loans made with respect to projects, from the leasing or sale of the projects, or from any other funds available to the Authority for such purposes. The bonds, notes, or other evidences of indebtedness may bear such date or dates, may mature at such time or times not exceeding 40 years from their respective dates, may bear interest at such rate or rates not exceeding the maximum rate permitted by the Bond Authorization Act, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be made subject to redemption in such manner and upon such terms, with or without premium, as is stated on the face thereof, may be authenticated in such manner and may contain such terms and covenants as may be provided by an applicable resolution.

(b) The holder or holders of any bonds, notes, or other evidences of indebtedness issued by the Authority may bring suits at law or proceedings in equity to compel the performance and observance by any corporation or person or by the Authority or any of its agents or employees of any contract or covenant made with the holders of the bonds, notes, or other evidences of indebtedness, to compel such corporation, person, the Authority, and any of its agents or employees to perform any duties required to be performed for the benefit of the holders of the bonds, notes, or other evidences of indebtedness by the provision of the resolution authorizing their issuance and to enjoin the corporation, person, the Authority, and any of its agents or employees from taking any action in conflict with any contract or covenant.

(c) If the Authority fails to pay the principal of or interest on any of the bonds or premium, if any, as the bond becomes due, a civil action to compel payment may be instituted in the appropriate circuit court by the holder or holders of the bonds on which the default of payment exists or by an indenture trustee acting on behalf of the holders. Delivery of a summons and a copy of the complaint to the chairman of the Board shall constitute sufficient service to give the circuit court jurisdiction over the subject matter of the suit and jurisdiction over the Authority and its officers named as defendants for the purpose of compelling such payment. Any case, controversy, or cause of action concerning the validity of this Act relates to the revenue of the State of Illinois.

(d) Notwithstanding the form and tenor of any bond, note, or other evidence of indebtedness and in the absence of any express recital on its face that it is non-negotiable, all such bonds, notes, and other evidences of indebtedness shall be negotiable instruments. Pending the preparation and execution of any bonds, notes, or other evidences of indebtedness, temporary bonds, notes, or evidences of indebtedness may be issued as provided by ordinance.

(e) To secure the payment of any or all of such bonds, notes, or other evidences of indebtedness, the revenues to be received by the Authority from a lease agreement or loan agreement shall be pledged, and, for the purpose of setting forth the covenants and undertakings of the Authority in connection with the issuance of the bonds, notes, or other evidences of indebtedness and the issuance of any additional bonds, notes or other evidences of indebtedness payable from such revenues, income, or other funds to be derived from projects, the Authority may execute and deliver a mortgage or trust agreement. A remedy for any breach or default of the terms of any mortgage or trust agreement by the Authority may be by mandamus proceeding in the appropriate circuit court to compel performance and compliance under the terms of the mortgage or trust agreement, but the trust agreement may prescribe by whom or on whose behalf the action may be instituted.

(f) Bonds or notes shall be secured as provided in the authorizing ordinance which may include, notwithstanding any other provision of this Act, in addition to any other security, a specific pledge, assignment of and lien on, or security interest in any or all revenues or money of the Authority, from whatever source, which may, by law, be used for debt service purposes and a specific pledge, or assignment of and lien on, or security interest in any funds or accounts established or provided for by ordinance of the Authority authorizing the issuance of the bonds or notes.

(g) In the event that the Authority determines that moneys of the Authority will not be sufficient for the payment of the principal of and interest on its bonds during the next State fiscal year, the chairman, as soon as practicable, shall certify to the Governor the amount required by the Authority to enable it to pay the principal of and interest on the bonds. The Governor shall submit the certified amount to the General Assembly as soon as practicable, but no later than the end of the current State fiscal year. This Section shall

not apply to any bonds or notes to which the Authority determines, in the resolution authorizing the issuance of the bonds or notes, that this Section shall not apply. Whenever the Authority makes this determination, it shall be plainly stated on the face of the bonds or notes and the determination shall also be reported to the Governor. In the event of a withdrawal of moneys from a reserve fund established with respect to any issue or issues of bonds of the Authority to pay principal or interest on those bonds, the chairman of the Authority, as soon as practicable, shall certify to the Governor the amount required to restore the reserve fund to the level required in the resolution or indenture securing those bonds. The Governor shall submit the certified amount to the General Assembly as soon as practicable, but no later than the end of the current State fiscal year.

(h) The State of Illinois pledges to and agrees with the holders of the bonds and notes of the Authority issued pursuant to this Section that the State will not limit or alter the rights and powers vested in the Authority by this Act so as to impair the terms of any contract made by the Authority with the holders of bonds or notes or in any way impair the rights and remedies of those holders until the bonds and notes, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, are fully met and discharged. In addition, the State pledges to and agrees with the holders of the bonds and notes of the Authority issued pursuant to this Section that the State will not limit or alter the basis on which State funds are to be paid to the Authority as provided in this Act, or the use of such funds, so as to impair the terms of any such contract. The Authority is authorized to include these pledges and agreements of the State in any contract with the holders of bonds or notes issued pursuant to this Section.

Section 40. Bonds and notes; exemption from taxation. The creation of the Authority is in all respects for the benefit of the people of Illinois and for the improvement of their health, safety, welfare, comfort, and security, and its purposes are public purposes. In consideration thereof, the notes and bonds of the Authority issued pursuant to this Act and the income from these notes and bonds may be free from all taxation by the State or its political subdivisions, exempt for estate, transfer, and inheritance taxes. The exemption from taxation provided by the preceding sentence shall apply to the income on any notes or bonds of the Authority only if the Authority in its sole judgment determines that the exemption enhances the marketability of the bonds or notes or reduces the interest rates that would otherwise be borne by the bonds or notes. For purposes of Section 250 of the Illinois Income Tax Act, the exemption of the Authority shall terminate after all of the bonds have been paid. The amount of such income that shall be added and then subtracted on the Illinois income tax return of a taxpayer, subject to Section 203 of the Illinois Income Tax Act, from federal adjusted gross income or federal taxable income in computing Illinois base income shall be the interest net of any bond premium amortization.

Section 45. Acquisition.

(a) The Authority may, but need not, acquire title to any project with respect to which it exercises its authority.

(b) The Authority shall have power to acquire by purchase, lease, gift, or otherwise any property or rights therein from any person or persons, the State of Illinois, any municipal corporation, any local unit of government, the government of the United States and any agency or instrumentality of the United States, any body politic, or any county useful for its purposes, whether improved for the purposes of any prospective project or unimproved. The Authority may also accept any donation of funds for its purposes from any of these sources.

(c) The Authority shall have power to develop, construct, and improve, either under its own direction or through collaboration with any approved applicant, or to acquire, through purchase or otherwise, any project, using for this purpose the proceeds derived from its sale of revenue bonds, notes, or other evidences of indebtedness or governmental loans or grants and shall have the power to hold title to those projects in the name of the Authority.

(d) The Authority shall have the power to enter into intergovernmental agreements with the State of Illinois, the counties of Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White, the Illinois Development Finance Authority, the Illinois Housing Development Authority, the Illinois Education Facilities Authority, the Illinois Farm Development Authority, the Rural Bond Bank, the United States government and any agency or instrumentality of the United States, any unit of local government located within the territory of the Authority, or any other unit of government to the extent allowed by Article VII, Section 10 of the Illinois Constitution and the Intergovernmental Cooperation Act.

(e) The Authority shall have the power to share employees with other units of government, including agencies of the United States, agencies of the State of Illinois, and agencies or personnel of any unit of

local government.

(f) The Authority shall have the power to exercise powers and issue bonds as if it were a municipality so authorized in Divisions 12.1, 74, 74.1, 74.3, and 74.5 of Article 11 of the Illinois Municipal Code.

Section 50. Enterprise zones. The Authority may by ordinance designate a portion of the territorial jurisdiction of the Authority for certification as an Enterprise Zone under the Illinois Enterprise Zone Act in addition to any other enterprise zones which may be created under that Act, which area shall have all the privileges and rights of an Enterprise Zone pursuant to the Illinois Enterprise Zone Act, but which shall not be counted in determining the number of Enterprise Zones to be created in any year pursuant to that Act.

Section 55. Designation of depository. The Authority shall biennially designate a national or State bank or banks as depositories of its money. Such depositories shall be designated only within the State and upon condition that bonds approved as to form and surety by the Authority and at least equal in amount to the maximum sum expected to be on deposit at any one time shall be first given by such depositories to the Authority, such bonds to be conditioned for the safekeeping and prompt repayment of such deposits. When any of the funds of the Authority shall be deposited by the treasurer in any such depository, the treasurer and the sureties on his official bond shall, to such extent, be exempt from liability for the loss of any such deposited funds by reason of the failure, bankruptcy, or any other act or default of such depository; provided that the Authority may accept assignments of collateral by any depository of its funds to secure such deposits to the same extent and conditioned in the same manner as assignments of collateral are permitted by law to secure deposits of the funds of any city.

Section 60. Taxation prohibited. The Authority shall have no right or authority to levy any tax or special assessment, to pledge the credit of the State or any other subdivision or municipal corporation thereof, or to incur any obligation enforceable upon any property, either within or without the territory of the Authority.

Section 65. Fees. The Authority may collect fees and charges in connection with its loans, commitments, and servicing and may provide technical assistance in the development of the region.

Section 70. Reports and audit.

(a) The Authority shall annually submit a report of its finances to the Auditor General. The Authority shall annually submit a report of its activities to the Governor and to the General Assembly.

(b) Beginning 5 years after the effective date of this Act and every 5 years thereafter, the Auditor General shall conduct a financial audit of the Authority.

Section 99. The Illinois State Auditing Act is amended by changing Section 3-1 as follows:

(30 ILCS 5/3-1) (from Ch. 15, par. 303-1)

Sec. 3-1. Jurisdiction of Auditor General. The Auditor General has jurisdiction over all State agencies to make post audits and investigations authorized by or under this Act or the Constitution.

The Auditor General has jurisdiction over local government agencies and private agencies only:

(a) to make such post audits authorized by or under this Act as are necessary and incidental to a post audit of a State agency or of a program administered by a State agency involving public funds of the State, but this jurisdiction does not include any authority to review local governmental agencies in the obligation, receipt, expenditure or use of public funds of the State that are granted without limitation or condition imposed by law, other than the general limitation that such funds be used for public purposes;

(b) to make investigations authorized by or under this Act or the Constitution; and

(c) to make audits of the records of local government agencies to verify actual costs of state-mandated programs when directed to do so by the Legislative Audit Commission at the request of the State Board of Appeals under the State Mandates Act.

In addition to the foregoing, the Auditor General may conduct an audit of the Metropolitan Pier and Exposition Authority, the Regional Transportation Authority, the Suburban Bus Division, the Commuter Rail Division and the Chicago Transit Authority and any other subsidized carrier when authorized by the Legislative Audit Commission. Such audit may be a financial, management or program audit, or any combination thereof.

The audit shall determine whether they are operating in accordance with all applicable laws and regulations. Subject to the limitations of this Act, the Legislative Audit Commission may by resolution specify additional determinations to be included in the scope of the audit.

In addition to the foregoing, the Auditor General must also conduct a financial audit of the Illinois Sports Facilities Authority's expenditures of public funds in connection with the reconstruction, renovation, remodeling, extension, or improvement of all or substantially all of any existing "facility", as that term is defined in the Illinois Sports Facilities Authority Act.

The Auditor General may also conduct an audit, when authorized by the Legislative Audit Commission,

of any hospital which receives 10% or more of its gross revenues from payments from the State of Illinois, Department of Public Aid, Medical Assistance Program.

The Auditor General is authorized to conduct financial and compliance audits of the Illinois Distance Learning Foundation and the Illinois Conservation Foundation.

As soon as practical after the effective date of this amendatory Act of 1995, the Auditor General shall conduct a compliance and management audit of the City of Chicago and any other entity with regard to the operation of Chicago O'Hare International Airport, Chicago Midway Airport and Merrill C. Meigs Field. The audit shall include, but not be limited to, an examination of revenues, expenses, and transfers of funds; purchasing and contracting policies and practices; staffing levels; and hiring practices and procedures. When completed, the audit required by this paragraph shall be distributed in accordance with Section 3-14.

The Auditor General shall conduct a financial and compliance and program audit of distributions from the Municipal Economic Development Fund during the immediately preceding calendar year pursuant to Section 8-403.1 of the Public Utilities Act at no cost to the city, village, or incorporated town that received the distributions.

The Auditor General must conduct an audit of the Health Facilities Planning Board pursuant to Section 19.5 of the Illinois Health Facilities Planning Act.

The Auditor General of the State of Illinois shall annually conduct or cause to be conducted a financial and compliance audit of the books and records of any county water commission organized pursuant to the Water Commission Act of 1985 and shall file a copy of the report of that audit with the Governor and the Legislative Audit Commission. The filed audit shall be open to the public for inspection. The cost of the audit shall be charged to the county water commission in accordance with Section 6z-27 of the State Finance Act. The county water commission shall make available to the Auditor General its books and records and any other documentation, whether in the possession of its trustees or other parties, necessary to conduct the audit required. These audit requirements apply only through July 1, 2007.

The Auditor General must conduct audits of the Rend Lake Conservancy District as provided in Section 25.5 of the River Conservancy Districts Act.

The Auditor General must conduct financial audits of the Southeastern Illinois Economic Development Authority as provided in Section 70 of the Southeastern Illinois Economic Development Authority Act.

(Source: P.A. 93-226, eff. 7-22-03; 93-259, eff. 7-22-03; 93-275, eff. 7-22-03; revised 8-25-03.)

Section 999. Effective date. This Act takes effect upon becoming law."

The foregoing message from the Senate reporting Senate Amendment No. 2 to HOUSE BILL 622 was placed on the Calendar on the order of Concurrence.

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House in the passage of bills of the following titles to-wit:

HOUSE BILL NO. 3977

A bill for AN ACT concerning schools.

HOUSE BILL NO. 4980

A bill for AN ACT concerning health facilities.

Passed by the Senate, May 19, 2004.

Linda Hawker, Secretary of the Senate

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 2220

A bill for AN ACT in relation to public aid.

Together with the attached amendment thereto (which amendment has been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 2220
Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 2220 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Public Aid Code is amended by changing Section 5-5.4 as follows:
(305 ILCS 5/5-5.4) (from Ch. 23, par. 5-5.4)

Sec. 5-5.4. Standards of Payment - Department of Public Aid. The Department of Public Aid shall develop standards of payment of skilled nursing and intermediate care services in facilities providing such services under this Article which:

(1) Provide for the determination of a facility's payment for skilled nursing and intermediate care services on a prospective basis. The amount of the payment rate for all nursing facilities certified by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities, Long Term Care for Under Age 22 facilities, Skilled Nursing facilities, or Intermediate Care facilities under the medical assistance program shall be prospectively established annually on the basis of historical, financial, and statistical data reflecting actual costs from prior years, which shall be applied to the current rate year and updated for inflation, except that the capital cost element for newly constructed facilities shall be based upon projected budgets. The annually established payment rate shall take effect on July 1 in 1984 and subsequent years. No rate increase and no update for inflation shall be provided on or after July 1, 1994 and before July 1, 2004, unless specifically provided for in this Section.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or Long Term Care for Under Age 22 facilities, the rates taking effect on July 1, 1998 shall include an increase of 3%. For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Skilled Nursing facilities or Intermediate Care facilities, the rates taking effect on July 1, 1998 shall include an increase of 3% plus \$1.10 per resident-day, as defined by the Department.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or Long Term Care for Under Age 22 facilities, the rates taking effect on July 1, 1999 shall include an increase of 1.6% plus \$3.00 per resident-day, as defined by the Department. For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Skilled Nursing facilities or Intermediate Care facilities, the rates taking effect on July 1, 1999 shall include an increase of 1.6% and, for services provided on or after October 1, 1999, shall be increased by \$4.00 per resident-day, as defined by the Department.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or Long Term Care for Under Age 22 facilities, the rates taking effect on July 1, 2000 shall include an increase of 2.5% per resident-day, as defined by the Department. For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Skilled Nursing facilities or Intermediate Care facilities, the rates taking effect on July 1, 2000 shall include an increase of 2.5% per resident-day, as defined by the Department.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as skilled nursing facilities or intermediate care facilities, a new payment methodology must be implemented for the nursing component of the rate effective July 1, 2003. The Department of Public Aid shall develop the new payment methodology using the Minimum Data Set (MDS) as the instrument to collect information concerning nursing home resident condition necessary to compute the rate. The Department of Public Aid shall develop the new payment methodology to meet the unique needs of Illinois nursing home residents while remaining subject to the appropriations provided by the General Assembly. A transition period from the payment methodology in effect on June 30, 2003 to the payment methodology in effect on July 1, 2003 shall be provided for a period not exceeding 2 years after implementation of the new payment methodology as follows:

(A) For a facility that would receive a lower nursing component rate per patient day under the new system than the facility received effective on the date immediately preceding the date that the Department implements the new payment methodology, the nursing component rate per patient day

for the facility shall be held at the level in effect on the date immediately preceding the date that the Department implements the new payment methodology until a higher nursing component rate of reimbursement is achieved by that facility.

(B) For a facility that would receive a higher nursing component rate per patient day under the payment methodology in effect on July 1, 2003 than the facility received effective on the date immediately preceding the date that the Department implements the new payment methodology, the nursing component rate per patient day for the facility shall be adjusted.

(C) Notwithstanding paragraphs (A) and (B), the nursing component rate per patient day for the facility shall be adjusted subject to appropriations provided by the General Assembly.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or Long Term Care for Under Age 22 facilities, the rates taking effect on March 1, 2001 shall include a statewide increase of 7.85%, as defined by the Department.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or Long Term Care for Under Age 22 facilities, the rates taking effect on April 1, 2002 shall include a statewide increase of 2.0%, as defined by the Department. This increase terminates on July 1, 2002; beginning July 1, 2002 these rates are reduced to the level of the rates in effect on March 31, 2002, as defined by the Department.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as skilled nursing facilities or intermediate care facilities, the rates taking effect on July 1, 2001 shall be computed using the most recent cost reports on file with the Department of Public Aid no later than April 1, 2000, updated for inflation to January 1, 2001. For rates effective July 1, 2001 only, rates shall be the greater of the rate computed for July 1, 2001 or the rate effective on June 30, 2001.

Notwithstanding any other provision of this Section, for facilities licensed by the Department of Public Health under the Nursing Home Care Act as skilled nursing facilities or intermediate care facilities, the Illinois Department shall determine by rule the rates taking effect on July 1, 2002, which shall be 5.9% less than the rates in effect on June 30, 2002.

Notwithstanding any other provision of this Section, for facilities licensed by the Department of Public Health under the Nursing Home Care Act as skilled nursing facilities or intermediate care facilities, the Illinois Department shall determine by rule the rates taking effect on July 1, 2003, which shall be 3.0% less than the rates in effect on June 30, 2002. This rate shall take effect only upon approval and implementation of the payment methodologies required under Section 5A-12.

For facilities licensed by the Department of Public Health under the Nursing Home Care Act as Intermediate Care for the Developmentally Disabled facilities or as long-term care facilities for residents under 22 years of age, the rates taking effect on July 1, 2003 shall include a statewide increase of 4%, as defined by the Department.

Notwithstanding any other provision of this Section, for facilities licensed by the Department of Public Health under the Nursing Home Care Act as skilled nursing facilities or intermediate care facilities, effective July 1, 2004, facility rates shall be increased by the difference between (i) a facility's per diem property, liability, and malpractice insurance costs as reported in the cost report filed with the Department of Public Aid and used to establish rates effective July 1, 2001 and (ii) those same costs as reported in the facility's 2002 cost report. These costs shall be passed through to the facility without caps or limitations, except for adjustments required under normal auditing procedures.

Rates established effective each July 1 shall govern payment for services rendered throughout that fiscal year, except that rates established on July 1, 1996 shall be increased by 6.8% for services provided on or after January 1, 1997. Such rates will be based upon the rates calculated for the year beginning July 1, 1990, and for subsequent years thereafter until June 30, 2001 shall be based on the facility cost reports for the facility fiscal year ending at any point in time during the previous calendar year, updated to the midpoint of the rate year. The cost report shall be on file with the Department no later than April 1 of the current rate year. Should the cost report not be on file by April 1, the Department shall base the rate on the latest cost report filed by each skilled care facility and intermediate care facility, updated to the midpoint of the current rate year. In determining rates for services rendered on and after July 1, 1985, fixed time shall not be computed at less than zero. The Department shall not make any alterations of regulations which would reduce any component of the Medicaid rate to a level below what that component would have been utilizing in the rate effective on July 1, 1984.

(2) Shall take into account the actual costs incurred by facilities in providing services for recipients of skilled nursing and intermediate care services under the medical assistance program.

(3) Shall take into account the medical and psycho-social characteristics and needs of the patients.

(4) Shall take into account the actual costs incurred by facilities in meeting licensing and certification standards imposed and prescribed by the State of Illinois, any of its political subdivisions or municipalities and by the U.S. Department of Health and Human Services pursuant to Title XIX of the Social Security Act.

The Department of Public Aid shall develop precise standards for payments to reimburse nursing facilities for any utilization of appropriate rehabilitative personnel for the provision of rehabilitative services which is authorized by federal regulations, including reimbursement for services provided by qualified therapists or qualified assistants, and which is in accordance with accepted professional practices. Reimbursement also may be made for utilization of other supportive personnel under appropriate supervision.

(Source: P.A. 92-10, eff. 6-11-01; 92-31, eff. 6-28-01; 92-597, eff. 6-28-02; 92-651, eff. 7-11-02; 92-848, eff. 1-1-03; 93-20, eff. 6-20-03; 93-649, eff. 1-8-04; 93-659, eff. 2-3-04; revised 2-3-04.)

Section 99. Effective date. This Act takes effect July 1, 2004."

The foregoing message from the Senate reporting Senate Amendment No. 1 to HOUSE BILL 2220 was placed on the Calendar on the order of Concurrence.

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 4283

A bill for AN ACT concerning gaming.

Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 4283

Senate Amendment No. 3 to HOUSE BILL NO. 4283

Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 4283 by replacing everything after the enacting clause with the following:

"Section 5. The Raffles Act is amended by adding Section 8.2 as follows:

(230 ILCS 15/8.2 new)

Sec. 8.2. Exemption for certain charitable institutions.

(a) A charitable institution is not subject to the licensing provisions of subsection (a) of Section 2, items (1), (2), (3), (4), and (5) of Section 3, and the restrictions on the conduct of raffles imposed under item (5) of Section 4 if (i) the charitable institution is organized and conducted on a not-for-profit basis with no personal profit inuring to anyone as a result of the operation of the institution and is exempt from federal income taxation under Section 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code, (ii) the net proceeds from raffles conducted by the charitable institution under this Act are used by the organization for charitable, scientific, or educational purposes related to the charitable institution, and (iii) the charitable institution obtains a license from the Department of Revenue under subsection (b).

(b) The Department of Revenue shall, upon application therefor on forms prescribed by that Department, and upon the payment of an annual fee of \$200, and upon a determination by the Department that the applicant is a charitable institution that meets the qualifications in items (i) and (ii) of subsection (a), issue a license authorizing the charitable institution to conduct raffles. A license issued under this subsection (b) shall be valid for one year. Fees collected by the Department of Revenue under this Section shall be deposited into the General Revenue Fund.

(c) All raffle tickets sold by a licensee under this Section must have the name of the licensee and the license number of the licensee printed on the ticket. The Department of Revenue shall provide by rule for

limitations upon (1) the aggregate retail value of all prizes or merchandise awarded by a licensee under this Section in a single raffle, (2) the maximum retail value of each prize awarded by a licensee under this Section in a single raffle, (3) the maximum price that may be charged for each raffle chance issued or sold, and (4) the maximum number of days during which chances may be issued or sold. Licenses issued under this Section may be suspended or revoked by the Department for any violation of this Act. The Department of Revenue shall act on a license application within 30 days after the Department receives the application.

(d) For a charitable organization that conducts raffles under this Section, all references in Sections 5 and 6 of this Act to a licensing authority mean the Illinois Department of Revenue.

(e) In addition to the requirements set forth in this Section, a charitable institution licensed by the Department of Revenue under this Section must meet all other requirements established by the Department by rule.

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

AMENDMENT NO. 3. Amend House Bill 4283, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The Raffles Act is amended by adding Section 8.2 as follows:

(230 ILCS 15/8.2 new)

Sec. 8.2. Exemption for certain charitable institutions.

(a) A charitable institution is not subject to the licensing provisions of subsection (a) of Section 2, items (1), (2), (3), (4), and (5) of Section 3, and the restrictions on the conduct of raffles imposed under item (5) of Section 4 if (i) the charitable institution is organized and conducted on a not-for-profit basis with no personal profit inuring to anyone as a result of the operation of the institution and is exempt from federal income taxation under Section 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code, (ii) the net proceeds from raffles conducted by the charitable institution under this Act are used by the organization for charitable, scientific, or educational purposes related to the charitable institution, and (iii) the charitable institution obtains a license from the Department of Revenue under subsection (b).

(b) The Department of Revenue shall, upon application therefor on forms prescribed by that Department, and upon the receipt of an annual license fee of \$300, which shall be collected by the host county and from which \$200 shall be retained by the host county and \$100 shall be paid by the host county to the Department of Revenue, and upon receipt by the Department of Revenue of a written finding from the host county that the applicant is a charitable institution that meets the qualifications in items (i) and (ii) of subsection (a), issue a license authorizing the charitable institution to conduct raffles as provided in this Section. The Department of Revenue shall act on a license application within 30 days after the Department receives the application, fee, and written determination from the host county required under this subsection. A license issued under this subsection (b) shall be valid for one year. The Department of Revenue shall deposit the portion of the fees paid to it under this Section into the General Revenue Fund.

(c) All raffle tickets sold by a licensee under this Section must have the name of the host county, the name of the licensee, and the license number of the licensee printed on the ticket. A licensee under this Section may sell raffle tickets under this Section in any part of this State except (i) in any municipality that has adopted an ordinance prohibiting the conduct of raffles or the sale of raffle tickets within its boundaries or (ii) in any unincorporated portion of a county that has adopted an ordinance prohibiting the conduct of raffles or the sale of raffle tickets within the unincorporated portions within its boundaries. The Department of Revenue shall provide by rule for limitations upon (1) the aggregate retail value of all prizes or merchandise awarded by a licensee under this Section in a single raffle, (2) the maximum retail value of each prize awarded by a licensee under this Section in a single raffle, (3) the maximum price that may be charged for each raffle chance issued or sold under this Section, and (4) the maximum number of days during which chances may be issued or sold under this Section.

(d) Upon notification from the host county of a violation of this Act, the Department of Revenue may suspend or revoke licenses issued under this Section for any violation of this Act. The Department of Revenue shall adopt rules concerning the proper form and manner of the notification required under this subsection.

(e) For a charitable organization that conducts raffles under this Section, all references in Sections 5 and 6 of this Act to a licensing authority or a licensing unit of local government mean the host county.

(f) In addition to the requirements set forth in this Section, a charitable institution licensed by the Department of Revenue under this Section must meet all other requirements established by the Department by rule.

(g) A host county shall provide all information requested by the Department of Revenue concerning the conduct of raffles under this Section to the Department upon request by the Department.

(h) For the purpose of this Section, the term "host county" means the county in which the winning chance for a raffle conducted under a license issued under this Section is determined and the term "Department" means the Department of Revenue.

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

The foregoing message from the Senate reporting Senate Amendments numbered 1 and 3 to HOUSE BILL 4283 were placed on the Calendar on the order of Concurrence.

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has passed bills of the following titles, in the passage of which I am instructed to ask the concurrence of the House of Representatives, to-wit:

SENATE BILL NO. 2791

A bill for AN ACT concerning mobile homes.

SENATE BILL NO. 2800

A bill for AN ACT concerning criminal law.

Passed by the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House in the passage of a bill of the following title to-wit:

HOUSE BILL NO. 4976

A bill for AN ACT concerning taxes.

Passed by the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House in the passage of a bill of the following title to-wit:

HOUSE BILL NO. 4894

A bill for AN ACT concerning public health.

Passed by the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House in the adoption of the following joint resolution, to-wit:

HOUSE JOINT RESOLUTION NO. 88

Concurred in the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has passed bills of the following titles, in the passage of which I am instructed to ask the concurrence of the House of Representatives, to-wit:

SENATE BILL NO. 3000

A bill for AN ACT concerning education, which may be referred to as the Education Reform and Accountability Act of 2004.

SENATE BILL NO. 3002

A bill for AN ACT in relation to public employee benefits.

Passed by the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

The foregoing SENATE BILLS 3000 and 3002 were ordered printed and to a First Reading.

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has adopted the following Senate Joint Resolution, in the adoption of which I am instructed to ask the concurrence of the House of Representatives, to-wit:

SENATE JOINT RESOLUTION NO. 75

WHEREAS, The State Board of Education has filed its Report on Waiver of School Code Mandates, dated April 30, 2004, with the Senate, the House of Representatives, and the Secretary of State of Illinois as required by Section 2-3.25g of the School Code; therefore, be it

RESOLVED, BY THE SENATE OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE HOUSE OF REPRESENTATIVES CONCURRING HEREIN, that the waiver request made by Ridgeview CUSD 19 - McLean with respect to driver education, identified in the report filed by the State Board of Education as request WM100-3215, is approved for only one year and disapproved for the remaining 4 years; and be it further

RESOLVED, That each of the school district waiver requests identified below by school district name and by the identifying number and subject area of the waiver request as summarized in the report filed by the State Board of Education is disapproved:

- (1) Summit SD 104 - Cook, WM100-3058, limitation of administrative cost;
- (2) Rutland CCSD 230 - LaSalle, WM100-3142, limitation of administrative cost;
- (3) Wallace CCSD 195 - LaSalle, WM100-3144, limitation of administrative cost;
- (4) Waukegan CUSD 60 - Lake, WM100-3173-1, substitute teachers; and
- (5) Steeleville CUSD 138 - Randolph, WM100-3232 (Appeal), certification.

Adopted by the Senate, May 20, 2004.

Linda Hawker, Secretary of the Senate

The foregoing message from the Senate reporting their adoption of SENATE JOINT RESOLUTION 75 was placed in the Committee on Rules.

A message from the Senate by
Ms. Hawker, Secretary:
Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 649

A bill for AN ACT in relation to animals.
Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:
Senate Amendment No. 1 to HOUSE BILL NO. 649
Senate Amendment No. 4 to HOUSE BILL NO. 649
Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 649 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Equine Infectious Anemia Control Act is amended by changing Section 4 as follows:

(510 ILCS 65/4) (from Ch. 8, par. 954)

Sec. 4. Tests of equidae entering the State. All equidae more than 12 months of age entering the State for any reason ~~other than for immediate slaughter~~ shall be accompanied by a Certificate of Veterinary Inspection issued by an accredited veterinarian of the state of origin within 30 days prior to entry and shall be negative to an official test for EIA within one year prior to entry. ~~Equidae entering the State for immediate slaughter shall be accompanied by a consignment direct to slaughter at an approved equine slaughtering establishment.~~

(Source: P.A. 86-223.)

(510 ILCS 65/4.3 new)

Sec. 4.3. Auction certificate of notification. Any equine owner who sells or otherwise transfers an equine in an equine auction must sign, upon consignment, a certificate of notification acknowledging that he or she has been made aware of the fact that the auctioned equine may be sold for slaughter. A copy of the certificate of notification shall accompany the equine upon sale or transfer. The person or entity conducting the auction shall provide the certificate of notification.

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

AMENDMENT NO. 4 . Amend House Bill 649 by inserting the following immediately below the title:

"WHEREAS, The People of the State of Illinois find and declare that:

- (a) The horse is a living symbol of the spirit, rugged independence, and tireless energy of our pioneer heritage;
 - (b) Horses have served us in war, carried us into the West and beyond, hauled our goods on their backs and in wagons, and entertained and partnered with man for thousands of years;
 - (c) The horse is a part of Illinois' rich heritage, having played a major role in Illinois' historical growth and development;
 - (d) Horses contribute significantly to the enjoyment of generations of recreation enthusiasts in Illinois, while contributing tremendous economic benefit;
 - (e) Horses are not raised for food or fiber and are taxed differently than food animals;
- and
- (f) Horses can be stolen, or purchased without disclosure or under false pretenses, to be slaughtered or shipped for slaughter; and this practice has contributed to crime and consumer fraud;
- and

WHEREAS, The General Assembly hereby also declares the purpose and intent of this amendatory Act to be as follows:

- (a) To recognize the horse as an important part of Illinois' heritage that deserves protection from those who would slaughter horses for food for human consumption; and
- (b) To enact into law that which has been widely accepted for generations in this State: it is immoral and unlawful to slaughter horses in this State to be used for food for human consumption; therefore"; and

by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Horse Meat Act is amended by adding Section 1.5 as follows:

(225 ILCS 635/1.5 new)

Sec. 1.5. Slaughter for human consumption unlawful.

(a) Notwithstanding any other provision of law, it is unlawful for any person to slaughter a horse if that person knows or should know that any of the horse meat will be used for human consumption.

(b) Notwithstanding any other provision of law, it is unlawful for any person to possess, to import into or export from this State, or to sell, buy, give away, hold, or accept any horse with the intent of slaughtering that horse if that person knows or should know that any of the horse meat will be used for human consumption.

(c) Notwithstanding any other provision of law, it is unlawful for any person to possess, to import into or export from this State, or to sell, buy, give away, hold, or accept any horse meat if that person knows or should know that the horse meat will be used for human consumption.

(d) Any person who knowingly violates any of the provisions of this Section is guilty of a Class C misdemeanor.

(e) This Section shall not apply to:

- (1) Any commonly accepted non commercial, recreational, or sporting activity.
- (2) Any existing laws which relate to horse taxes or zoning.
- (3) The processing of food producing animals other than those of the equine genus.

(225 ILCS 635/14 rep.) (from Ch. 56 1/2, par. 253)

Section 7. The Illinois Horse Meat Act is amended by repealing Section 14.

Section 10. The Animals Intended for Food Act is amended by changing Section 2.1 as follows:

(410 ILCS 605/2.1) (from Ch. 8, par. 107.1)

Sec. 2.1.

When in the interest of the general public and in the opinion of the Department of Agriculture it is deemed advisable, the Department has authority to quarantine or restrict any and all animals intended for human consumption that contain poisonous or deleterious substances which may render meat or meat products or poultry or poultry products from such animals or poultry injurious to health; except in case the quantity of such substances in such animals does not ordinarily render meat or meat products or poultry or poultry products from such animals injurious to health.

The Department or its duly authorized agent shall investigate or cause to be investigated all cases where it has reason to believe that animals intended for human consumption are contaminated with any poisonous or deleterious substance which may render them unfit for human consumption.

The Department or its duly designated agent in performing the duties vested in it under this Act is empowered to enter any premises, barns, stables, sheds, or other places for the purposes of administering this Act.

The Department may allow the sale or transfer of animals under quarantine or restriction subject to reasonable rules and regulations as may be prescribed.

For the purposes of this Act, the term "Animal" means cattle, calves, sheep, swine, ~~horses, mules or other equidae~~, goats, poultry and any other animal which can be or may be used in and for meat or poultry or their products for human consumption.

(Source: P.A. 77-2117.)

Section 15. The Illinois Equine Infectious Anemia Control Act is amended by changing Section 4 as follows:

(510 ILCS 65/4) (from Ch. 8, par. 954)

Sec. 4. Tests of equidae entering the State. All equidae more than 12 months of age entering the State for any reason ~~other than for immediate slaughter~~ shall be accompanied by a Certificate of Veterinary Inspection issued by an accredited veterinarian of the state of origin within 30 days prior to entry and shall be negative to an official test for EIA within one year prior to entry. ~~Equidae entering the State for immediate slaughter shall be accompanied by a consignment direct to slaughter at an approved equine~~

~~slaughtering establishment.~~

(Source: P.A. 86-223.)

Section 20. The Humane Care for Animals Act is amended by changing Sections 5 and 7.5 as follows:
(510 ILCS 70/5) (from Ch. 8, par. 705)

Sec. 5. Lame or disabled horses. No person shall sell, offer to sell, lead, ride, transport, or drive on any public way any equidae which, because of debility, disease, lameness or any other cause, could not be worked in this State without violating this Act, ~~unless the equidae is being sold, transported, or housed with the intent that it will be moved in an expeditious and humane manner to an approved slaughtering establishment.~~ Such equidae may be conveyed to a proper place for medical or surgical treatment or ; for humane keeping or euthanasia, ~~or for slaughter in an approved slaughtering establishment.~~

A person convicted of violating this Section or any rule, regulation, or order of the Department pursuant thereto is guilty of a Class A misdemeanor. A second or subsequent violation is a Class 4 felony.

(Source: P.A. 92-650, eff. 7-11-02.)

(510 ILCS 70/7.5)

Sec. 7.5. Downed animals.

(a) For the purpose of this Section a downed animal is one incapable of walking without assistance.

(b) No downed animal shall be sent to a stockyard, auction, or other facility where its impaired mobility may result in suffering. An injured animal other than those of the equine genus may be sent directly to a slaughter facility.

(c) A downed animal sent to a stockyard, auction, or other facility in violation of this Section shall be humanely euthanized, the disposition of such animal shall be the responsibility of the owner, and the owner shall be liable for any expense incurred.

If an animal becomes downed in transit it shall be the responsibility of the carrier.

(d) A downed animal shall not be transported unless individually segregated.

(e) A person convicted of violating this Section or any rule, regulation, or order of the Department pursuant thereto is guilty of a Class B misdemeanor. A second or subsequent violation is a Class 4 felony, with every day that a violation continues constituting a separate offense.

(Source: P.A. 92-650, eff. 7-11-02.)

Section 25. The Humane Slaughter of Livestock Act is amended by changing Section 2 as follows:

(510 ILCS 75/2) (from Ch. 8, par. 229.52)

Sec. 2. As used in this Act:

(1) "Director" means the Director of the Department of Agriculture of the State of Illinois.

(2) "Person" means any individual, partnership, corporation, or association doing business in this State, in whole or in part.

(3) "Slaughterer" means any person regularly engaged in the commercial slaughtering of livestock.

(4) "Livestock" means cattle, calves, sheep, swine, horses, mules, goats, and any other animal which can or may be used in and for the preparation of meat or meat products for consumption by human beings or animals. "Livestock", however, does not include horses, mules, or other equidae to be used in and for the preparation of meat or meat products for consumption by human beings, which is prohibited under Section 1.5 of the Illinois Horse Meat Act.

(5) "Packer" means any person engaged in the business of slaughtering or manufacturing or otherwise preparing meat or meat products for sale, either by such person or others; or of manufacturing or preparing livestock products for sale by such person or others.

(6) "Humane method" means either (a) a method whereby the animal is rendered insensible to pain by gunshot or by mechanical, electrical, chemical or other means that is rapid and effective, before being shackled, hoisted, thrown, cast or cut; or (b) a method in accordance with ritual requirements of the Jewish faith or any other religious faith whereby the animal suffers loss of consciousness by anemia of the brain caused by the simultaneous and instantaneous severance of the carotid arteries with a sharp instrument.

(Source: Laws 1967, p. 2023.)

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

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

The foregoing message from the Senate reporting Senate Amendments numbered 1 and 4 to HOUSE BILL 649 were placed on the Calendar on the order of Concurrence.

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 843

A bill for AN ACT in relation to townships.

Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 843

Senate Amendment No. 2 to HOUSE BILL NO. 843

Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 843 by replacing everything after the enacting clause with the following:

"Section 5. The Township Code is amended by changing Sections 285-5 and 285-10 as follows:

(60 ILCS 1/285-5)

Sec. 285-5. Payment of bond fund balance to township.

(a) Except as provided in subsection (b), whenever ~~Whenever~~ all the bonds of any township have been fully paid and canceled and there remains in the hands of the county collector of taxes or county treasurer, after the payment, any balance to the credit of the bond fund of the township, the county collector of taxes or county treasurer shall pay to the supervisor of the township the balance of the fund in his hands, taking a receipt of the supervisor for the payment.

(b) Beginning on the effective date of this amendatory Act of the 93rd General Assembly and through December 31, 2004, whenever all the bonds of any township have been fully paid and canceled and there remains any balance to the credit of the bond fund of the township, including any amounts that were in the bond fund prior to the payment in full and cancellation of the bonds, in the hands of the township supervisor, the balance may be appropriated and expended in accordance with Section 285-10.

(Source: P.A. 84-1308; 88-62.)

(60 ILCS 1/285-10)

Sec. 285-10. Use of moneys. Moneys paid to the township supervisor and moneys in the hands of the township supervisor under Section 285-5, may be appropriated and expended for defraying the general charges and expenses of the township; for laying out, making, and repairing the roads and bridges of the township and purchasing materials, implements, and machinery for those undertakings; for the maintenance and operation of open spaces; and for the payment of any outstanding orders, all in the manner and proportions the legal voters of the township determine at their annual township meeting or special township meeting duly called for that purpose.

(Source: Laws 1889, p. 357; P.A. 88-62.)

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

AMENDMENT NO. 2 . Amend House Bill 843, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The Township Code is amended by changing Sections 285-5 and 285-10 as follows:

(60 ILCS 1/285-5)

Sec. 285-5. Payment of bond fund balance to township.

(a) Whenever all the bonds of any township have been fully paid and canceled and there remains in the hands of the county collector of taxes or county treasurer, after the payment, any balance to the credit of the bond fund of the township, the county collector of taxes or county treasurer shall pay to the supervisor of the township the balance of the fund in his hands, taking a receipt of the supervisor for the payment, and the balance may be appropriated and expended in accordance with subsection (a) of Section 285-10.

(b) Beginning on the effective date of this amendatory Act of the 93rd General Assembly and through December 31, 2004, whenever all the bonds of any township have been fully paid and canceled and there remains any balance to the credit of the bond fund of the township, including any amounts that were in the bond fund prior to the payment in full and cancellation of the bonds, in the hands of the township

supervisor (other than amounts paid to the supervisor under subsection (a)), the balance may be appropriated and expended in accordance with subsection (b) of Section 285-10.

(Source: P.A. 84-1308; 88-62.)

(60 ILCS 1/285-10)

Sec. 285-10. Use of moneys.

(a) Moneys paid to the township supervisor under subsection (a) of Section 285-5, may be appropriated and expended for defraying the general charges and expenses of the township; for laying out, making, and repairing the roads and bridges of the township and purchasing materials, implements, and machinery for those undertakings; for the maintenance and operation of open spaces; and for the payment of any outstanding orders, all in the manner and proportions the legal voters of the township determine at their annual township meeting or special township meeting duly called for that purpose.

(b) Moneys in the hands of the township supervisor under subsection (b) of Section 285-5 may be appropriated and expended only for purposes relating to the purposes for which the bonds were issued.

(Source: Laws 1889, p. 357; P.A. 88-62.)

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

The foregoing message from the Senate reporting Senate Amendments numbered 1 and 2 to HOUSE BILL 843 were placed on the Calendar on the order of Concurrence.

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 1020

A bill for AN ACT concerning family law.

Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 1020

Senate Amendment No. 2 to HOUSE BILL NO. 1020

Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1. Amend House Bill 1020 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Marriage and Dissolution of Marriage Act is amended by changing Section 601 as follows:

(750 ILCS 5/601) (from Ch. 40, par. 601)

Sec. 601. Jurisdiction; Commencement of Proceeding.

(a) A court of this State competent to decide child custody matters has jurisdiction to make a child custody determination in original or modification proceedings as provided in Section 201 of the Uniform Child-Custody Jurisdiction and Enforcement Act as adopted by this State.

(b) A child custody proceeding is commenced in the court:

(1) by a parent, by filing a petition:

(i) for dissolution of marriage or legal separation or declaration of invalidity of marriage; or

(ii) for custody of the child, in the county in which he is permanently resident or found;

(2) by a person other than a parent, by filing a petition for custody of the child in the county in which he is permanently resident or found, but only if he is not in the physical custody of one of his parents; or

(3) by a stepparent, by filing a petition, if all of the following circumstances are met:

(A) the child is at least 12 years old;

- (B) the custodial parent and stepparent were married for at least 5 years during which the child resided with the parent and stepparent;
- (C) the custodial parent is deceased or is disabled and cannot perform the duties of a parent to the child;
- (D) the stepparent provided for the care, control, and welfare to the child prior to the initiation of custody proceedings;
- (E) the child wishes to live with the stepparent; and
- (F) it is alleged to be in the best interests and welfare of the child to live with the stepparent as provided in Section 602 of this Act.

(4) When one of the parents is deceased, by a grandparent who is a parent or stepparent of a deceased parent, if one or more of the following existed at the time of the parent's death:

(A) the parents were not cohabiting on a permanent or indefinite basis;

(B) the surviving parent had been absent from the marital abode for more than one month without the deceased spouse knowing his or her whereabouts;

(C) the surviving parent was in State or federal custody; or

(D) the surviving parent had: (i) received supervision for or been convicted of any violation of Article 12 of the Criminal Code of 1961 directed towards the deceased parent or the child; or (ii) received supervision or been convicted of violating an order of protection entered under Section 217, 218, or 219 of the Illinois Domestic Violence Act of 1986 for the protection of the deceased parent or the child.

(c) Notice of a child custody proceeding, including an action for modification of a previous custody order, shall be given to the child's parents, guardian and custodian, who may appear, be heard, and file a responsive pleading. The court, upon showing of good cause, may permit intervention of other interested parties.

(d) Proceedings for modification of a previous custody order commenced more than 30 days following the entry of a previous custody order must be initiated by serving a written notice and a copy of the petition for modification upon the child's parent, guardian and custodian at least 30 days prior to hearing on the petition. Nothing in this Section shall preclude a party in custody modification proceedings from moving for a temporary order under Section 603 of this Act.

(e) (Blank).

(f) The court shall, at the court's discretion or upon the request of any party entitled to petition for custody of the child, appoint a guardian ad litem to represent the best interest of the child for the duration of the custody proceeding or for any modifications of any custody orders entered. Nothing in this Section shall be construed to prevent the court from appointing the same guardian ad litem for 2 or more children that are siblings or half-siblings.

(Source: P.A. 93-108, eff. 1-1-04.)".

AMENDMENT NO. 2 . Amend House Bill 1020, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Marriage and Dissolution of Marriage Act is amended by changing Section 601 as follows:

(750 ILCS 5/601) (from Ch. 40, par. 601)

Sec. 601. Jurisdiction; Commencement of Proceeding.

(a) A court of this State competent to decide child custody matters has jurisdiction to make a child custody determination in original or modification proceedings as provided in Section 201 of the Uniform Child-Custody Jurisdiction and Enforcement Act as adopted by this State.

(b) A child custody proceeding is commenced in the court:

(1) by a parent, by filing a petition:

(i) for dissolution of marriage or legal separation or declaration of invalidity of marriage; or

(ii) for custody of the child, in the county in which he is permanently resident or found;

(2) by a person other than a parent, by filing a petition for custody of the child in the county in which he is permanently resident or found, but only if he is not in the physical custody of one of his parents; or

(3) by a stepparent, by filing a petition, if all of the following circumstances are met:

(A) the child is at least 12 years old;

- (B) the custodial parent and stepparent were married for at least 5 years during which the child resided with the parent and stepparent;
- (C) the custodial parent is deceased or is disabled and cannot perform the duties of a parent to the child;
- (D) the stepparent provided for the care, control, and welfare to the child prior to the initiation of custody proceedings;
- (E) the child wishes to live with the stepparent; and
- (F) it is alleged to be in the best interests and welfare of the child to live with the stepparent as provided in Section 602 of this Act.

(4) When one of the parents is deceased, by a grandparent who is a parent or stepparent of a deceased parent, by filing a petition, if one or more of the following existed at the time of the parent's death:

(A) the surviving parent had been absent from the marital abode for more than one month without the deceased spouse knowing his or her whereabouts;

(B) the surviving parent was in State or federal custody; or

(C) the surviving parent had: (i) received supervision for or been convicted of any violation of Article 12 of the Criminal Code of 1961 directed towards the deceased parent or the child; or (ii) received supervision or been convicted of violating an order of protection entered under Section 217, 218, or 219 of the Illinois Domestic Violence Act of 1986 for the protection of the deceased parent or the child.

(c) Notice of a child custody proceeding, including an action for modification of a previous custody order, shall be given to the child's parents, guardian and custodian, who may appear, be heard, and file a responsive pleading. The court, upon showing of good cause, may permit intervention of other interested parties.

(d) Proceedings for modification of a previous custody order commenced more than 30 days following the entry of a previous custody order must be initiated by serving a written notice and a copy of the petition for modification upon the child's parent, guardian and custodian at least 30 days prior to hearing on the petition. Nothing in this Section shall preclude a party in custody modification proceedings from moving for a temporary order under Section 603 of this Act.

(e) (Blank).

(f) The court shall, at the court's discretion or upon the request of any party entitled to petition for custody of the child, appoint a guardian ad litem to represent the best interest of the child for the duration of the custody proceeding or for any modifications of any custody orders entered. Nothing in this Section shall be construed to prevent the court from appointing the same guardian ad litem for 2 or more children that are siblings or half-siblings.

(Source: P.A. 93-108, eff. 1-1-04.)"

The foregoing message from the Senate reporting Senate Amendments numbered 1 and 2 to HOUSE BILL 1020 were placed on the Calendar on the order of Concurrence.

A message from the Senate by

Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 1659

A bill for AN ACT concerning health facilities.

Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 1659

Senate Amendment No. 2 to HOUSE BILL NO. 1659

Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 1659 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Health Facilities Planning Act is amended by changing Section 3 as follows:
(20 ILCS 3960/3) (from Ch. 111 1/2, par. 1153)
(Section scheduled to be repealed on July 1, 2008)

Sec. 3. Definitions. As used in this Act:

"Health care facilities" means and includes the following facilities and organizations:

1. An ambulatory surgical treatment center required to be licensed pursuant to the Ambulatory Surgical Treatment Center Act;
2. An institution, place, building, or agency required to be licensed pursuant to the Hospital Licensing Act;
3. Skilled and intermediate long term care facilities licensed under the Nursing Home Care Act;
3. Skilled and intermediate long term care facilities licensed under the Nursing Home Care Act;
4. Hospitals, nursing homes, ambulatory surgical treatment centers, or kidney disease treatment centers maintained by the State or any department or agency thereof;
5. Kidney disease treatment centers, including a free-standing hemodialysis unit required to be licensed under the End Stage Renal Disease Facility Act; and
6. An institution, place, building, or room used for the performance of outpatient surgical procedures that is leased, owned, or operated by or on behalf of an out-of-state facility.

No federally owned facility shall be subject to the provisions of this Act, nor facilities used solely for healing by prayer or spiritual means.

No facility licensed under the Supportive Residences Licensing Act or the Assisted Living and Shared Housing Act shall be subject to the provisions of this Act.

A facility designated as a supportive living facility that is in good standing with the demonstration project established under Section 5-5.01a of the Illinois Public Aid Code shall not be subject to the provisions of this Act.

This Act does not apply to facilities granted waivers under Section 3-102.2 of the Nursing Home Care Act. However, if a demonstration project under that Act applies for a certificate of need to convert to a nursing facility, it shall meet the licensure and certificate of need requirements in effect as of the date of application.

This Act shall not apply to a dialysis facility that: (i) provides only dialysis training, support, and related services to individuals with end stage renal disease who have elected to receive home dialysis; and (ii) becomes an approved participant or has participated in the Centers for Medicare and Medicaid Service's expanded delivery model study for home dialysis services provided to residents of skilled nursing and nursing facilities in Illinois and its successor programs of extensions thereof.

This Act shall not apply to a dialysis unit located in a licensed nursing home that offers or provides dialysis-related services to individuals with end stage renal disease who have elected to receive home dialysis.

This Act shall not apply to the closure of an entity or a portion of an entity licensed under the Nursing Home Care Act that elects to convert, in whole or in part, to an assisted living or shared housing establishment licensed under the Assisted Living and Shared Housing Act.

With the exception of those health care facilities specifically included in this Section, nothing in this Act shall be intended to include facilities operated as a part of the practice of a physician or other licensed health care professional, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional group. Further, this Act shall not apply to physicians or other licensed health care professional's practices where such practices are carried out in a portion of a health care facility under contract with such health care facility by a physician or by other licensed health care professionals, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional groups. This Act shall apply to construction or modification and to establishment by such health care facility of such contracted portion which is subject to facility licensing requirements, irrespective of the party responsible for such action or attendant financial obligation.

"Person" means any one or more natural persons, legal entities, governmental bodies other than federal, or any combination thereof.

"Consumer" means any person other than a person (a) whose major occupation currently involves or whose official capacity within the last 12 months has involved the providing, administering or financing of any type of health care facility, (b) who is engaged in health research or the teaching of health, (c) who has

a material financial interest in any activity which involves the providing, administering or financing of any type of health care facility, or (d) who is or ever has been a member of the immediate family of the person defined by (a), (b), or (c).

"State Board" means the Health Facilities Planning Board.

"Construction or modification" means the establishment, erection, building, alteration, reconstruction, modernization, improvement, extension, discontinuation, change of ownership, of or by a health care facility, or the purchase or acquisition by or through a health care facility of equipment or service for diagnostic or therapeutic purposes or for facility administration or operation, or any capital expenditure made by or on behalf of a health care facility which exceeds the capital expenditure minimum; however, any capital expenditure made by or on behalf of a health care facility for the construction or modification of a facility licensed under the Assisted Living and Shared Housing Act shall be excluded from any obligations under this Act.

"Establish" means the construction of a health care facility or the replacement of an existing facility on another site.

"Major medical equipment" means medical equipment which is used for the provision of medical and other health services and which costs in excess of the capital expenditure minimum, except that such term does not include medical equipment acquired by or on behalf of a clinical laboratory to provide clinical laboratory services if the clinical laboratory is independent of a physician's office and a hospital and it has been determined under Title XVIII of the Social Security Act to meet the requirements of paragraphs (10) and (11) of Section 1861(s) of such Act. In determining whether medical equipment has a value in excess of the capital expenditure minimum, the value of studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition of such equipment shall be included.

"Capital Expenditure" means an expenditure: (A) made by or on behalf of a health care facility (as such a facility is defined in this Act); and (B) which under generally accepted accounting principles is not properly chargeable as an expense of operation and maintenance, or is made to obtain by lease or comparable arrangement any facility or part thereof or any equipment for a facility or part; and which exceeds the capital expenditure minimum.

For the purpose of this paragraph, the cost of any studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of any plant or equipment with respect to which an expenditure is made shall be included in determining if such expenditure exceeds the capital expenditures minimum. Donations of equipment or facilities to a health care facility which if acquired directly by such facility would be subject to review under this Act shall be considered capital expenditures, and a transfer of equipment or facilities for less than fair market value shall be considered a capital expenditure for purposes of this Act if a transfer of the equipment or facilities at fair market value would be subject to review.

"Capital expenditure minimum" means \$6,000,000, which shall be annually adjusted to reflect the increase in construction costs due to inflation, for major medical equipment and for all other capital expenditures; provided, however, that when a capital expenditure is for the construction or modification of a health and fitness center, "capital expenditure minimum" means the capital expenditure minimum for all other capital expenditures in effect on March 1, 2000, which shall be annually adjusted to reflect the increase in construction costs due to inflation.

"Non-clinical service area" means an area (i) for the benefit of the patients, visitors, staff, or employees of a health care facility and (ii) not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; news stands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.

"Areawide" means a major area of the State delineated on a geographic, demographic, and functional basis for health planning and for health service and having within it one or more local areas for health planning and health service. The term "region", as contrasted with the term "subregion", and the word "area" may be used synonymously with the term "areawide".

"Local" means a subarea of a delineated major area that on a geographic, demographic, and functional

basis may be considered to be part of such major area. The term "subregion" may be used synonymously with the term "local".

"Areawide health planning organization" or "Comprehensive health planning organization" means the health systems agency designated by the Secretary, Department of Health and Human Services or any successor agency.

"Local health planning organization" means those local health planning organizations that are designated as such by the areawide health planning organization of the appropriate area.

"Physician" means a person licensed to practice in accordance with the Medical Practice Act of 1987, as amended.

"Licensed health care professional" means a person licensed to practice a health profession under pertinent licensing statutes of the State of Illinois.

"Director" means the Director of the Illinois Department of Public Health.

"Agency" means the Illinois Department of Public Health.

"Comprehensive health planning" means health planning concerned with the total population and all health and associated problems that affect the well-being of people and that encompasses health services, health manpower, and health facilities; and the coordination among these and with those social, economic, and environmental factors that affect health.

"Alternative health care model" means a facility or program authorized under the Alternative Health Care Delivery Act.

"Out-of-state facility" means a person that is both (i) licensed as a hospital or as an ambulatory surgery center under the laws of another state or that qualifies as a hospital or an ambulatory surgery center under regulations adopted pursuant to the Social Security Act and (ii) not licensed under the Ambulatory Surgical Treatment Center Act, the Hospital Licensing Act, or the Nursing Home Care Act. Affiliates of out-of-state facilities shall be considered out-of-state facilities. Affiliates of Illinois licensed health care facilities 100% owned by an Illinois licensed health care facility, its parent, or Illinois physicians licensed to practice medicine in all its branches shall not be considered out-of-state facilities. Nothing in this definition shall be construed to include an office or any part of an office of a physician licensed to practice medicine in all its branches in Illinois that is not required to be licensed under the Ambulatory Surgical Treatment Center Act.

"Change of ownership of a health care facility" means a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship, or other means of transferring control.

"Related person" means any person that: (i) is at least 50% owned, directly or indirectly, by either the health care facility or a person owning, directly or indirectly, at least 50% of the health care facility; or (ii) owns, directly or indirectly, at least 50% of the health care facility.

(Source: P.A. 93-41, eff. 6-27-03.)

Section 10. The End Stage Renal Disease Facility Act is amended by changing Sections 15 and 20 as follows:

(210 ILCS 62/15)

Sec. 15. Exemptions from licensing requirement. The following facilities are not required to be licensed under this Act:

(1) a home health agency licensed under the Home Health Agency Licensing Act;

(2) a hospital licensed under the Hospital Licensing Act or the University of Illinois Hospital Act; and

(3) the office of a physician;

(4) a nursing facility licensed under the Nursing Home Care Act (210 ILCS 45/); and

(5) a facility that (i) provides only dialysis training, support, and related services to individuals with end stage renal disease who have elected to receive home dialysis; and (ii) becomes an approved participant or has participated in the Centers for Medicare and Medicaid Service's expanded delivery model study for home dialysis services provided to residents of skilled nursing and nursing facilities in Illinois and its successor programs of extensions thereof.

(Source: P.A. 92-794, eff. 7-1-03.)

(210 ILCS 62/20)

Sec. 20. Issuance and renewal of license.

(a) An applicant for a license under this Act shall submit an application on forms prescribed by the Department.

(b) Each application shall be accompanied by a non-refundable license fee, as established by rule of the

Department.

(c) Each application shall contain evidence that there is at least one physician responsible for the medical direction of the facility and that each dialysis technician on staff has completed a training program as required by this Act.

(d) The Department may grant a temporary initial license to an applicant. A temporary initial license expires on the earlier of (i) the date the Department issues or denies the license or (ii) the date 6 months after the temporary initial license was issued. The Department may issue subsequent temporary licenses where necessary.

(e) The Department shall issue a license if, after application, inspection, and investigation, it finds the applicant meets the requirements of this Act and the standards adopted pursuant to this Act. The Department may consider facilities certified under Titles XVIII and XIX of the federal Social Security Act as meeting the licensure requirements under this Section. ~~The Department may include participation as a supplier of end stage renal disease services under Titles XVIII and XIX of the federal Social Security Act as a condition of licensure.~~

(f) The license is renewable annually after submission of (i) the renewal application and fee and (ii) an annual report on a form prescribed by the Department that includes information related to quality of care at the end stage renal disease facility. The report must be in the form and documented by evidence as required by Department rule.

(Source: P.A. 92-794, eff. 7-1-03.)

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

AMENDMENT NO. 2. Amend House Bill 1659, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Health Facilities Planning Act is amended by changing Section 3 as follows:

(20 ILCS 3960/3) (from Ch. 111 1/2, par. 1153)

(Section scheduled to be repealed on July 1, 2008)

Sec. 3. Definitions. As used in this Act:

"Health care facilities" means and includes the following facilities and organizations:

1. An ambulatory surgical treatment center required to be licensed pursuant to the Ambulatory Surgical Treatment Center Act;
2. An institution, place, building, or agency required to be licensed pursuant to the Hospital Licensing Act;
3. Skilled and intermediate long term care facilities licensed under the Nursing Home Care Act;
3. Skilled and intermediate long term care facilities licensed under the Nursing Home Care Act;
4. Hospitals, nursing homes, ambulatory surgical treatment centers, or kidney disease treatment centers maintained by the State or any department or agency thereof;
5. Kidney disease treatment centers, including a free-standing hemodialysis unit required to be licensed under the End Stage Renal Disease Facility Act; and
6. An institution, place, building, or room used for the performance of outpatient surgical procedures that is leased, owned, or operated by or on behalf of an out-of-state facility.

No federally owned facility shall be subject to the provisions of this Act, nor facilities used solely for healing by prayer or spiritual means.

No facility licensed under the Supportive Residences Licensing Act or the Assisted Living and Shared Housing Act shall be subject to the provisions of this Act.

A facility designated as a supportive living facility that is in good standing with the demonstration project established under Section 5-5.01a of the Illinois Public Aid Code shall not be subject to the provisions of this Act.

This Act does not apply to facilities granted waivers under Section 3-102.2 of the Nursing Home Care Act. However, if a demonstration project under that Act applies for a certificate of need to convert to a nursing facility, it shall meet the licensure and certificate of need requirements in effect as of the date of application.

This Act does not apply to a dialysis facility that provides only dialysis training, support, and related services to individuals with end stage renal disease who have elected to receive home dialysis. This Act does not apply to a dialysis unit located in a licensed nursing home that offers or provides dialysis-related services to residents with end stage renal disease who have elected to receive home dialysis within the

nursing home. The Board, however, may require these dialysis facilities and licensed nursing homes to report statistical information on a quarterly basis to the Board to be used by the Board to conduct analyses on the need for proposed kidney disease treatment centers.

This Act shall not apply to the closure of an entity or a portion of an entity licensed under the Nursing Home Care Act that elects to convert, in whole or in part, to an assisted living or shared housing establishment licensed under the Assisted Living and Shared Housing Act.

With the exception of those health care facilities specifically included in this Section, nothing in this Act shall be intended to include facilities operated as a part of the practice of a physician or other licensed health care professional, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional group. Further, this Act shall not apply to physicians or other licensed health care professional's practices where such practices are carried out in a portion of a health care facility under contract with such health care facility by a physician or by other licensed health care professionals, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional groups. This Act shall apply to construction or modification and to establishment by such health care facility of such contracted portion which is subject to facility licensing requirements, irrespective of the party responsible for such action or attendant financial obligation.

"Person" means any one or more natural persons, legal entities, governmental bodies other than federal, or any combination thereof.

"Consumer" means any person other than a person (a) whose major occupation currently involves or whose official capacity within the last 12 months has involved the providing, administering or financing of any type of health care facility, (b) who is engaged in health research or the teaching of health, (c) who has a material financial interest in any activity which involves the providing, administering or financing of any type of health care facility, or (d) who is or ever has been a member of the immediate family of the person defined by (a), (b), or (c).

"State Board" means the Health Facilities Planning Board.

"Construction or modification" means the establishment, erection, building, alteration, reconstruction, modernization, improvement, extension, discontinuation, change of ownership, of or by a health care facility, or the purchase or acquisition by or through a health care facility of equipment or service for diagnostic or therapeutic purposes or for facility administration or operation, or any capital expenditure made by or on behalf of a health care facility which exceeds the capital expenditure minimum; however, any capital expenditure made by or on behalf of a health care facility for the construction or modification of a facility licensed under the Assisted Living and Shared Housing Act shall be excluded from any obligations under this Act.

"Establish" means the construction of a health care facility or the replacement of an existing facility on another site.

"Major medical equipment" means medical equipment which is used for the provision of medical and other health services and which costs in excess of the capital expenditure minimum, except that such term does not include medical equipment acquired by or on behalf of a clinical laboratory to provide clinical laboratory services if the clinical laboratory is independent of a physician's office and a hospital and it has been determined under Title XVIII of the Social Security Act to meet the requirements of paragraphs (10) and (11) of Section 1861(s) of such Act. In determining whether medical equipment has a value in excess of the capital expenditure minimum, the value of studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition of such equipment shall be included.

"Capital Expenditure" means an expenditure: (A) made by or on behalf of a health care facility (as such a facility is defined in this Act); and (B) which under generally accepted accounting principles is not properly chargeable as an expense of operation and maintenance, or is made to obtain by lease or comparable arrangement any facility or part thereof or any equipment for a facility or part; and which exceeds the capital expenditure minimum.

For the purpose of this paragraph, the cost of any studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of any plant or equipment with respect to which an expenditure is made shall be included in determining if such expenditure exceeds the capital expenditures minimum. Donations of equipment or facilities to a health care facility which if acquired directly by such facility would be subject to review under this Act shall be considered capital expenditures, and a transfer of equipment or facilities for less than fair market value shall be considered a capital expenditure for purposes of this Act if a transfer of the equipment or facilities at fair market value would be subject to review.

"Capital expenditure minimum" means \$6,000,000, which shall be annually adjusted to reflect the increase in construction costs due to inflation, for major medical equipment and for all other capital expenditures; provided, however, that when a capital expenditure is for the construction or modification of a health and fitness center, "capital expenditure minimum" means the capital expenditure minimum for all other capital expenditures in effect on March 1, 2000, which shall be annually adjusted to reflect the increase in construction costs due to inflation.

"Non-clinical service area" means an area (i) for the benefit of the patients, visitors, staff, or employees of a health care facility and (ii) not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; news stands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.

"Areawide" means a major area of the State delineated on a geographic, demographic, and functional basis for health planning and for health service and having within it one or more local areas for health planning and health service. The term "region", as contrasted with the term "subregion", and the word "area" may be used synonymously with the term "areawide".

"Local" means a subarea of a delineated major area that on a geographic, demographic, and functional basis may be considered to be part of such major area. The term "subregion" may be used synonymously with the term "local".

"Areawide health planning organization" or "Comprehensive health planning organization" means the health systems agency designated by the Secretary, Department of Health and Human Services or any successor agency.

"Local health planning organization" means those local health planning organizations that are designated as such by the areawide health planning organization of the appropriate area.

"Physician" means a person licensed to practice in accordance with the Medical Practice Act of 1987, as amended.

"Licensed health care professional" means a person licensed to practice a health profession under pertinent licensing statutes of the State of Illinois.

"Director" means the Director of the Illinois Department of Public Health.

"Agency" means the Illinois Department of Public Health.

"Comprehensive health planning" means health planning concerned with the total population and all health and associated problems that affect the well-being of people and that encompasses health services, health manpower, and health facilities; and the coordination among these and with those social, economic, and environmental factors that affect health.

"Alternative health care model" means a facility or program authorized under the Alternative Health Care Delivery Act.

"Out-of-state facility" means a person that is both (i) licensed as a hospital or as an ambulatory surgery center under the laws of another state or that qualifies as a hospital or an ambulatory surgery center under regulations adopted pursuant to the Social Security Act and (ii) not licensed under the Ambulatory Surgical Treatment Center Act, the Hospital Licensing Act, or the Nursing Home Care Act. Affiliates of out-of-state facilities shall be considered out-of-state facilities. Affiliates of Illinois licensed health care facilities 100% owned by an Illinois licensed health care facility, its parent, or Illinois physicians licensed to practice medicine in all its branches shall not be considered out-of-state facilities. Nothing in this definition shall be construed to include an office or any part of an office of a physician licensed to practice medicine in all its branches in Illinois that is not required to be licensed under the Ambulatory Surgical Treatment Center Act.

"Change of ownership of a health care facility" means a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship, or other means of transferring control.

"Related person" means any person that: (i) is at least 50% owned, directly or indirectly, by either the health care facility or a person owning, directly or indirectly, at least 50% of the health care facility; or (ii) owns, directly or indirectly, at least 50% of the health care facility.

(Source: P.A. 93-41, eff. 6-27-03.)

Section 10. The End Stage Renal Disease Facility Act is amended by changing Sections 10 and 20 as follows:

(210 ILCS 62/10)

Sec. 10. License required. Except as provided by this Act, no person shall open, manage, conduct, offer, maintain, or advertise an end stage renal disease facility without a valid license issued by the Department.

Each ESRDF, including those that provide only training services, may oversee remote station facilities for home dialysis patients in licensed nursing homes under the ESRDF's license. These remote station facilities are not required to obtain a separate license under this Act, but shall be inspected under Department rules as remote stations of the ESRDF.

Notwithstanding any other provisions of this Section, all end stage renal disease facilities in existence as of the effective date of rules adopted by the Department to implement this Act (the "Implementation Date") may continue to operate but must obtain a valid license to operate within one year after the Implementation Date adoption of rules to implement this Act.

(Source: P.A. 92-794, eff. 7-1-03.)

(210 ILCS 62/20)

Sec. 20. Issuance and renewal of license.

(a) An applicant for a license under this Act shall submit an application on forms prescribed by the Department.

(b) Each application shall be accompanied by a non-refundable license fee, as established by rule of the Department.

(c) Each application shall contain evidence that there is at least one physician responsible for the medical direction of the facility and that each dialysis technician on staff has completed a training program as required by this Act.

(d) The Department may grant a temporary initial license to an applicant. A temporary initial license expires on the earlier of (i) the date the Department issues or denies the license or (ii) the date 6 months after the temporary initial license was issued. The Department may issue subsequent temporary licenses when necessary.

(e) The Department shall issue a license if, after application, inspection, and investigation, it finds the applicant meets the requirements of this Act and the standards adopted pursuant to this Act. The Department may include participation as a supplier of end stage renal disease services under Titles XVIII and XIX of the federal Social Security Act as a condition of licensure. The Department may consider facilities and remote stations certified under Titles XVIII and XIX of the federal Social Security Act as meeting the licensure requirements under this Section.

(f) The license is renewable annually after submission of (i) the renewal application and fee and (ii) an annual report on a form prescribed by the Department that includes information related to quality of care at the end stage renal disease facility. The report must be in the form and documented by evidence as required by Department rule.

(Source: P.A. 92-794, eff. 7-1-03.)

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

The foregoing message from the Senate reporting Senate Amendments numbered 1 and 2 to HOUSE BILL 1659 were placed on the Calendar on the order of Concurrence.

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 2587

A bill for AN ACT concerning the Department of Transportation.

Together with the attached amendments thereto (which amendments have been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 2587

Senate Amendment No. 2 to HOUSE BILL NO. 2587

Senate Amendment No. 5 to HOUSE BILL NO. 2587
Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 2587 by replacing everything after the enacting clause with the following:

"Section 5. The Department of Transportation Law of the Civil Administrative Code of Illinois is amended by adding Section 2705-321 as follows:

(20 ILCS 2705/2705-321 new)

Sec. 2705-321. Illinois Transit Ridership and Economic Development (TRED) Pilot Project Program; new facilities and service.

(a) Subject to bond fund appropriation, the Department of Transportation shall establish the Illinois Transit Ridership and Economic Development (TRED) Pilot Project Program to build transit systems that more effectively address the needs of Illinois workers, families, and businesses. The Illinois TRED Pilot Project Program shall provide for new or expanded mass transportation service and facilities, including rapid transit, rail, bus, and other equipment used in connection with mass transit, by the State, a public entity, or 2 or more of these entities authorized to provide and promote public transportation in order to increase the level of service available in local communities, as well as improve the quality of life and economic viability of the State of Illinois.

The Illinois TRED Pilot Project Program expenditures for mass transportation service and facilities within the State must:

(1) Improve the economic viability of Illinois by facilitating the transportation of Illinois residents to places of employment, to educational facilities, and to commercial, medical, and shopping districts.

(2) Increase the frequency and reliability of public transit service.

(3) Facilitate the movement of all persons, including those persons who, because of age, economic circumstance, or physical infirmity, are unable to drive.

(4) Contribute to an improved environment through the reduction of air, water, and noise pollution.

(b) Under the Illinois TRED Pilot Project Program, subject to bond fund appropriation, the Department shall fund in fiscal year 2005, in coordination and consultation with other government agencies that provide or fund transportation services, the Illinois Public Transportation Association, and transit advocates, projects as specified in subsection (c). Total funding for each project shall not exceed \$500,000 and the funding for all projects shall not exceed \$4,500,000. The Department shall submit annual reports to the General Assembly by March 1 of each fiscal year regarding the status of these projects, including service to constituents including local businesses, seniors, and people with disabilities, costs, and other appropriate measures of impact.

(c) Subject to bond fund appropriation, the Department shall make grants to any of the following in order to create:

(1) The Altgeld Gardens - Ford Supplier Park Rush-hour service, which shall provide rush-hour-only service (6:00 AM to 10:00 AM and 3:00 PM to 7:30 PM) that shall start at 130th Street and State Street and go directly to Altgeld Gardens (stopping at the store in the center of Altgeld Gardens), then leave Altgeld Gardens and go directly to the Ford supplier park on 130th Street, then to 130th and Torrence Avenue (the Ford production plant), then north on Torrence Avenue with at least one stop close to Washington High School, then to the shopping plaza at 95th Street and Stony Island. After completing its route, the bus shall turn around and go back on the same route. Service shall be every 20 minutes.

(2) The Pilsen/Lawndale Demonstration Project, which consists of the following:

(A) Pilsen Commercial route, which shall create weekday bus service to support the 16th and 18th street commercial district. Service shall begin at Cicero and Cermak and proceed along 16th Street and then 18th Street to Michigan Ave. This service shall run on weekdays from 9:00 a.m. to 2:00 p.m. and then from 6 p.m. to 10 p.m.

(B) Lawndale-to-the-Loop Rush hour express route, which shall create an extended rush-hour-only express service (4:00 a.m. to 9:00 a.m. and 4:00 p.m. to 10:00 p.m.), starting at Pulaski and Cermak and traveling along Ogden and Polk with limited stops between Pulaski, the Medical District, and the Chicago Loop.

(3) The Intertownship Transportation Program for Northwest Suburban Cook County, which shall complement existing Pace service and involve cooperation of several townships to provide transportation services for senior and disabled residents across village and township boundaries that is currently not

provided by Pace and by individual townships and municipalities.

(4) RIDES transit services to Richland and Lawrence Counties to extend transit services into Richland and Lawrence Counties and enhance service in Wayne, Edwards, and Wabash Counties that share common travel patterns and needs with Lawrence and Richland counties. Funding shall be used to develop a route structure that shall coordinate social service and general public requirements and obtain vehicles to support the additional service.

(5) Peoria Regional Transportation Initiative, which shall fund the development of a plan to create a regional transportation service in the Peoria-Pekin MSA that integrates and expands the existing services and that would allow local leaders to develop a funding plan and a timetable to secure final political approval. The plan is intended to facilitate regional economic development and provide greater mobility to workers, senior citizens, and people with disabilities.

(6) Rock Island MetroLINK/Black Hawk College Coordination Project, which shall provide a deeply discounted, semester-based bus pass for unlimited travel on any MetroLINK bus route to students and faculty at local community colleges to increase ridership on the metropolitan bus system and better link community college students with transportation alternatives.

(7) The West Central Transit District to serve Scott and Morgan Counties. Funding shall be used to develop a route structure that shall coordinate social service and general public requirements and obtain vehicles to support the service.

(8) Community College Coordination Projects, which shall provide deeply discounted semester-based bus passes for unlimited travel on any Champaign-Urbana MTD, and Danville Mass Transit bus routes to students, faculty, and staff at Parkland College, and Danville Area Community College to better link community colleges with transportation alternatives.

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

AMENDMENT NO. 2. Amend House Bill 2587, AS AMENDED, with reference to page and line numbers of Senate Amendment No. 1, on page 1, in line 11 by deleting "bond fund"; and on page 2, in lines 15 and 27, by deleting "bond fund"; and on page 4, by replacing lines 13 through 19 with the following:

"(6) Rock Island MetroLINK/Black Hawk College Coordination Project, which shall increase mobility for lower income students to access educational services and job training on the metropolitan bus system, which will better link community college students with transportation alternatives." and

on page 4, by replacing lines 25 through 31 with the following:

"(8) Additional community college coordination projects, which shall increase mobility for lower income students to access educational services and job training on any Champaign-Urbana MTD and Danville Mass Transit bus routes, which will better link community college students with transportation alternatives."

AMENDMENT NO. 5. Amend House Bill 2587, AS AMENDED, with reference to page and line numbers of Senate Amendment No. 1, on page 2, in line 15, by replacing "in" with "each"; and on page 2, in line 16, by deleting "2005"; and by replacing line 29 on page 2 through line 22 on page 3 with the following:

"(1) Two demonstration projects for the Chicago Transit Authority to increase services to currently underserved communities and neighborhoods, such as, but not limited to, Altgeld Gardens, Pilsen, and Lawndale.

(2) (Blank.)"

The foregoing message from the Senate reporting Senate Amendments numbered 1, 2 and 5 to HOUSE BILL 2587 were placed on the Calendar on the order of Concurrence.

A message from the Senate by
Ms. Hawker, Secretary:

Mr. Speaker -- I am directed to inform the House of Representatives that the Senate has concurred with the House of Representatives in the passage of a bill of the following title to-wit:

HOUSE BILL 848

A bill for AN ACT concerning taxes.

Together with the attached amendment thereto (which amendment has been printed by the Senate), in the adoption of which I am instructed to ask the concurrence of the House, to-wit:

Senate Amendment No. 1 to HOUSE BILL NO. 848

Passed the Senate, as amended, May 20, 2004.

Linda Hawker, Secretary of the Senate

AMENDMENT NO. 1 . Amend House Bill 848 by replacing everything after the enacting clause with the following:

"Section 1. Short title; effectiveness. This Act may be cited as the Tax Shelter Voluntary Compliance Act. This Act is of no force and effect unless and until House Bill 4266 of the 93rd General Assembly becomes law in the same form as it passed both houses of the General Assembly on April 29, 2004.

Section 5. Tax shelter voluntary compliance program.

(a) In general. The Department shall establish and administer a tax shelter voluntary compliance program as provided in this Section for eligible taxpayers subject to tax under the Illinois Income Tax Act. The tax shelter voluntary compliance program shall be conducted from October 15, 2004 to November 30, 2004 and shall apply to tax liabilities under Section 201 of the Illinois Income Tax Act attributable to the use of abusive tax avoidance transactions for taxable years beginning before January 1, 2004. The Department shall adopt rules, issue forms and instructions, and take such other actions as it deems necessary to implement the provisions of this Act. Any correspondence mailed by the Department to a taxpayer at the taxpayer's last known address outlining the tax shelter voluntary compliance program constitutes a "contact" within the meaning of Sections 1005(b)(6) and 1005(c) of the Illinois Income Tax Act for taxable years to which this Act applies.

(b) Election. An eligible taxpayer that meets the requirements of subsection (c) of this Section with respect to any taxable year to which this Act applies may elect to participate in the tax shelter voluntary compliance program under either (but not both) paragraph (1) or paragraph (2) of this subsection. Such election shall be made in the form and manner prescribed by the Department and, once made, shall be irrevocable.

(1) Voluntary compliance without appeal. If a taxpayer elects to participate under this paragraph, then: (i) the Department shall abate and not seek to collect any penalty that may be applicable to the underreporting or underpayment of Illinois income tax attributable to the use of abusive tax avoidance transactions for such taxable year; (ii) except as otherwise provided in this Act, the Department shall not seek civil or criminal prosecution against the taxpayer for such taxable year with respect to abusive tax avoidance transactions; and (iii) the taxpayer may not file a claim for credit or refund of amounts paid for such taxable year in connection with abusive tax avoidance transactions. No penalty may be waived or abated under this Act if the penalty imposed relates to an amount of Illinois income tax assessed prior to October 15, 2004.

(2) Voluntary compliance with appeal. If an eligible taxpayer elects to participate under this paragraph, then: (i) the Department shall abate and not seek to collect the penalties imposed under Sections 1005(b) and 1005(c) of the Illinois Income Tax Act with respect to such taxable year; (ii) except as otherwise provided in this Act, the Department shall not seek civil or criminal prosecution against the taxpayer for such taxable year with respect to abusive tax avoidance transactions; and (iii) the taxpayer may file a claim for credit or refund as provided in the Illinois Income Tax Act with respect to such taxable year. Notwithstanding Section 909(e) of the Illinois Income Tax Act, the taxpayer may not file a written protest until after either of the following: (i) the Department issues a notice of denial, or (ii) the earlier of (1) the date which is 180 days after the date of a final determination by the Internal Revenue Service with respect to the transactions at issue, or (2) the date that is 4 years after the date the claim for refund was filed or one year after full payment of all tax, including penalty and interest. No penalty may be waived or abated under this Act if the penalty imposed relates to an amount of Illinois income tax assessed prior to October 15, 2004.

(c) Eligible taxpayer. The tax shelter voluntary compliance program applies to any taxpayer who, during the period from October 15, 2004 to November 30, 2004, does both of the following:

(1) Files an amended return for the taxable year for which the taxpayer used an abusive tax avoidance transaction to under report the taxpayer's Illinois income tax liability, reporting the total Illinois net income and tax for such taxable year computed without regard to any abusive tax avoidance transactions; and

(2) Makes full payment of the entire amount of Illinois income tax and interest due for such taxable year (not including a payment made under protest as provided in Section 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS 230/2a.1)).

Section 10. Abusive tax avoidance transaction. For purposes of this Act, the term "abusive tax avoidance transaction" means a plan or arrangement devised for the principal purpose of avoiding federal or Illinois income tax. Abusive tax avoidance transactions include, but are not limited to, "listed transactions", as defined in Treasury Regulations Section 1.6011-4(b)(2), and Illinois listed transactions as defined in Section 501(b)(2)(A)(2) of the Illinois Income Tax Act.

Section 15. Article 2 Credits. In the event a taxpayer does not participate in the tax shelter voluntary compliance program with respect to a taxable year in which there exists a deficiency attributable in whole or in part to an abusive tax avoidance transaction, the following apply:

(i) Any Article 2 credit otherwise earned in such taxable year shall be disallowed.

(ii) Any Article 2 credit carried over or back to such taxable year shall be disallowed.

Any Article 2 credit disallowed under item (i) or (ii), or both, of this Section shall be deemed absorbed in such taxable year, and shall not be carried forward or back to any other taxable year.

Section 20. The fact of a taxpayer's participation in the tax shelter voluntary compliance program shall not be considered evidence that the taxpayer in fact engaged in an abusive tax avoidance transaction.

Section 25. Application of Act. Nothing in this Act applies to small businesses as defined in the Small Business Advisory Act.

Section 905. If and only if House Bill 4266 of the 93rd General Assembly becomes law in the same form as passed both houses of the General Assembly on April 29, 2004, the Statute on Statutes is amended by changing Section 1.23 as follows:

(5 ILCS 70/1.23) (from Ch. 1, par. 1024)

Sec. 1.23. General Revenue Law of Illinois: economic substance doctrine.

(a) The "General Revenue Law of Illinois", or any equivalent expression, when used with reference to revenue, shall be deemed to refer to the Property Tax Code and all existing and future amendments thereto and modifications thereof, and all rules now or hereafter adopted pursuant thereto.

(b) Economic substance doctrine. In applying the provisions of Chapter 35 (relating to revenue), the economic substance doctrine shall apply.

The economic substance doctrine means the common law doctrine under which tax benefits with respect to a transaction or arrangement are not allowable if the transaction or arrangement does not have economic substance or lacks a business purpose (including a transaction or arrangement in which an entity is disregarded as lacking economic substance). For purposes of applying the economic substance doctrine, a transaction or arrangement shall be considered as having economic substance only if (i) the transaction changes in a meaningful way (apart from its tax effects), the taxpayer's economic position, and (ii) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

(c) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 88-670, eff. 12-2-94.)

Section 910. If and only if House Bill 4266 of the 93rd General Assembly becomes law in the same form as passed both houses of the General Assembly on April 29, 2004, the Illinois Income Tax Act is amended by changing Sections 203, 205, 207, 304, 305, 501, 502, 711, 712, 713, 804, 905, 911, 1001, 1002, 1005, and 1501 and by adding Sections 709.5, 1007, 1008, 1405.5, and 1405.6 as follows:

(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

(1) In general. In the case of an individual, base income means an amount equal to the taxpayer's adjusted gross income for the taxable year as modified by paragraph (2).

(2) Modifications. The adjusted gross income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of

adjusted gross income, except stock dividends of qualified public utilities described in Section 305(e) of the Internal Revenue Code;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of adjusted gross income for the taxable year;

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of adjusted gross income;

(D-5) An amount, to the extent not included in adjusted gross income, equal to the amount of money withdrawn by the taxpayer in the taxable year from a medical care savings account and the interest earned on the account in the taxable year of a withdrawal pursuant to subsection (b) of Section 20 of the Medical Care Savings Account Act or subsection (b) of Section 20 of the Medical Care Savings Account Act of 2000;

(D-10) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the individual deducted in computing adjusted gross income and for which the individual claims a credit under subsection (l) of Section 201;

(D-15) For taxable years ending on or after December 31, 2000 and before December 31, 2004 ~~2001 and thereafter~~, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property. ~~and~~

(D-17) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph does not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest.

(D-18) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a

reduction to the addition modification required under Section 203(a)(2)(D-17) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

(D-20) (~~D-15~~) For taxable years beginning on or after January 1, 2002, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B); and

(D-25) For taxable years ending on or after December 31, 2004, an amount equal to the amount excluded from gross income under Section 101(a) of the Internal Revenue Code with respect to an employer-owned life insurance contract, but only to the extent that this amount exceeds the sum of the premiums or other amounts paid for the contract. The addition modification provided under this subparagraph does not apply to the extent that proceeds are payable to a member of the family (within the meaning of Section 267(c)(4) of the Internal Revenue Code) of the insured, to any individual who is the designated beneficiary (other than the employer or an affiliate of the employer) of the insured under the contract, to a trust established for the benefit of any such person, or to the estate of the insured, or are to be used to purchase an equity interest in the employer (or an affiliate) from any such person.

and by deducting from the total so obtained the sum of the following amounts:

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(G) The valuation limitation amount;

(H) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(I) An amount equal to all amounts included in such total pursuant to the provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted from adjusted gross income in the computation of taxable income;

(J) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, and conducts substantially all of its operations in an Enterprise Zone or zones;

- (K) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (J) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (K);
- (L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;
- (M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the income interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;
- (O) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;
- (P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;
- (Q) An amount equal to any amounts included in such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;
- (R) An amount equal to the amount of any federal or State bonus paid to veterans of the Persian Gulf War;
- (S) An amount, to the extent included in adjusted gross income, equal to the amount of a contribution made in the taxable year on behalf of the taxpayer to a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 to the extent the contribution is accepted by the account administrator as provided in that Act;
- (T) An amount, to the extent included in adjusted gross income, equal to the amount of interest earned in the taxable year on a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 on behalf of the taxpayer, other than interest added pursuant to item (D-5) of this paragraph (2);
- (U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;
- (V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is

eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For ~~each taxable year ending before December 31, 2004~~ years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; ~~and~~

~~(BB) (Z)~~ Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle; -

(CC) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of that addition modification, and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of that addition modification;

(DD) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-17) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(EE) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-18) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(b) Corporations.

- (1) In general. In the case of a corporation, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).
- (2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:
 - (A) An amount equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income;
 - (B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;
 - (C) In the case of a regulated investment company, an amount equal to the excess of
 - (i) the net long-term capital gain for the taxable year, over
 - (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);
 - (D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;
 - (E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such earlier taxable year, with the following limitations applied in the order that they are listed:
 - (i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and
 - (ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(E-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the corporation deducted in computing adjusted gross income and for which the corporation claims a credit under subsection (l) of Section 201;

(E-10) For taxable years ~~ending on or after December 31, 2000 and before December 31, 2004~~ ~~and thereafter~~, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(E-12) For taxable years ending on or after December 31, 2004, to the extent not otherwise included in base income, an amount equal to the amount of dividends received, directly or indirectly, (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of a passive income affiliate, as defined in Section 1501(a)(29) of this Act;

(E-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(E-14) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-13) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar

types of intangible assets; and

(E-15) For taxable years ending on or after December 31, 2004, an amount equal to the amount excluded from gross income under Section 101(a) of the Internal Revenue Code with respect to an employer-owned life insurance contract, but only to the extent that this amount exceeds the sum of the premiums or other amounts paid for the contract. The addition modification provided under this subparagraph does not apply to the extent that proceeds are payable to a member of the family (within the meaning of Section 267(c)(4) of the Internal Revenue Code) of the insured, to any individual who is the designated beneficiary (other than the employer or an affiliate of the employer) of the insured under the contract, to a trust established for the benefit of any such person, or to the estate of the insured, or are to be used to purchase an equity interest in the employer (or an affiliate) from any such person.

and by deducting from the total so obtained the sum of the following amounts:

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to any amount included in such total under Section 78 of the Internal Revenue Code;

(H) In the case of a regulated investment company, an amount equal to the amount of exempt interest dividends as defined in subsection (b) (5) of Section 852 of the Internal Revenue Code, paid to shareholders for the taxable year;

(I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(J) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the income interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or zones;

(L) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph 2 of this subsection shall not be eligible for the deduction provided under this subparagraph (L);

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of

Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(N) Two times any contribution made during the taxable year to a designated zone organization to the extent that the contribution (i) qualifies as a charitable contribution under subsection (c) of Section 170 of the Internal Revenue Code and (ii) must, by its terms, be used for a project approved by the Department of Commerce and Economic Opportunity Community Affairs under Section 11 of the Illinois Enterprise Zone Act;

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

(P) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(R) In the case of an attorney-in-fact with respect to whom an interinsurer or a reciprocal insurer has made the election under Section 835 of the Internal Revenue Code, 26 U.S.C. 835, an amount equal to the excess, if any, of the amounts paid or incurred by that interinsurer or reciprocal insurer in the taxable year to the attorney-in-fact over the deduction allowed to that interinsurer or reciprocal insurer with respect to the attorney-in-fact under Section 835(b) of the Internal Revenue Code for the taxable year;

(S) For taxable years ending on or after December 31, 1997, in the case of a Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; -

(V) The amount of: (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(W) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-13) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(X) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-14) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(3) Special rule. For purposes of paragraph (2) (A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, shall mean the gross investment income for the taxable year.

(c) Trusts and estates.

(1) In general. In the case of a trust or estate, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. Subject to the provisions of paragraph (3), the taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

(C) An amount equal to the amount of tax imposed by this Act to the extent deducted

from gross income in the computation of taxable income for the taxable year;
 (D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(F) For taxable years ending on or after January 1, 1989, an amount equal to the tax deducted pursuant to Section 164 of the Internal Revenue Code if the trust or estate is claiming the same tax for purposes of the Illinois foreign tax credit under Section 601 of this Act;

(G) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(G-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the trust or estate deducted in computing adjusted gross income and for which the trust or estate claims a credit under subsection (I) of Section 201;

(G-10) For taxable years ending on or after December 31, 2000 and before December 31, 2004 ~~2001 and thereafter~~, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph

only once with respect to any one piece of property;

(G-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(G-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were

paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203 (c)(2)(G-12) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes: (1) expenses, losses, and costs for or related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets; and

(G-15) For taxable years ending on or after December 31, 2004, an amount equal to the amount excluded from gross income under Section 101(a) of the Internal Revenue Code with respect to an employer-owned life insurance contract, but only to the extent that this amount exceeds the sum of the premiums or other amounts paid for the contract. The addition modification provided under this item does not apply to the extent that proceeds are payable to a member of the family (within the meaning of Section 267(c)(4) of the Internal Revenue Code) of the insured, to any individual who is the designated beneficiary (other than the employer or an affiliate of the employer) of the insured under the contract, to a trust established for the benefit of any such person, or to the estate of the insured, or are to be used to purchase an equity interest in the employer (or an affiliate) from any such person.

and by deducting from the total so obtained the sum of the following amounts:

- (H) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the Internal Revenue Code or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;
- (I) The valuation limitation amount;
- (J) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;
- (K) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C), (D), (E), (F) and (G) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the ~~income interest~~ net of bond premium amortization, ~~interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses.~~ The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;
- (L) With the exception of any amounts subtracted under subparagraph (K), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2) and 265(a)(2) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (M) An amount equal to those dividends included in such total which were paid by a

corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or Zones;

(N) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(O) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (O);

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For ~~each taxable year ending before December 31, 2004~~ ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~)

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once

with respect to any one piece of property; -

(T) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(U) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-12) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(V) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(3) Limitation. The amount of any modification otherwise required under this subsection shall, under regulations prescribed by the Department, be adjusted by any amounts included therein which were properly paid, credited, or required to be distributed, or permanently set aside for charitable purposes pursuant to Internal Revenue Code Section 642(c) during the taxable year.

(d) Partnerships.

(1) In general. In the case of a partnership, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income for the taxable year;

(C) The amount of deductions allowed to the partnership pursuant to Section 707 (c) of the Internal Revenue Code in calculating its taxable income;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(D-5) For taxable years ending on or after December 31, 2000 and before December 31, 2004 ~~2004 and thereafter~~, an amount equal to the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~)

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property; ÷

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-7) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the

extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(D-8) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203 (d)(2)(D-7) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets; and

(D-10) For taxable years ending on or after December 31, 2004, an amount equal to the amount excluded from gross income under Section 101(a) of the Internal Revenue Code with respect to an employer-owned life insurance contract, but only to the extent that this amount exceeds the sum of the premiums or other amounts paid for the contract. The addition modification provided under this item does not apply to the extent that proceeds are payable to a member of the family (within the meaning of Section 267(c)(4) of the Internal Revenue Code) of the insured, to any individual who is the designated beneficiary (other than the employer or an affiliate of the employer) of the insured under the contract, to a trust established for the benefit of any such person, or to the estate of the insured, or are to be used to purchase an equity interest in the employer (or an affiliate) from any such person;

and by deducting from the total so obtained the following amounts:

(E) The valuation limitation amount;

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;

(H) Any income of the partnership which constitutes personal service income as defined in Section 1348 (b) (1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership, whichever is greater;

(I) An amount equal to all amounts of income distributable to an entity subject to

the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code;

(J) With the exception of any amounts subtracted under subparagraph (G), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;

(L) An amount equal to any contribution made to a job training project established pursuant to the Real Property Tax Increment Allocation Redevelopment Act;

(M) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (M);

(N) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(O) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; -

(Q) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with

respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(R) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-7) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(S) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-8) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(e) Gross income; adjusted gross income; taxable income.

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income, or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. With respect to taxable years ending on or after December 31, 2004, for purposes of determining the amount of gross income, adjusted gross income, or taxable income properly reportable for federal income tax purposes: (i) there shall be taken into account the depreciation adjustment and the basis adjustment required by paragraph (2)(I) of this subsection; (ii) the provisions of Section 179 of the Internal Revenue Code apply to the extent that the Section is elected for federal income tax purposes with respect to "Section 179 property", except that the dollar limitation of Section 179(b)(1) shall be deemed to be \$25,000 for all taxable years and the reduction in limitation under Section 179(b)(2) shall be deemed to be \$200,000 for all taxable years, without any adjustment under Section 179(b)(5); and (iii) the gross income, adjusted gross income, or taxable income shall be determined as if the Internal Revenue Code required that, with respect to property placed in service in taxable years ending on or after December 31, 2004, the depreciation deduction determined under Section 168 of the Internal Revenue Code must be determined under Section 168(g)(2) (including the straight-line method and without any special allowance under Section 168(k)). Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

(2) Special rule. For purposes of paragraph (1) of this subsection, the taxable income properly reportable for federal income tax purposes shall mean:

- (A) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by Section 801 of the Internal Revenue Code, life insurance company taxable income, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under Section 815a of the Internal Revenue Code;
- (B) Certain other insurance companies. In the case of mutual insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, insurance company taxable income;
- (C) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by Section 852 of the Internal Revenue Code, investment company

taxable income;

(D) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by Section 857 of the Internal Revenue Code, real estate investment trust taxable income;

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the federal Subchapter S rules as in effect on July 1, 1982; and

(H) Partnerships. In the case of a partnership, taxable income determined in accordance with Section 703 of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 703(a)(1) to be separately stated but which would be taken into account by an individual in calculating his taxable income.

(I) Depreciation and basis adjustments for all taxpayers.

(A) Depreciation adjustment. With respect to property placed in service in taxable years ending before December 31, 2004, the depreciation deduction allowed under Section 167 of the Internal Revenue Code, with respect to property as to which the deduction is determined under Section 168 of the Code, shall be determined as if the Internal Revenue Code required a switch to the straight-line method beginning with that property's adjusted basis for federal income tax purposes as of the beginning of the last taxable year beginning before December 31, 2004.

(B) Basis adjustment. With respect to property subject to subparagraph (A) of this paragraph, the adjustment otherwise required under Section 1016 of the Internal Revenue Code shall take into account the depreciation adjustment required under subparagraph (A).

(3) Recapture of business expenses on disposition of asset or business. Notwithstanding any other law to the contrary, if in prior years income from an asset or business has been classified as business income and in a later year is demonstrated to be non-business income, then all expenses, without limitation, deducted in prior years related to that asset or business that generated the non-business income shall be added back and recaptured as business income in the year of the disposition of the asset or business. Such amount shall be apportioned to Illinois using the greater of the apportionment fraction computed for the business under Section 304 of this Act for the taxable year or the average of the apportionment fractions computed for the business under Section 304 of this Act for the taxable year and for the 2 immediately preceding taxable years.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

(A) The sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of gain reportable under the provisions of Section 1245 or 1250 of the Internal Revenue Code) for all property in respect of which such gain was reported for the taxable year; plus

(B) The lesser of (i) the sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of capital gain) for all property in respect of which such gain was reported for federal income tax purposes for the taxable year, or (ii) the net capital gain for the taxable year, reduced in either case by any amount of such gain included in the amount determined under subsection (a) (2) (F) or (c) (2) (H).

(2) Pre-August 1, 1969 appreciation amount.

(A) If the fair market value of property referred to in paragraph (1) was readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is the lesser of (i) the excess of such fair market value over the taxpayer's basis (for determining gain) for such property on that date (determined under the Internal Revenue Code as in effect on that date), or (ii) the total gain realized and reportable for federal income tax purposes in respect of the sale, exchange or other disposition of such property.

(B) If the fair market value of property referred to in paragraph (1) was not readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is that amount which bears the same ratio to the total gain reported in respect of the property for federal income tax purposes for the taxable year, as the number of full calendar months in that part of the taxpayer's holding period for the property ending July 31, 1969 bears to the number of full calendar months in the taxpayer's entire holding period for the property.

(C) The Department shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

(g) Double deductions. Unless specifically provided otherwise, nothing in this Section shall permit the same item to be deducted more than once.

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise.

(i) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

(35 ILCS 5/205) (from Ch. 120, par. 2-205)

Sec. 205. Exempt organizations.

(a) Charitable, etc. organizations. The base income of an organization which is exempt from the federal income tax by reason of Section 501(a) of the Internal Revenue Code shall not be determined under section 203 of this Act, but shall be its unrelated business taxable income as determined under section 512 of the Internal Revenue Code, without any deduction for the tax imposed by this Act. The standard exemption provided by section 204 of this Act shall not be allowed in determining the net income of an organization to which this subsection applies.

(b) Partnerships. A partnership as such shall not be subject to the tax imposed by subsection 201 (a) and (b) of this Act, but shall be subject to the replacement tax imposed by subsection 201 (c) and (d) of this Act and shall compute its base income as described in subsection (d) of Section 203 of this Act. For taxable years ending on or after December 31, 2004, an investment partnership, as defined in Section 1501(a)(11.5) of this Act, shall not be subject to the tax imposed by subsections (c) and (d) of Section 201 of this Act. A partnership shall file such returns and other information at such time and in such manner as may be required under Article 5 of this Act. The partners in a partnership shall be liable for the replacement tax imposed by subsection 201 (c) and (d) of this Act on such partnership, to the extent such tax is not paid by the partnership, as provided under the laws of Illinois governing the liability of partners for the obligations of a partnership. Persons carrying on business as partners shall be liable for the tax imposed by subsection 201 (a) and (b) of this Act only in their separate or individual capacities.

(c) Subchapter S corporations. A Subchapter S corporation shall not be subject to the tax imposed by subsection 201 (a) and (b) of this Act but shall be subject to the replacement tax imposed by subsection 201 (c) and (d) of this Act and shall file such returns and other information at such time and in such manner as may be required under Article 5 of this Act.

(d) Combat zone death. An individual relieved from the federal income tax for any taxable year by reason of section 692 of the Internal Revenue Code shall not be subject to the tax imposed by this Act for such taxable year.

(e) Certain trusts. A common trust fund described in Section 584 of the Internal Revenue Code, and any other trust to the extent that the grantor is treated as the owner thereof under sections 671 through 678 of the Internal Revenue Code shall not be subject to the tax imposed by this Act.

(f) Certain business activities. A person not otherwise subject to the tax imposed by this Act shall not become subject to the tax imposed by this Act by reason of:

- (1) that person's ownership of tangible personal property located at the premises of a printer in this State with which the person has contracted for printing, or
- (2) activities of the person's employees or agents located solely at the premises of a printer and related to quality control, distribution, or printing services performed by a printer in the State with which the person has contracted for printing.

(g) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 88-361.)

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

Sec. 207. Net Losses.

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

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

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

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

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

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

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

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

(c) Notwithstanding any other provision of this Act, for each taxable year ending on or after December 31, 2004, for purposes of computing the loss for the taxable year under subsection (a) of this Section and the deduction taken into account for the taxable year for a net operating loss carryover under paragraphs (1), (2), and (3) of subsection (a) of this Section, the loss and net operating loss carryover shall be reduced in an amount equal to the reduction to the net operating loss and net operating loss carryover to the taxable year, respectively, required under Section 108(b)(2)(A) of the Internal Revenue Code, multiplied by a fraction, the numerator of which is the amount of discharge of indebtedness income that is excluded from gross income for the taxable year (but only if the taxable year ends on or after December 31, 2004) under Section 108(a) of the Internal Revenue Code and that would have been allocated and apportioned to this State under Article 3 of this Act but for that exclusion, and the denominator of which is the total amount of discharge of indebtedness income excluded from gross income under Section 108(a) of the Internal Revenue Code for the taxable year. The reduction required under this subsection (c) shall be made after the determination of Illinois net income for the taxable year in which the indebtedness is discharged.

(d) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 93-29, eff. 6-20-03.)

(35 ILCS 5/304) (from Ch. 120, par. 3-304)

Sec. 304. Business income of persons other than residents.

(a) In general. The business income of a person other than a resident shall be allocated to this State if such person's business income is derived solely from this State. If a person other than a resident derives business income from this State and one or more other states, then, for tax years ending on or before December 30, 1998, and except as otherwise provided by this Section, such person's business income shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the sum of the property factor (if any), the payroll factor (if any) and 200% of the sales factor (if any), and the denominator of which is 4 reduced by the number of factors other than the sales factor which have a denominator of zero and by an additional 2 if the sales factor has a denominator of zero. For tax years ending on or after December 31, 1998, and except as otherwise provided by this Section, persons other than residents who derive business income from this State and one or more other states shall compute their apportionment factor by weighting their property, payroll, and sales factors as provided in subsection (h) of this Section.

(1) Property factor.

(A) The property factor is a fraction, the numerator of which is the average value of the person's real and tangible personal property owned or rented and used in the trade or business in this State during the taxable year and the denominator of which is the average value of all the person's real and tangible personal property owned or rented and used in the trade or business during the taxable year.

(B) Property owned by the person is valued at its original cost. Property rented by the person is valued at 8 times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the person less any annual rental rate received by the person from sub-rentals.

(C) The average value of property shall be determined by averaging the values at the beginning and ending of the taxable year but the Director may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the person's property.

(2) Payroll factor.

(A) The payroll factor is a fraction, the numerator of which is the total amount paid in this State during the taxable year by the person for compensation, and the denominator of which is the total compensation paid everywhere during the taxable year.

(B) Compensation is paid in this State if:

- (i) The individual's service is performed entirely within this State;
- (ii) The individual's service is performed both within and without this State, but the service performed without this State is incidental to the individual's service performed within this State; or
- (iii) Some of the service is performed within this State and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is within this State, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this State.

Beginning with taxable years ending on or after December 31, 1992, for residents of states that impose a comparable tax liability on residents of this State, for purposes of item (i) of this paragraph (B), in the case of persons who perform personal services under personal service contracts for sports performances, services by that person at a sporting event taking place in Illinois shall be deemed to be a performance entirely within this State.

(3) Sales factor.

(A) The sales factor is a fraction, the numerator of which is the total sales of the person in this State during the taxable year, and the denominator of which is the total sales of the person everywhere during the taxable year.

(B) Sales of tangible personal property are in this State if:

- (i) The property is delivered or shipped to a purchaser, other than the United States government, within this State regardless of the f. o. b. point or other conditions of the sale; or
- (ii) The property is shipped from an office, store, warehouse, factory or other place of storage in this State and either the purchaser is the United States government or the person is not taxable in the state of the purchaser; provided, however, that premises owned or leased by a person who has independently contracted with the seller for the printing of newspapers, periodicals

or books shall not be deemed to be an office, store, warehouse, factory or other place of storage for purposes of this Section. For taxable years ending before December 31, 2004, sales Sales of tangible personal property are not in this State if the seller and purchaser would be members of the same unitary business group but for the fact that either the seller or purchaser is a person with 80% or more of total business activity outside of the United States and the property is purchased for resale.

(B-1) Patents, copyrights, trademarks, and similar items of intangible personal property.

(i) Gross receipts from the licensing, sale, or other disposition of a patent, copyright, trademark, or similar item of intangible personal property are in this State to the extent the item is utilized in this State during the year the gross receipts are included in gross income.

(ii) Place of utilization.

(I) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If a patent is utilized in more than one state, the extent to which it is utilized in any one state shall be a fraction equal to the gross receipts of the licensee or purchaser from sales or leases of items produced, fabricated, manufactured, or processed within that state using the patent and of patented items produced within that state, divided by the total of such gross receipts for all states in which the patent is utilized.

(II) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If a copyright is utilized in more than one state, the extent to which it is utilized in any one state shall be a fraction equal to the gross receipts from sales or licenses of materials printed or published in that state divided by the total of such gross receipts for all states in which the copyright is utilized.

(III) Trademarks and other items of intangible personal property governed by this paragraph (B-1) are utilized in the state in which the commercial domicile of the licensee or purchaser is located.

(iii) If the state of utilization of an item of property governed by this paragraph (B-1) cannot be determined from the taxpayer's books and records or from the books and records of any person related to the taxpayer within the meaning of Section 267(b) of the Internal Revenue Code, 26 U.S.C. 267, the gross receipts attributable to that item shall be excluded from both the numerator and the denominator of the sales factor.

(B-2) Gross receipts from the license, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property may be included in the numerator or denominator of the sales factor only if gross receipts from licenses, sales, or other disposition of such items comprise more than 50% of the taxpayer's total gross receipts included in gross income during the tax year and during each of the 2 immediately preceding tax years; provided that, when a taxpayer is a member of a unitary business group, such determination shall be made on the basis of the gross receipts of the entire unitary business group.

(C) For taxable years ending before December 31, 2004, sales Sales, other than sales governed by paragraphs (B) , ~~and (B-1)~~ , and (B-2), are in this State if:

(i) The income-producing activity is performed in this State; or

(ii) The income-producing activity is performed both within and without this State and a greater proportion of the income-producing activity is performed within this State than without this State, based on performance costs.

(C-5) For taxable years ending on or after December 31, 2004, sales, other than sales governed by paragraphs (B), (B-1), and (B-2), are in this State if the purchaser is in this State or the sale is otherwise attributable to this State's marketplace. The following examples are illustrative:

(i) Sales from the sale or lease of real property are in this State if the property is located in this State.

(ii) Sales from the lease or rental of tangible personal property are in this State if the property is located in this State during the rental period. Sales from the lease or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are in this State to the extent that the property is used in this State.

(iii) Sales of intangible personal property are in this State if the purchaser uses or realizes benefit from the property in this State. If the purchaser uses or realizes benefit from the the property both within and without this State, the gross receipts from the sale shall be divided among those states having

jurisdiction to tax the sale in proportion to the use or benefit in each state. If the proportionate use or benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the sales factor.

(iv) Sales of services are in this State if the benefit of the service is enjoyed or realized in this State. If the benefit of the service is enjoyed or realized both within and without this State, the gross receipts from the sale shall be divided among those states having jurisdiction to tax the sale in proportion to the benefit of service enjoyed or realized in each state. If the proportionate benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the sales factor. The Department may adopt rules prescribing where the benefit of specific types of service, including, but not limited to, telecommunications, broadcast, cable, advertising, publishing, and utility service, is enjoyed or realized.

(D) For taxable years ending on or after December 31, 1995, the following items of income shall not be included in the numerator or denominator of the sales factor: dividends; amounts included under Section 78 of the Internal Revenue Code; and Subpart F income as defined in Section 952 of the Internal Revenue Code. No inference shall be drawn from the enactment of this paragraph (D) in construing this Section for taxable years ending before December 31, 1995.

(E) Paragraphs (B-1) and (B-2) shall apply to tax years ending on or after December 31, 1999, provided that a taxpayer may elect to apply the provisions of these paragraphs to prior tax years. Such election shall be made in the form and manner prescribed by the Department, shall be irrevocable, and shall apply to all tax years; provided that, if a taxpayer's Illinois income tax liability for any tax year, as assessed under Section 903 prior to January 1, 1999, was computed in a manner contrary to the provisions of paragraphs (B-1) or (B-2), no refund shall be payable to the taxpayer for that tax year to the extent such refund is the result of applying the provisions of paragraph (B-1) or (B-2) retroactively. In the case of a unitary business group, such election shall apply to all members of such group for every tax year such group is in existence, but shall not apply to any taxpayer for any period during which that taxpayer is not a member of such group.

(b) Insurance companies.

(1) In general. Except as otherwise provided by paragraph (2), business income of an insurance company for a taxable year shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the direct premiums written for insurance upon property or risk in this State, and the denominator of which is the direct premiums written for insurance upon property or risk everywhere. For purposes of this subsection, the term "direct premiums written" means the total amount of direct premiums written, assessments and annuity considerations, and surplus line contracts, but excluding deposit-type funds, as reported for the taxable year on the annual statement filed ~~by the company with the Illinois Director of Insurance~~ as filed by the taxpayer with the Illinois Department of Insurance or, if no report is filed with the Illinois Department of Insurance, as filed by the taxpayer with its state of domicile. If no such annual report is filed with any of the United States for a particular year, "direct premiums written" shall be determined by applying the instructions to the Illinois annual report form for that year or such other form as may be prescribed in lieu thereof.

(2) Reinsurance. If the principal source of premiums written by an insurance company consists of premiums for reinsurance accepted by it, the business income of such company shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the sum of (i) direct premiums written for insurance upon property or risk in this State, plus (ii) premiums written for reinsurance accepted in respect of property or risk in this State, and the denominator of which is the sum of (iii) direct premiums written for insurance upon property or risk everywhere, plus (iv) premiums written for reinsurance accepted in respect of property or risk everywhere. For taxable years ending before December 31, 2004, for purposes of this paragraph, premiums written for reinsurance accepted in respect of property or risk in this State, whether or not otherwise determinable, may, at the election of the company, be determined on the basis of the proportion which premiums written for reinsurance accepted from companies commercially domiciled in Illinois bears to premiums written for reinsurance accepted from all sources, or, alternatively, in the proportion which the sum of the direct premiums written for insurance upon property or risk in this State by each ceding company from which reinsurance is accepted bears to the sum of the total direct premiums written by each such ceding company for the taxable year.

(c) Financial organizations.

(1) In general. For taxable years ending before December 31, 2004, business ~~Business~~ income of a financial organization shall be apportioned to this State

by multiplying such income by a fraction, the numerator of which is its business income from sources within this State, and the denominator of which is its business income from all sources. For the purposes of this subsection, the business income of a financial organization from sources within this State is the sum of the amounts referred to in subparagraphs (A) through (E) following, but excluding the adjusted income of an international banking facility as determined in paragraph (2):

- (A) Fees, commissions or other compensation for financial services rendered within this State;
 - (B) Gross profits from trading in stocks, bonds or other securities managed within this State;
 - (C) Dividends, and interest from Illinois customers, which are received within this State;
 - (D) Interest charged to customers at places of business maintained within this State for carrying debit balances of margin accounts, without deduction of any costs incurred in carrying such accounts; and
 - (E) Any other gross income resulting from the operation as a financial organization within this State. In computing the amounts referred to in paragraphs (A) through (E) of this subsection, any amount received by a member of an affiliated group (determined under Section 1504(a) of the Internal Revenue Code but without reference to whether any such corporation is an "includible corporation" under Section 1504(b) of the Internal Revenue Code) from another member of such group shall be included only to the extent such amount exceeds expenses of the recipient directly related thereto.
- (2) International Banking Facility. For taxable years ending before December 31, 2004:
- (A) Adjusted Income. The adjusted income of an international banking facility is its income reduced by the amount of the floor amount.
 - (B) Floor Amount. The floor amount shall be the amount, if any, determined by multiplying the income of the international banking facility by a fraction, not greater than one, which is determined as follows:
 - (i) The numerator shall be:
The average aggregate, determined on a quarterly basis, of the financial organization's loans to banks in foreign countries, to foreign domiciled borrowers (except where secured primarily by real estate) and to foreign governments and other foreign official institutions, as reported for its branches, agencies and offices within the state on its "Consolidated Report of Condition", Schedule A, Lines 2.c., 5.b., and 7.a., which was filed with the Federal Deposit Insurance Corporation and other regulatory authorities, for the year 1980, minus
The average aggregate, determined on a quarterly basis, of such loans (other than loans of an international banking facility), as reported by the financial institution for its branches, agencies and offices within the state, on the corresponding Schedule and lines of the Consolidated Report of Condition for the current taxable year, provided, however, that in no case shall the amount determined in this clause (the subtrahend) exceed the amount determined in the preceding clause (the minuend); and
 - (ii) the denominator shall be the average aggregate, determined on a quarterly basis, of the international banking facility's loans to banks in foreign countries, to foreign domiciled borrowers (except where secured primarily by real estate) and to foreign governments and other foreign official institutions, which were recorded in its financial accounts for the current taxable year.
 - (C) Change to Consolidated Report of Condition and in Qualification. In the event the Consolidated Report of Condition which is filed with the Federal Deposit Insurance Corporation and other regulatory authorities is altered so that the information required for determining the floor amount is not found on Schedule A, lines 2.c., 5.b. and 7.a., the financial institution shall notify the Department and the Department may, by regulations or otherwise, prescribe or authorize the use of an alternative source for such information. The financial institution shall also notify the Department should its international banking facility fail to qualify as such, in whole or in part, or should there be any amendment or change to the Consolidated Report of Condition, as originally filed, to the extent such amendment or change alters the information used in determining the floor amount.
- (3) For taxable years ending on or after December 31, 2004, the business income of a financial

organization shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is its gross receipts from sources in this State or otherwise attributable to this State's marketplace and the denominator of which is its gross receipts everywhere during the taxable year. "Gross receipts" for purposes of this subparagraph (3) means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the financial organization's trade or business. The following examples are illustrative:

(i) Receipts from the lease or rental of real or tangible personal property are in this State if the property is located in this State during the rental period. Receipts from the lease or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are in this State to the extent that the property is used in this State.

(ii) Interest income, commissions, fees, gains on disposition, and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property are attributable to this State's marketplace if the security is located in this State.

(iii) Interest income, commissions, fees, gains on disposition, and other receipts from consumer loans that are not secured by real or tangible personal property are in this State if the debtor is a resident of this State.

(iv) Interest income, commissions, fees, gains on disposition, and other receipts from commercial loans and installment obligations that are not unsecured by real or tangible personal property are in this State if the proceeds of the loan are to be applied in this State. If it cannot be determined where the funds are to be applied, the income and receipts are attributable to this State's marketplace if the office of the borrower from which the loan was procured in the regular course of business is located in this State. If the location of this office cannot be determined, such receipts shall be excluded from the numerator and denominator of the sales factor.

(v) Interest income, fees, gains on disposition, service charges, and other receipts from credit card receivables are in this State if the card charges are regularly billed to a customer in this State.

(vi) Receipts from the performance of fiduciary and other services are in this State if the benefit of the service is enjoyed or realized in this State. If the benefit of the service is enjoyed or realized both within and without this State, the gross receipts from the sale shall be divided among those states having jurisdiction to tax the sale in proportion to the benefit of service enjoyed or realized in each state. If the proportionate benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the gross receipts factor.

(vii) Receipts from the issuance of travelers checks and money orders are in this State if the checks and money orders are issued from a location within this State.

(viii) In the case of a financial organization that accepts deposits, receipts from investments and from money market instruments are apportioned to this State based on the ratio that the total deposits of the financial organization (including all members of the financial organization's unitary group) from this State, its residents, any business with an office or other place of business in this State, and its political subdivisions, agencies, and instrumentalities bear to total deposits everywhere. For purposes of this subdivision, deposits must be attributed to this State under the preceding sentence, whether or not the deposits are accepted or maintained by the financial organization at locations within this State. In the case of a financial organization that does not accept deposits, receipts from investments in securities and from money market instruments shall be excluded from the numerator and the denominator of the gross receipts factor.

(4) As used in subparagraph (3), "deposit" includes but is not limited to:

(i) the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial organization, or a letter of credit or a traveler's check on which the financial organization is primarily liable. However, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection;

(ii) trust funds received or held by the financial organization, whether held in the trust department or held or deposited in any other department of the financial organization;

(iii) money received or held by a financial organization, or the credit given for money or its equivalent received or held by a financial organization, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial organization or others, including funds held as dealers reserves, or for securities loaned by the financial organization, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial organization for immediate application to the reduction of an indebtedness to the receiving financial organization, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness;

(iv) outstanding drafts, including advice of another financial organization, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial organization itself; and

(v) money or its equivalent held as a credit balance by a financial organization on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(5) As used in subparagraph (3), "money market instruments" includes but is not limited to:

(i) Interest-bearing deposits, federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

"Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock, bonds, and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(ii) For purposes of subparagraph (3), "money market instruments shall include investments in investment partnerships, trusts, pools, funds, investment companies, or any similar entity in proportion to the investment of such entity in money market instruments, and "securities" shall include investments in investment partnerships, trusts, pools, funds, investment companies, or any similar entity in proportion to the investment of such entity in securities.

(d) Transportation services. For taxable years ending before December 31, 2004, business ~~Business~~ income derived from furnishing transportation services shall be apportioned to this State in accordance with paragraphs (1) and (2):

(1) Such business income (other than that derived from transportation by pipeline)

shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the revenue miles of the person in this State, and the denominator of which is the revenue miles of the person everywhere. For purposes of this paragraph, a revenue mile is the transportation of 1 passenger or 1 net ton of freight the distance of 1 mile for a consideration. Where a person is engaged in the transportation of both passengers and freight, the fraction above referred to shall be determined by means of an average of the passenger revenue mile fraction and the freight revenue mile fraction, weighted to reflect the person's

(A) relative railway operating income from total passenger and total freight service, as reported to the Interstate Commerce Commission, in the case of transportation by railroad, and

(B) relative gross receipts from passenger and freight transportation, in case of transportation other than by railroad.

(2) Such business income derived from transportation by pipeline shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the revenue miles of the person in this State, and the denominator of which is the revenue miles of the person everywhere. For the purposes of this paragraph, a revenue mile is the transportation by pipeline of 1 barrel of oil, 1,000 cubic feet of gas, or of any specified quantity of any other substance, the distance of 1 mile for a consideration.

(3) For taxable years ending on or after December 31, 2004, business income derived from providing

transportation services other than airline services shall be apportioned to this State by using a fraction, (a) the numerator of which shall be (i) all receipts from any movement or shipment of people, goods, mail, oil, gas, or any other substance that both originates and terminates in this State, plus (ii) that portion of the person's gross receipts from movements or shipments of people, goods, mail, oil, gas, or any other substance passing through, into, or out of this State, that is determined by the ratio that the miles traveled in this State bears to total miles from point of origin to point of destination and (b) the denominator of which shall be all revenue derived from the movement or shipment of people, goods, mail, oil, gas, or any other substance. If a person derives business income from activities other than the provision of transportation services, only its business income from transportation services shall be apportioned according to this subsection.

(4) For taxable years ending on or after December 31, 2004, business income derived from providing airline services shall be apportioned to this State by using a fraction, (a) the numerator of which shall be all receipts from any movement or shipment of people, goods, or mail, multiplied by the ratio equal to arrivals of aircraft to and departures from this State weighted as to cost of aircraft by type divided by total arrivals and departures of aircraft weighted as to cost of aircraft by type and (b) the denominator of which shall be all revenue derived from the movement or shipment of people, goods, or mail. If a person derives business income from activities other than the provision of airline services only, its business income from airline services shall be apportioned according to this subsection.

(e) Combined apportionment. Where 2 or more persons are engaged in a unitary business as described in subsection (a)(27) of Section 1501, a part of which is conducted in this State by one or more members of the group, the business income attributable to this State by any such member or members shall be apportioned by means of the combined apportionment method.

(f) Alternative allocation. If the allocation and apportionment provisions of subsections (a) through (e) and of subsection (h) do not fairly represent the extent of a person's business activity in this State, the person may petition for, or the Director may, without a petition, permit or require, in respect of all or any part of the person's business activity, if reasonable:

- (1) Separate accounting;
- (2) The exclusion of any one or more factors;
- (3) The inclusion of one or more additional factors which will fairly represent the person's business activities in this State; or
- (4) The employment of any other method to effectuate an equitable allocation and apportionment of the person's business income.

(g) Cross reference. For allocation of business income by residents, see Section 301(a).

(h) For tax years ending on or after December 31, 1998, the apportionment factor of persons who apportion their business income to this State under subsection (a) shall be equal to:

- (1) for tax years ending on or after December 31, 1998 and before December 31, 1999, 16 2/3% of the property factor plus 16 2/3% of the payroll factor plus 66 2/3% of the sales factor;
- (2) for tax years ending on or after December 31, 1999 and before December 31, 2000, 8 1/3% of the property factor plus 8 1/3% of the payroll factor plus 83 1/3% of the sales factor;
- (3) for tax years ending on or after December 31, 2000, the sales factor.

If, in any tax year ending on or after December 31, 1998 and before December 31, 2000, the denominator of the payroll, property, or sales factor is zero, the apportionment factor computed in paragraph (1) or (2) of this subsection for that year shall be divided by an amount equal to 100% minus the percentage weight given to each factor whose denominator is equal to zero.

(i) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 90-562, eff. 12-16-97; 90-613, eff. 7-9-98; 91-541, eff. 8-13-99.)

(35 ILCS 5/305) (from Ch. 120, par. 3-305)

Sec. 305. Allocation of Partnership Income by partnerships and partners other than residents. (a) Allocation of partnership business income by partners other than residents. The respective shares of partners other than residents in so much of the business income of the partnership as is allocated or apportioned to this State in the possession of the partnership shall be taken into account by such partners pro rata in accordance with their respective distributive shares of such partnership income for the partnership's taxable year and allocated to this State.

(b) Allocation of partnership nonbusiness income by partners other than residents. The respective shares of partners other than residents in the items of partnership income and deduction not taken into account in computing the business income of a partnership shall be taken into account by such partners pro rata in

accordance with their respective distributive shares of such partnership income for the partnership's taxable year, and allocated as if such items had been paid, incurred or accrued directly to such partners in their separate capacities.

(c) Allocation or apportionment of base income by partnership. Base income of a partnership shall be allocated or apportioned to this State pursuant to Article 3, in the same manner as it is allocated or apportioned for any other nonresident.

(c-5) Taxable income of an investment partnership, as defined in Section 1501(a)(11.5) of this Act, that is distributable to a nonresident partner shall be treated as nonbusiness income and shall be allocated to the partner's state of residence (in the case of an individual) or commercial domicile (in the case of any other person). However, any income distributable to a nonresident partner shall be treated as business income and apportioned as if such income had been received directly by the partner if the partner has made an election under Section 1501(a)(1) of this Act to treat all income as business income or if such income is from investment activity:

(1) that is directly or integrally related to any other business activity conducted in this State by the nonresident partner (or any member of that partner's unitary business group);

(2) that serves an operational function to any other business activity of the nonresident partner (or any member of that partner's unitary business group) in this State; or

(3) where assets of the investment partnership were acquired with working capital from a trade or business activity conducted in this State in which the nonresident partner (or any member of that partner's unitary business group) owns an interest.

(d) Cross reference. For allocation of partnership income or deductions by residents, see Section 301(a).

(e) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 84-550.)

(35 ILCS 5/501) (from Ch. 120, par. 5-501)

Sec. 501. Notice or Regulations Requiring Records, Statements and Special Returns.

(a) In general. Every person liable for any tax imposed by this Act shall keep such records, render such statements, make such returns and notices, and comply with such rules and regulations as the Department may from time to time prescribe. Whenever in the judgment of the Director it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns and notices, render such statements, or keep such records, as the Director deems sufficient to show whether or not such person is liable for tax under this Act.

(b) Reportable transactions.

(1) Federal transactions. For each taxable year in which a taxpayer is required to make a disclosure statement under Treasury Regulations Section 1.6011-4 (26 CFR 1.6011-4) (including any taxpayer that is a member of a consolidated group required to make such disclosure) with respect to a reportable transaction (including a listed transaction) in which the taxpayer participated in a taxable year for which a return is required under Section 502 of this Act, such taxpayer shall file a copy of such disclosure with the Department. Disclosure under this paragraph (1) is required to be made by any taxpayer that is a member of a unitary business group that includes any person required to make a disclosure statement under Treasury Regulations Section 1.6011-4. Disclosure under this paragraph (1) is required with respect to any transaction entered into after February 28, 2000 that becomes a listed transaction at any time and shall be made in the manner prescribed by the Department. With respect to listed transactions in which the taxpayer participated for taxable years ending before December 31, 2004, disclosure shall be made by the due date (including extensions) of the first return required under Section 502 of this Act due after the effective date of this Public Act of the 93rd General Assembly. With respect to transactions in which the taxpayer participated for taxable years ending on and after December 31, 2004, disclosure shall be made at the time disclosure is required under Treasury regulations (Section 1.6011-4).

(2) Illinois transactions. Any taxpayer that has participated in an "Illinois reportable transaction" is required to disclose such transaction on a return or statement at the time, and in the form and manner prescribed by the Department. Disclosure is required for each taxable year in which the taxpayer participates in an Illinois reportable transaction. If such reportable transaction results in a loss which is carried back to a prior year, such disclosure must be attached to the taxpayer's amended tax return for that prior year.

(A) Definitions.

(i) Illinois reportable transaction. The term "Illinois reportable transaction" means any transaction of a type that the Department shall by regulation determine as having a potential for avoidance or evasion of

the tax imposed by this Act, including deductions, basis, credits, entity classification, dividend elimination, or omission of income. An Illinois reportable transaction includes (but is not limited to) "Illinois listed transactions" as defined in this subparagraph (A), "confidential transactions" as defined under Treasury Regulations Section 1.6011-4(b)(3) and "transactions with contractual protection" as defined under Treasury Regulations Section 1.6011-4(b)(4).

(ii) Illinois listed transactions. The term "Illinois listed transaction" means a reportable transaction that is the same as, or substantially similar to, one of the types of reportable transactions and that has been specifically identified by the Department as a tax avoidance transaction.

(iii) Participated. For purposes of paragraph (2) of this subsection (b), the term "participated" shall be defined for each type of Illinois reportable transaction in the regulation or other published guidance identifying that type of reportable transaction or listed transaction.

(B) The Department shall identify and publish Illinois listed transactions through the use of Informational Bulletins or other published guidance.

(c) Inconsistent return position. Pursuant to regulations prescribed by the Department, any taxpayer that reports for any taxable year any item for Illinois income tax purposes in a manner inconsistent with the manner in which the same item is reported or reflected on any return filed for the same taxable year with another state with respect to a tax on or measured by net income or with the manner in which a substantially identical item was reported or reflected for Illinois income tax purposes for the immediately preceding taxable year (inconsistent return position), shall disclose such inconsistent return position on a return or statement in the form and manner prescribed by the Department. An inconsistent return position shall include, but shall not be limited to, the following:

(1) The reporting of the same item as business income on the Illinois return and as nonbusiness income on the return filed in another state, or as nonbusiness income on the Illinois return and as business income on the return filed in another state (except that an item reported as business income in Illinois by virtue of the election provided under Section 1501(a)(1) of this Act shall not be deemed to give rise to an inconsistent return position).

(2) The reporting of the same item of gross receipts as attributable to another state on the Illinois return and as attributable to Illinois on the return filed in another state.

(3) The reporting of the same person as a member of the taxpayer's unitary business on the Illinois return and as not a member of the unitary business on the return filed in another state or the reporting of the same person as not a member of the taxpayer's unitary business on the Illinois return and as a member of the unitary business on the return filed in another state.

(d) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 76-261.)

(35 ILCS 5/502) (from Ch. 120, par. 5-502)

Sec. 502. Returns and notices.

(a) In general. A return with respect to the taxes imposed by this Act shall be made by every person for any taxable year:

(1) for which such person is liable for a tax imposed by this Act, or

(2) in the case of a resident or in the case of a corporation which is qualified to do

business in this State, for which such person is required to make a federal income tax return, regardless of whether such person is liable for a tax imposed by this Act. However, this paragraph shall not require a resident to make a return if such person has an Illinois base income of the basic amount in Section 204(b) or less and is either claimed as a dependent on another person's tax return under the Internal Revenue Code of 1986, or is claimed as a dependent on another person's tax return under this Act.

Notwithstanding the provisions of paragraph (1), a nonresident whose Illinois income tax liability under subsections (a), (b), (c), and (d) of Section 201 of this Act is paid in full after taking into account the credits allowed under subsection (f) of this Section or allowed under Section 709.5 of this Act shall not be required to file a return under this subsection (a).

(b) Fiduciaries and receivers.

(1) Decedents. If an individual is deceased, any return or notice required of such

individual under this Act shall be made by his executor, administrator, or other person charged with the property of such decedent.

(2) Individuals under a disability. If an individual is unable to make a return or

notice required under this Act, the return or notice required of such individual shall be made by his

duly authorized agent, guardian, fiduciary or other person charged with the care of the person or property of such individual.

(3) Estates and trusts. Returns or notices required of an estate or a trust shall be made by the fiduciary thereof.

(4) Receivers, trustees and assignees for corporations. In a case where a receiver, trustee in bankruptcy, or assignee, by order of a court of competent jurisdiction, by operation of law, or otherwise, has possession of or holds title to all or substantially all the property or business of a corporation, whether or not such property or business is being operated, such receiver, trustee, or assignee shall make the returns and notices required of such corporation in the same manner and form as corporations are required to make such returns and notices.

(c) Joint returns by husband and wife.

(1) Except as provided in paragraph (3), if a husband and wife file a joint federal income tax return for a taxable year they shall file a joint return under this Act for such taxable year and their liabilities shall be joint and several, but if the federal income tax liability of either spouse is determined on a separate federal income tax return, they shall file separate returns under this Act.

(2) If neither spouse is required to file a federal income tax return and either or both are required to file a return under this Act, they may elect to file separate or joint returns and pursuant to such election their liabilities shall be separate or joint and several.

(3) If either husband or wife is a resident and the other is a nonresident, they shall file separate returns in this State on such forms as may be required by the Department in which event their tax liabilities shall be separate; but they may elect to determine their joint net income and file a joint return as if both were residents and in such case, their liabilities shall be joint and several.

(4) Innocent spouses.

(A) However, for tax liabilities arising and paid prior to August 13, 1999, an innocent spouse shall be relieved of liability for tax (including interest and penalties) for any taxable year for which a joint return has been made, upon submission of proof that the Internal Revenue Service has made a determination under Section 6013(e) of the Internal Revenue Code, for the same taxable year, which determination relieved the spouse from liability for federal income taxes. If there is no federal income tax liability at issue for the same taxable year, the Department shall rely on the provisions of Section 6013(e) to determine whether the person requesting innocent spouse abatement of tax, penalty, and interest is entitled to that relief.

(B) For tax liabilities arising on and after August 13, 1999 or which arose prior to that date, but remain unpaid as of that date, if an individual who filed a joint return for any taxable year has made an election under this paragraph, the individual's liability for any tax shown on the joint return shall not exceed the individual's separate return amount and the individual's liability for any deficiency assessed for that taxable year shall not exceed the portion of the deficiency properly allocable to the individual. For purposes of this paragraph:

(i) An election properly made pursuant to Section 6015 of the Internal Revenue

Code shall constitute an election under this paragraph, provided that the election shall not be effective until the individual has notified the Department of the election in the form and manner prescribed by the Department.

(ii) If no election has been made under Section 6015, the individual may make an election under this paragraph in the form and manner prescribed by the Department, provided that no election may be made if the Department finds that assets were transferred between individuals filing a joint return as part of a scheme by such individuals to avoid payment of Illinois income tax and the election shall not eliminate the individual's liability for any portion of a deficiency attributable to an error on the return of which the individual had actual knowledge as of the date of filing.

(iii) In determining the separate return amount or portion of any deficiency attributable to an individual, the Department shall follow the provisions in subsections (c) and (d) of Section 6015 of the Internal Revenue Code.

(iv) In determining the validity of an individual's election under subparagraph

(ii) and in determining an electing individual's separate return amount or portion of any deficiency under subparagraph (iii), any determination made by the Secretary of the Treasury, by the United States Tax Court on petition for review of a determination by the Secretary of the Treasury, or on appeal from the United States Tax Court under Section 6015 of the Internal Revenue Code regarding criteria for eligibility or under subsection (d) of Section 6015 of the

Internal Revenue Code regarding the allocation of any item of income, deduction, payment, or credit between an individual making the federal election and that individual's spouse shall be conclusively presumed to be correct. With respect to any item that is not the subject of a determination by the Secretary of the Treasury or the federal courts, in any proceeding involving this subsection, the individual making the election shall have the burden of proof with respect to any item except that the Department shall have the burden of proof with respect to items in subdivision (ii).

- (v) Any election made by an individual under this subsection shall apply to all years for which that individual and the spouse named in the election have filed a joint return.
- (vi) After receiving a notice that the federal election has been made or after receiving an election under subdivision (ii), the Department shall take no collection action against the electing individual for any liability arising from a joint return covered by the election until the Department has notified the electing individual in writing that the election is invalid or of the portion of the liability the Department has allocated to the electing individual. Within 60 days (150 days if the individual is outside the United States) after the issuance of such notification, the individual may file a written protest of the denial of the election or of the Department's determination of the liability allocated to him or her and shall be granted a hearing within the Department under the provisions of Section 908. If a protest is filed, the Department shall take no collection action against the electing individual until the decision regarding the protest has become final under subsection (d) of Section 908 or, if administrative review of the Department's decision is requested under Section 1201, until the decision of the court becomes final.

(d) Partnerships. Every partnership having any base income allocable to this State in accordance with section 305(c) shall retain information concerning all items of income, gain, loss and deduction; the names and addresses of all of the partners, or names and addresses of members of a limited liability company, or other persons who would be entitled to share in the base income of the partnership if distributed; the amount of the distributive share of each; and such other pertinent information as the Department may by forms or regulations prescribe. The partnership shall make that information available to the Department when requested by the Department.

(e) For taxable years ending on or after December 31, 1985, and before December 31, 1993, taxpayers that are corporations (other than Subchapter S corporations) having the same taxable year and that are members of the same unitary business group may elect to be treated as one taxpayer for purposes of any original return, amended return which includes the same taxpayers of the unitary group which joined in the election to file the original return, extension, claim for refund, assessment, collection and payment and determination of the group's tax liability under this Act. This subsection (e) does not permit the election to be made for some, but not all, of the purposes enumerated above. For taxable years ending on or after December 31, 1987, corporate members (other than Subchapter S corporations) of the same unitary business group making this subsection (e) election are not required to have the same taxable year.

For taxable years ending on or after December 31, 1993, taxpayers that are corporations (other than Subchapter S corporations) and that are members of the same unitary business group shall be treated as one taxpayer for purposes of any original return, amended return which includes the same taxpayers of the unitary group which joined in filing the original return, extension, claim for refund, assessment, collection and payment and determination of the group's tax liability under this Act.

(f) The Department may promulgate regulations to permit nonresident individual partners of the same partnership, nonresident Subchapter S corporation shareholders of the same Subchapter S corporation, and nonresident individuals transacting an insurance business in Illinois under a Lloyds plan of operation, and nonresident individual members of the same limited liability company that is treated as a partnership under Section 1501 (a)(16) of this Act, to file composite individual income tax returns reflecting the composite income of such individuals allocable to Illinois and to make composite individual income tax payments. The Department may by regulation also permit such composite returns to include the income tax owed by Illinois residents attributable to their income from partnerships, Subchapter S corporations, insurance businesses organized under a Lloyds plan of operation, or limited liability companies that are treated as partnership under Section 1501(a)(16) of this Act, in which case such Illinois residents will be permitted to claim credits on their individual returns for their shares of the composite tax payments. This paragraph of subsection (f) applies to taxable years ending on or after December 31, 1987.

For taxable years ending on or after December 31, 1999, the Department may, by regulation, also permit any persons transacting an insurance business organized under a Lloyds plan of operation to file composite

returns reflecting the income of such persons allocable to Illinois and the tax rates applicable to such persons under Section 201 and to make composite tax payments and shall, by regulation, also provide that the income and apportionment factors attributable to the transaction of an insurance business organized under a Lloyds plan of operation by any person joining in the filing of a composite return shall, for purposes of allocating and apportioning income under Article 3 of this Act and computing net income under Section 202 of this Act, be excluded from any other income and apportionment factors of that person or of any unitary business group, as defined in subdivision (a)(27) of Section 1501, to which that person may belong.

For taxable years ending on or after December 31, 2004, every nonresident shall be allowed a credit against his or her liability under subsections (a) and (b) of Section 201 for any amount of tax reported on a composite return and paid on his or her behalf under this subsection (f). Residents (other than persons transacting an insurance business organized under a Lloyds plan of operation) may claim a credit for taxes reported on a composite return and paid on their behalf under this subsection (f) only as permitted by the Department by rule.

(f-5) For taxable years ending on or after December 31, 2004, the Department may promulgate rules to provide that, when a partnership or Subchapter S corporation has made an error in determining the amount of any item of income, deduction, addition, subtraction, or credit required to be reported on its return that affects the liability imposed under this Act on a partner or shareholder, the partnership or Subchapter S corporation may report the changes in liabilities of its partners or shareholders and claim a refund of the resulting overpayments, or pay the resulting underpayments, on behalf of its partners and shareholders.

(g) The Department may adopt rules to authorize the electronic filing of any return required to be filed under this Section.

(h) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 91-541, eff. 8-13-99; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)

(35 ILCS 5/709.5 new)

Sec. 709.5. Withholding by partnerships, Subchapter S corporations, and trusts.

(a) In general. For each taxable year ending on or after December 31, 2004, every partnership (other than a publicly traded partnership under Section 7704 of the Internal Revenue Code), Subchapter S corporation, and trust must withhold from each nonresident partner, shareholder, or beneficiary (other than a partner, shareholder, or beneficiary included on a composite return filed by the partnership or Subchapter S corporation for the taxable year under subsection (f) of Section 502 of this Act) an amount equal to the distributable share of the business income apportionable to Illinois of that partner, shareholder, or beneficiary under Sections 702 and 704 and Subchapter S of the Internal Revenue Code, whether or not distributed, multiplied by the applicable rates of tax for that partner or shareholder under subsections (a) through (d) of Section 201 of this Act.

(b) Credit for taxes withheld. Any amount withheld under subsection (a) of this Section and paid to the Department shall be treated as a payment of the estimated tax liability or of the liability for withholding under this Section of the partner, shareholder, or beneficiary to whom the income is distributable for the taxable year in which that person incurred a liability under this Act with respect to that income.

(c) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(35 ILCS 5/711) (from Ch. 120, par. 7-711)

Sec. 711. Payor's Return and Payment of Tax Withheld. (a) In general. Every payor required to deduct and withhold tax under Section 710 (and until January 1, 1989, Sections 708 and 709) shall be subject to the same reporting requirements regarding taxes withheld and the same monthly and quarter monthly (weekly) payment requirements as an employer subject to the provisions of Section 701. For purposes of monthly and quarter monthly (weekly) payments, the total tax withheld under Sections 701, 708, 709 and 710 shall be considered in the aggregate.

(a-5) Every partnership, Subchapter S corporation, or trust required to withhold tax under Section 709.5 shall report the amounts withheld and the partners, shareholders, or beneficiaries from whom the amounts were withheld, and pay over the amount withheld, no later than the due date (without regard to extensions) of the tax return of the partnership, Subchapter S corporation, or trust for the taxable year.

(b) Information statement. Every payor required to deduct and withhold tax under Section 710 (and until January 1, 1989, Sections 708 and 709) shall furnish in duplicate to each party entitled to the credit for such withholding under subsection (b) of Section 709.5 (e) of Section 708, subsection (e) of Section 709, and subsection (b) of Section 710, respectively, on or before January 31 of the succeeding calendar year for

amounts withheld under Section 710 or the due date (without regard to extensions) of the return of the partnership, Subchapter S corporation, or trust for the taxable year for amounts withheld under Section 709.5 for the taxable year, a written statement in such form as the Department may by regulation prescribe showing the amount of the payments, the amount deducted and withheld as tax, and such other information as the Department may prescribe. A copy of such statement shall be filed by the party entitled to the credit for the withholding under subsection (b) of Section 709.5 ~~(e) of Section 708, subsection (e) of Section 709,~~ or subsection (b) of Section 710 with his return for the taxable year to which it relates.

(c) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/712) (from Ch. 120, par. 7-712)

Sec. 712. Payor's Liability For Withheld Taxes. Every payor who deducts and withholds or is required to deduct and withhold tax under Sections 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ is liable for such tax. For purposes of assessment and collection, any amount withheld or required to be withheld and paid over to the Department, and any penalties and interest with respect thereto, shall be considered the tax of the payor. Any amount of tax actually deducted and withheld under Sections 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ shall be held to be a special fund in trust for the Department. No payee shall have any right of action against his payor in respect of any money deducted and withheld and paid over to the Department in compliance or in intended compliance with Sections and 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~.

The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/713) (from Ch. 120, par. 7-713)

Sec. 713. Payor's Failure To Withhold. If a payor fails to deduct and withhold any amount of tax as required under Sections and 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ and thereafter the tax on account of which such amount was required to be deducted and withheld is paid, such amount of tax shall not be collected from the payor, but the payor shall not be relieved from liability for penalties or interest otherwise applicable in respect of such failure to deduct and withhold. For purposes of this Section, the tax on account of which an amount is required to be deducted and withheld is the tax of the individual or individuals who are entitled to a credit under subsection (b) of Section 709.5 ~~(e) of Section 708, subsection (e) of Section 709,~~ or subsection (b) of Section 710 for the withheld tax.

The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/804) (from Ch. 120, par. 8-804)

Sec. 804. Failure to Pay Estimated Tax.

(a) In general. In case of any underpayment of estimated tax by a taxpayer, except as provided in subsection (d) or (e), the taxpayer shall be liable to a penalty in an amount determined at the rate prescribed by Section 3-3 of the Uniform Penalty and Interest Act upon the amount of the underpayment (determined under subsection (b)) for each required installment.

(b) Amount of underpayment. For purposes of subsection (a), the amount of the underpayment shall be the excess of:

- (1) the amount of the installment which would be required to be paid under subsection (c), over
- (2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

(c) Amount of Required Installments.

(1) Amount.

(A) In General. Except as provided in paragraph (2), the amount of any required installment shall be 25% of the required annual payment.

(B) Required Annual Payment. For purposes of subparagraph (A), the term "required annual payment" means the lesser of

(i) 90% of the tax shown on the return for the taxable year, or if no return is filed, 90% of the tax for such year, or

(ii) 100% of the tax shown on the return of the taxpayer for the preceding

taxable year if a return showing a liability for tax was filed by the taxpayer for the preceding

taxable year and such preceding year was a taxable year of 12 months.

(2) Lower Required Installment where Annualized Income Installment is Less Than Amount Determined Under Paragraph (1).

(A) In General. In the case of any required installment if a taxpayer establishes that the annualized income installment is less than the amount determined under paragraph (1),

- (i) the amount of such required installment shall be the annualized income installment, and
- (ii) any reduction in a required installment resulting from the application of this subparagraph shall be recaptured by increasing the amount of the next required installment determined under paragraph (1) by the amount of such reduction, and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under this clause.

(B) Determination of Annualized Income Installment. In the case of any required installment, the annualized income installment is the excess, if any, of

- (i) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the net income for months in the taxable year ending before the due date for the installment, over
- (ii) the aggregate amount of any prior required installments for the taxable year.

(C) Applicable Percentage.

In the case of the following required installments:

The applicable percentage is:

1st	22.5%
2nd	45%
3rd	67.5%
4th	90%

(D) Annualized Net Income; Individuals. For individuals, net income shall be placed on an annualized basis by:

- (i) multiplying by 12, or in the case of a taxable year of less than 12 months, by the number of months in the taxable year, the net income computed without regard to the standard exemption for the months in the taxable year ending before the month in which the installment is required to be paid;
- (ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls; and
- (iii) deducting from such amount the standard exemption allowable for the taxable year, such standard exemption being determined as of the last date prescribed for payment of the installment.

(E) Annualized Net Income; Corporations. For corporations, net income shall be placed on an annualized basis by multiplying by 12 the taxable income

- (i) for the first 3 months of the taxable year, in the case of the installment required to be paid in the 4th month,
 - (ii) for the first 3 months or for the first 5 months of the taxable year, in the case of the installment required to be paid in the 6th month,
 - (iii) for the first 6 months or for the first 8 months of the taxable year, in the case of the installment required to be paid in the 9th month, and
 - (iv) for the first 9 months or for the first 11 months of the taxable year, in the case of the installment required to be paid in the 12th month of the taxable year,
- then dividing the resulting amount by the number of months in the taxable year (3, 5, 6, 8, 9, or 11 as the case may be).

(d) Exceptions. Notwithstanding the provisions of the preceding subsections, the penalty imposed by subsection (a) shall not be imposed if the taxpayer was not required to file an Illinois income tax return for the preceding taxable year, or, for individuals, if the taxpayer had no tax liability for the preceding taxable year and such year was a taxable year of 12 months. The penalty imposed by subsection (a) shall also not be imposed on any underpayments of estimated tax due before the effective date of this amendatory Act of 1998 which underpayments are solely attributable to the change in apportionment from subsection (a) to

subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(e) The penalty imposed for underpayment of estimated tax by subsection (a) of this Section shall not be imposed to the extent that the Director Department or his or her designate determines, pursuant to Section 3-8 of the Uniform Penalty and Interest Act that the penalty should not be imposed.

(f) Definition of tax. For purposes of subsections (b) and (c), the term "tax" means the excess of the tax imposed under Article 2 of this Act, over the amounts credited against such tax under Sections 601(b) (3) and (4).

(g) Application of Section in case of tax withheld under Article 7 on compensation. For purposes of applying this Section :

(1) in the case of an individual, tax withheld from compensation under Article 7 for the taxable year shall be deemed a

payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld; -

(2) amounts timely paid by a partnership, Subchapter S corporation, or trust on behalf of a partner, shareholder, or beneficiary pursuant to subsection (f) of Section 502 or Section 709.5 and claimed as a payment of estimated tax shall be deemed a payment of estimated tax made on the last day of the taxable year of the partnership, Subchapter S corporation, or trust for which the income from the withholding is made was computed; and

(3) all other amounts pursuant to Article 7 shall be deemed a payment of estimated tax on the date the payment is made to the taxpayer of the amount from which the tax is withheld.

(g-5) Amounts withheld under the State Salary and Annuity Withholding Act. An individual who has amounts withheld under paragraph (10) of Section 4 of the State Salary and Annuity Withholding Act may elect to have those amounts treated as payments of estimated tax made on the dates on which those amounts are actually withheld.

(i) Short taxable year. The application of this Section to taxable years of less than 12 months shall be in accordance with regulations prescribed by the Department.

The changes in this Section made by Public Act 84-127 shall apply to taxable years ending on or after January 1, 1986.

(Source: P.A. 90-448, eff. 8-16-97; 90-613, eff. 7-9-98.)

(35 ILCS 5/905) (from Ch. 120, par. 9-905)

Sec. 905. Limitations on Notices of Deficiency.

(a) In general. Except as otherwise provided in this Act:

(1) A notice of deficiency shall be issued not later than 3 years after the date the return was filed, and

(2) No deficiency shall be assessed or collected with respect to the year for which the return was filed unless such notice is issued within such period.

(b) Substantial omission of items.

(1) Omission of more than 25% of income. If the taxpayer omits from base income an amount properly includible therein which is in excess of 25% of the amount of base income stated in the return, a notice of deficiency may be issued not later than 6 years after the return was filed. For purposes of this paragraph, there shall not be taken into account any amount which is omitted in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Department of the nature and the amount of such item.

(2) Reportable transactions. If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a reportable transaction or Illinois reportable transaction, as required under Section 501(b) of this Act, or fails to disclose an inconsistent return position, as required under Section 501(c) of this Act, a notice of deficiency may be issued not later than 6 years after the return is filed with respect to the taxable year in which the taxpayer participated in the reportable transaction or was required to disclose an inconsistent return position.

(c) No return or fraudulent return. If no return is filed or a false and fraudulent return is filed with intent to evade the tax imposed by this Act, a notice of deficiency may be issued at any time.

(d) Failure to report federal change. If a taxpayer fails to notify the Department in any case where notification is required by Section 304(c) or 506(b), or fails to report a change or correction which is treated in the same manner as if it were a deficiency for federal income tax purposes, a notice of deficiency may be

issued (i) at any time or (ii) on or after August 13, 1999, at any time for the taxable year for which the notification is required or for any taxable year to which the taxpayer may carry an Article 2 credit, or a Section 207 loss, earned, incurred, or used in the year for which the notification is required; provided, however, that the amount of any proposed assessment set forth in the notice shall be limited to the amount of any deficiency resulting under this Act from the recomputation of the taxpayer's net income, Article 2 credits, or Section 207 loss earned, incurred, or used in the taxable year for which the notification is required after giving effect to the item or items required to be reported.

(e) Report of federal change.

(1) Before August 13, 1999, in any case where notification of an alteration is given as required by Section 506(b), a notice of deficiency may be issued at any time within 2 years after the date such notification is given, provided, however, that the amount of any proposed assessment set forth in such notice shall be limited to the amount of any deficiency resulting under this Act from recomputation of the taxpayer's net income, net loss, or Article 2 credits for the taxable year after giving effect to the item or items reflected in the reported alteration.

(2) On and after August 13, 1999, in any case where notification of an alteration is given as required by Section 506(b), a notice of deficiency may be issued at any time within 2 years after the date such notification is given for the taxable year for which the notification is given or for any taxable year to which the taxpayer may carry an Article 2 credit, or a Section 207 loss, earned, incurred, or used in the year for which the notification is given, provided, however, that the amount of any proposed assessment set forth in such notice shall be limited to the amount of any deficiency resulting under this Act from recomputation of the taxpayer's net income, Article 2 credits, or Section 207 loss earned, incurred, or used in the taxable year for which the notification is given after giving effect to the item or items reflected in the reported alteration.

(f) Extension by agreement. Where, before the expiration of the time prescribed in this Section for the issuance of a notice of deficiency, both the Department and the taxpayer shall have consented in writing to its issuance after such time, such notice may be issued at any time prior to the expiration of the period agreed upon. In the case of a taxpayer who is a partnership, Subchapter S corporation, or trust and who enters into an agreement with the Department pursuant to this subsection on or after January 1, 2003, a notice of deficiency may be issued to the partners, shareholders, or beneficiaries of the taxpayer at any time prior to the expiration of the period agreed upon. Any proposed assessment set forth in the notice, however, shall be limited to the amount of any deficiency resulting under this Act from recomputation of items of income, deduction, credits, or other amounts of the taxpayer that are taken into account by the partner, shareholder, or beneficiary in computing its liability under this Act. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

(g) Erroneous refunds. In any case in which there has been an erroneous refund of tax payable under this Act, a notice of deficiency may be issued at any time within 2 years from the making of such refund, or within 5 years from the making of such refund if it appears that any part of the refund was induced by fraud or the misrepresentation of a material fact, provided, however, that the amount of any proposed assessment set forth in such notice shall be limited to the amount of such erroneous refund.

Beginning July 1, 1993, in any case in which there has been a refund of tax payable under this Act attributable to a net loss carryback as provided for in Section 207, and that refund is subsequently determined to be an erroneous refund due to a reduction in the amount of the net loss which was originally carried back, a notice of deficiency for the erroneous refund amount may be issued at any time during the same time period in which a notice of deficiency can be issued on the loss year creating the carryback amount and subsequent erroneous refund. The amount of any proposed assessment set forth in the notice shall be limited to the amount of such erroneous refund.

(h) Time return deemed filed. For purposes of this Section a tax return filed before the last day prescribed by law (including any extension thereof) shall be deemed to have been filed on such last day.

(i) Request for prompt determination of liability. For purposes of subsection (a)(1), in the case of a tax return required under this Act in respect of a decedent, or by his estate during the period of administration, or by a corporation, the period referred to in such Subsection shall be 18 months after a written request for prompt determination of liability is filed with the Department (at such time and in such form and manner as the Department shall by regulations prescribe) by the executor, administrator, or other fiduciary representing the estate of such decedent, or by such corporation, but not more than 3 years after the date the return was filed. This subsection shall not apply in the case of a corporation unless:

(1) (A) such written request notifies the Department that the corporation contemplates

dissolution at or before the expiration of such 18-month period, (B) the dissolution is begun in good faith before the expiration of such 18-month period, and (C) the dissolution is completed;

(2) (A) such written request notifies the Department that a dissolution has in good faith been begun, and (B) the dissolution is completed; or

(3) a dissolution has been completed at the time such written request is made.

(j) Withholding tax. In the case of returns required under Article 7 of this Act (with respect to any amounts withheld as tax or any amounts required to have been withheld as tax) a notice of deficiency shall be issued not later than 3 years after the 15th day of the 4th month following the close of the calendar year in which such withholding was required.

(k) Penalties for failure to make information reports. A notice of deficiency for the penalties provided by Subsection 1405.1(c) of this Act may not be issued more than 3 years after the due date of the reports with respect to which the penalties are asserted.

(l) Penalty for failure to file withholding returns. A notice of deficiency for penalties provided by Section 1004 of this Act for taxpayer's failure to file withholding returns may not be issued more than three years after the 15th day of the 4th month following the close of the calendar year in which the withholding giving rise to taxpayer's obligation to file those returns occurred.

(m) Transferee liability. A notice of deficiency may be issued to a transferee relative to a liability asserted under Section 1405 during time periods defined as follows:

1) Initial Transferee. In the case of the liability of an initial transferee, up to 2 years after the expiration of the period of limitation for assessment against the transferor, except that if a court proceeding for review of the assessment against the transferor has begun, then up to 2 years after the return of the certified copy of the judgment in the court proceeding.

2) Transferee of Transferee. In the case of the liability of a transferee, up to 2 years after the expiration of the period of limitation for assessment against the preceding transferee, but not more than 3 years after the expiration of the period of limitation for assessment against the initial transferor; except that if, before the expiration of the period of limitation for the assessment of the liability of the transferee, a court proceeding for the collection of the tax or liability in respect thereof has been begun against the initial transferor or the last preceding transferee, as the case may be, then the period of limitation for assessment of the liability of the transferee shall expire 2 years after the return of the certified copy of the judgment in the court proceeding.

(n) Notice of decrease in net loss. On and after the effective date of this amendatory Act of the 92nd General Assembly, no notice of deficiency shall be issued as the result of a decrease determined by the Department in the net loss incurred by a taxpayer under Section 207 of this Act unless the Department has notified the taxpayer of the proposed decrease within 3 years after the return reporting the loss was filed or within one year after an amended return reporting an increase in the loss was filed, provided that in the case of an amended return, a decrease proposed by the Department more than 3 years after the original return was filed may not exceed the increase claimed by the taxpayer on the original return.

(o) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 91-541, eff. 8-13-99; 92-846, eff. 8-23-02.)

(35 ILCS 5/911) (from Ch. 120, par. 9-911)

Sec. 911. Limitations on Claims for Refund.

(a) In general. Except as otherwise provided in this Act:

(1) A claim for refund shall be filed not later than 3 years after the date the return was filed (in the case of returns required under Article 7 of this Act respecting any amounts withheld as tax, not later than 3 years after the 15th day of the 4th month following the close of the calendar year in which such withholding was made), or one year after the date the tax was paid, whichever is the later; and

(2) No credit or refund shall be allowed or made with respect to the year for which the claim was filed unless such claim is filed within such period.

(b) Federal changes.

(1) In general. In any case where notification of an alteration is required by Section 506(b), a claim for refund may be filed within 2 years after the date on which such notification was due (regardless of whether such notice was given), but the amount recoverable pursuant to a claim filed under this Section shall be limited to the amount of any overpayment resulting under this Act from recomputation of the taxpayer's net income, net loss, or Article 2 credits for the taxable year after giving effect to the item or items reflected in the alteration required to be reported.

(2) Tentative carryback adjustments paid before January 1, 1974. If, as the result of the payment before January 1, 1974 of a federal tentative carryback adjustment, a notification of an alteration is required under Section 506(b), a claim for refund may be filed at any time before January 1, 1976, but the amount recoverable pursuant to a claim filed under this Section shall be limited to the amount of any overpayment resulting under this Act from recomputation of the taxpayer's base income for the taxable year after giving effect to the federal alteration resulting from the tentative carryback adjustment irrespective of any limitation imposed in paragraph (1) of this subsection.

(c) Extension by agreement. Where, before the expiration of the time prescribed in this section for the filing of a claim for refund, both the Department and the claimant shall have consented in writing to its filing after such time, such claim may be filed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon. In the case of a taxpayer who is a partnership, Subchapter S corporation, or trust and who enters into an agreement with the Department pursuant to this subsection on or after January 1, 2003, a claim for refund may be issued to the partners, shareholders, or beneficiaries of the taxpayer at any time prior to the expiration of the period agreed upon. Any refund allowed pursuant to the claim, however, shall be limited to the amount of any overpayment of tax due under this Act that results from recomputation of items of income, deduction, credits, or other amounts of the taxpayer that are taken into account by the partner, shareholder, or beneficiary in computing its liability under this Act.

(d) Limit on amount of credit or refund.

(1) Limit where claim filed within 3-year period. If the claim was filed by the claimant during the 3-year period prescribed in subsection (a), the amount of the credit or refund shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim, equal to 3 years plus the period of any extension of time for filing the return.

(2) Limit where claim not filed within 3-year period. If the claim was not filed within such 3-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the one year immediately preceding the filing of the claim.

(e) Time return deemed filed. For purposes of this section a tax return filed before the last day prescribed by law for the filing of such return (including any extensions thereof) shall be deemed to have been filed on such last day.

(f) No claim for refund based on the taxpayer's taking a credit for estimated tax payments as provided by Section 601(b)(2) or for any amount paid by a taxpayer pursuant to Section 602(a) or for any amount of credit for tax withheld pursuant to ~~Article 7 Section 704~~ may be filed more than 3 years after the due date, as provided by Section 505, of the return which was required to be filed relative to the taxable year for which the payments were made or for which the tax was withheld. The changes in this subsection (f) made by this amendatory Act of 1987 shall apply to all taxable years ending on or after December 31, 1969.

(g) Special Period of Limitation with Respect to Net Loss Carrybacks. If the claim for refund relates to an overpayment attributable to a net loss carryback as provided by Section 207, in lieu of the 3 year period of limitation prescribed in subsection (a), the period shall be that period which ends 3 years after the time prescribed by law for filing the return (including extensions thereof) for the taxable year of the net loss which results in such carryback (or, on and after August 13, 1999, with respect to a change in the carryover of an Article 2 credit to a taxable year resulting from the carryback of a Section 207 loss incurred in a taxable year beginning on or after January 1, 2000, the period shall be that period that ends 3 years after the time prescribed by law for filing the return (including extensions of that time) for that subsequent taxable year), or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the refund may exceed the portion of the tax paid within the period provided in subsection (d) to the extent of the amount of the overpayment attributable to such carryback. On and after August 13, 1999, if the claim for refund relates to an overpayment attributable to the carryover of an Article 2 credit, or of a Section 207 loss, earned, incurred (in a taxable year beginning on or after January 1, 2000), or used in a year for which a notification of a change affecting federal taxable income must be filed under subsection (b) of Section 506, the claim may be filed within the period prescribed in paragraph (1) of subsection (b) in respect of the year for which the notification is required. In the case of such a claim, the amount of the refund may exceed the portion of the tax paid within the period provided in subsection (d) to the extent of the amount of the overpayment attributable to the recomputation of the taxpayer's Article 2 credits, or Section 207 loss, earned, incurred, or used in the taxable year for which the notification is given.

(h) Claim for refund based on net loss. On and after the effective date of this amendatory Act of the 92nd General Assembly, no claim for refund shall be allowed to the extent the refund is the result of an amount

of net loss incurred under Section 207 of this Act that was not reported to the Department within 3 years of the due date (including extensions) of the return for the loss year on either the original return filed by the taxpayer or on amended return.

(i) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 91-541, eff. 8-13-99; 92-846, eff. 8-23-02.)

(35 ILCS 5/1001) (from Ch. 120, par. 10-1001)

Sec. 1001. Failure to File Tax Returns.

(a) In case of failure to file any tax return required under this Act on the date prescribed therefor, (determined with regard to any extensions of time for filing) there shall be added as a penalty the amount prescribed by Section 3-3 of the Uniform Penalty and Interest Act.

(b) Failure to disclose reportable transaction. Any taxpayer who fails to comply with the requirements of Section 501(b)(1) of this Act or who fails to include on a return or statement any information with respect to an Illinois reportable transaction required under Section 501(b)(2) of this Act and regulations promulgated thereunder to be included with that return or statement shall pay a penalty in the amount determined under this subsection. Such penalty shall be deemed assessed upon the date of filing of the return for the taxable year in which the taxpayer participates in the reportable transaction. A taxpayer shall not be considered to have complied with the requirements of Section 501(b)(1) of this Act unless the disclosure statement filed with the Department includes all of the information required to be disclosed with respect to a reportable transaction pursuant to Treasury Regulations Section 1.6011-4 (26 CFR 1.6011-4) and regulations promulgated by the Department under Section 501(b)(1) of this Act. A taxpayer shall not be considered to have complied with the requirements of Section 501(b)(2) of this Act unless the disclosure required under such Section includes all of the information required to be disclosed under regulations promulgated by the Department pursuant to such Section.

(1) Amount of penalty. Except as provided in paragraph (2), the amount of the penalty under this subsection shall be \$15,000 for each failure to comply with the requirements of Section 501(b)(1) or Section 501(b)(2).

(2) Increase in penalty for listed transactions. In the case of a failure to comply with the requirements of Section 501(b)(1) with respect to a "listed transaction", or in the case of failure to properly disclose participation in an Illinois listed transaction as defined under Section 501(b)(2) of this Act, the penalty under this subsection shall be \$30,000 for each failure.

(3) Authority to Rescind Penalty. The Board of Appeals may rescind all or any portion of any penalty imposed by this subsection with respect to any violation, if all of the following apply:

(A) The violation is with respect to a reportable transaction or Illinois reportable transaction other than a listed transaction or Illinois listed transaction;

(B) The person on whom the penalty is imposed has a history of complying with the requirements of this Act;

(C) It is shown that the violation is due to an unintentional mistake of fact;

(D) Imposing the penalty would be against equity and good conscience; and

(E) Rescinding the penalty would promote compliance with the requirements of this Act and effective tax administration.

The exercise of authority under this subparagraph (3) shall be at the sole discretion of the Board of Appeals and the Director. Notwithstanding any other law or rule of law, any determination under this subparagraph (3) may not be reviewed in any administrative or judicial proceeding.

(4) Coordination with other penalties. The penalty imposed by this subsection is in addition to any penalty imposed by this Act or the Uniform Penalty and Interest Act.

(c) Penalty for failure to disclose inconsistent return position. Any taxpayer that fails to properly disclose an inconsistent return position with respect to any taxable year, as required under Section 501(c) of this Act, shall incur a penalty of \$15,000 for each position not reported. Such penalty shall be deemed assessed upon the date of filing of the return for the taxable year with respect to which the taxpayer was required to disclose the inconsistent return position. The penalty imposed by this subsection is in addition to any penalty imposed by this Act or the Uniform Penalty and Interest Act.

(d) The total penalty imposed under subsection (b) or subsection (c) of this Section with respect to any taxable year shall not exceed 10% of the increase in net income (or reduction in Illinois net loss under Section 207 of this Act) that would result had the taxpayer not participated in any reportable transaction or Illinois reportable transaction affecting its net income for such taxable year and reported each inconsistent return position in a manner that would cause it to report the greatest net income (or smallest Illinois net

loss) on its Illinois income tax return for the taxable year.

(e) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 87-205.)

(35 ILCS 5/1002) (from Ch. 120, par. 10-1002)

Sec. 1002. Failure to Pay Tax.

(a) Negligence. If any part of a deficiency is due to negligence or intentional disregard of rules and regulations (but without intent to defraud) there shall be added to the tax as a penalty the amount prescribed by Section 3-5 of the Uniform Penalty and Interest Act.

(b) Fraud. If any part of a deficiency is due to fraud, there shall be added to the tax as a penalty the amount prescribed by Section 3-6 of the Uniform Penalty and Interest Act.

(c) Nonwillful failure to pay withholding tax. If any employer, without intent to evade or defeat any tax imposed by this Act or the payment thereof, shall fail to make a return and pay a tax withheld by him at the time required by or under the provisions of this Act, such employer shall be liable for such taxes and shall pay the same together with the interest and the penalty provided by Sections 3-2 and 3-3, respectively, of the Uniform Penalty and Interest Act and such interest and penalty shall not be charged to or collected from the employee by the employer.

(d) Willful failure to collect and pay over tax. Any person required to collect, truthfully account for, and pay over the tax imposed by this Act who willfully fails to collect such tax or truthfully account for and pay over such tax or willfully attempts in any manner to evade or defeat the tax or the payment thereof, shall, in addition to other penalties provided by law, be liable for the penalty imposed by Section 3-7 of the Uniform Penalty and Interest Act.

(e) Penalties assessable.

(1) In general. Except as otherwise provided in this Act ~~provided in paragraphs (2), (3) and (4)~~, the penalties provided by this Act shall be paid upon

notice and demand and shall be assessed, collected, and paid in the same manner as taxes and any reference in this Act to the tax imposed by this Act shall be deemed also to refer to penalties provided by this Act.

(2) Procedure for assessing certain penalties. For the purposes of Article 9 any penalty under Section 804(a) or Section 1001 shall be deemed assessed upon the filing of the return for the taxable year.

(3) Procedure for assessing the penalty for failure to file withholding returns or annual transmittal forms for wage and tax statements. The penalty imposed by Section 1004 will be asserted by the Department's issuance of a notice of deficiency. If taxpayer files a timely protest, the procedures of Section 908 will be followed. If taxpayer does not file a timely protest, the notice of deficiency will constitute an assessment pursuant to subsection (c) of Section 904.

(4) Assessment of penalty under Section 1005(a). The penalty imposed under Section 1005(a) shall be deemed assessed upon the assessment of the tax to which such penalty relates and shall be collected and paid on notice and demand in the same manner as the tax.

(f) Determination of deficiency. For purposes of subsections (a) and (b), the amount shown as the tax by the taxpayer upon his return shall be taken into account in determining the amount of the deficiency only if such return was filed on or before the last day prescribed by law for the filing of such return, including any extensions of the time for such filing.

(g) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 89-379, eff. 1-1-96.)

(35 ILCS 5/1005) (from Ch. 120, par. 10-1005)

Sec. 1005. Penalty for Underpayment of Tax.

(a) In general. If any amount of tax required to be shown on a return prescribed by this Act is not paid on or before the date required for filing such return (determined without regard to any extension of time to file), a penalty shall be imposed in the manner and at the rate prescribed by the Uniform Penalty and Interest Act. The provisions of this subsection shall apply to all taxable years ending on or after January 1, 1986.

(b) Reportable transaction penalty. If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20% of the amount of that understatement. Such penalty shall be deemed assessed upon the assessment of the tax to which such penalty relates and shall be collected and paid on notice and demand in the same manner as the tax.

(1) Reportable Transaction Understatement. For purposes of this Section, the term "reportable transaction understatement" means the sum of subparagraphs (A) and (B):

(A) The product of (i) the amount of the increase (if any) in Illinois net income (or decrease in Illinois net loss under Section 207 of this Act) that results from a difference between the proper tax treatment of an item to which this subsection applies and the taxpayer's treatment of that item (as shown on the taxpayer's return of tax), and (ii) the applicable tax rates under Section 201 of this Act.

(B) The amount of the decrease (if any) in the aggregate amount of credits determined under this Act (including credits that may be carried forward to other taxable years) that results from a difference between the taxpayer's treatment of an item to which this subsection applies (as shown on the taxpayer's return of tax) and the proper tax treatment of that item.

(2) Items to which subsection applies. This subsection applies to any item that is attributable to any listed transaction, as defined in Treasury Regulations, Section 1.6011-4, or Illinois listed transaction, as defined in Section 501(b)(2), and to any item that is attributable to any reportable transaction, as defined in Treasury Regulations, Section 1.6011-4, or Illinois reportable transaction, as defined in Section 501(b)(2) (other than a listed transaction or Illinois listed transaction) if a significant purpose of the transaction is the avoidance or evasion of federal or Illinois income tax.

(3) Subsection (b) shall be applied by substituting "30%" for "20%" with respect to the portion of any reportable transaction understatement with respect to the relevant facts affecting the tax treatment of the item that are not adequately disclosed in accordance with Section 501(b) of this Act. A taxpayer shall be treated as making adequate disclosure if the penalty for failure to disclose is rescinded under Section 1001(b)(4) of this Act.

(4) Reasonable Cause Exception.

(A) In general. No penalty shall be imposed under this subsection with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

(B) Special rules. If the taxpayer has been contacted by the Department regarding the use of a potentially abusive tax shelter, subparagraph (A) does not apply unless all of the following requirements are met:

(i) There is or was substantial authority for such treatment; and

(ii) The taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

(C) Rules relating to reasonable belief. For purposes of subparagraph (B), a taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief meets the requirements of this subparagraph (C):

(i) Such belief must be based on the facts and law that exist at the time the return of tax that includes that tax treatment is filed;

(ii) Such belief must relate solely to the taxpayer's chances of success on the merits of that treatment and does not take into account the possibility that the return will not be audited, that the treatment will not be raised on audit, or that the treatment will be resolved through settlement if it is raised; and

(iii) Such belief is not based, in whole or in part, on the opinion of a disqualified tax advisor or on a disqualified opinion.

(5) Definitions.

(i) Disqualified tax advisor. The term "disqualified tax advisor" is a tax advisor that meets any of the following conditions:

(I) Is a material advisor who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of Sections 267(b) or 707(b)(1) of the Internal Revenue Code) to any person who so participates;

(II) Is compensated directly or indirectly by a material advisor with respect to the transaction;

(III) Has a fee arrangement with respect to the transaction that is contingent on all or part of the intended tax benefits from the transaction being sustained; or

(IV) As determined under regulations prescribed by either the Secretary of the Treasury for federal income tax purposes or the Department, has a continuing financial interest with respect to the transaction.

(ii) Disqualified opinion. The term "disqualified opinion" means an opinion that meets any of the following conditions:

(I) Is based on unreasonable factual or legal assumptions (including assumptions as to future events);

(II) Unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person;

(III) Does not identify and consider all relevant facts; or

(IV) Fails to meet any other requirement as either the Secretary of the Treasury for federal income tax purposes or the Department may prescribe.

(iii) Material Advisor. The term "material advisor" shall have substantially the same meaning as the same term is defined under Treasury Regulations Section 301.6112-1, (26 CFR 301.6112-1) and shall include any person that is a material advisor for federal income tax purposes under such regulation.

(6) Amended returns. Except as provided in Treasury Regulations, in no event may any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement if the amendment or supplement is filed after the date the taxpayer is first contacted by either the Internal Revenue Service for federal income tax purposes or by the Department regarding the examination of the return or such other date as specified by the Department by regulation.

(7) Effective date. This subsection shall apply to taxable years ending on and after December 31, 2004, except that a reportable transaction understatement shall include an understatement (as determined under paragraph (1)) with respect to any taxable year for which the limitations period on assessment has not expired that is attributable to a transaction in which the taxpayer has invested after February 28, 2000 that becomes a listed transaction (as defined in Treasury Regulations Section 1.6011-4(b)(2)) or Illinois listed transaction (as defined in Section 501(b)(2)(A)(2)) at any time.

(c) 100% Interest Penalty. If a taxpayer has been contacted by the Internal Revenue Service or the Department regarding the use of a potentially abusive tax shelter with respect to any taxable year for which the limitations period on assessment has not expired, and has a deficiency attributable to a potentially abusive tax shelter with respect to such taxable year or years, there shall be added to the tax an amount equal to 100% of the interest assessed under the Uniform Penalty and Interest Act for the period beginning on the last date prescribed by law for the payment of such tax and ending on the date of the notice of deficiency. Such penalty shall be deemed assessed upon the assessment of the interest to which such penalty relates and shall be collected and paid in the same manner as such interest. The penalty imposed by this subsection is in addition to any penalty imposed by this Act or the Uniform Penalty and Interest Act. For purposes of this subsection and subsection (d) of this Section, the term "potentially abusive tax shelter" means (i) any tax shelter (as defined in Section 6111 of the Internal Revenue Code) with respect to which registration is required under Section 6111 of the Internal Revenue Code and (ii) any entity, investment plan, arrangement, or other plan or arrangement that is of a type that the Internal Revenue Service or the Department determines by rule has a potential for tax avoidance or evasion (including, but not limited to, listed transactions and Illinois listed transactions).

(d) 150% Interest Rate. For taxable years ending on and after July 1, 2002, for any notice of deficiency issued before the taxpayer is contacted by the Internal Revenue Service or the Department regarding a potentially abusive tax shelter, the taxpayer is subject to interest as provided under Section 3-2 of the Uniform Penalty and Interest Act, but with respect to any deficiency attributable to a potentially abusive tax shelter, the taxpayer is subject to interest at a rate of 150% of the otherwise applicable rate.

(e) Coordination with other penalties. Except as provided in regulations, the penalties imposed by this Section are in addition to any other penalty imposed by this Act or the Uniform Penalty and Interest Act.

(f) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

The provisions of this Section shall apply to all taxable years ending on or after January 1, 1986.

(Source: P.A. 87-205.)

(35 ILCS 5/1007 new)

Sec. 1007. Failure to register tax shelter or maintain list.

(a) Penalty Imposed. Any person that fails to comply with the requirements of Section 1405.5 or Section 1405.6 of this Act shall incur a penalty as provided in this Section. A person is not in compliance with the requirements of Section 1405.5 unless and until the required registration has been filed and contains all of the information required to be included with such registration under Section 6111 of the Internal Revenue Code or such Section 1405.5. A person is not in compliance with the requirements of Section 1405.6 unless, at the time the required list is made available to the Department, such list contains all of the information required to be maintained under Section 6112 of the Internal Revenue Code or such Section 1405.6.

(b) Amount of Penalty. The following penalties apply:

(1) In the case of each failure to comply with the requirements of subsection (a), subsection (b), or subsection (e) of Section 1405.5, the penalty shall be \$15,000.

(2) If the failure is with respect to a listed transaction or Illinois listed transaction under subsection (c) of Section 1405.5, the penalty shall be \$100,000.

(3) In the case of each failure to comply with the requirements of subsection (a) or subsection (b) of Section 1405.6, the penalty shall be \$15,000.

(4) If the failure is with respect to a listed transaction or Illinois listed transaction under subsection (c) of Section 1405.6, the penalty shall be \$100,000.

(c) Authority to rescind penalty. The Board of Appeals may rescind all or any portion of any penalty imposed by this Section with respect to any violation, if all of the following apply:

(1) The violation is not with respect to a listed transaction or Illinois listed transaction;

(2) The person on whom the penalty is imposed has a history of complying with the requirements of this Act;

(3) It is shown that the violation is due to an unintentional mistake of fact;

(4) Imposing the penalty would be against equity and good conscience; and

(5) Rescinding the penalty would promote compliance with the requirements of this Act and effective tax administration. The exercise of authority under this subsection shall be at the sole discretion of the Director. Notwithstanding any other law or rule of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

(d) Coordination with other penalties. The penalty imposed by this Section is in addition to any penalty imposed by this Act or the Uniform Penalty and Interest Act.

(e) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(35 ILCS 5/1008 new)

Sec. 1008. Promoting abusive tax shelters. Except as herein provided, the provisions of Section 6700 of the Internal Revenue Code shall apply for purposes of this Act as if such section applied to an Illinois deduction, credit, exclusion from income, allocation or apportionment rule, or other Illinois tax benefit. Notwithstanding Section 6700(a) of the Internal Revenue Code, if an activity with respect to which a penalty imposed under Section 6700(a) of the Internal Revenue Code, as applied for purposes of this Act, involves a statement described in Section 6700(a)(2)(A) of the Internal Revenue Code, as applied for purposes of this Act, the amount of the penalty imposed under this Section shall be the greater of \$10,000 or 50% of the gross income received (or to be received) from any person to whom such statement is furnished that is required to file a return under Section 502 of this Act.

The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(35 ILCS 5/1405.5 new)

Sec. 1405.5. Registration of tax shelters.

(a) Federal tax shelter. Any tax shelter organizer required to register a tax shelter under Section 6111 of the Internal Revenue Code after the effective date of this amendatory Act of the 93rd General Assembly shall send a duplicate of the federal registration information (and any additional information required by the Department) to the Department not later than the day on which registration is required under federal law. Any person required to register under Section 6111 of the Internal Revenue Code who receives a tax registration number from the Secretary of the Treasury shall, within 30 days after request by the Department, file a statement of that registration number.

(b) Illinois tax shelter. Registration with the Department shall be required with respect to (i) any investment that would be considered a "tax shelter" under Section 6111 of the Internal Revenue Code if the definition of "tax shelter ratio" in subsection (c) of such section included the provisions of this Act for deductions, credits, apportionment and allocation, or that would be considered a tax shelter under subsection (d) of such Section but for the fact that a significant purpose is the avoidance or evasion of the tax imposed by this Act rather than avoidance or evasion of federal income tax and (ii) any listed transaction or Illinois listed transaction as defined under Section 501(b) of this Act. The tax shelter organizer shall make the registration required under this subsection with respect to tax shelters in which interests are first offered for sale after the effective date of this amendatory Act of the 93rd General Assembly in the form and manner prescribed by the Department, which shall include the same information required for federal tax shelters and any other information required by the Department, and shall be made not later than the day on which the first offering for sale of interests in the shelter occurs or, if the tax shelter organizer reasonably believes as of the day of such first offering that the tax shelter will not satisfy

the conditions of subsection (d) of this Section, within 60 days after the tax shelter meets any of the conditions of subsection (d) of this Section.

(c) Additional requirements for listed transactions and Illinois listed transactions.

(1) In addition to the requirements of this Section, for any transactions entered into on or after February 28, 2000 that become listed transactions (as defined under Treasury Regulations Section 1.6011-4) at any time, those transactions shall be registered with the Department (in the form and manner prescribed by the Department) by the later of (i) 60 days after entering into the transaction, (ii) 60 days after the transaction becomes a listed transaction, or (iii) December 31, 2004;

(2) In addition to the requirements of this Section, for any transactions entered into on or after January 1, 2004 that become Illinois listed transactions (as defined under Section 501(b) of this Act) at any time, those transactions shall be registered with the Department by the later of (i) 60 days after entering into the transaction, (ii) 60 days after the transaction becomes an Illinois listed transaction, or (iii) December 31, 2004.

(d) Tax Shelters subject to this Section. The provisions of this section apply to any tax shelter herein described that additionally satisfies any of the following conditions: (1) organized in this State; (2) doing business in this State; (3) deriving income from sources in this State; or (4) at least one of its investors is an Illinois taxpayer.

(e) Tax Shelter Identification Number.

(1) Any person who sells (or otherwise transfers) an interest in an Illinois tax shelter shall (at such times and in such manner as required by the Department) furnish to each investor who purchases (or otherwise acquires) an interest in such shelter from such person the identification number assigned by the Department to such tax shelter.

(2) Any person required to file a return under this Act and required to include on the person's federal tax return a tax shelter identification number pursuant to Section 6111 of the Internal Revenue Code, shall furnish such number upon filing of the person's Illinois return.

(3) Any person claiming any deduction, credit, or other tax benefit by reason of an Illinois tax shelter shall include (in such manner as the Department may prescribe) on the return of tax on which such deduction, credit, or other benefit is claimed the identification number assigned by the Department to such tax shelter.

(f) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(35 ILCS 5/1405.6 new)

Sec. 1405.6. Investor lists.

(a) Federal abusive tax shelter. Any person required to maintain a list under Section 6112 of the Internal Revenue Code and Treasury Regulations Section 301.6112-1 with respect to a potentially abusive tax shelter shall furnish such list to the Department not later than the time such list is required to be furnished to the Internal Revenue Service under federal income tax law.

(b) Illinois abusive tax shelter. Each organizer and seller of an Illinois potentially abusive tax shelter shall maintain a list identifying each person who was sold an interest in such shelter. Any person required to maintain a list under this subsection shall make such list available to the Department upon request by the Department, and except as otherwise provided under regulations prescribed by the Department, shall retain any information required to be included on such list for 7 years.

(1) Definitions.

(A) Illinois potentially abusive tax shelter. The term "Illinois potentially abusive tax shelter" means (i) any Illinois tax shelter (as defined in Section 1405.5) required to be registered under Section 1405.5 and (ii) any entity, investment, plan or arrangement, or other plan or arrangement that is of a type that the Department determines by regulation as having a potential for avoidance or evasion of the tax imposed by this Act (including an Illinois listed transaction as defined under Section 501(b)). The term shall have substantially the same meaning as a "potentially abusive tax shelter" described in Treasury Regulations Section 301.6112-1(b).

(B) Organizer or seller. An organizer or seller of an Illinois potentially abusive tax shelter includes any person that is a material adviser under Treasury Regulations Section 301.6112-1 with respect to the transaction that is an Illinois potentially abusive tax shelter or would be considered a material adviser under Treasury Regulations Section 301.6112-1 with respect to the transaction if such transaction constituted a potentially abusive tax shelter under Treasury Regulations Section 301.6112-1.

(2) The list required under this Section shall include the same information required with respect to a potentially abusive tax shelter under Treasury Regulations Section 301.6112-1 and any other information as

the Department may require. Unless otherwise prescribed by the Department, the list required under this Section shall be maintained in the same form and manner as required with respect to a potentially abusive tax shelter under Treasury Regulations Section 301.6112-1.

(c) Additional requirements for listed transactions and Illinois listed transactions.

(1) For transactions entered into on or after February 28, 2000, that become listed transactions (as defined under Treasury Regulations Section 1.6011-4) at any time, the list shall be furnished to the Department by the later of (i) 60 days after entering into the transaction, (ii) 60 days after the transaction becomes a listed transaction, or (iii) December 31, 2004.

(2) For transactions entered into on or after January 1, 2004 that become Illinois listed transactions (as defined under Section 501(b) of this Act) at any time, the list shall be furnished to the Department by the later of (i) 60 days after entering into the transaction, (ii) 60 days after the transaction becomes an Illinois listed transaction, or (iii) December 31, 2004.

(d) Tax Shelters subject to this Section. The provisions of this section apply to any tax shelter herein described that additionally satisfies any of the following conditions:

(1) Organized in this State;

(2) Doing business in this State;

(3) Deriving income from sources in this State; or

(4) At least one of its investors is an Illinois taxpayer.

(e) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

Sec. 1501. Definitions.

(a) In general. When used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(1) Business income. The term "business income" means all income that may be treated as apportionable business income under the Constitution of the United States. Business income is net of the deductions allocable thereto ~~income arising from transactions and activity in the regular course of the taxpayer's trade or business, net of the deductions allocable thereto, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.~~ Such term does not include

compensation or the deductions allocable thereto. For each taxable year beginning on or after January 1, 2003, a taxpayer may elect to treat all income other than compensation as business income. This election shall be made in accordance with rules adopted by the Department and, once made, shall be irrevocable.

(2) Commercial domicile. The term "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(3) Compensation. The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(4) Corporation. The term "corporation" includes associations, joint-stock companies, insurance companies and cooperatives. Any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, shall be treated as a corporation if it is so classified for federal income tax purposes.

(5) Department. The term "Department" means the Department of Revenue of this State.

(6) Director. The term "Director" means the Director of Revenue of this State.

(7) Fiduciary. The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, or any person acting in any fiduciary capacity for any person.

(8) Financial organization.

(A) The term "financial organization" means any bank, bank holding company, trust company, savings bank, industrial bank, land bank, ~~safe deposit company,~~ private banker, savings and loan association, building and loan association, credit union, ~~currency exchange,~~ cooperative bank, ~~small loan company,~~ ~~sales finance company,~~ investment company, or any person which is owned by a bank or bank holding company. For the purpose of this Section a "person" will include only those persons which a bank holding company may acquire and hold an interest in, directly or indirectly, under the provisions of the Bank Holding Company Act of 1956 (12 U.S.C. 1841, et seq.), except where interests in any person must be disposed of within certain required time limits under the Bank Holding Company Act of 1956.

(B) For purposes of subparagraph (A) of this paragraph, the term "bank" includes

- (i) any entity that is regulated by the Comptroller of the Currency under the National Bank Act, or by the Federal Reserve Board, or by the Federal Deposit Insurance Corporation and (ii) any federally or State chartered bank operating as a credit card bank.
- (C) For purposes of subparagraph (A) of this paragraph, the term "sales finance company" has the meaning provided in the following item (i) or (ii):
- (i) A person primarily engaged in one or more of the following businesses: the business of purchasing customer receivables, the business of making loans upon the security of customer receivables, the business of making loans for the express purpose of funding purchases of tangible personal property or services by the borrower, or the business of finance leasing. For purposes of this item (i), "customer receivable" means:
 - (a) a retail installment contract or retail charge agreement within the meaning of the Sales Finance Agency Act, the Retail Installment Sales Act, or the Motor Vehicle Retail Installment Sales Act;
 - (b) an installment, charge, credit, or similar contract or agreement arising from the sale of tangible personal property or services in a transaction involving a deferred payment price payable in one or more installments subsequent to the sale; or
 - (c) the outstanding balance of a contract or agreement described in provisions (a) or (b) of this item (i).

A customer receivable need not provide for payment of interest on deferred payments. A sales finance company may purchase a customer receivable from, or make a loan secured by a customer receivable to, the seller in the original transaction or to a person who purchased the customer receivable directly or indirectly from that seller.

- (ii) A corporation meeting each of the following criteria:
 - (a) the corporation must be a member of an "affiliated group" within the meaning of Section 1504(a) of the Internal Revenue Code, determined without regard to Section 1504(b) of the Internal Revenue Code;
 - (b) more than 50% of the gross income of the corporation for the taxable year must be interest income derived from qualifying loans. A "qualifying loan" is a loan made to a member of the corporation's affiliated group that originates customer receivables (within the meaning of item (i)) or to whom customer receivables originated by a member of the affiliated group have been transferred, to the extent the average outstanding balance of loans from that corporation to members of its affiliated group during the taxable year do not exceed the limitation amount for that corporation. The "limitation amount" for a corporation is the average outstanding balances during the taxable year of customer receivables (within the meaning of item (i)) originated by all members of the affiliated group. If the average outstanding balances of the loans made by a corporation to members of its affiliated group exceed the limitation amount, the interest income of that corporation from qualifying loans shall be equal to its interest income from loans to members of its affiliated groups times a fraction equal to the limitation amount divided by the average outstanding balances of the loans made by that corporation to members of its affiliated group;
 - (c) the total of all shareholder's equity (including, without limitation, paid-in capital on common and preferred stock and retained earnings) of the corporation plus the total of all of its loans, advances, and other obligations payable or owed to members of its affiliated group may not exceed 20% of the total assets of the corporation at any time during the tax year; and
 - (d) more than 50% of all interest-bearing obligations of the affiliated group payable to persons outside the group determined in accordance with generally accepted accounting principles must be obligations of the corporation.

This amendatory Act of the 91st General Assembly is declaratory of existing law.

(D) Subparagraphs (B) and (C) of this paragraph are declaratory of existing law and apply retroactively, for all tax years beginning on or before December 31, 1996, to all original returns, to all amended returns filed no later than 30 days after the effective date of this amendatory Act of 1996, and to all notices issued on or before the effective date of this amendatory Act of 1996 under subsection (a) of Section 903, subsection (a) of Section 904, subsection (e) of Section 909, or Section 912. A taxpayer that is a "financial organization" that engages in any transaction with an affiliate shall be a "financial organization" for all purposes of this Act.

(E) For all tax years beginning on or before December 31, 1996, a taxpayer that falls within the definition of a "financial organization" under subparagraphs (B) or (C) of this paragraph, but who does not fall within the definition of a "financial organization" under the Proposed Regulations issued by the Department of Revenue on July 19, 1996, may irrevocably elect to apply the Proposed Regulations for all of those years as though the Proposed Regulations had been lawfully promulgated, adopted, and in effect for all of those years. For purposes of applying subparagraphs (B) or (C) of this paragraph to all of those years, the election allowed by this subparagraph applies only to the taxpayer making the election and to those members of the taxpayer's unitary business group who are ordinarily required to apportion business income under the same subsection of Section 304 of this Act as the taxpayer making the election. No election allowed by this subparagraph shall be made under a claim filed under subsection (d) of Section 909 more than 30 days after the effective date of this amendatory Act of 1996.

(F) Finance Leases. For purposes of this subsection, a finance lease shall be treated as a loan or other extension of credit, rather than as a lease, regardless of how the transaction is characterized for any other purpose, including the purposes of any regulatory agency to which the lessor is subject. A finance lease is any transaction in the form of a lease in which the lessee is treated as the owner of the leased asset entitled to any deduction for depreciation allowed under Section 167 of the Internal Revenue Code.

(9) Fiscal year. The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December.

(10) Includes and including. The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(11) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect for the taxable year.

(11.5) Investment partnership.

(A) The term "investment partnership" means any entity that is treated as a partnership for federal income tax purposes that meets the following requirements:

(i) no less than 90% of the partnership's cost of its total assets consists of qualifying investment securities, deposits at banks or other financial institutions, and office space and equipment reasonably necessary to carry on its activities as an investment partnership;

(ii) no less than 90% of its gross income consists of interest, dividends, and gains from the sale or exchange of qualifying investment securities; and

(iii) the partnership is not a dealer in qualifying investment securities.

(B) For purposes of this paragraph (11.5), the term "qualifying investment securities" includes all of the following:

(i) common stock, including preferred or debt securities convertible into common stock, and preferred stock;

(ii) bonds, debentures, and other debt securities;

(iii) foreign and domestic currency deposits secured by federal, state, or local governmental agencies;

(iv) mortgage or asset-backed securities secured by federal, state, or local governmental agencies;

(v) repurchase agreements and loan participations;

(vi) foreign currency exchange contracts and forward and futures contracts on foreign currencies;

(vii) stock and bond index securities and futures contracts and other similar financial securities and futures contracts on those securities;

(viii) options for the purchase or sale of any of the securities, currencies, contracts, or financial instruments described in items (i) to (vii), inclusive;

(ix) regulated futures contracts;

(x) commodities (not described in Section 1221(a)(1) of the Internal Revenue Code) or futures, forwards, and options with respect to such commodities, provided, however, that any item of a physical commodity to which title is actually acquired in the partnership's capacity as a dealer in such commodity shall not be a qualifying investment security;

(xi) derivatives; and

(xii) a partnership interest in another partnership that is an investment partnership.

(12) Mathematical error. The term "mathematical error" includes the following types of

errors, omissions, or defects in a return filed by a taxpayer which prevents acceptance of the return as filed for processing:

- (A) arithmetic errors or incorrect computations on the return or supporting schedules;
 - (B) entries on the wrong lines;
 - (C) omission of required supporting forms or schedules or the omission of the information in whole or in part called for thereon; and
 - (D) an attempt to claim, exclude, deduct, or improperly report, in a manner directly contrary to the provisions of the Act and regulations thereunder any item of income, exemption, deduction, or credit.
- (13) Nonbusiness income. The term "nonbusiness income" means all income other than business income or compensation.
- (14) Nonresident. The term "nonresident" means a person who is not a resident.
- (15) Paid, incurred and accrued. The terms "paid", "incurred" and "accrued" shall be construed according to the method of accounting upon the basis of which the person's base income is computed under this Act.
- (16) Partnership and partner. The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this Act, a trust or estate or a corporation; and the term "partner" includes a member in such syndicate, group, pool, joint venture or organization.
- The term "partnership" includes any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, classified as a partnership for federal income tax purposes.
- The term "partnership" does not include a syndicate, group, pool, joint venture, or other unincorporated organization established for the sole purpose of playing the Illinois State Lottery.
- (17) Part-year resident. The term "part-year resident" means an individual who became a resident during the taxable year or ceased to be a resident during the taxable year. Under Section 1501(a)(20)(A)(i) residence commences with presence in this State for other than a temporary or transitory purpose and ceases with absence from this State for other than a temporary or transitory purpose. Under Section 1501(a)(20)(A)(ii) residence commences with the establishment of domicile in this State and ceases with the establishment of domicile in another State.
- (18) Person. The term "person" shall be construed to mean and include an individual, a trust, estate, partnership, association, firm, company, corporation, limited liability company, or fiduciary. For purposes of Section 1301 and 1302 of this Act, a "person" means (i) an individual, (ii) a corporation, (iii) an officer, agent, or employee of a corporation, (iv) a member, agent or employee of a partnership, or (v) a member, manager, employee, officer, director, or agent of a limited liability company who in such capacity commits an offense specified in Section 1301 and 1302.
- (18A) Records. The term "records" includes all data maintained by the taxpayer, whether on paper, microfilm, microfiche, or any type of machine-sensible data compilation.
- (19) Regulations. The term "regulations" includes rules promulgated and forms prescribed by the Department.
- (20) Resident. The term "resident" means:
- (A) an individual (i) who is in this State for other than a temporary or transitory purpose during the taxable year; or (ii) who is domiciled in this State but is absent from the State for a temporary or transitory purpose during the taxable year;
 - (B) The estate of a decedent who at his or her death was domiciled in this State;
 - (C) A trust created by a will of a decedent who at his death was domiciled in this State; and
 - (D) An irrevocable trust, the grantor of which was domiciled in this State at the time such trust became irrevocable. For purpose of this subparagraph, a trust shall be considered irrevocable to the extent that the grantor is not treated as the owner thereof under Sections 671 through 678 of the Internal Revenue Code.
- (21) Sales. The term "sales" means all gross receipts of the taxpayer not allocated under Sections 301, 302 and 303.
- (22) State. The term "state" when applied to a jurisdiction other than this State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any

Territory or Possession of the United States, and any foreign country, or any political subdivision of any of the foregoing. For purposes of the foreign tax credit under Section 601, the term "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States, or any political subdivision of any of the foregoing, effective for tax years ending on or after December 31, 1989.

(23) Taxable year. The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the base income is computed under this Act. "Taxable year" means, in the case of a return made for a fractional part of a year under the provisions of this Act, the period for which such return is made.

(24) Taxpayer. The term "taxpayer" means any person subject to the tax imposed by this Act.

(25) International banking facility. The term international banking facility shall have the same meaning as is set forth in the Illinois Banking Act or as is set forth in the laws of the United States or regulations of the Board of Governors of the Federal Reserve System.

(26) Income Tax Return Preparer.

(A) The term "income tax return preparer" means any person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return of tax imposed by this Act or any claim for refund of tax imposed by this Act. The preparation of a substantial portion of a return or claim for refund shall be treated as the preparation of that return or claim for refund.

(B) A person is not an income tax return preparer if all he or she does is

(i) furnish typing, reproducing, or other mechanical assistance;

(ii) prepare returns or claims for refunds for the employer by whom he or she is regularly and continuously employed;

(iii) prepare as a fiduciary returns or claims for refunds for any person; or

(iv) prepare claims for refunds for a taxpayer in response to any notice of deficiency issued to that taxpayer or in response to any waiver of restriction after the commencement of an audit of that taxpayer or of another taxpayer if a determination in the audit of the other taxpayer directly or indirectly affects the tax liability of the taxpayer whose claims he or she is preparing.

(27) Unitary business group. The term "unitary business group" means a group of persons related through common ownership whose business activities are integrated with, dependent upon and contribute to each other. The group will not include those members who, in taxable years on or after December 31, 2004, are foreign persons and whose business activity outside the United States is 80% or more of any such member's total business activity; for purposes of this paragraph and clause (a)(3)(B)(ii) of Section 304, business activity within the United States shall be measured by means of the factors ordinarily applicable under subsections (a), (b), (c), (d), or (h) of Section 304 except that, in the case of members ordinarily required to apportion business income by means of the 3 factor formula of property, payroll and sales specified in subsection (a) of Section 304, including the formula as weighted in subsection (h) of Section 304, such members shall not use the sales factor in the computation and the results of the property and payroll factor computations of subsection (a) of Section 304 shall be divided by 2 (by one if either the property or payroll factor has a denominator of zero). The computation required by the preceding sentence shall, in each case, involve the division of the member's property, payroll, or revenue miles in the United States, insurance premiums on property or risk in the United States, or financial organization business income from sources within the United States, as the case may be, by the respective worldwide figures for such items. Common ownership in the case of corporations is the direct or indirect control or ownership of more than 50% of the outstanding voting stock of the persons carrying on unitary business activity. Unitary business activity can ordinarily be illustrated where the activities of the members are: (1) in the same general line (such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation or finance); or (2) are steps in a vertically structured enterprise or process (such as the steps involved in the production of natural resources, which might include exploration, mining, refining, and marketing); and, in either instance, the members are functionally integrated through the exercise of strong centralized management (where, for example, authority over such matters as purchasing, financing, tax compliance, product line, personnel, marketing and capital investment is not left to each member). For taxable years ending before December 31, 2004, a ~~In no event, however, will any~~ unitary business group shall not include members which are ordinarily required to apportion business income under

different subsections of Section 304, except that for tax years ending on or after December 31, 1987 and before December 31, 2004, this prohibition shall not apply to a unitary business group composed of one or more taxpayers all of which apportion business income pursuant to subsection (b) of Section 304, or all of which apportion business income pursuant to subsection (d) of Section 304, and a holding company of such single-factor taxpayers (see definition of "financial organization" for rule regarding holding companies of financial organizations). If a unitary business group would, but for the preceding sentence, include members that are ordinarily required to apportion business income under different subsections of Section 304, then for each subsection of Section 304 for which there are two or more members, there shall be a separate unitary business group composed of such members. For purposes of the preceding two sentences, a member is "ordinarily required to apportion business income" under a particular subsection of Section 304 if it would be required to use the apportionment method prescribed by such subsection except for the fact that it derives business income solely from Illinois. Pursuant to rules adopted by the Department, the members of a unitary business group (as defined in this Section) may jointly elect to include in the group for any taxable year ending on or after December 31, 2004, a passive income affiliate, as defined in paragraph (29) of this subsection. Where the election is made to include a passive income affiliate in the unitary business group, for purposes of computing the affiliate's base income under Section 203 of this Act, the affiliate's federal taxable income shall be deemed to consist solely of its passive income, as defined in subparagraph (B) of paragraph (29) of this subsection, net of related expenses. As used in this paragraph, for taxable years ending on or after December 31, 2004, the phrase "United States" means the 50 states, the District of Columbia, any territory or possession of the United States, and any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources. This definition includes, but is not limited to, Puerto Rico and the outer continental shelf and any artificial islands and structures therein.

If the unitary business group members' accounting periods differ, the common parent's accounting period or, if there is no common parent, the accounting period of the member that is expected to have, on a recurring basis, the greatest Illinois income tax liability must be used to determine whether to use the apportionment method provided in subsection (a) or subsection (h) of Section 304. The prohibition against membership in a unitary business group for taxpayers ordinarily required to apportion income under different subsections of Section 304 does not apply to taxpayers required to apportion income under subsection (a) and subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(28) Subchapter S corporation. The term "Subchapter S corporation" means a corporation for which there is in effect an election under Section 1362 of the Internal Revenue Code, or for which there is a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982.

(29) Passive income affiliate.

(A) In general. The term "passive income affiliate" means any person if (i) the person would be a member of a unitary business group under paragraph (27) of this subsection except for the fact that the person is a foreign person and 80% or more of the person's business activity is outside the United States (as determined under paragraph (27)) and (ii) at least 50% of the person's total gross income (as defined in this Section) for the taxable year consists of "passive income" as set forth in subparagraph (B) of this paragraph.

(B) Passive income. For purpose of subparagraph (A), "passive income" includes the following items (whether or not business income):

(i) dividends, interest, annuities, and royalties (except that "royalties" does not include "active business computer software royalties", as defined in Section 543(d) of the Internal Revenue Code);

(ii) gains from the sale or exchange of stock or securities;

(iii) gains from futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange (except that, pursuant to rules adopted by the Department, gains by a producer, processor, merchant, or handler of the commodity that arise out of bona fide hedging transactions reasonably necessary to the conduct of its business in the manner in which the business is customarily and usually conducted by others shall not be included);

(iv) amounts included in income under part I of subchapter J of the Internal Revenue Code and gains from the sale of other disposition of any interest in an estate or trust;

(v) amounts received as compensation (however designated and from whomever received) for the use of, or the right to use, property of the person in any case where the party entitled to the use of the property (whether the right is obtained directly from the person or by means of a sublease or other

arrangement) would be a member of the person's unitary business group under paragraph (27) of this subsection but for the fact that the person's business activity outside the United States is 80% or more of total business activity as determined under paragraph (27);

(vi) rents, unless constituting 50% or more of the gross income. The term "rents" as used in this subparagraph means compensation, however designated, for the use of, or right to use, property but does not include amounts described in subparagraph (v); and

(vii) pursuant to rules adopted by the Department, amounts similar to the items set forth in (i) through (vi) above.

(C) Gross income and special rules.

(i) Gross income. The term "gross income" means the gross income of the person computed under Section 61 of the Internal Revenue Code (without regard to the provisions of subchapter N of the Internal Revenue Code) in any case as if such person were a domestic corporation, partnership, or trust, as applicable. Gross income determined with respect to transactions described in subparagraphs (ii) and (iii) of subparagraph (B) of this paragraph shall include only the excess of gains over losses from such transactions.

(ii) 80/20 dividends. Dividends received by a person, directly or indirectly, with respect to the stock of a corporation that is not a passive income affiliate (as defined in this paragraph) and that would be a member of that person's unitary business group under paragraph (27) of this subsection but for the fact that the corporation or person conducts 80% or more of their business activities outside the United States (as determined under paragraph (27) of this subsection) shall not be considered passive income under subparagraph (B) of this paragraph.

(iii) Exclusion of banks. A person that is organized and doing business under the banking or credit laws of a state or foreign country shall not be considered a passive income affiliate if it is established to the satisfaction of the Director that the person is not formed or availed of for the purpose of avoiding federal income tax or Illinois income tax. If the Director is satisfied that the person is not so formed or availed of, the Director shall issue to the person annually or at other periodic intervals a certification that the person is not a passive income affiliate.

(30) Foreign person. The term "foreign person" means any person who is a nonresident alien individual and any nonindividual other than a person created or organized in the United States or under the law of the United States or of any State.

(31) Employer-owned life insurance contract. The term "employer-owned life insurance contract" means a life insurance contract:

(i) that is owned by a person engaged in a trade or business;

(ii) under which that person (or the trade or business of that person) is directly or indirectly the beneficiary under the contract; and

(iii) covers the life of an insured who is an employee with respect to the trade or business of that person (or an affiliate thereof) on the date the contract is issued.

If coverage for each insured under a master contract is treated as a separate contract for purposes of Sections 817(h), 7702, and 7702A of the Internal Revenue Code, then coverage for each insured shall be treated as a separate contract.

The term "employer-owned life insurance contract" does not include a life insurance contract under which, at the time the contract is issued, the insured is either a director or a highly compensated employee within the meaning of Section 414(q) of the Internal Revenue Code (without regard to paragraph (1)(B)(ii) thereof) or a highly compensated individual within the meaning of Section 105(h)(5) (except that "35 percent" shall be substituted for "25 percent" in subparagraph (C) thereof) of the Internal Revenue Code.

For purposes of this definition, the term "employee" includes any officer or director of the taxpayer, and the term "affiliate" includes any person who is related within the meaning of Section 267(b) or 707(b)(1) of the Internal Revenue Code.

(32) Small business. The term "small business" means that term as it is defined in the Small Business Advisory Act.

(b) Other definitions.

(1) Words denoting number, gender, and so forth, when used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(A) Words importing the singular include and apply to several persons, parties or things;

(B) Words importing the plural include the singular; and

(C) Words importing the masculine gender include the feminine as well.

(2) "Company" or "association" as including successors and assigns. The word "company" or "association", when used in reference to a corporation, shall be deemed to embrace the words "successors and assigns of such company or association", and in like manner as if these last-named words, or words of similar import, were expressed.

(3) Other terms. Any term used in any Section of this Act with respect to the application of, or in connection with, the provisions of any other Section of this Act shall have the same meaning as in such other Section.

(c) The changes made to this Section by this amendatory Act of the 93rd General Assembly do not apply to any small business as defined in the Small Business Advisory Act.

(Source: P.A. 91-535, eff. 1-1-00; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)

Section 999. Effective date. This Act takes effect July 1, 2004."

The foregoing message from the Senate reporting Senate Amendment No. 1 to HOUSE BILL 848 was placed on the Calendar on the order of Concurrence.

REPORTS FROM STANDING COMMITTEES

Representative Molaro, Chairperson, from the Committee on Revenue to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the bill be reported "do pass as amended" and be placed on the order of Second Reading-- Standard Debate: SENATE BILLS 2208, 2209, 2210 and 2211.

The committee roll call vote on Senate Bill 2208, 2209, 2210 and 2211 is as follows:

5, Yeas; 4, Nays; 0, Answering Present.

Y Molaro,Robert(D), Chairperson

N Biggins,Bob(R)

Y Hannig,Gary(D)

N Pankau,Carole(R)

Y Turner,Arthur(D)

N Beaubien,Mark(R), Republican Spokesperson

Y Currie,Barbara(D), Vice-Chairperson

Y Lang,Lou(D)

N Sullivan,Ed(R)

Representative Monique Davis, Chairperson, from the Committee on Appropriations-General Service to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the bill be reported "do pass" and be placed on the order of Second Reading-- Standard Debate: SENATE BILLS 3340, 3343, 3350, 3356, 3359, 3361, 3362, 3367 and 3368.

The committee roll call vote on Senate Bill 3340, 3343, 3350, 3356, 3359, 3361, 3362, 3367 and 3368 is as follows:

4, Yeas; 2, Nays; 0, Answering Present.

Y Davis,Monique(D), Chairperson

Y Boland,Mike(D), Vice-Chairperson

N Dunn,Joe(R)

Y Verschoore,Patrick(D)

N Biggins,Bob(R), Republican Spokesperson

Y Burke,Daniel(D)

A Sommer,Keith(R)

Representative Fritchey, Chairperson, from the Committee on Judiciary I - Civil Law to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Motion be reported "recommends be adopted" and placed on the House Calendar:

Motion to concur with Senate Amendment No. 1 to HOUSE BILL 2572.

The committee roll call vote on Motion to concur with Senate Amendment No. 1 to House Bill 2572 is as follows:

15, Yeas; 0, Nays; 0, Answering Present.

Y Fritchey,John(D), Chairperson

Y Bailey,Patricia(D)

Y Berrios, Maria(D)
 A Brosnahan, James(D)
 Y Froehlich, Paul(R)
 A Hoffman, Jay(D)
 Y Lang, Lou(D)
 A May, Karen(D)
 Y Osmond, JoAnn(R)
 Y Sacia, Jim(R)
 Y Wait, Ronald(R)

Y Bradley, John(D)
 Y Cultra, Shane(R)
 Y Hamos, Julie(D)
 A Hultgren, Randall(R), Republican Spokesperson
 Y Mathias, Sidney(R)
 Y Nekritz, Elaine(D)
 Y Rose, Chapin(R)
 Y Scully, George(D), Vice-Chairperson

Representative McKeon, Chairperson, from the Committee on Labor to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Floor Amendment be reported "recommends be adopted":

Amendments numbered 1 and 2 to SENATE BILL 797.

The committee roll call vote on Amendment numbered 1 and 2 to Senate Bill 797 is as follows:

8, Yeas; 3, Nays; 0, Answering Present.

Y McKeon, Larry(D), Chairperson
 A Bellock, Patricia(R)
 Y Delgado, William(D) (Yarbrough)
 Y Howard, Constance(D)
 Y Jefferson, Charles(D)
 A Parke, Terry(R)
 A Tenhouse, Art(R)

Y Acevedo, Edward(D) (Reitz)
 N Cultra, Shane(R) (Eddy)
 Y Hoffman, Jay(D)
 N Hultgren, Randall(R)
 Y Joyce, Kevin(D)
 Y Soto, Cynthia(D), Vice-Chairperson
 N Winters, Dave(R), Republican Spokesperson

Representative Franks, Chairperson, from the Committee on State Government Administration to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the resolution be reported "recommends be adopted" and be placed on the House Calendar: HOUSE RESOLUTION 711; HOUSE JOINT RESOLUTION 86.

That the Motion be reported "recommends be adopted" and placed on the House Calendar: Motion to concur with Senate Amendments numbered 1 and 2 to HOUSE BILL 956.

The committee roll call vote on House Joint Resolution 86, House Resolution 711 and Motion to concur with Senate Amendments No. 1 and 2 to House Bill 956 is as follows:

11, Yeas; 0, Nays; 0, Answering Present.

Y Franks, Jack(D), Chairperson
 Y Brauer, Rich(R)
 Y Jakobsson, Naomi(D)
 Y Myers, Richard(R), Republican Spokesperson
 Y Smith, Michael(D), Vice-Chairperson
 Y Washington, Eddie(D)

Y Brady, Dan(R)
 Y Chapa LaVia, Linda(D)
 Y Lindner, Patricia(R)
 Y Rose, Chapin(R)
 Y Verschoore, Patrick(D)

Representative Osterman, Chairperson, from the Committee on Local Government to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Motion be reported "recommends be adopted" and placed on the House Calendar: Motion to concur with Senate Amendment No. 1 to HOUSE BILL 4108.

The committee roll call vote on Motion to concur with Senate Amendment No. 1 to House Bill 4108 is as follows:

18, Yeas; 0, Nays; 0, Answering Present.

Y Osterman, Harry(D), Chairperson
 Y Colvin, Marlow(D), Vice-Chairperson

Y Biggins, Bob(R)
 Y Davis, William(D)

Y Flider,Robert(D)	Y Froehlich,Paul(R)
Y Grunloh,William(D)	A Kelly,Robin(D)
Y Kurtz,Rosemary(R)	Y Mathias,Sidney(R), Republican Spokesperson
Y Mautino,Frank(D)	Y May,Karen(D)
Y Meyer,James(R)	A Moffitt,Donald(R)
Y Nekritz,Elaine(D)	Y Phelps,Brandon(D)
Y Pihos,Sandra(R)	Y Pritchard,Robert(R)
Y Ryg,Kathleen(D)	Y Slone,Ricca(D)
A Sommer,Keith(R)	A Watson,Jim(R)

Representative Brosnahan, Chairperson, from the Committee on Consumer Protection to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Motion be reported "recommends be adopted" and placed on the House Calendar: Motion to concur with Senate Amendments numbered 1 and 2 to HOUSE BILL 4450.

The committee roll call vote on Motion to concur with Senate Amendments numbered 1 and 2 to House Bill 4450 is as follows:

10, Yeas; 0, Nays; 0, Answering Present.

Y Brosnahan,James(D), Chairperson	Y Churchill,Robert(R)
Y McCarthy,Kevin(D), Vice-Chairperson	Y McGuire,Jack(D)
Y Mendoza,Susana(D)	Y Millner,John(R)
Y Parke,Terry(R)	Y Pihos,Sandra(R)
Y Rita,Robert(D)	A Tenhouse,Art(R), Republican Spokesperson
Y Washington,Eddie(D)	

Representative Giles, Chairperson, from the Committee on Elementary & Secondary Education to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Floor Amendment be reported "recommends be adopted": Amendment No. 1 to SENATE BILL 86.

That the Motion be reported "recommends be adopted" and placed on the House Calendar: Motion to concur with Senate Amendments numbered 1, 2 and 3 to HOUSE BILL 752. Motion to concur with Senate Committee Amendment No. 1 to HOUSE BILL 6906.

The committee roll call vote on Amendment No. 1 to Senate Bill 86 is as follows: 13, Yeas; 1, Nays; 0, Answering Present.

Y Giles,Calvin(D), Chairperson	A Bassi,Suzanne(R)
Y Collins,Annazette(D)	Y Colvin,Marlow(D)
Y Currie,Barbara(D) (John Bradley)	Y Davis,Monique(D), Vice-Chairperson
Y Eddy,Roger(R)	Y Joyce,Kevin(D)
N Kosel,Renee(R), Republican Spokesperson	A Krause,Carolyn(R)
Y Miller,David(D)	Y Mitchell,Jerry(R)
Y Moffitt,Donald(R)	A Mulligan,Rosemary(R)
Y Osterman,Harry(D)	A Smith,Michael(D)
Y Watson,Jim(R)	Y Yarbrough,Karen(D)

The committee roll call vote on Motion to concur with Senate Amendments numbered 1, 2 and 3 to House Bill 752 and Motion to concur with Senate Committee Amendment No. 1 to House Bill 6906 is as follows:

18, Yeas; 0, Nays; 0, Answering Present.

Y Giles,Calvin(D), Chairperson	Y Bassi,Suzanne(R)
Y Collins,Annazette(D)	Y Colvin,Marlow(D)
Y Currie,Barbara(D) (John Bradley)	Y Davis,Monique(D), Vice-Chairperson

Y Eddy,Roger(R)	Y Joyce,Kevin(D)
Y Kosel,Renee(R), Republican Spokesperson	Y Krause,Carolyn(R)
Y Miller,David(D)	Y Mitchell,Jerry(R)
Y Moffitt,Donald(R)	Y Mulligan,Rosemary(R)
Y Osterman,Harry(D)	Y Smith,Michael(D)
Y Watson,Jim(R)	Y Yarbrough,Karen(D)

Representative Delgado, Chairperson, from the Committee on Judiciary II - Criminal Law to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the Floor Amendment be reported "recommends be adopted":

Amendment No. 1 to SENATE BILL 2244.

The committee roll call vote on Amendment No. 1 to Senate Bill 2244 is as follows:

13, Yeas; 0, Nays; 0, Answering Present.

Y Delgado,William(D), Co-Chairperson	Y Bailey,Patricia(D)
Y Bradley,Richard(D)	Y Collins,Annazette(D)
Y Gordon,Careen(D)	Y Howard,Constance(D)
Y Jones,Lovana(D)	Y Lindner,Patricia(R), Republican Spokesperson
Y Lyons,Eileen(R)	Y Millner,John(R)
Y Rose,Chapin(R)	Y Sacia,Jim(R)
Y Wait,Ronald(R)	

Representative Delgado, Chairperson, from the Committee on Human Services to which the following were referred, action taken on May 19, 2004, and reported the same back with the following recommendations:

That the resolutions be reported "recommends be adopted" and be placed on the House Calendar: HOUSE RESOLUTIONS 492, 596, 772 and 832; HOUSE JOINT RESOLUTION 49.

That the Motion be reported "recommends be adopted" and placed on the House Calendar: Motion to concur with Senate Amendment No. 2 to HOUSE BILL 686.

That the resolutions be reported "recommends be adopted as amended" and be placed on the House Calendar: HOUSE RESOLUTIONS 415 and 771.

The committee roll call vote on House Joint Resolution 49, House Resolutions 415, 492, 596, 771, 832, 772 and Motion to concur with Senate Amendment No. 2 to House Bill 686 is as follows:

9, Yeas; 0, Nays; 0, Answering Present.

Y Delgado,William(D), Chairperson	Y Bellock,Patricia(R), Republican Spokesperson
Y Feigenholtz,Sara(D), Vice-Chairperson	Y Flowers,Mary(D)
Y Howard,Constance(D)	Y Kurtz,Rosemary(R)
Y Lindner,Patricia(R)	Y Ryg,Kathleen(D)
Y Sullivan,Ed(R)	

Representative Franks, Chairperson, from the Committee on State Government Administration to which the following were referred, action taken earlier today, and reported the same back with the following recommendations:

That the Floor Amendment be reported "recommends be adopted":

Amendment No. 1 to SENATE BILL 1605.

The committee roll call vote on Amendment No. 1 to Senate Bill 1605 is as follows:

11, Yeas; 0, Nays; 0, Answering Present.

Y Franks,Jack(D), Chairperson	Y Brady,Dan(R)
Y Brauer,Rich(R)	Y Chapa LaVia,Linda(D)
Y Jakobsson,Naomi(D)	Y Lindner,Patricia(R)
Y Myers,Richard(R), Republican Spokesperson	Y Rose,Chapin(R) (Watson)

Y Smith, Michael(D), Vice-Chairperson
 Y Washington, Eddie(D)

Y Verschoore, Patrick(D)

CHANGE OF SPONSORSHIP

Representative Madigan asked and obtained unanimous consent to be removed as chief sponsor and Representative Grunloh asked and obtained unanimous consent to be shown as chief sponsor of HOUSE BILL 622.

RESOLUTIONS

The following resolutions were offered and placed in the Committee on Rules.

HOUSE RESOLUTION 955

Offered by Representative Brauer:

WHEREAS, The members of the the Illinois House of Representatives wish to recognize Bramley Funeral Home in Divernon on the occasion of its 80th anniversary on June 6th, 2004; and

WHEREAS, Charles R. (Bob) Bramley helped his father, the late Chester (C.G.) Bramley, in the family's mortuary business many years ago; at that time, he didn't know that he would follow in his father's footsteps or that his son, Tim, and now his granddaughter, Sarah, would follow in his; and

WHEREAS, Bob graduated from high school in 1939 and went to work as a clerk for the C & IM Railroad; he served time in the armed forces from 1942 to 1946; he was a Master Sergeant in the Army Medical Corp; in 1947, he attended mortuary school in St. Louis and graduated in 1948; and

WHEREAS, Bob married Carolyn on December 27, 1947; he worked in the business with his father until his father passed away in 1967; and

WHEREAS, The Bramley's also operated an ambulance service for many years but discontinued the service in 1981; and

WHEREAS, Tim Bramley went to mortuary school in Carbondale and received his license in 1979; he then went to work at Bisch Funeral Home in Springfield for 13 years and during that time, he helped his dad as well; and

WHEREAS, The Bramleys purchased the former First Midwest building in Auburn in 1991 and opened their Auburn location in June 4, 1991; at that time, Tim left Bisch Funeral Home to work with his father full time; and

WHEREAS, Bob states that his wife, Carolyn, has always been there in the background; her help and support have been invaluable to him throughout the years; and

WHEREAS, Tim's daughter, Sarah, graduated from Carl Sandburg Mortuary School in May, 2003 and is currently serving her apprenticeship with her grandfather and dad; and

WHEREAS, In addition to the family's business, Bob worked for the Postal Service for 22 years, kept the Divernon School District's books for 30 years, was Village treasurer for 49 years, and served as secretary and treasurer for the Divernon Fire Protection District for many years; he is currently secretary and treasurer of the Brush Creek Cemetery Board, a position he has held for 45 years; and

WHEREAS, Mr. Bramley feels strongly about providing this service to the community even though being in a small town is difficult because everyone who passes away is your friend; he has dedicated his whole life to the community; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we declare June 6th, 2004, as "Bob Bramley Day", and we congratulate the Bramleys on their 80th anniversary of Bramley Funeral Home and their dedication to the community; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Mr. Bob Bramley as a token of our respect.

HOUSE RESOLUTION 960

Offered by Representative Krause:

WHEREAS, The State of Illinois has a strong commitment to promote cultural diversity and racial harmony among its residents; and

WHEREAS, Almost every resident of Illinois today belongs to a family that at one time immigrated to this wonderful country; and

WHEREAS, Our churches, schools, and public libraries have been in the forefront of promoting an appreciation for the diverse ethnic backgrounds of our residents; and

WHEREAS, A number of churches, schools, and libraries within the northwest suburbs of Cook County are jointly participating in a community reading program known as the Northwest Suburban Cook County Mosaic Book of the Year Program to confront the issues of racial and social injustice by breaking down barriers between people by fostering a cultural understanding through literature; all citizens in the program are encouraged to read this year's Book of the Year: The House on Mango Street, by Sandra Cisneros; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we proclaim June 2004 as Northwest Suburban Cook County Mosaic Book of the Year month to raise awareness of and help reduce prejudice, racism, and the systematic marginalization of populations; and be it further

RESOLVED, That suitable copies of this resolution be presented to the participating organizations of the Northwest Suburban Cook County Mosaic Book of the Year program as a token of our respect.

HOUSE RESOLUTION 962

Offered by Representative Colvin:

WHEREAS, The recently announced merger agreement between JP Morgan Chase and Co. and Bank One Corporation raises concerns about the role of major banks in the payday loan industry; and

WHEREAS, Mega-bank mergers raise concerns about the ability of the regulatory system to effectively regulate behemoth banking institutions; and

WHEREAS, Banks in Illinois provide financing for payday loan operations; and

WHEREAS, Alternatives to payday loans exist but are not currently offered by major banks in Illinois; and

WHEREAS, The payday loan industry in Illinois has grown exponentially in recent years; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that, given the economic impact this proposed merger will have on the Illinois economy, we urge the federal regulatory authorities to only approve the merger with adequate conditions attached to protect consumers and small businesses; and be it further

RESOLVED, That the banks of Illinois are called upon to offer alternatives to payday loans; and be it further

RESOLVED, That the Treasurer of the State of Illinois is urged to deny contracts for State deposits of monies with banks that provide financing of payday loans.

HOUSE RESOLUTION 970

Offered by Representative Dunn:

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we urge the Department of Commerce and Economic Opportunity to complete a study on the effects of extending Daylight Savings Time to the months when Illinois normally would observe Central Standard Time; and be it further

RESOLVED, That the study include, without limitation, the effects of extending Daylight Savings Time on energy, education, recreation, agriculture, economic development, utilities, crime, mental health,

business, finance, and the general operation of State and local governments; and be it further

RESOLVED, That the Department submit a report of its findings and recommendations to the General Assembly on or before June 1, 2006; and be it further

RESOLVED, That a copy of this resolution be delivered to the Director of Commerce and Economic Opportunity.

HOUSE RESOLUTION 971

Offered by Representative Leitch:

WHEREAS, Thousands of Illinois' citizens need to access a variety of social services including, but not limited to: child care, counseling, crisis intervention, emergency food and shelter, literacy training, affordable housing, services to the disabled, respite care, substance abuse treatment, and elder care; and

WHEREAS, Hundreds of different local, regional, and State organizations in Illinois, both public and private, provide services that respond to these needs; and

WHEREAS, It is often extremely confusing and time consuming for citizens to identify and access available services; and

WHEREAS, The process of connecting those in need in Illinois with services can be simplified through the 211 telephone dialing code, which is the national dialing code for information and referral for health and human services; and

WHEREAS, 85 million Americans in 26 states have access to 211 service; and

WHEREAS, Illinois is one of the only Midwest states without 211; and

WHEREAS, The Illinois General Assembly passed legislation in 2003, P.A. 93-613, which authorizes up to six local information and referral sites to use the 211 dialing code; and

WHEREAS, P.A. 93-613 requires the Governor to establish a Human Services 211 Collaboration Board; and

WHEREAS, This Human Services 211 Collaboration Board is charged with establishing criteria for choosing up to six local information and referral sites to use the 211 dialing code; and

WHEREAS, P.A. 93-613 did not include any State funding for implementation of 211 in Illinois; and

WHEREAS, Local information and referral sites that use the 211 dialing code must rely on local and private funding; and

WHEREAS, The proposed federal legislation, "Calling for 211 Act", would authorize \$200 million for states to implement 211 centers; and

WHEREAS, Illinois would be able to take advantage of these federal dollars, if appropriated; and

WHEREAS, Federal funding is necessary to assure a sustainable 211 system in Illinois; and

WHEREAS, U.S. Representatives Costello, Davis, Jackson, LaHood, and Rush are cosponsors of H.R. 3111; therefore be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that the Illinois General Assembly calls for the entire Illinois congressional delegation to cosponsor the federal "Calling for 211 Act" (H.R. 3111 and S. 1630) and to use their influence to help pass this legislation; and be it further

RESOLVED, That a suitable copy of this resolution be presented to each member of the Illinois Congressional delegation.

HOUSE JOINT RESOLUTION 87

Offered by Representative Miller:

WHEREAS, Tinley Park Mental Health Center is an essential element in the network of mental health care providers serving Chicago's south side, south suburban Cook, and Will, Grundy, and Kankakee counties; and

WHEREAS, Community-based agencies in this region provide outpatient therapy, housing assistance, and case management for many thousands of individuals with mental illness; and

WHEREAS, Tinley Park MHC effectively functions as a safety net for community-based agencies that can refer mentally ill individuals to Tinley Park MHC when they are in crisis and represent a danger to

themselves or others or are in need of more intensive psychiatric services; and

WHEREAS, Tinley Park MHC provides a safe and secure inpatient treatment setting for those individuals with severe mental illness who are in crisis and require more intensive services than can be provided in an outpatient setting; and

WHEREAS, Tinley Park MHC is a nationally-accredited, highly regarded treatment center which offers an exceptional and comprehensive range of medical, social, and psychiatric supports to clients in acute phases of their illness; and

WHEREAS, Tinley Park MHC also functions as an essential alternative to incarceration for individuals with mental illness who engage in anti-social behavior that brings them into contact with law enforcement officials; and

WHEREAS, The communities served by Tinley Park MHC already suffer from a shortage of affordable, accessible mental health services; and

WHEREAS, With over 140 beds, Tinley Park MHC is the largest inpatient psychiatric treatment center in the region, with more than 2,000 admissions annually; and

WHEREAS, Tinley Park MHC has excelled at stabilizing individuals in crisis and aiding them to return to independent lives in their communities, with an average length of inpatient treatment of just ten days; and

WHEREAS, Those private hospitals in the region that do have inpatient psychiatric units frequently refer their poorest and most difficult patients to Tinley Park MHC and few have the comprehensive level of services that Tinley Park MHC offers; and

WHEREAS, As a State-operated facility, Tinley Park MHC treats patients who have no insurance or who have exhausted their mental health coverage and is the only mental health resource in the region that reliably provides inpatient treatment to those who cannot pay; and

WHEREAS, Tinley Park MHC maintains close working relationships with community-based mental health agencies and services, jointly developing discharge plans, linking patients with community resources, and providing transition services; and

WHEREAS, Community-based agencies can expand the scope of their services in this region and should have more resources to do so, without such additional resources being taken away from Tinley Park MHC; and

WHEREAS, The costs at Tinley Park MHC are more than 50% below those of comparable private hospitals in the area; and

WHEREAS, Although the Department of Human Services' proposed FY05 budget includes full year funding for Tinley Park MHC, the budget narrative states that the budget is premised on the "closure and sale of the Tinley Park mental health facility" during this budget year; and

WHEREAS, The Department of Human Services has acknowledged that the decision to close Tinley Park MHC was made even though there are no known alternatives that can provide the same comprehensive level of services to the same population within the same cost range; and

WHEREAS, The Department testified before a special House Appropriations Committee hearing that it definitely plans to close Tinley Park MHC and that the "planning process" initiated by the Department is intended only to consider what kind of alternative services can be developed; and

WHEREAS, No justification has been presented for closing Tinley Park MHC and doing so would deprive its service area of vital services; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE SENATE CONCURRING HEREIN, that we oppose the proposed closure of the Tinley Park Mental Health Center; and be it further

RESOLVED, That we call on the Department of Human Services to immediately terminate its "planning process" and all other activities related to the closure of Tinley Park Mental Health Center; and be it further

RESOLVED, That the Department of Human Services should seek to foster a comprehensive, well-coordinated system of care that strengthens community-based services that can work in conjunction with Tinley Park MHC in the affected region; and be it further

RESOLVED, That a copy of this resolution be presented to the Secretary of Human Services.

SENATE BILL ON FIRST READING

Having been printed, the following bill was taken up, read by title a first time and placed in the Committee on Rules: SENATE BILL 2791.

AGREED RESOLUTIONS

The following resolutions were offered and placed on the Calendar on the order of Agreed Resolutions.

HOUSE RESOLUTION 963

Offered by Representative Granberg:

WHEREAS, The members of the Illinois House of Representatives wish to congratulate Jan Monken on her retirement as director of the Centralia Chapter of the American Red Cross on June 30, 2004; and

WHEREAS, In 1975, Ms. Monken became involved with the Centralia Red Cross and also took on the role of blood procurement chairwoman, an entirely voluntary position; she began as chapter director in December 1978; and

WHEREAS, Her duties as director include coordinating every service the Red Cross provides, such as the Quality of Life program, the Health and Safety program, Relay for Life, and disaster assistance; and

WHEREAS, Her dedication to blood procurement is evident by the numbers; when she began collecting, the average was 600 units of blood per year; now, the average units collected are 3,600; and

WHEREAS, Disasters such as the September 11, 2001 attacks and the tornadoes that hit Centralia in 1998 and 2002 are memories that Ms. Monken will carry with her forever; and

WHEREAS, Ms. Monken has already signed on for another term on the St. Mary's Good Samaritan Hospital Board and is actively involved in the Centralia Community Benevolent Association's Food Pantry Board, so Centralia will continue to benefit from this amazing woman's presence; and

WHEREAS, She is retiring to spend quality time with her family and friends; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we congratulate Jan Monken on her retirement after many years of hard work and dedication to the Centralia Chapter of the American Red Cross; and we wish her well in all her future endeavors; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Jan Monken as an expression of our respect.

HOUSE RESOLUTION 964

Offered by Representative Bost:

WHEREAS, The members of the Illinois House of Representatives wish to recognize Barbara B. Dallas of Murphysboro on the occasion of her retirement from the Illinois Hospital Association after almost 25 years of representing the interests of and advocating on behalf of the 90 small rural Illinois hospitals; and

WHEREAS, As a collaborator and initiator, she has played a founding role in such organizations as the Illinois Rural Health Association and the Illinois Critical Access Hospital Network; where she sees the need, she brings people together to address the need and better the future; and

WHEREAS, Ms. Dallas has over the years made many contributions to rural health including spearheading the Illinois Health Association 1997 Rural Hospitals' Transitional Models Initiative and the 2000 Community Transition Project; and

WHEREAS, Ms. Dallas is a charter board member and past president of the Illinois Rural Health Association; she is a past member of the Governor's Delta Advisory Council and the Rural Partners Board, and has had various roles with other organizations, such as the Rural Affairs Council, the Illinois Area Health Education Center, Southern Illinois University School of Medicine, the University of Illinois College of Medicine, and the Illinois Farm Bureau; in addition, she has been a frequent contributor to national, state, and regional publications on rural health issues; and

WHEREAS, Ms. Dallas has received many awards and honors, including the IRHA 2003 Rural Health Worker of the Year Award; she was a Presidential Award recipient in 1991, 1992, 1997, and 2003, and won the Service Award in 1996; and she was also presented with the Illinois Institute for Rural Affairs

Special Recognition Award for 2004; and

WHEREAS, Her knowledge and education of hospital CEOs and boards of trustee has lead Illinois to have one of the highest success rates in maintaining access to quality healthcare in rural areas; she has encouraged communities to realize the transition they have experienced in healthcare and move to Critical Access Hospital designation where appropriate; the educational material she has produced, Leadership and Action in Transition, is recognized and used in Illinois and in several other states including Arkansas, Arizona, Mississippi and Texas; and

WHEREAS, The growth, care, and development of the Small and Rural Hospital Constituency Section of the Illinois Hospital Association over the past twenty-five years has been a labor of love for Barbara Dallas and a contribution of major significance; her most significant contribution may be in the number of administrators and members of hospital boards for whom she has been a trusted advisor and friend; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we congratulate Barbara B. Dallas on her retirement after many years of hard work and dedication on behalf of small rural Illinois hospitals; and we wish her good health and happiness in all of her future endeavors; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Barbara B. Dallas as an expression of our respect and esteem.

HOUSE RESOLUTION 965

Offered by Representative McGuire:

WHEREAS, The members of the House of Representatives of the State of Illinois are pleased to honor organizations in the State that are known as outstanding institutions; and

WHEREAS, It has come to our attention that Silver Cross Hospital, located in Will County, was named one of the nation's top performance improvement leader hospitals by Solucient, a leading provider of strategic business and clinical information for the health care industry; findings from the first edition on Solucient's 100 Top Hospitals: Performance Improvement Leaders study appeared in the March 15, 2004 edition of Modern Healthcare magazine; Silver Cross is one of only four such hospitals in Illinois and one of 100 in the country; and

WHEREAS, The hospital was recognized for developing consistent and effective organization-wide performance improvements at a faster rate than most hospitals between 1997 and 2001; the hospital has also been recognized for exceptional service by Press, Ganey, a national patient satisfaction research company, and Chicagoland Consumers' Checkbook, an independent consumer research company; and

WHEREAS, Silver Cross Hospital opened in 1895 and has been caring for patients for more than a century; since its opening in 1895, Silver Cross has expanded its facilities and services in many ways to better meet the needs of the communities it serves; today, the hospital employs a team of 400 physicians, 1,600 employees, and 550 volunteers; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we congratulate Paul Pawlak, President and CEO of Silver Cross Hospital, and Greg Repetti, CFO of Silver Cross Hospital, on Silver Cross Hospital being named one of the nation's top performance improvement leader hospitals by Solucient; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Paul Pawlak and Greg Repetti as an expression of our respect and esteem.

HOUSE RESOLUTION 966

Offered by Representative Jefferson:

WHEREAS, The members of the House of Representatives of the State of Illinois are pleased to congratulate Pastor James E. Washington on being promoted to the office of Bishop in the International Church of God in Christ; and

WHEREAS, Pastor Washington is currently the pastor of Saint Paul Church of God in Christ in Rockford and Mount Calvary Church of God in Christ in Freeport; the journey to promotion began in

February of this year with a recommendation for the position; Pastor Washington completed the training institute for the office in March of 2004; the General Assembly, the governing body of the International Church of God in Christ, ratified the appointment in April of 2004; he will be installed in a consecration service on Monday, May 24, 2004 at Jurisdictional Headquarters in Chicago; the consecration service will be conducted by the Presiding Prelate of the International Church of God in Christ, Bishop Gilbert E. Patterson; and

WHEREAS, On Tuesday, May 25, 2004, Pastor Washington will assume responsibility for Illinois Fifth West Jurisdiction and will be the leader of churches included in that jurisdiction; the jurisdiction is a member assembly of the International Church; the International Church of God in Christ has a membership of 6,000,000 people worldwide and is the fourth largest religious body in the world; and

WHEREAS, Pastor Washington is a progressive and visionary leader in the Freeport and Rockford community; he will bring innovative and visionary administrative skills to the office of Bishop; he received his call to ministry in February of 1961; he served as assistant pastor for 15 years to Bishop Freeman Guy Green; he was installed as Pastor at Saint Paul Church of God in Christ in July of 1981; he has established 25 ministries through his work at that church; he has led the building of new edifices, the purchase and establishment of coaches for S.P. Charter Service, and several projects through Hands that Help, Inc.; and

WHEREAS, Pastor Washington was installed as Pastor of Mount Calvary Church of God in Christ in 1998; he has established 10 ministries as a result of his work with that church; under his leadership, land has been purchased for a new facility and plans are in the works; and

WHEREAS, Pastor Washington is active in his communities; in Rockford, he is a Vice President of the Rockford Ministers' Fellowship, a past president of the Northern Illinois Southern Wisconsin Pentecostal, and a member of the C.N.O. (Council of Neighborhood Organizations); in Freeport, he is a member of the Freeport African American Ministers United for Change; and

WHEREAS, Pastor Washington is married to Georgia Mae Lovett Washington; he is the father of Yolanda and Vincent and the extended family of Cabria and Kina; he has five grandchildren and many godchildren; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we congratulate Pastor James E. Washington on being promoted to the office of Bishop in the International Church of God in Christ; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Pastor James E. Washington as an expression of our respect and esteem.

HOUSE RESOLUTION 967

Offered by Representative Bill Mitchell:

WHEREAS, On Friday, April 23, 2004, at approximately 10:45 p.m., an explosion occurred at the Formosa Plastics Manufacturing Plant in Illiopolis; and

WHEREAS, 28 fire departments and rescue squads, 4 ambulance services, and other rescue personnel quickly responded to the tragedy; hundreds of local and state emergency workers, volunteers, and fire and medical professionals converged on the plant to combat the fire, rescue employees, and set up air monitoring equipment; and

WHEREAS, The rescue personnel and city officials, including Illiopolis Mayor Allan Brickey, Public Works Supervisor Denny Stacey, Illiopolis Police Chief Bryon Honea, Illiopolis Fire Department Chief Brad Stewart, and ESDA coordinator Rayeana Stacey efficiently evacuated the population of the village and ensured the safety of Illiopolis residents; additionally, they effectively contained the blaze and rescued trapped and injured workers on the plant grounds; and

WHEREAS, The fire, rescue, and law enforcement departments involved included: Illiopolis, Buffalo, Chestnut, Cornland, Dawson, Divernon, Elkhart, Harristown, Hickory Point, Kenney, Latham, Lincoln Rural, Loami, Macon, Maroa, Mechanicsburg, Mt. Auburn, Mt. Pulaski, Mt. Zion, Niantic, Pawnee, Riverton, Rochester, Sherman, South Wheatland, Springfield, Warrensburg, Williamsville, Illiopolis ESDA, Sangamon County ESDA, Sangamon County Rescue, Decatur Ambulance, America Ambulance, Lifestar Ambulance, Springfield Area Ambulance, Air-Evac Helicopter, Arch, Sangamon County Sheriff Department, Illinois State Police, and the Buffalo Police Department; and

WHEREAS, In addition, many other first responders and law enforcement personnel helped organizing, controlling, and containing the situation; the volunteers and state and local professionals fought the fire,

looked for survivors, and monitored air and water quality tirelessly through the weekend; and

WHEREAS, We mourn the loss of Joseph Machalek, Larry Graves, Linda Hancock, Glenn Lyman, and Randy Hancock, the five Formosa workers who perished in the explosion and ensuing fire, but know that many other lives were saved because of the work of the rescue teams; and

WHEREAS, Because of their hard work and tireless dedication to public safety, these men and women deserve our utmost respect and dedication; their commitment to serving and saving others is a perfect example of the caring and hardworking nature of the citizens of Illinois; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we honor the rescue workers from across central Illinois for their courageous efforts at the Formosa Plastics Manufacturing Plant explosion and commend the heartfelt dedication of all who were involved with this tragedy; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Illiopolis Mayor Allan Brickey.

HOUSE RESOLUTION 968

Offered by Representative Giles:

WHEREAS, The Kenwood Oakland Community Organization has a long and meritorious history of being an effective venue for low-income and working families to identify and address community issues; and

WHEREAS, The Kenwood Oakland Community Organization has an over 13 year history of ground-breaking youth leadership development work with in-school, after-school, and weekend programs; and

WHEREAS, The Kenwood Oakland Community Organization believes in working locally while thinking globally; and

WHEREAS, Representatives of the Kenwood Oakland Community Organization were successful in organizing a two-day Youth Summit as a part of the historic United Nations World Conference Against Racism, Racial Discrimination, Xenophobia, and Related Intolerances (WCAR) held August 28, 2001 through September 7, 2001 in Durban, South Africa; and

WHEREAS, Representatives of the Kenwood Oakland Community Organization successfully created a safe space for young people to have their voices heard at the conference, which resulted in the youth calling for a face-to-face International Youth Network, which was supported by the United Nations; and

WHEREAS, The Kenwood Oakland Community Organization mobilized 250 youth leaders to attend the Movement Beyond Borders Conference May 1, 2003 to May 3, 2003 in Washington, D.C., as the first official U.S. follow-up activity to the WCAR; and

WHEREAS, The youth representatives of the Kenwood Oakland Community Organization requested and received a mandate from the conference to host a National Youth Conference in Chicago in 2004; and

WHEREAS, The youth representatives of the Kenwood Oakland Community Organization collaborated with organizations and agencies nationwide to organize and implement a National Youth Conference entitled "Towards a Common Struggle...Organizing a National Agenda for a Young People's Movement" held at Jones College Preparatory High School April 3, 2004 through April 4, 2004; and

WHEREAS, The young people made the call for a National Youth Network, which was supported by the conference participants; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we pledge our support to the development of the National Youth Network and the Kenwood Oakland Community Organization in its mission of developing youth leaders who are prepared to create positive change in our communities; and be it further

RESOLVED, That a suitable copy of this resolution be presented to the Kenwood Oakland Community Organization as an expression of our esteem.

HOUSE RESOLUTION 969

Offered by Representative Churchill:

WHEREAS, The profession of interior design continues to meet the challenges of an ever growing and

changing society as it intersects public health, safety, and welfare in areas of flammability, toxicity, ergonomics, conservation, accessibility, and building codes to promote safe and healthy work, home, and public spaces; and

WHEREAS, These spaces impact the well being of millions of people everyday through designers' creativity and attention to safety issues that go far beyond aesthetics; and

WHEREAS, Interior designers today meet the changing needs of society; they go beyond appeal to create an environment that will accommodate persons of all ages and physical abilities; and

WHEREAS, The International Interior Design Association founded in 1994 is celebrating the tenth anniversary of representing the interior design profession, and since the Association's inception has worked to convene communities of interior designers across regions and specialties representing the interests for the entire community; and

WHEREAS, The International Interior Design Association is a professional networking and educational association headquartered in Chicago consisting of more than 10,000 members in 8 specialty Forums, 9 Regions, and more than 30 Chapters around the world committed to enhancing the quality of life through excellence in interior design and advancing interior design through knowledge; and

WHEREAS, 2004 begins a year of celebrating the anniversary of the International Interior Design Association and also begins a year celebrating and promoting the profession of interior design; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we recognize the achievements of the members of the International Interior Design Association and the professionalism for which they strive; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Lewis Goetz, President of the International Interior Design Association.

HOUSE RESOLUTION 972

Offered by Representative Dugan:

WHEREAS, The members of the House of Representatives of the State of Illinois are pleased to recognize milestone events in the lives of citizens of the State; and

WHEREAS, On June 8, 2004, Dorothy Cavender of Manteno will celebrate the 40th anniversary of her service at HomeStar Bank; and

WHEREAS, Mrs. Cavender was born on May 4, 1919, in Momence; she has been a lifelong resident of Kankakee County and has been a resident of Manteno since 1970, with her husband Lawrence; they are the parents of three children, Judy, Tom, and Don; and

WHEREAS, Mrs. Cavender was previously employed at Our Lady of Academy in the laundry room and at Simeur's Grocery Store; she started work at Manteno State Bank on June 8, 1964; she came home after the first day on the job and told her husband that she thought she would have to return to the grocery store because she couldn't handle all of the money; and

WHEREAS, Every performance review of Mrs. Cavender describes her loyalty and dependability; she served best in the position of teller, where she knew and still knows each customer by name; she played an intricate role on the bank's Y2K committee, where her banking history and knowledge of the manual systems assisted in planning back-up procedures; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we congratulate Dorothy Cavender on the occasion of her 40th anniversary of service with HomeStar Bank; and be it further

RESOLVED, That a suitable copy of this resolution be presented to Dorothy Cavender as an expression of our respect and esteem.

HOUSE BILLS ON SECOND READING

HOUSE BILL 5252. Having been read by title a second time on March 31, 2004, and held on the order of Second Reading, the same was again taken up.

Representative Granberg offered the following amendment and moved its adoption.

AMENDMENT NO. 1 . Amend House Bill 5252 by replacing everything after the enacting clause with the following:

"Section 5. The Freedom of Information Act is amended by changing Section 7 as follows:
(5 ILCS 140/7) (from Ch. 116, par. 207)

Sec. 7. Exemptions.

(1) The following shall be exempt from inspection and copying:

(a) Information specifically prohibited from disclosure by federal or State law or rules and regulations adopted under federal or State law.

(b) Information that, if disclosed, would constitute a clearly unwarranted invasion of personal privacy, unless the disclosure is consented to in writing by the individual subjects of the information. The disclosure of information that bears on the public duties of public employees and officials shall not be considered an invasion of personal privacy. Information exempted under this subsection (b) shall include but is not limited to:

(i) files and personal information maintained with respect to clients, patients, residents, students or other individuals receiving social, medical, educational, vocational, financial, supervisory or custodial care or services directly or indirectly from federal agencies or public bodies;

(ii) personnel files and personal information maintained with respect to employees, appointees or elected officials of any public body or applicants for those positions;

(iii) files and personal information maintained with respect to any applicant, registrant or licensee by any public body cooperating with or engaged in professional or occupational registration, licensure or discipline;

(iv) information required of any taxpayer in connection with the assessment or collection of any tax unless disclosure is otherwise required by State statute;

(v) information revealing the identity of persons who file complaints with or provide information to administrative, investigative, law enforcement or penal agencies; provided, however, that identification of witnesses to traffic accidents, traffic accident reports, and rescue reports may be provided by agencies of local government, except in a case for which a criminal investigation is ongoing, without constituting a clearly unwarranted per se invasion of personal privacy under this subsection; and

(vi) the names, addresses, or other personal information of participants and registrants in park district, forest preserve district, and conservation district programs.

(c) Records compiled by any public body for administrative enforcement proceedings and any law enforcement or correctional agency for law enforcement purposes or for internal matters of a public body, but only to the extent that disclosure would:

(i) interfere with pending or actually and reasonably contemplated law enforcement proceedings conducted by any law enforcement or correctional agency;

(ii) interfere with pending administrative enforcement proceedings conducted by any public body;

(iii) deprive a person of a fair trial or an impartial hearing;

(iv) unavoidably disclose the identity of a confidential source or confidential information furnished only by the confidential source;

(v) disclose unique or specialized investigative techniques other than those generally used and known or disclose internal documents of correctional agencies related to detection, observation or investigation of incidents of crime or misconduct;

(vi) constitute an invasion of personal privacy under subsection (b) of this Section;

(vii) endanger the life or physical safety of law enforcement personnel or any other person; or

(viii) obstruct an ongoing criminal investigation.

(d) Criminal history record information maintained by State or local criminal justice agencies, except the following which shall be open for public inspection and copying:

(i) chronologically maintained arrest information, such as traditional arrest logs or blotters;

(ii) the name of a person in the custody of a law enforcement agency and the charges for which that person is being held;

(iii) court records that are public;

- (iv) records that are otherwise available under State or local law; or
- (v) records in which the requesting party is the individual identified, except as provided under part (vii) of paragraph (c) of subsection (1) of this Section.

"Criminal history record information" means data identifiable to an individual and consisting of descriptions or notations of arrests, detentions, indictments, informations, pre-trial proceedings, trials, or other formal events in the criminal justice system or descriptions or notations of criminal charges (including criminal violations of local municipal ordinances) and the nature of any disposition arising therefrom, including sentencing, court or correctional supervision, rehabilitation and release. The term does not apply to statistical records and reports in which individuals are not identified and from which their identities are not ascertainable, or to information that is for criminal investigative or intelligence purposes.

- (e) Records that relate to or affect the security of correctional institutions and detention facilities.

(f) Preliminary drafts, notes, recommendations, memoranda and other records in which opinions are expressed, or policies or actions are formulated, except that a specific record or relevant portion of a record shall not be exempt when the record is publicly cited and identified by the head of the public body. The exemption provided in this paragraph (f) extends to all those records of officers and agencies of the General Assembly that pertain to the preparation of legislative documents.

(g) Trade secrets and commercial or financial information obtained from a person or business where the trade secrets or information are proprietary, privileged or confidential, or where disclosure of the trade secrets or information may cause competitive harm, including:

- (i) ~~All~~ information determined to be confidential under Section 4002 of the Technology Advancement and Development Act.

(ii) Venture capital and private equity portfolio information of privately held companies possessed by a public body, including a public pension fund, for the purpose of investing and managing public funds. The exemption contained in this item does not apply to the aggregate financial performance of a venture capital or private equity firm.

Nothing contained in this paragraph (g) shall be construed to prevent a person or business from consenting to disclosure.

(h) Proposals and bids for any contract, grant, or agreement, including information which if it were disclosed would frustrate procurement or give an advantage to any person proposing to enter into a contractor agreement with the body, until an award or final selection is made. Information prepared by or for the body in preparation of a bid solicitation shall be exempt until an award or final selection is made.

(i) Valuable formulae, computer geographic systems, designs, drawings and research data obtained or produced by any public body when disclosure could reasonably be expected to produce private gain or public loss. The exemption for "computer geographic systems" provided in this paragraph (i) does not extend to requests made by news media as defined in Section 2 of this Act when the requested information is not otherwise exempt and the only purpose of the request is to access and disseminate information regarding the health, safety, welfare, or legal rights of the general public.

(j) Test questions, scoring keys and other examination data used to administer an academic examination or determined the qualifications of an applicant for a license or employment.

(k) Architects' plans, engineers' technical submissions, and other construction related technical documents for projects not constructed or developed in whole or in part with public funds and the same for projects constructed or developed with public funds, but only to the extent that disclosure would compromise security, including but not limited to water treatment facilities, airport facilities, sport stadiums, convention centers, and all government owned, operated, or occupied buildings.

- (l) Library circulation and order records identifying library users with specific materials.

(m) Minutes of meetings of public bodies closed to the public as provided in the Open Meetings Act until the public body makes the minutes available to the public under Section 2.06 of the Open Meetings Act.

(n) Communications between a public body and an attorney or auditor representing the public body that would not be subject to discovery in litigation, and materials prepared or compiled by or for a public body in anticipation of a criminal, civil or administrative proceeding upon the request of an attorney advising the public body, and materials prepared or compiled with respect to internal audits of public bodies.

(o) Information received by a primary or secondary school, college or university under its procedures for the evaluation of faculty members by their academic peers.

(p) Administrative or technical information associated with automated data processing operations, including but not limited to software, operating protocols, computer program abstracts, file layouts, source listings, object modules, load modules, user guides, documentation pertaining to all logical and physical design of computerized systems, employee manuals, and any other information that, if disclosed, would jeopardize the security of the system or its data or the security of materials exempt under this Section.

(q) Documents or materials relating to collective negotiating matters between public bodies and their employees or representatives, except that any final contract or agreement shall be subject to inspection and copying.

(r) Drafts, notes, recommendations and memoranda pertaining to the financing and marketing transactions of the public body. The records of ownership, registration, transfer, and exchange of municipal debt obligations, and of persons to whom payment with respect to these obligations is made.

(s) The records, documents and information relating to real estate purchase negotiations until those negotiations have been completed or otherwise terminated. With regard to a parcel involved in a pending or actually and reasonably contemplated eminent domain proceeding under Article VII of the Code of Civil Procedure, records, documents and information relating to that parcel shall be exempt except as may be allowed under discovery rules adopted by the Illinois Supreme Court. The records, documents and information relating to a real estate sale shall be exempt until a sale is consummated.

(t) Any and all proprietary information and records related to the operation of an intergovernmental risk management association or self-insurance pool or jointly self-administered health and accident cooperative or pool.

(u) Information concerning a university's adjudication of student or employee grievance or disciplinary cases, to the extent that disclosure would reveal the identity of the student or employee and information concerning any public body's adjudication of student or employee grievances or disciplinary cases, except for the final outcome of the cases.

(v) Course materials or research materials used by faculty members.

(w) Information related solely to the internal personnel rules and practices of a public body.

(x) Information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of a public body responsible for the regulation or supervision of financial institutions or insurance companies, unless disclosure is otherwise required by State law.

(y) Information the disclosure of which is restricted under Section 5-108 of the Public Utilities Act.

(z) Manuals or instruction to staff that relate to establishment or collection of liability for any State tax or that relate to investigations by a public body to determine violation of any criminal law.

(aa) Applications, related documents, and medical records received by the Experimental Organ Transplantation Procedures Board and any and all documents or other records prepared by the Experimental Organ Transplantation Procedures Board or its staff relating to applications it has received.

(bb) Insurance or self insurance (including any intergovernmental risk management association or self insurance pool) claims, loss or risk management information, records, data, advice or communications.

(cc) Information and records held by the Department of Public Health and its authorized representatives relating to known or suspected cases of sexually transmissible disease or any information the disclosure of which is restricted under the Illinois Sexually Transmissible Disease Control Act.

(dd) Information the disclosure of which is exempted under Section 30 of the Radon Industry Licensing Act.

(ee) Firm performance evaluations under Section 55 of the Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.

(ff) Security portions of system safety program plans, investigation reports, surveys, schedules, lists, data, or information compiled, collected, or prepared by or for the Regional Transportation Authority under Section 2.11 of the Regional Transportation Authority Act or the St. Clair County Transit District under the Bi-State Transit Safety Act.

(gg) Information the disclosure of which is restricted and exempted under Section 50 of

the Illinois Prepaid Tuition Act.

(hh) Information the disclosure of which is exempted under the State Officials and Employees Ethics Act.

(ii) Beginning July 1, 1999, information that would disclose or might lead to the disclosure of secret or confidential information, codes, algorithms, programs, or private keys intended to be used to create electronic or digital signatures under the Electronic Commerce Security Act.

(jj) Information contained in a local emergency energy plan submitted to a municipality in accordance with a local emergency energy plan ordinance that is adopted under Section 11-21.5-5 of the Illinois Municipal Code.

(kk) Information and data concerning the distribution of surcharge moneys collected and remitted by wireless carriers under the Wireless Emergency Telephone Safety Act.

(ll) Vulnerability assessments, security measures, and response policies or plans that are designed to identify, prevent, or respond to potential attacks upon a community's population or systems, facilities, or installations, the destruction or contamination of which would constitute a clear and present danger to the health or safety of the community, but only to the extent that disclosure could reasonably be expected to jeopardize the effectiveness of the measures or the safety of the personnel who implement them or the public. Information exempt under this item may include such things as details pertaining to the mobilization or deployment of personnel or equipment, to the operation of communication systems or protocols, or to tactical operations.

(mm) Maps and other records regarding the location or security of a utility's generation, transmission, distribution, storage, gathering, treatment, or switching facilities.

(nn) Law enforcement officer identification information or driver identification information compiled by a law enforcement agency or the Department of Transportation under Section 11-212 of the Illinois Vehicle Code.

(oo) Records and information provided to a residential health care facility resident sexual assault and death review team or the Residential Health Care Facility Resident Sexual Assault and Death Review Teams Executive Council under the Residential Health Care Facility Resident Sexual Assault and Death Review Team Act.

(2) This Section does not authorize withholding of information or limit the availability of records to the public, except as stated in this Section or otherwise provided in this Act.

(Source: P.A. 92-16, eff. 6-28-01; 92-241, eff. 8-3-01; 92-281, eff. 8-7-01; 92-645, eff. 7-11-02; 92-651, eff. 7-11-02; 93-43, eff. 7-1-03; 93-209, eff. 7-18-03; 93-237, eff. 7-22-03; 93-325, eff. 7-23-03, 93-422, eff. 8-5-03; 93-577, eff. 8-21-03; 93-617, eff. 12-9-03.)"

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was ordered engrossed; and the bill, as amended, was advanced to the order of Third Reading.

CONCURRENCES AND NON-CONCURRENCES IN SENATE AMENDMENTS TO HOUSE BILLS

Senate Amendment No. 1 to HOUSE BILL 4099, having been printed, was taken up for consideration. A vote of 60 members is required.

Representative Hamos moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

70, Yeas; 48, Nays; 0, Answering Present.

(ROLL CALL 2)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4099.

Ordered that the Clerk inform the Senate.

SENATE BILL ON THIRD READING

The following bill and any amendments adopted thereto were printed and laid upon the Members' desks. Any amendments pending were tabled pursuant to Rule 40(a).

On motion of Representative Brady, SENATE BILL 132 was taken up and read by title a third time. And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 116, Yeas; 0, Nays; 1, Answering Present.

(ROLL CALL 3)

This bill, as amended, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate and ask their concurrence in the House amendment/s adopted.

On motion of Representative Grunloh, SENATE BILL 827 was taken up and read by title a third time. A three-fifths vote is required.

Representative Graham requests a verified roll call.

Pending discussion, Representative Smith moved the previous question.

And the question being, "Shall the main question be now put?" it was decided in the affirmative.

The question then being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 63, Yeas; 53, Nays; 2, Answering Present.

(ROLL CALL 4)

This bill, as amended, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate thereof and ask their concurrence in the House amendment/s adopted thereto.

AGREED RESOLUTION

HOUSE RESOLUTION 855 was taken up for consideration.

Representative Poe moved the adoption of the agreed resolution.

The motion prevailed and the Agreed Resolution was adopted.

SENATE BILL ON THIRD READING

The following bill and any amendments adopted thereto was printed and laid upon the Members' desks. Any amendments pending were tabled pursuant to Rule 40(a).

On motion of Representative Miller, SENATE BILL 1006 was taken up and read by title a third time. Pending discussion, Representative Reitz moved the previous question.

And the question being, "Shall the main question be now put?" it was decided in the affirmative.

The question then being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 70, Yeas; 44, Nays; 2, Answering Present.

(ROLL CALL 5)

This bill, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate.

On motion of Representative Smith, SENATE BILL 1631 was taken up and read by title a third time. And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 114, Yeas; 1, Nays; 0, Answering Present.

(ROLL CALL 6)

This bill, as amended, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate and ask their concurrence in the House amendment/s adopted.

On motion of Representative Ryg, SENATE BILL 2175 was taken up and read by title a third time. And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 115, Yeas; 1, Nays; 0, Answering Present.

(ROLL CALL 7)

This bill, as amended, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate and ask their concurrence in the House amendment/s adopted.

On motion of Representative Gordon, SENATE BILL 2215 was taken up and read by title a third time. And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 78, Yeas; 28, Nays; 9, Answering Present.

(ROLL CALL 8)

This bill, as amended, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate and ask their concurrence in the House amendment/s adopted.

SENATE BILLS ON SECOND READING

SENATE BILL 984. Having been recalled on May 12, 2004, and held on the order of Second Reading, the same was again taken up.

Representative Molaro offered the following amendment and moved its adoption.

AMENDMENT NO. 1. Amend Senate Bill 984 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Public Labor Relations Act is amended by changing Section 15 as follows:

(5 ILCS 315/15) (from Ch. 48, par. 1615)

Sec. 15. Act Takes Precedence. (a) In case of any conflict between the provisions of this Act and any other law, executive order or administrative regulation relating to wages, hours and conditions of employment and employment relations, the provisions of this Act or any collective bargaining agreement negotiated thereunder shall prevail and control. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Sections 28 and 28a of the Metropolitan Transit Authority Act, Sections 2.15 through 2.19 of the Regional Transportation Authority Act. Nothing in this Act shall be construed to replace the necessity of complaints against a sworn peace officer, as defined in Section 2(a) of the Uniform Peace Officer Disciplinary Act, from having a complaint supported by a sworn affidavit.

(b) Except as provided in subsection (a) above, any collective bargaining contract between a public employer and a labor organization executed pursuant to this Act shall supersede any contrary statutes, charters, ordinances, rules or regulations relating to wages, hours and conditions of employment and employment relations adopted by the public employer or its agents. Any collective bargaining agreement entered into prior to the effective date of this Act shall remain in full force during its duration.

(c) It is the public policy of this State, pursuant to paragraphs (h) and (i) of Section 6 of Article VII of the Illinois Constitution, that the provisions of this Act are the exclusive exercise by the State of powers and functions which might otherwise be exercised by home rule units. Such powers and functions may not be exercised concurrently, either directly or indirectly, by any unit of local government, including any home rule unit, except as otherwise authorized by this Act.

(Source: P.A. 83-1012.)

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

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was again advanced to the order of Third Reading.

SENATE BILL 2251. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Registration & Regulation, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2251 by replacing everything after the enacting clause with the following:

"Section 5. The Professional Boxing Act is amended by changing Sections 6 and 12 as follows:

(225 ILCS 105/6) (from Ch. 111, par. 5006)

(Section scheduled to be repealed on January 1, 2012)

Sec. 6. Prohibitions. All boxing matches, contests, or exhibits in which physical contact is made including, but not limited to, "ultimate fighting exhibitions", are prohibited in Illinois unless authorized by the Department. This provision does not apply to the following:

(1) Boxing contests or wrestling exhibitions conducted by accredited secondary schools, colleges or universities, although a fee may be charged. Institutions organized to furnish instruction in athletics are not included in this exemption.

(2) Amateur boxing matches sanctioned by the United States Amateur Boxing Federation, Inc. or Golden Gloves of America, amateur wrestling exhibitions, and amateur or professional martial arts or kick boxing.

The Department shall have the authority to determine whether a contest or exhibition is an exempt martial arts or kick boxing event for purposes of this Section. In determining whether a contest or exhibition is an exempt martial arts or kick boxing event the Department shall consider, but not be limited to, the following factors:

(i) whether the event is sanctioned by a body independent of the promoters of the contest or exhibition;

(ii) whether the sanctioning body is exclusively or primarily dedicated to advancing the sport of kick boxing or martial arts;

(iii) whether the sanctioning body limits participation in its events to its registered members;

(iv) whether the sanctioning body has a record of enforcing the rules governing a contest or exhibition;

(v) the record for safety of the sanctioning body;

(vi) the record for safety of the promoters of the contest or exhibition;

(vii) whether the promoter of the contest or exhibition has a record of enforcing and abiding by the rules governing a contest or exhibition; and

(viii) whether the rules for the contest or exhibition provide substantially similar protections for the health, safety and welfare of the contestants and spectators as this Act and its rules.

(Source: P.A. 91-408, eff. 1-1-00.)

(225 ILCS 105/12) (from Ch. 111, par. 5012)

(Section scheduled to be repealed on January 1, 2012)

Sec. 12. ~~Contests~~ ~~Boxing contests~~. Each boxing contestant shall be examined before entering the ring and immediately after each contest by a physician licensed to practice medicine in all of its branches. The physician shall determine, prior to the contest, if each contestant is physically fit to engage in the contest. After the contest the physician shall examine the contestant to determine possible injury. If the contestant's physical condition so indicates, the physician shall recommend to the Department immediate medical suspension. The physician may, at any time during the contest, stop the contest to examine a boxer, and terminate the contest when, in the physician's opinion, continuing the contest could result in serious injury to the boxer. The physician shall certify to the condition of the contestant in writing, over his signature on blank forms provided by the Department. Such reports shall be submitted to the Department in a timely manner. The physician shall be paid by the promoter a fee fixed by the Department. No boxing contest shall be held unless a physician licensed to practice medicine in all of its branches is in attendance.

No contest shall be allowed to begin unless at least one physician and 2 trained paramedics or 2 nurses who are trained to administer emergency medical care are present.

No contest shall be more than 12 rounds in length. The rounds shall not be more than 3 minutes each with a one minute interval between them, and no boxer shall be allowed to participate in more than 12 rounds within 72 consecutive hours. At each boxing contest there shall be a referee in attendance who shall direct and control the contest. The referee, before each contest, shall learn the name of the contestant's chief second and shall hold the chief second responsible for the conduct of his assistant during the progress of the contest.

There shall be 2 judges in attendance who shall render a decision at the end of each contest. The decision of the judges, taken together with the decision of the referee, is final; or, 3 judges shall score the contest

with the referee not scoring. The method of scoring shall be set forth in rules.

Judges, referees, or timekeepers for contests shall be assigned by the Department. The Department or its representative shall have discretion to declare a prize, remuneration, or purse or any part of it belonging to the contestant withheld if in the judgment of the Department or its representative the contestant is not honestly competing. The Department shall have the authority to prevent a contest or exhibition from being held and shall have the authority to stop a fight for noncompliance with any part of this Act or rules or when, in the judgment of the Department, or its representative, continuation of the event would endanger the health, safety, and welfare of the contestants or spectators. The Department's authority to stop a fight contest or exhibition on the basis that the fight would endanger the health, safety, and welfare of the contestants or spectators shall extend to any fight contest or exhibition, regardless of whether that fight contest or exhibition is exempted from the prohibition in Section 6 of this Act.

(Source: P.A. 91-408, eff. 1-1-00; 92-499, eff. 1-1-02.)

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

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

HOUSE BILL 2257. Having been printed, was taken up and read by title a second time.
Representative Saviano offered the following amendment and moved its adoption:

AMENDMENT NO. 1. Amend House Bill 2257 by replacing everything after the enacting clause with the following:

"Section 5. The Higher Education Student Assistance Act is amended by changing Section 145 as follows:

(110 ILCS 947/145)

Sec. 145. Issuance of Bonds.

(a) The Commission has power, and is authorized from time to time, to issue bonds (1) to make or acquire eligible loans, (2) to refund the bonds of the Commission, or (3) for a combination of these such purposes. The Commission shall not have outstanding at any one time bonds in an aggregate principal amount exceeding \$3,500,000,000, excluding bonds issued to refund the bonds of the Commission.

The Commission is authorized to use the proceeds from the sale of bonds issued pursuant to this Act to fund the reserves created therefor, including a reserve for interest coming due on the bonds for one year following the issuance of the bonds, as provided in the resolution or resolutions authorizing the bonds and to pay the necessary expenses of issuing the bonds, including but not limited to, legal, printing, and consulting fees.

(b) The Commission has power, and is authorized from time to time, to issue refunding bonds (1) to refund unpaid matured bonds; (2) to refund unpaid matured coupons evidencing interest upon its unpaid matured bonds; and (3) to refund interest at the coupon rate upon its unpaid matured bonds that has accrued since the maturity of those bonds. The refunding bonds may be exchanged for the bonds to be refunded on a par for par basis of the bonds, interest coupons, and interest not represented by coupons, if any, or may be sold at not less than par or may be exchanged in part and sold in part; and the proceeds received at any such sale shall be used to pay the bonds, interest coupons, and interest not represented by coupons, if any. Bonds and interest coupons which have been received in exchange or paid shall be cancelled and the obligation for interest, not represented by coupons which have been discharged, shall be evidenced by a written acknowledgement of the exchange or payment thereof.

(c) The Commission has power, and is authorized from time to time, to also issue refunding bonds under this Section, to refund bonds at or prior to their maturity or which by their terms are subject to redemption before maturity, or both, in an amount necessary to refund (1) the principal amount of the bonds to be refunded, (2) the interest to accrue up to and including the maturity date or dates thereof, and (3) the applicable redemption premiums, if any. Those refunding bonds may be exchanged for not less than an equal principal amount of bonds to be refunded or may be sold and the proceeds received at the sale thereof (excepting the accrued interest received) used to complete such refunding, including the payment of the costs of issuance thereof.

(d) The bonds shall be authorized by resolution of the Commission and may be issued in one or more series, may bear such date or dates, may be in such denomination or denominations, may mature at such time or times not exceeding 40 years from the respective dates thereof, may mature in such amount or

amounts, may bear interest at such rate or rates, may be in such form either coupon or registered as to principal only or as to both principal and interest, may carry such registration privileges (including the conversion of a fully registered bond to a coupon bond or bonds and the conversion of a coupon bond to a fully registered bond), may be executed in such manner, may be made payable in such medium of payment, at such place or places within or without the State, and may be subject to such terms of redemption prior to their expressed maturity, with or without premium, as the resolution or other resolutions may provide. Proceeds from the sale of the bonds may be invested as the resolution or resolutions and as the Commission from time to time may provide. All bonds issued under this Act shall be sold in the manner and at such price as the Commission may deem to be in the best interest of the public. The resolution may provide that the bonds be executed with one manual signature and that other signatures may be printed, lithographed or engraved thereon.

The Commission shall not be authorized to create and the bonds shall not in any event constitute State debt of the State of Illinois within the meaning of the Constitution or statutes of the State of Illinois, and the same shall be so stated upon the face of each bond. The source of payment for the bonds shall be stated on the face of each bond.

The issuance of bonds under this Act is in all respects for the benefit of the People of the State of Illinois, and in consideration thereof the bonds issued pursuant to this Act and the income therefrom shall be free from all taxation by the State or its political subdivisions, except for estate, transfer, and inheritance taxes. For purposes of Section 250 of the Illinois Income Tax Act, the exemption of the income from bonds issued under this Act shall terminate after all of the bonds have been paid. The amount of such income that shall be added and then subtracted on the Illinois income tax return of a taxpayer, pursuant to Section 203 of the Illinois Income Tax Act, from federal adjusted gross income or federal taxable income in computing Illinois base income shall be the interest net of any bond premium amortization.

(Source: P.A. 92-45, eff. 6-29-01.)"

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2270. Having been recalled on May 4, 2004, and held on the order of Second Reading, the same was again taken up and advanced to the order of Third Reading.

SENATE BILL 2299. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Registration & Regulation, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2299 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Explosives Act is amended by changing Sections 1003 and 2001 as follows:

(225 ILCS 210/1003) (from Ch. 96 1/2, par. 1-1003)

Sec. 1003. Definitions. As used in this Act:

(a) "Person" means any individual, corporation, company, association, partnership, or other legal entity.

(b) "Explosive materials" means explosives, blasting agents, and detonators.

(c) "Explosive" means any chemical compound, mixture or device, the primary or common purpose of which is to function by explosion and includes high or low explosives. Manufactured articles, including, but not limited to, display fireworks as defined in the Pyrotechnic Distributor and Operator Licensing Act, fixed ammunition for small arms, fire crackers, safety fuses, and matches are not explosives when the individual units contain explosives in such limited quantity and of such nature or in such packing that it is impossible to produce a simultaneous or a destructive explosion of such units which would be injurious to life, limb or property.

(d) "Blasting agent" means any material or mixture consisting of a fuel and oxidizer intended for blasting, not otherwise defined as an explosive, provided that the finished product, as mixed and packaged for use or shipment, cannot be detonated by means of a No. 8 blasting cap, as defined by the Bureau of Alcohol, Tobacco and Firearms, U.S. Department of Treasury, when unconfined.

(e) "Detonator" means any device containing any initiating or primary explosive that is used for initiating detonation. A detonator may not contain more than 10 grams of total explosives by weight, excluding ignition or delay charges.

(f) "Highway" means any public street, public highway, or public alley.

(g) "Railroad" or "railway" means any public steam, electric or other railroad or rail system which carries passengers for hire, but shall not include auxiliary tracks, spurs and sidings installed and primarily used in serving any mine, quarry or plant.

(h) "Building" means and includes any building regularly occupied, in whole or in part, as a habitation for human beings, and any church, schoolhouse, railway station or other building where people are accustomed to assemble, but does not mean or include any buildings of a mine or quarry or any of the buildings of a manufacturing plant where the business of manufacturing explosive materials is conducted.

(i) "Factory building" means any building or other structure in which the manufacture or any part of the manufacture of explosive materials is conducted.

(j) "Magazine" means any building or other structure or container, other than a factory building, used to store explosive materials. Where mobile or portable type 5 magazines are permissible and used, "magazine", for the purpose of obtaining certificates and calculating fees, means the site on which such magazines are located.

(k) "Magazine keeper" means a qualified supervisory person responsible for the inventory and safe storage of explosive materials, including the proper maintenance of explosive materials, storage magazines and surrounding areas.

(l) "Black powder" means a deflagrating or low explosive compound of an intimate mixture of sulfur, charcoal and an alkali nitrate, usually potassium or sodium nitrate.

(m) "Municipality" includes cities, villages, and incorporated towns and townships.

(n) "Fugitive from justice" means any individual who has fled from the jurisdiction of any court of record to avoid prosecution for any crime or to avoid giving testimony in any criminal proceeding. This term shall also include any individual who has been convicted of any crime and has fled to avoid imprisonment.

(o) "Department" means the Department of Natural Resources.

(p) "Small arms" means guns of 50 calibers or less.

(q) "Director" means the Director of Natural Resources.

(r) "Storage certificate" means the certificate issued by the Department under Article 3 of this Act that authorizes the holder to store explosive materials in the magazine for which the certificate is issued.

(s) "License" means that license issued by the Department under Article 2 of this Act authorizing the holder to possess, use, purchase, transfer or dispose of, but not to store, explosive materials.

(Source: P.A. 88-599, eff. 9-1-94; 89-445, eff. 2-7-96.)

(225 ILCS 210/2001) (from Ch. 96 1/2, par. 1-2001)

Sec. 2001. No person shall possess, use, purchase or transfer explosive materials unless licensed by the Department except as otherwise provided by this Act and the Pyrotechnic Distributor and Operator Licensing Act.

(Source: P.A. 93-263, eff. 7-22-03.)

Section 10. The Pyrotechnic Operator Licensing Act is amended by changing Sections 1, 5, 10, 30, 35, 50, 65, 75, and 90 and adding Section 57 as follows:

(225 ILCS 227/1)

Sec. 1. Short title. This Act may be cited as the Pyrotechnic Distributor and Operator Licensing Act.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/5)

Sec. 5. Definitions. In this Act:

"Display fireworks" means any substance or article defined as a Division 1.3G or 1.4 explosive by the United States Department of Transportation under 49 CFR 173.50, except a substance or article exempted under the Fireworks Use Act.

"Fireworks" has the meaning given to that term in the Fireworks Use Act.

"Lead pyrotechnic operator" means the individual with overall responsibility for the safety, setup, discharge, and supervision of a pyrotechnic display.

"Office" means Office of the State Fire Marshal.

"Person" means an individual, firm, corporation, association, partnership, company, consortium, joint venture, commercial entity, state, municipality, or political subdivision of a state or any agency, department, or instrumentality of the United States and any officer, agent, or employee of these entities.

"Pyrotechnic display" or "display" means the detonation, ignition, or deflagration of display fireworks to produce a visual or audible effect of an exhibitional nature before the public, invitees, or licensees, regardless of whether admission is charged.

"Pyrotechnic distributor" means any person, company, association, group of persons, or corporation who distributes display fireworks for sale in the State of Illinois or provides them as part of a pyrotechnic display service in the State of Illinois.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/10)

Sec. 10. License; enforcement. No person may act as a pyrotechnic distributor or lead pyrotechnic operator, or advertise or use any title implying that the person is a pyrotechnic distributor or lead pyrotechnic operator, unless licensed by the Office under this Act. An out-of-state person hired for or engaged in a pyrotechnic display must have a pyrotechnic distributor license issued by the Office and a person licensed under this Act as a lead pyrotechnic operator supervising the display. The State Fire Marshal, in the name of the People, through the Attorney General, the State's Attorney of any county, any resident of the State, or any legal entity within the State may apply for injunctive relief in any court to enjoin any person who has not been issued a license or whose license has been suspended, revoked, or not renewed, from practicing a licensed activity. Upon filing a verified petition in court, the court, if satisfied by affidavit, or otherwise, that the person is or has been practicing in violation of this Act, may enter a temporary restraining order or preliminary injunction, without bond, enjoining the defendant from further unlicensed activity. A copy of the verified complaint shall be served upon the defendant and the proceedings are to be conducted as in other civil cases. The court may enter a judgment permanently enjoining a defendant from further unlicensed activity if it is established that the defendant has been or is practicing in violation of this Act. In case of violation of any injunctive order or judgment entered under this Section, the court may summarily try and punish the offender for contempt of court. Injunctive proceedings are in addition to all penalties and other remedies in this Act.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/30)

Sec. 30. Rules. The State Fire Marshal shall adopt all rules necessary to carry out its responsibilities under this Act including rules concerning pyrotechnic distributors and rules requiring the training, examination, and licensing of lead pyrotechnic operators engaging in or responsible for the handling and use of Division 1.3G (Class B) and 1.4 (Class C) explosives. The pyrotechnic distributor's training program ~~test~~ shall incorporate the rules of the State Fire Marshal, which shall be based upon nationally recognized standards such as those of the National Fire Protection Association (NFPA) 1123 guidelines for outdoor displays and NFPA 1126 for indoor displays. The Fire Marshal shall adopt rules as required for the licensing of all pyrotechnic distributors and a lead pyrotechnic operators ~~operator~~ involved in an outdoor or indoor pyrotechnic display.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/35)

Sec. 35. Licensure requirements and fees.

(a) Each application for a license to practice under this Act shall be in writing and signed by the applicant on forms provided by the Office. The Office shall have the testing procedures for licensing as a lead pyrotechnic operator developed by October 1, 2004.

(b) After April 1, 2005, all pyrotechnic displays, both indoor and outdoor, must comply with the requirements set forth in this Act.

(c) After April 1, 2005, no person individual may engage in pyrotechnic distribution without first applying for and obtaining a license from the Office. Applicants for a license must submit to the Office the following:

- (1) A current BATFE license for distribution of display fireworks.
- (2) Proof of \$1,000,000 in product liability insurance.
- (3) Proof of \$1,000,000 in general liability insurance.
- (4) Proof of Illinois Worker's Compensation Insurance.
- (5) A license fee of \$5,000 for the issuance of a pyrotechnic distributor's license.
- (6) Proof of a current United States Department of Transportation (DOT) Identification Number.
- (7) Proof of a current USDOT Hazardous Materials Registration Number.

(c-5) After April 1, 2005, no individual may act as a lead operator in a pyrotechnic display without first applying for and obtaining a

lead pyrotechnic operator's license from the Office. The Office shall establish separate licenses for lead

pyrotechnic operators for indoor and outdoor pyrotechnic displays. Applicants for a license must:

- (1) Pay the fees set by the Office.
- (2) Have the requisite training or continuing education as established in the Office's rules.
- (3) Pass the examination presented by the Office.

(d) A person is qualified to receive a license under this Act if the person meets all of the following minimum requirements:

- (1) Is at least 21 years of age.
- (2) Has not willfully violated any provisions of this Act.
- (3) Has not made any material misstatement or knowingly withheld information in connection with any original or renewal application.
- (4) Has not been declared incompetent by any competent court by reasons of mental or physical defect or disease unless a court has since declared the person competent.
- (5) Does not have an addiction to or dependency on alcohol or drugs that is likely to endanger the public at a pyrotechnic display.
- (6) Has not been convicted in any jurisdiction of any felony within the prior 5 years.
- (7) Is not a fugitive from justice.

(e) A person is qualified to assist a lead operator if the person meets all of the following minimum requirements:

- (1) Is at least 18 years of age.
- (2) Has not willfully violated any provision of this Act.
- (3) Has not been declared incompetent by any competent court by reasons of mental or physical defect or disease unless a court has since declared the person competent.
- (4) Does not have an addiction to or dependency on alcohol or drugs that is likely to endanger the public at a pyrotechnic display.
- (5) Has not been convicted in any jurisdiction of any felony within the prior 5 years.
- (6) Is not a fugitive from justice.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/50)

Sec. 50. Issuance of license; renewal; fees nonrefundable.

(a) The Office, upon the applicant's satisfactory completion of the requirements imposed under this Act and upon receipt of the requisite fees, shall issue the appropriate license showing the name, address, and photograph of the licensee and the dates of issuance and expiration. The license shall include the name of the pyrotechnic distributor employing the lead pyrotechnic operator. A lead pyrotechnic operator is required to have a separate license for each pyrotechnic distributor who employs the lead pyrotechnic operator.

(b) Each licensee may apply for renewal of his or her license upon payment of the applicable fees. The expiration date and renewal period for each license issued under this Act shall be set by rule. Failure to renew within 60 days of the expiration date results in lapse of the license. A lapsed license may not be reinstated until a written application is filed, the renewal fee is paid, and the reinstatement fee established by the Office is paid. Renewal and reinstatement fees shall be waived for persons who did not renew while on active duty in the military and who file for renewal or restoration within one year after discharge from the service. A lapsed license may not be reinstated after 5 years have elapsed except upon passing an examination to determine fitness to have the license restored and by paying the required fees.

(c) All fees paid under this Act are nonrefundable.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/57 new)

Sec. 57. Training; additional lead pyrotechnic operators. No pyrotechnic distributor shall allow any person in the pyrotechnic distributor's employ to act as a lead pyrotechnic operator until the person has obtained a lead pyrotechnic operator's license from the Office.

(225 ILCS 227/65)

Sec. 65. Grounds for discipline. Licensees subject to this Act shall conduct their practice in accordance with this Act and the rules promulgated under this Act. A licensee is subject to disciplinary sanctions enumerated in this Act if the State Fire Marshal finds that the licensee is guilty of any of the following:

- (1) Fraud or material deception in obtaining or renewing a license.
- (2) Engaging in dishonorable, unethical, or unprofessional conduct of a character likely to deceive, defraud, or harm the public in the course of professional services or activities.

(3) Conviction of any crime that has a substantial relationship to his or her practice or an essential element of which is misstatement, fraud, dishonesty, or conviction in this or another state of any crime that is a felony under the laws of Illinois or conviction of a felony in a federal court, unless the licensee demonstrates that he or she has been sufficiently rehabilitated to warrant the public trust.

(4) Performing any service in a grossly negligent manner or permitting any lead pyrotechnic operator ~~licensed employee~~ to perform

a service in a grossly negligent manner, regardless of whether actual damage or damage to the public is established.

(5) Addiction to or dependency on alcohol or drugs or use of alcohol or drugs that is likely to endanger the public at a pyrotechnic display.

(6) Willfully receiving direct or indirect compensation for any professional service not actually rendered.

(7) Having disciplinary action taken against his or her license in another state.

(8) Making differential treatment against any person to his or her detriment because of race, color, creed, sex, religion, or national origin.

(9) Engaging in unprofessional conduct.

(10) Engaging in false or misleading advertising.

(11) Contracting or assisting an unlicensed person to perform services for which a license is required under this Act.

(12) Permitting the use of his or her license to enable an unlicensed person or agency to operate as a licensee.

(13) Performing and charging for a service without having the authorization to do so from the member of the public being served.

(14) Failure to comply with any provision of this Act or the rules promulgated under this Act.

(15) Conducting business regulated by this Act without a currently valid license in those circumstances where a license is required.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/75)

Sec. 75. Formal charges; hearing.

(a) The Office may file formal charges against a licensee. The formal charges, at a minimum, shall inform the licensee of the specific facts that are the basis of the charge to enable the licensee to defend himself or herself.

(b) Each licensee whose conduct is the subject of a formal charge that seeks to impose disciplinary action against the licensee shall be served notice of the formal charge at least 30 days before the date of the hearing. The hearing shall be presided over by the Office or a hearing officer authorized by the Office in compliance with the Illinois Administrative Procedure Act. Service shall be considered to have been given if the notice was personally received by the licensee or if the notice was mailed certified, return requested, to the licensee at the licensee's last known address as listed with the Office.

(c) The notice of a formal charge shall consist, at a minimum, of the following information:

(1) The time and date of the hearing.

(2) A statement that the licensee may appear personally at the hearing and may be represented by counsel.

(3) A statement that the licensee has the right to produce witnesses and evidence in his or her behalf and the right to cross-examine witnesses and evidence produced against him or her.

(4) A statement that the hearing can result in disciplinary action being taken against ~~the his or her~~ license.

(5) A statement that rules for the conduct of these hearings exist and that it may be in the licensee's ~~his or her~~ best interest to obtain a copy.

(6) A statement that the hearing officer authorized by the Office shall preside at the hearing and, following the conclusion of the hearing, make findings of fact, conclusions of law, and recommendations, separately stated, to the Office as to what disciplinary action, if any, should be imposed on the licensee.

(7) A statement that the Office may continue the hearing.

(d) The Office or the hearing officer authorized by the Office shall hear evidence produced in support of the formal charges and contrary evidence produced by the licensee, if any. If the hearing is conducted by a hearing officer, at the conclusion of the hearing, the hearing officer shall make findings of fact, conclusions

of law, and recommendations, separately stated, and submit them to the Office and to all parties to the proceeding. Submission to the licensee shall be considered as having been made if done in a similar fashion as service of the notice of formal charges. Within 20 days after the service, any party to the proceeding may present to the Office a motion, in writing, for a rehearing. The written motion shall specify the particular grounds for the rehearing.

(e) The Office, following the time allowed for filing a motion for rehearing, shall review the hearing officer's findings of fact, conclusions of law, recommendations, and any motions filed subsequent to the hearing. After review of the information the Office may hear oral arguments and thereafter issue an order. The report of findings of fact, conclusions of law, and recommendations of the hearing officer shall be the basis for the Office's order. If the Office finds that substantial justice was not done, it may issue an order in contravention of the hearing officer's findings.

(f) All proceedings under this Section are matters of public record and a record of the proceedings shall be preserved.

(Source: P.A. 93-263, eff. 7-22-03.)

(225 ILCS 227/90)

Sec. 90. Penalties. Any natural person who violates any of the following provisions is guilty of a Class A misdemeanor for the first offense and a corporation or other entity that violates any of the following provision commits a business offense punishable by a fine not to exceed \$5,000; a second or subsequent offense in violation of any Section of this Act, including this Section, is a Class 4 felony if committed by a natural person, or a business offense punishable by a fine of up to \$10,000 if committed by a corporation or other business entity:

(1) Practicing or attempting to practice as a pyrotechnic distributor or lead pyrotechnic operator without a

license;

(2) Obtaining or attempting to obtain a license, practice or business, or any other thing of value by fraudulent representation;

(3) Permitting, directing, or authorizing any person in one's employ or under one's direction or supervision to work or serve as a licensee if that individual does not possess an appropriate valid license.

Whenever any person is punished as a repeat offender under this Section, the Office may proceed to obtain a permanent injunction against the person under Section 10. If any person in making any oath or affidavit required by this Act swears falsely, the person is guilty of perjury and upon conviction may be punished accordingly.

(Source: P.A. 93-263, eff. 7-22-03.)

Section 15. The Fireworks Use Act is amended by changing Section 2 as follows:

(425 ILCS 35/2) (from Ch. 127 1/2, par. 128)

Sec. 2. Except as hereinafter provided it shall be unlawful for any person, firm, co-partnership, or corporation to knowingly possess, offer for sale, expose for sale, sell at retail, or use or explode any fireworks; provided that city councils in cities, the president and board of trustees in villages and incorporated towns, and outside the corporate limits of cities, villages and incorporated towns, the county board, shall have power to adopt reasonable rules and regulations for the granting of permits for supervised public displays of fireworks. Every such display shall be handled by a competent individual who is licensed as a lead pyrotechnic operator. Application for permits shall be made in writing at least 15 days in advance of the date of the display and action shall be taken on such application within 48 hours after such application is made. After such privilege shall have been granted, sales, possession, use and distribution of fireworks for such display shall be lawful for that purpose only. No permit granted hereunder shall be transferable.

Permits may be granted hereunder to any groups of 3 or more adult individuals applying therefor. No permit shall be required, under the provisions of this Act, for supervised public displays by State or County fair associations.

The governing body shall require proof of insurance from the permit applicant in a sum not less than \$1,000,000 conditioned on compliance with the provisions of this law and the regulations of the State Fire Marshal adopted hereunder, except that no municipality shall be required to provide evidence of insurance.

Such permit shall be issued only after inspection of the display site by the issuing officer, to determine that such display shall be in full compliance with the rules of the State Fire Marshal, which shall be based upon nationally recognized standards such as those of the National Fire Protection Association (NFPA) 1123 guidelines for outdoor displays and NFPA 1126 guidelines for indoor displays and shall not be

hazardous to property or endanger any person or persons. Nothing in this Section shall prohibit the issuer of the permit from adopting more stringent rules.

All indoor pyrotechnic displays shall be conducted in buildings fully protected by automatic sprinkler systems.

The chief of the fire department providing fire protection coverage to the area of display, or his or her designee, shall sign the permit.

Possession by any party holding a certificate of registration under "The Fireworks Regulation Act of Illinois", filed July 20, 1935, or by any employee or agent of such party or by any person transporting fireworks for such party, shall not be a violation, provided such possession is within the scope of business of the fireworks plant registered under that Act.

(Source: P.A. 93-263, eff. 7-22-03.)

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

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was held on the order of Second Reading.

Having been printed, the following bill was taken up, read by title a second time and advanced to the order of Third Reading: SENATE BILL 2349.

SENATE BILL 2367. Having been recalled on May 18, 2004, and held on the order of Second Reading, the same was again taken up.

The following amendment was offered in the Committee on Human Services, adopted and printed.

AMENDMENT NO. 1. Amend Senate Bill 2367 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Public Aid Code is amended by changing Section 5-4 as follows:

(305 ILCS 5/5-4) (from Ch. 23, par. 5-4)

Sec. 5-4. Amount and nature of medical assistance. The amount and nature of medical assistance shall be determined by the ~~county departments~~ County Departments in accordance with the standards, rules, and regulations of the Illinois Department of Public Aid, with due regard to the requirements and conditions in each case, including contributions available from legally responsible relatives. However, the amount and nature of such medical assistance shall not be affected by the payment of any grant under the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act or any distributions or items of income described under subparagraph (X) of paragraph (2) of subsection (a) of Section 203 of the Illinois Income Tax Act. The amount and nature of medical assistance shall not be affected by the receipt of donations or benefits from fundraisers in cases of serious illness, as long as neither the person nor members of the person's family have actual control over the donations or benefits or the disbursement of the donations or benefits.

In determining the income and assets available to the institutionalized spouse and to the community spouse, the Illinois Department of Public Aid shall follow the procedures established by federal law. The community spouse resource allowance shall be established and maintained at the maximum level permitted pursuant to Section 1924(f)(2) of the Social Security Act, as now or hereafter amended, or an amount set after a fair hearing, whichever is greater. The monthly maintenance allowance for the community spouse shall be established and maintained at the maximum level permitted pursuant to Section 1924(d)(3)(C) of the Social Security Act, as now or hereafter amended. Subject to the approval of the Secretary of the United States Department of Health and Human Services, the provisions of this Section shall be extended to persons who but for the provision of home or community-based services under Section 4.02 of the Illinois Act on the Aging, would require the level of care provided in an institution, as is provided for in federal law.

The Department of Human Services shall notify in writing each institutionalized spouse who is a recipient of medical assistance under this Article, and each such person's community spouse, of the changes in treatment of income and resources, including provisions for protecting income for a community spouse and permitting the transfer of resources to a community spouse, required by enactment of the federal Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360). The notification shall be in language likely to be easily understood by those persons. The Department of Human Services also shall reassess the

amount of medical assistance for which each such recipient is eligible as a result of the enactment of that federal Act, whether or not a recipient requests such a reassessment.

(Source: P.A. 90-655, eff. 7-30-98; 91-676, eff. 12-23-99.)

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

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was held on the order of Second Reading.

SENATE BILL 2382. Having been recalled on May 4, 2004, and held on the order of Second Reading, the same was again taken up.

Representative Saviano offered the following amendment and moved its adoption.

AMENDMENT NO. 1. Amend Senate Bill 2382 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Physical Therapy Act is amended by changing Sections 1, 2, 16.5, 17, 31, and 32.2 as follows:

(225 ILCS 90/1) (from Ch. 111, par. 4251)

(Section scheduled to be repealed on January 1, 2006)

Sec. 1. Definitions. As used in this Act:

(1) "Physical therapy" means the evaluation or treatment of a person by the use of the effective properties of physical measures and heat, cold, light, water, radiant energy, electricity, sound, and air; and the use of therapeutic massage, therapeutic exercise, mobilization, and the rehabilitative procedures with or without assistive devices for the purposes of preventing, correcting, or alleviating a physical or mental disability, or promoting physical fitness and well-being. Physical therapy includes, but is not limited to: (a) performance of specialized tests and measurements, (b) administration of specialized treatment procedures, (c) interpretation of referrals from physicians, dentists, advanced practice nurses, physician assistants, and podiatrists, (d) establishment, and modification of physical therapy treatment programs, (e) administration of topical medication used in generally accepted physical therapy procedures when such medication is prescribed by the patient's physician, licensed to practice medicine in all its branches, the patient's physician licensed to practice podiatric medicine, the patient's advanced practice nurse, the patient's physician assistant, or the patient's dentist, and (f) supervision or teaching of physical therapy. Physical therapy does not include radiology, electrosurgery, chiropractic technique or determination of a differential diagnosis; provided, however, the limitation on determining a differential diagnosis shall not in any manner limit a physical therapist licensed under this Act from performing an evaluation pursuant to such license. Nothing in this Section shall limit a physical therapist from employing appropriate physical therapy techniques that he or she is educated and licensed to perform. A physical therapist shall refer to a licensed physician, advanced practice nurse, physician assistant, dentist, or podiatrist any patient whose medical condition should, at the time of evaluation or treatment, be determined to be beyond the scope of practice of the physical therapist.

(2) "Physical therapist" means a person who practices physical therapy and who has met all requirements as provided in this Act.

(3) "Department" means the Department of Professional Regulation.

(4) "Director" means the Director of Professional Regulation.

(5) "Committee" means the Physical Therapy Examining Committee approved by the Director.

(6) "Referral" means a written or oral authorization for physical therapy services for a patient by a physician, dentist, advanced practice nurse, physician assistant, or podiatrist who maintains medical supervision of the patient and makes a diagnosis or verifies that the patient's condition is such that it may be treated by a physical therapist for the purpose of this Act ~~means the following of guidance or direction to the physical therapist given by the physician, dentist, or podiatrist who shall maintain supervision of the patient.~~

(7) "Documented current and relevant diagnosis" for the purpose of this Act means a diagnosis, substantiated by signature or oral verification of a physician, dentist, advanced practice nurse, physician assistant, or podiatrist, that a patient's condition is such that it may be treated by physical therapy as defined in this Act, which diagnosis shall remain in effect until changed by the physician, dentist, advanced practice nurse, physician assistant, or podiatrist.

(8) "State" includes:

- (a) the states of the United States of America;
- (b) the District of Columbia; and
- (c) the Commonwealth of Puerto Rico.

(9) "Physical therapist assistant" means a person licensed to assist a physical therapist and who has met all requirements as provided in this Act and who works under the supervision of a licensed physical therapist to assist in implementing the physical therapy treatment program as established by the licensed physical therapist. The patient care activities provided by the physical therapist assistant shall not include the interpretation of referrals, evaluation procedures, or the planning or major modification of patient programs.

(10) "Physical therapy aide" means a person who has received on the job training, specific to the facility in which he is employed, but who has not completed an approved physical therapist assistant program.

(11) "Advanced practice nurse" means a person licensed under the Nursing and Advanced Practice Nursing Act who has a collaborative agreement with a collaborating physician that authorizes referrals to physical therapists.

(12) "Physician assistant" means a person licensed under the Physician Assistant Practice Act of 1987 who has been delegated authority to make referrals to physical therapists.

(Source: P.A. 92-651, eff. 7-11-02.)

(225 ILCS 90/2) (from Ch. 111, par. 4252)

(Section scheduled to be repealed on January 1, 2006)

Sec. 2. Licensure requirement; exempt activities. Practice without a license forbidden - exception. No person shall after the date of August 31, 1965 begin to practice physical therapy in this State or hold himself out as being able to practice this profession, unless he is licensed as such in accordance with the provisions of this Act. After the effective date of this amendatory Act of 1990, no person shall practice or hold himself out as a physical therapist assistant unless he is licensed as such under this Act. A physical therapist shall use the initials "PT" in connection with his or her name to denote licensure under this Act, and a physical therapist assistant shall use the initials "PTA" in connection with his or her name to denote licensure under this Act.

This Act does not prohibit:

- (1) Any person licensed in this State under any other Act from engaging in the practice for which he is licensed.
- (2) The practice of physical therapy by those persons, practicing under the supervision of a licensed physical therapist and who have met all of the qualifications as provided in Sections 7, 8.1, and 9 of this Act, until the next examination is given for physical therapists or physical therapist assistants and the results have been received by the Department and the Department has determined the applicant's eligibility for a license. Anyone failing to pass said examination shall not again practice physical therapy until such time as an examination has been successfully passed by such person.
- (3) The practice of physical therapy for a period not exceeding 6 months by a person who is in this State on a temporary basis to assist in a case of medical emergency or to engage in a special physical therapy project, and who meets the qualifications for a physical therapist as set forth in Sections 7 and 8 of this Act and is licensed in another state as a physical therapist.
- (4) Practice of physical therapy by qualified persons who have filed for endorsement for no longer than one year or until such time that notification of licensure has been granted or denied, whichever period of time is lesser.
- (5) One or more licensed physical therapists from forming a professional service corporation under the provisions of the "Professional Service Corporation Act", approved September 15, 1969, as now or hereafter amended, and licensing such corporation for the practice of physical therapy.
- (6) Physical therapy aides from performing patient care activities under the on-site supervision of a licensed physical therapist or licensed physical therapist assistant. These patient care activities shall not include interpretation of referrals, evaluation procedures, the planning of or major modifications of, patient programs.
- (7) Physical Therapist Assistants from performing patient care activities under the general supervision of a licensed physical therapist. The physical therapist must maintain continual contact with the physical therapist assistant including periodic personal supervision and instruction to insure the safety and welfare of the patient.
- (8) The practice of physical therapy by a physical therapy student or a physical therapist assistant student under the on-site supervision of a licensed physical therapist. The physical therapist shall be readily available for direct supervision and instruction to insure the safety and welfare

of the patient.

(9) The practice of physical therapy as part of an educational program by a physical therapist licensed in another state or country for a period not to exceed 6 months.

(Source: P.A. 90-580, eff. 5-21-98.)

(225 ILCS 90/16.5)

(Section scheduled to be repealed on January 1, 2006)

Sec. 16.5. Advertising services.

(a) A licensee shall include in every advertisement for services regulated under this Act his or her title as it appears on the license or the initials authorized under this Act.

(b) It is unlawful for any person licensed under this Act to use testimonials or claims of superior quality of care to entice the public. It shall be unlawful to advertise fee comparisons of available services with those of other persons licensed under this Act.

(c) This Act does not authorize the advertising of professional services that the offeror of such services is not licensed to render. Nor shall the advertiser use statements that contain false, fraudulent, deceptive or misleading material or guarantees of success, play upon the vanity or fears of the public, or promote or produce unfair competition.

(d) It is unlawful and punishable under Section 31 for any person licensed under this Act to knowingly advertise that the licensee will accept as payment for services rendered by assignment from any third-party payor the amount the third-party payor covers as payment in full, if the effect is to give the impression of eliminating the need of payment by the patient of any required deductible or copayment applicable in the patient's health benefit plan.

(e) As used in this Section, "advertise" means solicitation by the licensee or through another by means of handbills, posters, circulars, motion pictures, radio, newspapers, or television or in any other manner.

(Source: P.A. 91-310, eff. 1-1-00.)

(225 ILCS 90/17) (from Ch. 111, par. 4267)

(Section scheduled to be repealed on January 1, 2006)

Sec. 17. (1) The Department may refuse to issue or to renew, or may revoke, suspend, place on probation, reprimand, or take other disciplinary action as the Department deems appropriate, including the issuance of fines not to exceed \$5000, with regard to a license for any one or a combination of the following:

A. Material misstatement in furnishing information to the Department or otherwise making misleading, deceptive, untrue, or fraudulent representations in violation of this Act or otherwise in the practice of the profession;

B. Violations of this Act, or of the rules or regulations promulgated hereunder;

C. Conviction of any crime under the laws of the United States or any state or territory thereof which is a felony or which is a misdemeanor, an essential element of which is dishonesty, or of any crime which is directly related to the practice of the profession; conviction, as used in this paragraph, shall include a finding or verdict of guilty, an admission of guilt or a plea of nolo contendere;

D. Making any misrepresentation for the purpose of obtaining licenses, or violating any provision of this Act or the rules promulgated thereunder pertaining to advertising;

E. A pattern of practice or other behavior which demonstrates incapacity or incompetency to practice under this Act;

F. Aiding or assisting another person in violating any provision of this Act or Rules;

G. Failing, within 60 days, to provide information in response to a written request made by the Department;

H. Engaging in dishonorable, unethical or unprofessional conduct of a character likely to deceive, defraud or harm the public. Unprofessional conduct shall include any departure from or the failure to conform to the minimal standards of acceptable and prevailing physical therapy practice, in which proceeding actual injury to a patient need not be established;

I. Unlawful distribution of any drug or narcotic, or unlawful conversion of any drug or narcotic not belonging to the person for such person's own use or benefit or for other than medically accepted therapeutic purposes;

J. Habitual or excessive use or addiction to alcohol, narcotics, stimulants, or any other chemical agent or drug which results in a physical therapist's or physical therapist assistant's inability to practice with reasonable judgment, skill or safety;

K. Revocation or suspension of a license to practice physical therapy as a physical

therapist or physical therapist assistant or the taking of other disciplinary action by the proper licensing authority of another state, territory or country;

L. Directly or indirectly giving to or receiving from any person, firm, corporation, partnership or association any fee, commission, rebate or other form of compensation for any professional services not actually or personally rendered. Nothing contained in this paragraph prohibits persons holding valid and current licenses under this Act from practicing physical therapy in partnership under a partnership agreement, including a limited liability partnership, a limited liability company, or a corporation under the Professional Service Corporation Act or from pooling, sharing, dividing, or apportioning the fees and monies received by them or by the partnership, company, or corporation in accordance with the partnership agreement or the policies of the company or professional corporation;

M. A finding by the Committee that the licensee after having his or her license placed on probationary status has violated the terms of probation;

N. Abandonment of a patient;

O. Willfully failing to report an instance of suspected child abuse or neglect as required by the Abused and Neglected Child Reporting Act;

P. Willfully failing to report an instance of suspected elder abuse or neglect as required by the Elder Abuse Reporting Act;

Q. Physical illness, including but not limited to, deterioration through the aging process, or loss of motor skill which results in the inability to practice the profession with reasonable judgement, skill or safety;

R. The use of any words (such as physical therapy, physical therapist physiotherapy or physiotherapist), abbreviations, figures or letters with the intention of indicating practice as a licensed physical therapist without a valid license as a physical therapist issued under this Act;

S. The use of the term physical therapist assistant, or abbreviations, figures, or letters with the intention of indicating practice as a physical therapist assistant without a valid license as a physical therapist assistant issued under this Act;

T. Willfully violating or knowingly assisting in the violation of any law of this State relating to the practice of abortion;

U. Continued practice by a person knowingly having an infectious, communicable or contagious disease;

V. Having treated ailments of human beings otherwise than by the practice of physical therapy as defined in this Act, or having treated ailments of human beings as a licensed physical therapist independent of a documented referral or a documented current and relevant diagnosis from a physician, dentist, advanced practice nurse, physician assistant, or podiatrist, or having failed to notify the physician, dentist, advanced practice nurse, physician assistant, or podiatrist who established a documented current and relevant diagnosis that the patient is receiving physical therapy pursuant to that diagnosis;

W. Being named as a perpetrator in an indicated report by the Department of Children and Family Services pursuant to the Abused and Neglected Child Reporting Act, and upon proof by clear and convincing evidence that the licensee has caused a child to be an abused child or neglected child as defined in the Abused and Neglected Child Reporting Act;

X. Interpretation of referrals, performance of evaluation procedures, planning or making major modifications of patient programs by a physical therapist assistant;

Y. Failure by a physical therapist assistant and supervising physical therapist to maintain continued contact, including periodic personal supervision and instruction, to insure safety and welfare of patients;

Z. Violation of the Health Care Worker Self-Referral Act.

(2) The determination by a circuit court that a licensee is subject to involuntary admission or judicial admission as provided in the Mental Health and Developmental Disabilities Code operates as an automatic suspension. Such suspension will end only upon a finding by a court that the patient is no longer subject to involuntary admission or judicial admission and the issuance of an order so finding and discharging the patient; and upon the recommendation of the Committee to the Director that the licensee be allowed to resume his practice.

(3) The Department may refuse to issue or may suspend the license of any person who fails to file a return, or to pay the tax, penalty or interest shown in a filed return, or to pay any final assessment of tax, penalty or interest, as required by any tax Act administered by the Illinois Department of Revenue, until such time as the requirements of any such tax Act are satisfied.

(Source: P.A. 89-387, eff. 1-1-96.)

(225 ILCS 90/31) (from Ch. 111, par. 4281)

(Section scheduled to be repealed on January 1, 2006)

Sec. 31. Violations.

(a) Any person who is found to have violated any provision of this Act is guilty of a Class A misdemeanor for the first offense and a Class 4 felony for the second and any subsequent offense.

(b) Any person representing himself or herself or advertising as a physical therapist or that the services he or she renders are physical therapy services, or who uses any words, such as physical therapy, physical therapist, physiotherapy, or physiotherapist, abbreviations, figures, or letters, such as "PT", "DPT", "MPT", "RPT", "LPT", or "PTA", with the intention of indicating that he or she is engaged in the practice of physical therapy as a licensed physical therapist, when he or she does not possess a currently valid license as defined herein, commits a Class A misdemeanor, for a first offense, and a Class 4 felony for a second or subsequent offense.

(c) Any person representing himself or herself or advertising as a physical therapist assistant or that the services he or she renders are physical therapy services, or who uses any words, such as physical therapy or physical therapist assistant, or uses abbreviations, figures, or letters, such as "PT", "DPT", "MPT", "RPT", "LPT", or "PTA", with the intention of indicating that he or she is engaged in the practice of physical therapy as a physical therapist assistant, when he or she does not possess a currently valid license as defined herein, commits a Class A misdemeanor for a first offense, and a Class 4 felony for a second or subsequent offense.

(Source: P.A. 85-342; 86-1396.)

(225 ILCS 90/32.2)

(Section scheduled to be repealed on January 1, 2006)

Sec. 32.2. Unlicensed practice; violation; civil penalty.

(a) Any person who practices, offers to practice, attempts to practice, or holds oneself out to practice physical therapy or as a physical therapist or a physical therapist assistant without being licensed under this Act or who violates Section 16.5 or subsection (b) or (c) of Section 31 shall, in addition to any other penalty provided by law, pay a civil penalty to the Department in an amount not to exceed \$5,000 for each offense as determined by the Department. The civil penalty shall be assessed by the Department after a hearing is held in accordance with the provisions set forth in this Act regarding the provision of a hearing for the discipline of a licensee.

(b) The Department has the authority and power to investigate any and all unlicensed activity.

(c) The civil penalty shall be paid within 60 days after the effective date of the order imposing the civil penalty. The order shall constitute a judgment and may be filed and execution had thereon in the same manner as any judgment from any court of record.

(Source: P.A. 89-387, eff. 1-1-96.)

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

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was again advanced to the order of Third Reading.

SENATE BILL 2496. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Judiciary I - Civil Law, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2496 on page 1, by replacing lines 4 and 5 with the following:

"Section 5. The Adoption Act is amended by changing Sections 7, 8 and 18.3a as follows:"; and on page 4, after line 2, by inserting the following:

"(750 ILCS 50/8) (from Ch. 40, par. 1510)

Sec. 8. Consents to adoption and surrenders for purposes of adoption.

(a) Except as hereinafter provided in this Section consents or surrenders shall be required in all cases, unless the person whose consent or surrender would otherwise be required shall be found by the court:

(1) to be an unfit person as defined in Section 1 of this Act, by clear and convincing

- evidence; or
- (2) not to be the biological or adoptive father of the child; or
- (3) to have waived his parental rights to the child under Section 12a or 12.1 of this Act; or
- (4) to be the parent of an adult sought to be adopted; or
- (5) to be the father of the child as a result of criminal sexual abuse or assault as defined under Article 12 of the Criminal Code of 1961, including but not limited to:
 - (i) the father of the child, who is a family member of the mother of the child, and the mother is under the age of 18 at the time of the child's conception. For purposes of this subsection, a "family member" is a parent, step-parent, grandparent, step-grandparent, sibling, or cousin of the first degree, whether by whole blood, half-blood, or adoption, as well as a person who has resided in the household with the mother continuously for at least one year; or
 - (ii) the father of the child, who is at least 5 years older than the child's mother, and the mother was under the age of 17 at the time of child's conception, unless the mother and father voluntarily acknowledge the father's paternity of the child by marrying or by establishing the father's paternity by consent of the parties pursuant to the Illinois Parentage Act of 1984 or pursuant to a substantially similar statute in another state.

A criminal conviction of any offense pursuant to Article 12 of the Criminal Code of 1961 is not required. ~~;~~

- ~~(6) to have been indicated for child sexual abuse as defined in the Abused and Neglected Child Reporting Act that involved sexual penetration of the mother; or~~
- ~~(7) to be at least 5 years older than the mother and the mother was under the age 17 at the time of conception of the child to be adopted.~~

(b) Where consents are required in the case of an adoption of a minor child, the consents of the following persons shall be sufficient:

- (1) (A) The mother of the minor child; and
- (B) The father of the minor child, if the father:
 - (i) was married to the mother on the date of birth of the child or within 300 days before the birth of the child, except for a husband or former husband who has been found by a court of competent jurisdiction not to be the biological father of the child; or
 - (ii) is the father of the child under a judgment for adoption, an order of parentage, or an acknowledgment of parentage or paternity pursuant to subsection (a) of Section 5 of the Illinois Parentage Act of 1984; or
 - (iii) in the case of a child placed with the adopting parents less than 6 months after birth, openly lived with the child, the child's biological mother, or both, and held himself out to be the child's biological father during the first 30 days following the birth of the child; or
 - (iv) in the case of a child placed with the adopting parents less than 6 months after birth, made a good faith effort to pay a reasonable amount of the expenses related to the birth of the child and to provide a reasonable amount for the financial support of the child before the expiration of 30 days following the birth of the child, provided that the court may consider in its determination all relevant circumstances, including the financial condition of both biological parents; or
 - (v) in the case of a child placed with the adopting parents more than 6 months after birth, has maintained substantial and continuous or repeated contact with the child as manifested by: (I) the payment by the father toward the support of the child of a fair and reasonable sum, according to the father's means, and either (II) the father's visiting the child at least monthly when physically and financially able to do so and not prevented from doing so by the person or authorized agency having lawful custody of the child, or (III) the father's regular communication with the child or with the person or agency having the care or custody of the child, when physically and financially unable to visit the child or prevented from doing so by the person or authorized agency having lawful custody of the child. The subjective intent of the father, whether expressed or otherwise unsupported by evidence of acts specified in this sub-paragraph as manifesting such intent, shall not preclude a determination that the father failed to maintain substantial and continuous or repeated contact with the child; or
 - (vi) in the case of a child placed with the adopting parents more than six months after birth, openly lived with the child for a period of six months within the one year period

immediately preceding the placement of the child for adoption and openly held himself out to be the father of the child; or

(vii) has timely registered with Putative Father Registry, as provided in Section 12.1 of this Act, and prior to the expiration of 30 days from the date of such registration, commenced legal proceedings to establish paternity under the Illinois Parentage Act of 1984 or under the law of the jurisdiction of the child's birth; or

(2) The legal guardian of the person of the child, if there is no surviving parent; or

(3) An agency, if the child has been surrendered for adoption to such agency; or

(4) Any person or agency having legal custody of a child by court order if the parental rights of the parents have been judicially terminated, and the court having jurisdiction of the guardianship of the child has authorized the consent to the adoption; or

(5) The execution and verification of the petition by any petitioner who is also a parent of the child sought to be adopted shall be sufficient evidence of such parent's consent to the adoption.

(c) Where surrenders to an agency are required in the case of a placement for adoption of a minor child by an agency, the surrenders of the following persons shall be sufficient:

(1) (A) The mother of the minor child; and

(B) The father of the minor child, if the father:

(i) was married to the mother on the date of birth of the child or within 300 days before the birth of the child, except for a husband or former husband who has been found by a court of competent jurisdiction not to be the biological father of the child; or

(ii) is the father of the child under a judgment for adoption, an order of parentage, or an acknowledgment of parentage or paternity pursuant to subsection (a) of Section 5 of the Illinois Parentage Act of 1984; or

(iii) in the case of a child placed with the adopting parents less than 6 months after birth, openly lived with the child, the child's biological mother, or both, and held himself out to be the child's biological father during the first 30 days following the birth of a child; or

(iv) in the case of a child placed with the adopting parents less than 6 months after birth, made a good faith effort to pay a reasonable amount of the expenses related to the birth of the child and to provide a reasonable amount for the financial support of the child before the expiration of 30 days following the birth of the child, provided that the court may consider in its determination all relevant circumstances, including the financial condition of both biological parents; or

(v) in the case of a child placed with the adopting parents more than six months after birth, has maintained substantial and continuous or repeated contact with the child as manifested by: (I) the payment by the father toward the support of the child of a fair and reasonable sum, according to the father's means, and either (II) the father's visiting the child at least monthly when physically and financially able to do so and not prevented from doing so by the person or authorized agency having lawful custody of the child or (III) the father's regular communication with the child or with the person or agency having the care or custody of the child, when physically and financially unable to visit the child or prevented from doing so by the person or authorized agency having lawful custody of the child. The subjective intent of the father, whether expressed or otherwise, unsupported by evidence of acts specified in this sub-paragraph as manifesting such intent, shall not preclude a determination that the father failed to maintain substantial and continuous or repeated contact with the child; or

(vi) in the case of a child placed with the adopting parents more than six months after birth, openly lived with the child for a period of six months within the one year period immediately preceding the placement of the child for adoption and openly held himself out to be the father of the child; or

(vii) has timely registered with the Putative Father Registry, as provided in Section 12.1 of this Act, and prior to the expiration of 30 days from the date of such registration, commenced legal proceedings to establish paternity under the Illinois Parentage Act of 1984, or under the law of the jurisdiction of the child's birth.

(d) In making a determination under subparagraphs (b)(1) and (c)(1), no showing shall be required of diligent efforts by a person or agency to encourage the father to perform the acts specified therein.

(e) In the case of the adoption of an adult, only the consent of such adult shall be required.

(Source: P.A. 93-510, eff. 1-1-04.)

(750 ILCS 50/18.3a) (from Ch. 40, par. 1522.3a)

Sec. 18.3a. Confidential intermediary.

(a) General purposes. Notwithstanding any other provision of this Act, any adopted person 21 years of age or over, any adoptive parent or legal guardian of an adopted person under the age of 21, or any birth parent of an adopted person who is 21 years of age or over may petition the court in any county in the State of Illinois for appointment of a confidential intermediary as provided in this Section for the purpose of exchanging medical information with one or more mutually consenting biological relatives, obtaining identifying information about one or more mutually consenting biological relatives, or arranging contact with one or more mutually consenting biological relatives. Additionally, in cases where an adopted or surrendered person is deceased, an adult child of the adopted or surrendered person may file a petition under this Section and in cases where the birth parent is deceased, an adult birth sibling of the adopted person or of the deceased birth parent may file a petition under this Section for the purpose of exchanging medical information with one or more mutually consenting biological relatives, obtaining identifying information about one or more mutually consenting biological relatives, or arranging contact with one or more mutually consenting biological relatives.

(b) Petition. Upon petition by an adopted person 21 years of age or over, an adoptive parent or legal guardian of an adopted person under the age of 21, or a birth parent of an adopted person who is 21 years of age or over, the court shall appoint a confidential intermediary. Upon petition by an adult child of an adopted person who is deceased or by an adult birth sibling of an adopted person whose birth parent is deceased or by an adult sibling of a birth parent who is deceased, the court may appoint a confidential intermediary if the court finds that the disclosure is of greater benefit than nondisclosure. The petition shall state which biological relative or relatives are being sought and shall indicate if the petitioner wants to do any one or more of the following: exchange medical information with the biological relative or relatives, obtain identifying information from the biological relative or relatives, or to arrange contact with the biological relative.

(c) Order. The order appointing the confidential intermediary shall allow that intermediary to conduct a search for the sought-after relative by accessing those records described in subsection (g) of this Section.

(d) Fees and expenses. The court shall condition the appointment of the confidential intermediary on the petitioner's payment of the intermediary's fees and expenses in advance of the commencement of the work of the confidential intermediary.

(e) Eligibility of intermediary. The court may appoint as confidential intermediary either an employee of the Illinois Department of Children and Family Services designated by the Department to serve as such, or any other person certified by the Department as qualified to serve as a confidential intermediary, ~~or any employee of a licensed child welfare agency certified by the agency as qualified to serve as a confidential intermediary.~~ Certification shall be dependent upon the confidential intermediary completing a course of training including, but not limited to, applicable federal and State privacy laws.

(f) Confidential Intermediary Council. There shall be established under the Department of Children and Family Services a Confidential Intermediary Advisory Council. One member shall be an attorney representing the Attorney General's Office appointed by the Attorney General. One member shall be a currently certified confidential intermediary appointed by the Director of the Department of Children and Family Services. The Director shall also appoint 5 additional members. When making those appointments, the Director shall consider advocates for adopted persons, adoptive parents, birth parents, lawyers who represent clients in private adoptions, lawyers specializing in privacy law, and representatives of agencies involved in adoptions. The Director shall appoint one of the 7 members as the chairperson. An attorney from the Department of Children and Family Services and the person directly responsible for administering the confidential intermediary program shall serve as ex-officio, non-voting advisors to the Council. Council members shall serve at the discretion of the Director and shall receive no compensation other than reasonable expenses approved by the Director. The Council shall meet no less than twice yearly, and shall make recommendations to the Director regarding the development of rules, procedures, and forms that will ensure efficient and effective operation of the confidential intermediary process, including:

- (1) Standards for certification for confidential intermediaries.
- (2) Oversight of methods used to verify that intermediaries are complying with the appropriate laws.
- (3) Training for confidential intermediaries, including training with respect to federal and State privacy laws.
- (4) The relationship between confidential intermediaries and the court system,

including the development of sample orders defining the scope of the intermediaries' access to information.

(5) Any recent violations of policy or procedures by confidential intermediaries and remedial steps, including decertification, to prevent future violations.

(g) Access. Subject to the limitations of subsection (i) of this Section, the confidential intermediary shall have access to vital records maintained by the Department of Public Health and its local designees for the maintenance of vital records and all records of the court or any adoption agency, public or private, which relate to the adoption or the identity and location of an adopted person, of an adult child of a deceased adopted person, or of a birth parent, birth sibling, or the sibling of a deceased birth parent. The confidential intermediary shall not have access to any personal health information protected by the Standards for Privacy of Individually Identifiable Health Information adopted by the U.S. Department of Health and Human Services under the Health Insurance Portability and Accountability Act of 1996 unless the confidential intermediary has obtained written consent from the person whose information is being sought or, if that person is a minor child, that person's parent or guardian. Confidential intermediaries shall be authorized to inspect confidential relinquishment and adoption records. The confidential intermediary shall not be authorized to access medical records, financial records, credit records, banking records, home studies, attorney file records, or other personal records. In cases where a birth parent is being sought, an adoption agency shall inform the confidential intermediary of any statement filed pursuant to Section 18.3 indicating a desire of the surrendering birth parent to have identifying information shared or to not have identifying information shared. If there was a clear statement of intent by the sought-after birth parent not to have identifying information shared, the confidential intermediary shall discontinue the search and inform the petitioning party of the sought-after relative's intent. Additional information provided to the confidential intermediary by an adoption agency shall be restricted to the full name, date of birth, place of birth, last known address, and last known telephone number of the sought-after relative or, if applicable, of the children or siblings of the sought-after relative.

(h) Adoption agency disclosure of medical information. If the petitioner is an adult adopted person or the adoptive parent of a minor and if the petitioner has signed a written authorization to disclose personal medical information, an adoption agency disclosing information to a confidential intermediary shall disclose available medical information about the adopted person from birth through adoption.

(i) Duties of confidential intermediary in conducting a search. In conducting a search under this Section, the confidential intermediary shall first confirm that there is no Denial of Information Exchange on file with the Illinois Adoption Registry. If the petitioner is an adult child of an adopted person who is deceased, the confidential intermediary shall additionally confirm that the adopted person did not file a Denial of Information Exchange with the Illinois Adoption Registry during his or her life. If the petitioner is an adult birth sibling of an adopted person or an adult sibling of a birth parent who is deceased, the confidential intermediary shall additionally confirm that the birth parent did not file a Denial of Information Exchange with the Registry during his or her life. If the confidential intermediary learns that a sought-after birth parent signed a statement indicating his or her intent not to have identifying information shared, and did not later file an Information Exchange Authorization with the Adoption Registry, the confidential intermediary shall discontinue the search and inform the petitioning party of the birth parent's intent.

In conducting a search under this Section, the confidential intermediary shall attempt to locate the relative or relatives from whom the petitioner has requested information. If the sought-after relative is deceased or cannot be located after a diligent search, the confidential intermediary may contact adult biological relatives of the sought-after relative.

The confidential intermediary shall contact a sought-after relative on behalf of the petitioner in a manner that respects the sought-after relative's privacy and shall inform the sought-after relative of the petitioner's request for medical information, identifying information or contact as stated in the petition. Based upon the terms of the petitioner's request, the confidential intermediary shall contact a sought-after relative on behalf of the petitioner and inform the sought-after relative of the following options:

(1) The sought-after relative may totally reject one or all of the requests for medical information, identifying information or contact. The sought-after relative shall be informed that they can provide a medical questionnaire to be forwarded to the petitioner without releasing any identifying information. The confidential intermediary shall inform the petitioner of the sought-after relative's decision to reject the sharing of information or contact.

(2) The sought-after relative may consent to completing a medical questionnaire only. In this case, the confidential intermediary shall provide the questionnaire and ask the sought-after relative to complete it. The confidential intermediary shall forward the completed questionnaire to the

petitioner and inform the petitioner of the sought-after relative's desire to not provide any additional information.

(3) The sought-after relative may communicate with the petitioner without having his or her identity disclosed. In this case, the confidential intermediary shall arrange the desired communication in a manner that protects the identity of the sought-after relative. The confidential intermediary shall inform the petitioner of the sought-after relative's decision to communicate but not disclose his or her identity.

(4) The sought after relative may consent to initiate contact with the petitioner. If both the petitioner and the sought-after relative or relatives are eligible to register with the Illinois Adoption Registry, the confidential intermediary shall provide the necessary application forms and request that the sought-after relative register with the Illinois Adoption Registry. If either the petitioner or the sought-after relative or relatives are ineligible to register with the Illinois Adoption Registry, the confidential intermediary shall obtain written consents from both parties that they wish to disclose their identities to each other and to have contact with each other.

(j) Oath. The confidential intermediary shall sign an oath of confidentiality substantially as follows: "I,, being duly sworn, on oath depose and say: As a condition of appointment as a confidential intermediary, I affirm that:

(1) I will not disclose to the petitioner, directly or indirectly, any confidential information except in a manner consistent with the law.

(2) I recognize that violation of this oath subjects me to civil liability and to a potential finding of contempt of court.

SUBSCRIBED AND SWORN to before me, a Notary Public, on (insert date)"

(k) Sanctions.

(1) Any confidential intermediary who improperly discloses confidential information identifying a sought-after relative shall be liable to the sought-after relative for damages and may also be found in contempt of court.

(2) Any person who learns a sought-after relative's identity, directly or indirectly, through the use of procedures provided in this Section and who improperly discloses information identifying the sought-after relative shall be liable to the sought-after relative for actual damages plus minimum punitive damages of \$10,000.

(3) The Department shall fine any confidential intermediary who improperly discloses confidential information in violation of item (1) or (2) of this subsection (k) an amount up to \$2,000 per improper disclosure. This fine does not affect civil liability under item (2) of this subsection (k). The Department shall deposit all fines and penalties collected under this Section into the Illinois Adoption Registry and Medical Information Fund.

(l) Death of person being sought. Notwithstanding any other provision of this Act, if the confidential intermediary discovers that the person being sought has died, he or she shall report this fact to the court, along with a copy of the death certificate.

(m) Any confidential information obtained by the confidential intermediary during the course of his or her search shall be kept strictly confidential and shall be used for the purpose of arranging contact between the petitioner and the sought-after birth relative. At the time the case is closed, all identifying information shall be returned to the court for inclusion in the impounded adoption file.

(n) If the petitioner is an adopted person 21 years of age or over or the adoptive parent or legal guardian of an adopted person under the age of 21, any non-identifying information, as defined in Section 18.4, that is ascertained during the course of the search may be given in writing to the petitioner before the case is closed.

(o) Except as provided in subsection (k) of this Section, no liability shall accrue to the State, any State agency, any judge, any officer or employee of the court, any certified confidential intermediary, or any agency designated to oversee confidential intermediary services for acts, omissions, or efforts made in good faith within the scope of this Section.

(Source: P.A. 93-189, eff. 1-1-04.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was held on the order of Second Reading.

SENATE BILL 2878. Having been recalled on May 18, 2004, and held on the order of Second Reading, the same was again taken up.

Representative Turner offered the following amendment and moved its adoption.

AMENDMENT NO. 2 . Amend Senate Bill 2878, AS AMENDED, by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Human Rights Act is amended by changing Section 10-101 and by adding Section 10-104 as follows:

(775 ILCS 5/10-101) (from Ch. 68, par. 10-101)

Sec. 10-101. Applicability. With the exception of Section 10-104, this ~~This~~ Article shall apply solely to civil actions arising under Article 3 of this Act.

(Source: P.A. 86-910.)

(775 ILCS 5/10-104 new)

Sec. 10-104. Circuit Court Actions by the Illinois Attorney General.

(A) Standing, venue, limitations on actions, preliminary investigations, notice, and Assurance of Voluntary Compliance.

(1) Whenever the Illinois Attorney General has reasonable cause to believe that any person or group of persons is engaged in a pattern and practice of discrimination prohibited by this Act, the Illinois Attorney General may commence a civil action in the name of the People of the State, as parents patriae on behalf of persons within the State to enforce the provisions of this Act in any appropriate circuit court. Venue for this civil action shall be determined under Section 8-111(B)(6). Such actions shall be commenced no later than 2 years after the occurrence or the termination of an alleged civil rights violation or the breach of a conciliation agreement or Assurance of Voluntary Compliance entered into under this Act, whichever occurs last, to obtain relief with respect to the alleged civil rights violation or breach.

(2) Prior to initiating a civil action, the Attorney General shall conduct a preliminary investigation to determine whether there is reasonable cause to believe that any person or group of persons is engaged in a pattern and practice of discrimination declared unlawful by this Act and whether the dispute can be resolved without litigation. In conducting this investigation, the Attorney General may:

(a) require the individual or entity to file a statement or report in writing under oath or otherwise, as to all information the Attorney General may consider necessary;

(b) examine under oath any person alleged to have participated in or with knowledge of the alleged pattern and practice violation; or

(c) issue subpoenas or conduct hearings in aid of any investigation.

(3) Service by the Attorney General of any notice requiring a person to file a statement or report, or of a subpoena upon any person, shall be made:

(a) personally by delivery of a duly executed copy thereof to the person to be served or, if a person is not a natural person, in the manner provided in the Code of Civil Procedure when a complaint is filed; or

(b) by mailing by certified mail a duly executed copy thereof to the person to be served at his or her last known abode or principal place of business within this State.

(4) In lieu of a civil action, the individual or entity alleged to have engaged in a pattern or practice of discrimination deemed violative of this Act may enter into an Assurance of Voluntary Compliance with respect to the alleged pattern or practice violation.

(5) The Illinois Attorney General may commence a civil action under this subsection (A) whether or not a charge has been filed under Sections 7A-102 or 7B-102 and without regard to the status of any charge, however, if the Department or local agency has obtained a conciliation or settlement agreement or if the parties have entered into an Assurance of Voluntary Compliance no action may be filed under this subsection (A) with respect to the alleged civil rights violation practice that forms the basis for the complaint except for the purpose of enforcing the terms of the conciliation or settlement agreement or the terms of the Assurance of Voluntary Compliance.

(6) If any person fails or refuses to file any statement or report, or obey any subpoena, issued pursuant to subdivision (A)(2) of this Section, the Attorney General will be deemed to have met the requirement of conducting a preliminary investigation and may proceed to initiate a civil action pursuant to subdivision (A)(1) of this Section.

(B) Relief which may be granted.

(1) In any civil action brought pursuant to subsection (A) of this Section, the Attorney General may obtain as a remedy, equitable relief (including any permanent or preliminary injunction, temporary restraining order, or other order, including an order enjoining the defendant from engaging in such civil

rights violation or ordering any action as may be appropriate). In addition, the Attorney General may request and the Court may impose a civil penalty to vindicate the public interest:

(a) in an amount not exceeding \$10,000 if the defendant has not been adjudged to have committed any prior civil rights violations under the provision of the Act that is the basis of the complaint;

(b) in an amount not exceeding \$25,000 if the defendant has been adjudged to have committed one other civil rights violation under the provision of the Act within 5 years of the occurrence of the civil rights violation that is the basis of the complaint; and

(c) in an amount not exceeding \$50,000 if the defendant has been adjudged to have committed 2 or more civil rights violations under the provision of the Act within 5 years of the occurrence of the civil rights violation that is the basis of the complaint.

(2) A civil penalty imposed under subdivision (B)(1) of this Section shall be deposited into the Attorney General Court Ordered and Voluntary Compliance Payment Projects Fund, which is a special fund in the State Treasury. Moneys in the Fund shall be used, subject to appropriation, for the performance of any function pertaining to the exercise of the duties of the Attorney General including but not limited to enforcement of any law of this State and conducting public education programs; however, any moneys in the Fund that are required by the court or by an agreement to be used for a particular purpose shall be used for that purpose.

(3) Aggrieved parties seeking actual damages must follow the procedure set out in Sections 7A-102 or 7B-102 for filing a charge.

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

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 2 was adopted and the bill, as amended, was again advanced to the order of Third Reading.

SENATE BILL 3064. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Executive, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 3064 by replacing everything after the enacting clause with the following:

"Section 5. The Election Code is amended by changing Section 28-1 and by adding Section 28-14 as follows:

(10 ILCS 5/28-1) (from Ch. 46, par. 28-1)

Sec. 28-1. The initiation and submission of all public questions to be voted upon by the electors of the State or of any political subdivision or district or precinct or combination of precincts shall be subject to the provisions of this Article.

Questions of public policy which have any legal effect shall be submitted to referendum only as authorized by a statute which so provides or by the Constitution. Advisory questions of public policy shall be submitted to referendum pursuant to Section 28-5 or pursuant to a statute which so provides.

The method of initiating the submission of a public question shall be as provided by the statute authorizing such public question, or as provided by the Constitution.

All public questions shall be initiated, submitted and printed on the ballot in the form required by Section 16-7 of this Act, except as may otherwise be specified in the statute authorizing a public question.

Whenever a statute provides for the initiation of a public question by a petition of electors, the provisions of such statute shall govern with respect to the number of signatures required, the qualifications of persons entitled to sign the petition, the contents of the petition, the officer with whom the petition must be filed, and the form of the question to be submitted. If such statute does not specify any of the foregoing petition requirements, the corresponding petition requirements of Section 28-6 shall govern such petition.

Irrespective of the method of initiation, not more than 3 public questions other than (a) back door referenda, (b) referenda to determine whether a disconnection may take place where a city coterminous with a township is proposing to annex territory from an adjacent township, (c) referenda held under the provisions of the Property Tax Extension Limitation Law in the Property Tax Code, or (d) referenda held under Section 2-3002 of the Counties Code may be submitted to referendum with respect to a political subdivision at the same election.

If more than 3 propositions are timely initiated or certified for submission at an election with respect to a

political subdivision, the first 3 validly initiated, by the filing of a petition or by the adoption of a resolution or ordinance of a political subdivision, as the case may be, shall be printed on the ballot and submitted at that election. However, except as expressly authorized by law not more than one proposition to change the form of government of a municipality pursuant to Article VII of the Constitution may be submitted at an election. If more than one such proposition is timely initiated or certified for submission at an election with respect to a municipality, the first validly initiated shall be the one printed on the ballot and submitted at that election.

No public question shall be submitted to the voters of a political subdivision at any regularly scheduled election at which such voters are not scheduled to cast votes for any candidates for nomination for, election to or retention in public office, except that if, in any existing or proposed political subdivision in which the submission of a public question at a regularly scheduled election is desired, the voters of only a portion of such existing or proposed political subdivision are not scheduled to cast votes for nomination for, election to or retention in public office at such election, but the voters in one or more other portions of such existing or proposed political subdivision are scheduled to cast votes for nomination for, election to or retention in public office at such election, the public question shall be voted upon by all the qualified voters of the entire existing or proposed political subdivision at the election.

Not more than 3 advisory public questions may be submitted to the voters of the entire state at a general election. If more than 3 such advisory propositions are initiated, the first 3 timely and validly initiated shall be the questions printed on the ballot and submitted at that election; provided however, that a question for a proposed amendment to Article IV of the Constitution pursuant to Section 3, Article XIV of the Constitution, ~~or for~~ a question submitted under the Property Tax Cap Referendum Law, or a question submitted under Section 28-14 of this Code shall not be included in the foregoing limitation.

(Source: P.A. 93-308, eff. 7-23-03.)

(10 ILCS 5/28-14 new)

Sec. 28-14. Treatment-on-demand referendum.

(a) An advisory referendum on the following question shall be held in every county at the general election in 2004:

"Shall the Illinois State Government provide adequate funding for comprehensive and appropriate substance abuse treatment for any Illinois State resident requesting services from a licensed provider, community-based organization, or medical care facility within the State?"

Votes shall be recorded as "Yes" or "No".

(b) The State Board of Elections shall certify the question to the proper election officials who shall submit the question in accordance with the general election law.

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

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 3077. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Consumer Protection, adopted and printed:

AMENDMENT NO. 1. Amend Senate Bill 3077 by replacing everything after the enacting clause with the following:

"Section 5. The Mortgage Insurance Limitation and Notification Act is amended by adding Section 17 as follows:

(765 ILCS 930/17 new)

Sec. 17. Insurance coverage.

(a) No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

(b) Any person harmed by a violation of this Section shall be entitled to obtain injunctive relief and may recover damages and reasonable attorney's fees and costs.

(c) A violation of this Section does not affect the validity of the loan, note secured by a deed of trust, mortgage, or deed of trust.

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

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 86. Having been printed, was taken up and read by title a second time.
Representative John Bradley offered the following amendment and moved its adoption:

AMENDMENT NO. 1 . Amend Senate Bill 86 by replacing everything after the enacting clause with the following:

"Section 5. The School Code is amended by changing Section 18-8.05 as follows:

(105 ILCS 5/18-8.05)

Sec. 18-8.05. Basis for apportionment of general State financial aid and supplemental general State aid to the common schools for the 1998-1999 and subsequent school years.

(A) General Provisions.

(1) The provisions of this Section apply to the 1998-1999 and subsequent school years. The system of general State financial aid provided for in this Section is designed to assure that, through a combination of State financial aid and required local resources, the financial support provided each pupil in Average Daily Attendance equals or exceeds a prescribed per pupil Foundation Level. This formula approach imputes a level of per pupil Available Local Resources and provides for the basis to calculate a per pupil level of general State financial aid that, when added to Available Local Resources, equals or exceeds the Foundation Level. The amount of per pupil general State financial aid for school districts, in general, varies in inverse relation to Available Local Resources. Per pupil amounts are based upon each school district's Average Daily Attendance as that term is defined in this Section.

(2) In addition to general State financial aid, school districts with specified levels or concentrations of pupils from low income households are eligible to receive supplemental general State financial aid grants as provided pursuant to subsection (H). The supplemental State aid grants provided for school districts under subsection (H) shall be appropriated for distribution to school districts as part of the same line item in which the general State financial aid of school districts is appropriated under this Section.

(3) To receive financial assistance under this Section, school districts are required to file claims with the State Board of Education, subject to the following requirements:

(a) Any school district which fails for any given school year to maintain school as required by law, or to maintain a recognized school is not eligible to file for such school year any claim upon the Common School Fund. In case of nonrecognition of one or more attendance centers in a school district otherwise operating recognized schools, the claim of the district shall be reduced in the proportion which the Average Daily Attendance in the attendance center or centers bear to the Average Daily Attendance in the school district. A "recognized school" means any public school which meets the standards as established for recognition by the State Board of Education. A school district or attendance center not having recognition status at the end of a school term is entitled to receive State aid payments due upon a legal claim which was filed while it was recognized.

(b) School district claims filed under this Section are subject to Sections 18-9, 18-10, and 18-12, except as otherwise provided in this Section.

(c) If a school district operates a full year school under Section 10-19.1, the general State aid to the school district shall be determined by the State Board of Education in accordance with this Section as near as may be applicable.

(d) (Blank).

(4) Except as provided in subsections (H) and (L), the board of any district receiving any of the grants provided for in this Section may apply those funds to any fund so received for which that board is authorized to make expenditures by law.

School districts are not required to exert a minimum Operating Tax Rate in order to qualify for assistance under this Section.

(5) As used in this Section the following terms, when capitalized, shall have the meaning ascribed herein:

(a) "Average Daily Attendance": A count of pupil attendance in school, averaged as provided for in subsection (C) and utilized in deriving per pupil financial support levels.

(b) "Available Local Resources": A computation of local financial support, calculated on the basis of Average Daily Attendance and derived as provided pursuant to subsection (D).

(c) "Corporate Personal Property Replacement Taxes": Funds paid to local school districts pursuant to "An Act in relation to the abolition of ad valorem personal property tax and the replacement of revenues lost thereby, and amending and repealing certain Acts and parts of Acts in connection therewith", certified August 14, 1979, as amended (Public Act 81-1st S.S.-1).

(d) "Foundation Level": A prescribed level of per pupil financial support as provided for in subsection (B).

(e) "Operating Tax Rate": All school district property taxes extended for all purposes, except Bond and Interest, Summer School, Rent, Capital Improvement, and Vocational Education Building purposes.

(B) Foundation Level.

(1) The Foundation Level is a figure established by the State representing the minimum level of per pupil financial support that should be available to provide for the basic education of each pupil in Average Daily Attendance. As set forth in this Section, each school district is assumed to exert a sufficient local taxing effort such that, in combination with the aggregate of general State financial aid provided the district, an aggregate of State and local resources are available to meet the basic education needs of pupils in the district.

(2) For the 1998-1999 school year, the Foundation Level of support is \$4,225. For the 1999-2000 school year, the Foundation Level of support is \$4,325. For the 2000-2001 school year, the Foundation Level of support is \$4,425.

(3) For the 2001-2002 school year and 2002-2003 school year, the Foundation Level of support is \$4,560.

(4) For the 2003-2004 school year and each school year thereafter, the Foundation Level of support is \$4,810 or such greater amount as may be established by law by the General Assembly.

(C) Average Daily Attendance.

(1) For purposes of calculating general State aid pursuant to subsection (E), an Average Daily Attendance figure shall be utilized. The Average Daily Attendance figure for formula calculation purposes shall be the monthly average of the actual number of pupils in attendance of each school district, as further averaged for the best 3 months of pupil attendance for each school district. In compiling the figures for the number of pupils in attendance, school districts and the State Board of Education shall, for purposes of general State aid funding, conform attendance figures to the requirements of subsection (F).

(2) The Average Daily Attendance figures utilized in subsection (E) shall be the requisite attendance data for the school year immediately preceding the school year for which general State aid is being calculated or the average of the attendance data for the 3 preceding school years, whichever is greater. The Average Daily Attendance figures utilized in subsection (H) shall be the requisite attendance data for the school year immediately preceding the school year for which general State aid is being calculated.

(D) Available Local Resources.

(1) For purposes of calculating general State aid pursuant to subsection (E), a representation of Available Local Resources per pupil, as that term is defined and determined in this subsection, shall be utilized. Available Local Resources per pupil shall include a calculated dollar amount representing local school district revenues from local property taxes and from Corporate Personal Property Replacement Taxes, expressed on the basis of pupils in Average Daily Attendance.

(2) In determining a school district's revenue from local property taxes, the State Board of Education shall utilize the equalized assessed valuation of all taxable property of each school district as of September 30 of the previous year. The equalized assessed valuation utilized shall be obtained and determined as provided in subsection (G).

(3) For school districts maintaining grades kindergarten through 12, local property tax revenues per pupil shall be calculated as the product of the applicable equalized assessed valuation for the district multiplied by 3.00%, and divided by the district's Average Daily Attendance figure. For school districts maintaining grades kindergarten through 8, local property tax revenues per pupil shall be calculated as the product of the applicable equalized assessed valuation for the district multiplied by 2.30%, and divided by the district's Average Daily Attendance figure. For school districts maintaining grades 9 through 12, local property tax revenues per pupil shall be the applicable equalized assessed valuation of the district multiplied by 1.05%, and divided by the district's Average Daily Attendance figure.

(4) The Corporate Personal Property Replacement Taxes paid to each school district during the calendar year 2 years before the calendar year in which a school year begins, divided by the Average Daily Attendance figure for that district, shall be added to the local property tax revenues per pupil as derived by the application of the immediately preceding paragraph (3). The sum of these per pupil figures for each

school district shall constitute Available Local Resources as that term is utilized in subsection (E) in the calculation of general State aid.

(E) Computation of General State Aid.

(1) For each school year, the amount of general State aid allotted to a school district shall be computed by the State Board of Education as provided in this subsection.

(2) For any school district for which Available Local Resources per pupil is less than the product of 0.93 times the Foundation Level, general State aid for that district shall be calculated as an amount equal to the Foundation Level minus Available Local Resources, multiplied by the Average Daily Attendance of the school district.

(3) For any school district for which Available Local Resources per pupil is equal to or greater than the product of 0.93 times the Foundation Level and less than the product of 1.75 times the Foundation Level, the general State aid per pupil shall be a decimal proportion of the Foundation Level derived using a linear algorithm. Under this linear algorithm, the calculated general State aid per pupil shall decline in direct linear fashion from 0.07 times the Foundation Level for a school district with Available Local Resources equal to the product of 0.93 times the Foundation Level, to 0.05 times the Foundation Level for a school district with Available Local Resources equal to the product of 1.75 times the Foundation Level. The allocation of general State aid for school districts subject to this paragraph 3 shall be the calculated general State aid per pupil figure multiplied by the Average Daily Attendance of the school district.

(4) For any school district for which Available Local Resources per pupil equals or exceeds the product of 1.75 times the Foundation Level, the general State aid for the school district shall be calculated as the product of \$218 multiplied by the Average Daily Attendance of the school district.

(5) The amount of general State aid allocated to a school district for the 1999-2000 school year meeting the requirements set forth in paragraph (4) of subsection (G) shall be increased by an amount equal to the general State aid that would have been received by the district for the 1998-1999 school year by utilizing the Extension Limitation Equalized Assessed Valuation as calculated in paragraph (4) of subsection (G) less the general State aid allotted for the 1998-1999 school year. This amount shall be deemed a one time increase, and shall not affect any future general State aid allocations.

(F) Compilation of Average Daily Attendance.

(1) Each school district shall, by July 1 of each year, submit to the State Board of Education, on forms prescribed by the State Board of Education, attendance figures for the school year that began in the preceding calendar year. The attendance information so transmitted shall identify the average daily attendance figures for each month of the school year. Beginning with the general State aid claim form for the 2002-2003 school year, districts shall calculate Average Daily Attendance as provided in subdivisions (a), (b), and (c) of this paragraph (1).

(a) In districts that do not hold year-round classes, days of attendance in August shall be added to the month of September and any days of attendance in June shall be added to the month of May.

(b) In districts in which all buildings hold year-round classes, days of attendance in July and August shall be added to the month of September and any days of attendance in June shall be added to the month of May.

(c) In districts in which some buildings, but not all, hold year-round classes, for the non-year-round buildings, days of attendance in August shall be added to the month of September and any days of attendance in June shall be added to the month of May. The average daily attendance for the year-round buildings shall be computed as provided in subdivision (b) of this paragraph (1). To calculate the Average Daily Attendance for the district, the average daily attendance for the year-round buildings shall be multiplied by the days in session for the non-year-round buildings for each month and added to the monthly attendance of the non-year-round buildings.

Except as otherwise provided in this Section, days of attendance by pupils shall be counted only for sessions of not less than 5 clock hours of school work per day under direct supervision of: (i) teachers, or (ii) non-teaching personnel or volunteer personnel when engaging in non-teaching duties and supervising in those instances specified in subsection (a) of Section 10-22.34 and paragraph 10 of Section 34-18, with pupils of legal school age and in kindergarten and grades 1 through 12.

Days of attendance by tuition pupils shall be accredited only to the districts that pay the tuition to a recognized school.

(2) Days of attendance by pupils of less than 5 clock hours of school shall be subject to the following provisions in the compilation of Average Daily Attendance.

(a) Pupils regularly enrolled in a public school for only a part of the school day may

be counted on the basis of 1/6 day for every class hour of instruction of 40 minutes or more attended pursuant to such enrollment, unless a pupil is enrolled in a block-schedule format of 80 minutes or more of instruction, in which case the pupil may be counted on the basis of the proportion of minutes of school work completed each day to the minimum number of minutes that school work is required to be held that day.

(b) Days of attendance may be less than 5 clock hours on the opening and closing of the school term, and upon the first day of pupil attendance, if preceded by a day or days utilized as an institute or teachers' workshop.

(c) A session of 4 or more clock hours may be counted as a day of attendance upon certification by the regional superintendent, and approved by the State Superintendent of Education to the extent that the district has been forced to use daily multiple sessions.

(d) A session of 3 or more clock hours may be counted as a day of attendance (1) when the remainder of the school day or at least 2 hours in the evening of that day is utilized for an in-service training program for teachers, up to a maximum of 5 days per school year of which a maximum of 4 days of such 5 days may be used for parent-teacher conferences, provided a district conducts an in-service training program for teachers which has been approved by the State Superintendent of Education; or, in lieu of 4 such days, 2 full days may be used, in which event each such day may be counted as a day of attendance; and (2) when days in addition to those provided in item (1) are scheduled by a school pursuant to its school improvement plan adopted under Article 34 or its revised or amended school improvement plan adopted under Article 2, provided that (i) such sessions of 3 or more clock hours are scheduled to occur at regular intervals, (ii) the remainder of the school days in which such sessions occur are utilized for in-service training programs or other staff development activities for teachers, and (iii) a sufficient number of minutes of school work under the direct supervision of teachers are added to the school days between such regularly scheduled sessions to accumulate not less than the number of minutes by which such sessions of 3 or more clock hours fall short of 5 clock hours. Any full days used for the purposes of this paragraph shall not be considered for computing average daily attendance. Days scheduled for in-service training programs, staff development activities, or parent-teacher conferences may be scheduled separately for different grade levels and different attendance centers of the district.

(e) A session of not less than one clock hour of teaching hospitalized or homebound pupils on-site or by telephone to the classroom may be counted as 1/2 day of attendance, however these pupils must receive 4 or more clock hours of instruction to be counted for a full day of attendance.

(f) A session of at least 4 clock hours may be counted as a day of attendance for first grade pupils, and pupils in full day kindergartens, and a session of 2 or more hours may be counted as 1/2 day of attendance by pupils in kindergartens which provide only 1/2 day of attendance.

(g) For children with disabilities who are below the age of 6 years and who cannot attend 2 or more clock hours because of their disability or immaturity, a session of not less than one clock hour may be counted as 1/2 day of attendance; however for such children whose educational needs so require a session of 4 or more clock hours may be counted as a full day of attendance.

(h) A recognized kindergarten which provides for only 1/2 day of attendance by each pupil shall not have more than 1/2 day of attendance counted in any one day. However, kindergartens may count 2 1/2 days of attendance in any 5 consecutive school days. When a pupil attends such a kindergarten for 2 half days on any one school day, the pupil shall have the following day as a day absent from school, unless the school district obtains permission in writing from the State Superintendent of Education. Attendance at kindergartens which provide for a full day of attendance by each pupil shall be counted the same as attendance by first grade pupils. Only the first year of attendance in one kindergarten shall be counted, except in case of children who entered the kindergarten in their fifth year whose educational development requires a second year of kindergarten as determined under the rules and regulations of the State Board of Education.

(G) Equalized Assessed Valuation Data.

(1) For purposes of the calculation of Available Local Resources required pursuant to subsection (D), the State Board of Education shall secure from the Department of Revenue the value as equalized or assessed by the Department of Revenue of all taxable property of every school district, together with (i) the applicable tax rate used in extending taxes for the funds of the district as of September 30 of the previous year and (ii) the limiting rate for all school districts subject to property tax extension limitations as imposed under the Property Tax Extension Limitation Law.

This equalized assessed valuation, as adjusted further by the requirements of this subsection, shall be utilized in the calculation of Available Local Resources.

(2) The equalized assessed valuation in paragraph (1) shall be adjusted, as applicable, in the following manner:

(a) For the purposes of calculating State aid under this Section, with respect to any part of a school district within a redevelopment project area in respect to which a municipality has adopted tax increment allocation financing pursuant to the Tax Increment Allocation Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11 of the Illinois Municipal Code or the Industrial Jobs Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the Illinois Municipal Code, no part of the current equalized assessed valuation of real property located in any such project area which is attributable to an increase above the total initial equalized assessed valuation of such property shall be used as part of the equalized assessed valuation of the district, until such time as all redevelopment project costs have been paid, as provided in Section 11-74.4-8 of the Tax Increment Allocation Redevelopment Act or in Section 11-74.6-35 of the Industrial Jobs Recovery Law. For the purpose of the equalized assessed valuation of the district, the total initial equalized assessed valuation or the current equalized assessed valuation, whichever is lower, shall be used until such time as all redevelopment project costs have been paid.

(b) The real property equalized assessed valuation for a school district shall be adjusted by subtracting from the real property value as equalized or assessed by the Department of Revenue for the district an amount computed by dividing the amount of any abatement of taxes under Section 18-170 of the Property Tax Code by 3.00% for a district maintaining grades kindergarten through 12, by 2.30% for a district maintaining grades kindergarten through 8, or by 1.05% for a district maintaining grades 9 through 12 and adjusted by an amount computed by dividing the amount of any abatement of taxes under subsection (a) of Section 18-165 of the Property Tax Code by the same percentage rates for district type as specified in this subparagraph (b).

(3) For the 1999-2000 school year and each school year thereafter, if a school district meets all of the criteria of this subsection (G)(3), the school district's Available Local Resources shall be calculated under subsection (D) using the district's Extension Limitation Equalized Assessed Valuation as calculated under this subsection (G)(3).

For purposes of this subsection (G)(3) the following terms shall have the following meanings:

"Budget Year": The school year for which general State aid is calculated and awarded under subsection (E).

"Base Tax Year": The property tax levy year used to calculate the Budget Year allocation of general State aid.

"Preceding Tax Year": The property tax levy year immediately preceding the Base Tax Year.

"Base Tax Year's Tax Extension": The product of the equalized assessed valuation utilized by the County Clerk in the Base Tax Year multiplied by the limiting rate as calculated by the County Clerk and defined in the Property Tax Extension Limitation Law.

"Preceding Tax Year's Tax Extension": The product of the equalized assessed valuation utilized by the County Clerk in the Preceding Tax Year multiplied by the Operating Tax Rate as defined in subsection (A).

"Extension Limitation Ratio": A numerical ratio, certified by the County Clerk, in which the numerator is the Base Tax Year's Tax Extension and the denominator is the Preceding Tax Year's Tax Extension.

"Operating Tax Rate": The operating tax rate as defined in subsection (A).

If a school district is subject to property tax extension limitations as imposed under the Property Tax Extension Limitation Law, the State Board of Education shall calculate the Extension Limitation Equalized Assessed Valuation of that district. For the 1999-2000 school year, the Extension Limitation Equalized Assessed Valuation of a school district as calculated by the State Board of Education shall be equal to the product of the district's 1996 Equalized Assessed Valuation and the district's Extension Limitation Ratio. For the 2000-2001 school year and each school year thereafter, the Extension Limitation Equalized Assessed Valuation of a school district as calculated by the State Board of Education shall be equal to the product of the Equalized Assessed Valuation last used in the calculation of general State aid and the district's Extension Limitation Ratio. If the Extension Limitation Equalized Assessed Valuation of a school district as calculated under this subsection (G)(3) is less than the district's equalized assessed valuation as calculated pursuant to subsections (G)(1) and (G)(2), then for purposes of calculating the district's general State aid for the Budget Year pursuant to subsection (E), that Extension Limitation Equalized Assessed Valuation shall be utilized to calculate the district's Available Local Resources under subsection (D).

(4) For the purposes of calculating general State aid for the 1999-2000 school year only, if a school district experienced a triennial reassessment on the equalized assessed valuation used in calculating its general State financial aid apportionment for the 1998-1999 school year, the State Board of Education shall calculate the Extension Limitation Equalized Assessed Valuation that would have been used to calculate the district's 1998-1999 general State aid. This amount shall equal the product of the equalized assessed valuation used to calculate general State aid for the 1997-1998 school year and the district's Extension Limitation Ratio. If the Extension Limitation Equalized Assessed Valuation of the school district as calculated under this paragraph (4) is less than the district's equalized assessed valuation utilized in calculating the district's 1998-1999 general State aid allocation, then for purposes of calculating the district's general State aid pursuant to paragraph (5) of subsection (E), that Extension Limitation Equalized Assessed Valuation shall be utilized to calculate the district's Available Local Resources.

(5) For school districts having a majority of their equalized assessed valuation in any county except Cook, DuPage, Kane, Lake, McHenry, or Will, if the amount of general State aid allocated to the school district for the 1999-2000 school year under the provisions of subsection (E), (H), and (J) of this Section is less than the amount of general State aid allocated to the district for the 1998-1999 school year under these subsections, then the general State aid of the district for the 1999-2000 school year only shall be increased by the difference between these amounts. The total payments made under this paragraph (5) shall not exceed \$14,000,000. Claims shall be prorated if they exceed \$14,000,000.

(H) Supplemental General State Aid.

(1) In addition to the general State aid a school district is allotted pursuant to subsection (E), qualifying school districts shall receive a grant, paid in conjunction with a district's payments of general State aid, for supplemental general State aid based upon the concentration level of children from low-income households within the school district. Supplemental State aid grants provided for school districts under this subsection shall be appropriated for distribution to school districts as part of the same line item in which the general State financial aid of school districts is appropriated under this Section. If the appropriation in any fiscal year for general State aid and supplemental general State aid is insufficient to pay the amounts required under the general State aid and supplemental general State aid calculations, then the State Board of Education shall ensure that each school district receives the full amount due for general State aid and the remainder of the appropriation shall be used for supplemental general State aid, which the State Board of Education shall calculate and pay to eligible districts on a prorated basis.

(1.5) This paragraph (1.5) applies only to those school years preceding the 2003-2004 school year. For purposes of this subsection (H), the term "Low-Income Concentration Level" shall be the low-income eligible pupil count from the most recently available federal census divided by the Average Daily Attendance of the school district. If, however, (i) the percentage decrease from the 2 most recent federal censuses in the low-income eligible pupil count of a high school district with fewer than 400 students exceeds by 75% or more the percentage change in the total low-income eligible pupil count of contiguous elementary school districts, whose boundaries are coterminous with the high school district, or (ii) a high school district within 2 counties and serving 5 elementary school districts, whose boundaries are coterminous with the high school district, has a percentage decrease from the 2 most recent federal censuses in the low-income eligible pupil count and there is a percentage increase in the total low-income eligible pupil count of a majority of the elementary school districts in excess of 50% from the 2 most recent federal censuses, then the high school district's low-income eligible pupil count from the earlier federal census shall be the number used as the low-income eligible pupil count for the high school district, for purposes of this subsection (H). The changes made to this paragraph (1) by Public Act 92-28 shall apply to supplemental general State aid grants for school years preceding the 2003-2004 school year that are paid in fiscal year 1999 or thereafter and to any State aid payments made in fiscal year 1994 through fiscal year 1998 pursuant to subsection 1(n) of Section 18-8 of this Code (which was repealed on July 1, 1998), and any high school district that is affected by Public Act 92-28 is entitled to a recomputation of its supplemental general State aid grant or State aid paid in any of those fiscal years. This recomputation shall not be affected by any other funding.

(1.10) This paragraph (1.10) applies to the 2003-2004 school year and each school year thereafter. For purposes of this subsection (H), the term "Low-Income Concentration Level" shall, for each fiscal year, be the low-income eligible pupil count as of July 1 of the immediately preceding fiscal year (as determined by the Department of Human Services based on the number of pupils who are eligible for at least one of the following low income programs: Medicaid, KidCare, TANF, or Food Stamps, excluding pupils who are eligible for services provided by the Department of Children and Family Services, averaged over the 2 immediately preceding fiscal years for fiscal year 2004 and over the 3 immediately preceding fiscal years

for each fiscal year thereafter) divided by the Average Daily Attendance of the school district.

(2) Supplemental general State aid pursuant to this subsection (H) shall be provided as follows for the 1998-1999, 1999-2000, and 2000-2001 school years only:

(a) For any school district with a Low Income Concentration Level of at least 20% and less than 35%, the grant for any school year shall be \$800 multiplied by the low income eligible pupil count.

(b) For any school district with a Low Income Concentration Level of at least 35% and less than 50%, the grant for the 1998-1999 school year shall be \$1,100 multiplied by the low income eligible pupil count.

(c) For any school district with a Low Income Concentration Level of at least 50% and less than 60%, the grant for the 1998-99 school year shall be \$1,500 multiplied by the low income eligible pupil count.

(d) For any school district with a Low Income Concentration Level of 60% or more, the grant for the 1998-99 school year shall be \$1,900 multiplied by the low income eligible pupil count.

(e) For the 1999-2000 school year, the per pupil amount specified in subparagraphs (b), (c), and (d) immediately above shall be increased to \$1,243, \$1,600, and \$2,000, respectively.

(f) For the 2000-2001 school year, the per pupil amounts specified in subparagraphs (b), (c), and (d) immediately above shall be \$1,273, \$1,640, and \$2,050, respectively.

(2.5) Supplemental general State aid pursuant to this subsection (H) shall be provided as follows for the 2002-2003 school year:

(a) For any school district with a Low Income Concentration Level of less than 10%, the grant for each school year shall be \$355 multiplied by the low income eligible pupil count.

(b) For any school district with a Low Income Concentration Level of at least 10% and less than 20%, the grant for each school year shall be \$675 multiplied by the low income eligible pupil count.

(c) For any school district with a Low Income Concentration Level of at least 20% and less than 35%, the grant for each school year shall be \$1,330 multiplied by the low income eligible pupil count.

(d) For any school district with a Low Income Concentration Level of at least 35% and less than 50%, the grant for each school year shall be \$1,362 multiplied by the low income eligible pupil count.

(e) For any school district with a Low Income Concentration Level of at least 50% and less than 60%, the grant for each school year shall be \$1,680 multiplied by the low income eligible pupil count.

(f) For any school district with a Low Income Concentration Level of 60% or more, the grant for each school year shall be \$2,080 multiplied by the low income eligible pupil count.

(2.10) Except as otherwise provided, supplemental general State aid pursuant to this subsection (H) shall be provided as follows for the 2003-2004 school year and each school year thereafter:

(a) For any school district with a Low Income Concentration Level of 15% or less, the grant for each school year shall be \$355 multiplied by the low income eligible pupil count.

(b) For any school district with a Low Income Concentration Level greater than 15%, the grant for each school year shall be \$294.25 added to the product of \$2,700 and the square of the Low Income Concentration Level, all multiplied by the low income eligible pupil count.

For the 2003-2004 school year and each school year thereafter only, the grant shall be no less than the grant for the 2002-2003 school year. ~~For the 2004-2005 school year only, the grant shall be no less than the grant for the 2002-2003 school year multiplied by 0.66. For the 2005-2006 school year only, the grant shall be no less than the grant for the 2002-2003 school year multiplied by 0.33.~~

For the 2003-2004 school year only, the grant shall be no greater than the grant received during the 2002-2003 school year added to the product of 0.25 multiplied by the difference between the grant amount calculated under subsection (a) or (b) of this paragraph (2.10), whichever is applicable, and the grant received during the 2002-2003 school year. For the 2004-2005 school year only, the grant shall be no greater than the grant received during the 2002-2003 school year added to the product of 0.50 multiplied by the difference between the grant amount calculated under subsection (a) or (b) of this paragraph (2.10), whichever is applicable, and the grant received during the 2002-2003 school year. For the 2005-2006 school year only, the grant shall be no greater than the grant received during the 2002-2003 school year added to the product of 0.75 multiplied by the difference between the grant amount calculated under subsection (a) or (b) of this paragraph (2.10), whichever is applicable, and the grant received during the

2002-2003 school year.

(3) School districts with an Average Daily Attendance of more than 1,000 and less than 50,000 that qualify for supplemental general State aid pursuant to this subsection shall submit a plan to the State Board of Education prior to October 30 of each year for the use of the funds resulting from this grant of supplemental general State aid for the improvement of instruction in which priority is given to meeting the education needs of disadvantaged children. Such plan shall be submitted in accordance with rules and regulations promulgated by the State Board of Education.

(4) School districts with an Average Daily Attendance of 50,000 or more that qualify for supplemental general State aid pursuant to this subsection shall be required to distribute from funds available pursuant to this Section, no less than \$261,000,000 in accordance with the following requirements:

(a) The required amounts shall be distributed to the attendance centers within the district in proportion to the number of pupils enrolled at each attendance center who are eligible to receive free or reduced-price lunches or breakfasts under the federal Child Nutrition Act of 1966 and under the National School Lunch Act during the immediately preceding school year.

(b) The distribution of these portions of supplemental and general State aid among attendance centers according to these requirements shall not be compensated for or contravened by adjustments of the total of other funds appropriated to any attendance centers, and the Board of Education shall utilize funding from one or several sources in order to fully implement this provision annually prior to the opening of school.

(c) Each attendance center shall be provided by the school district a distribution of noncategorical funds and other categorical funds to which an attendance center is entitled under law in order that the general State aid and supplemental general State aid provided by application of this subsection supplements rather than supplants the noncategorical funds and other categorical funds provided by the school district to the attendance centers.

(d) Any funds made available under this subsection that by reason of the provisions of this subsection are not required to be allocated and provided to attendance centers may be used and appropriated by the board of the district for any lawful school purpose.

(e) Funds received by an attendance center pursuant to this subsection shall be used by the attendance center at the discretion of the principal and local school council for programs to improve educational opportunities at qualifying schools through the following programs and services: early childhood education, reduced class size or improved adult to student classroom ratio, enrichment programs, remedial assistance, attendance improvement, and other educationally beneficial expenditures which supplement the regular and basic programs as determined by the State Board of Education. Funds provided shall not be expended for any political or lobbying purposes as defined by board rule.

(f) Each district subject to the provisions of this subdivision (H)(4) shall submit an acceptable plan to meet the educational needs of disadvantaged children, in compliance with the requirements of this paragraph, to the State Board of Education prior to July 15 of each year. This plan shall be consistent with the decisions of local school councils concerning the school expenditure plans developed in accordance with part 4 of Section 34-2.3. The State Board shall approve or reject the plan within 60 days after its submission. If the plan is rejected, the district shall give written notice of intent to modify the plan within 15 days of the notification of rejection and then submit a modified plan within 30 days after the date of the written notice of intent to modify. Districts may amend approved plans pursuant to rules promulgated by the State Board of Education.

Upon notification by the State Board of Education that the district has not submitted a plan prior to July 15 or a modified plan within the time period specified herein, the State aid funds affected by that plan or modified plan shall be withheld by the State Board of Education until a plan or modified plan is submitted.

If the district fails to distribute State aid to attendance centers in accordance with an approved plan, the plan for the following year shall allocate funds, in addition to the funds otherwise required by this subsection, to those attendance centers which were underfunded during the previous year in amounts equal to such underfunding.

For purposes of determining compliance with this subsection in relation to the requirements of attendance center funding, each district subject to the provisions of this subsection shall submit as a separate document by December 1 of each year a report of expenditure data for the prior year in addition to any modification of its current plan. If it is determined that there has been a failure to comply with the expenditure provisions of this subsection regarding contravention or supplanting, the State Superintendent of Education shall, within 60 days of receipt of the report, notify the district and

any affected local school council. The district shall within 45 days of receipt of that notification inform the State Superintendent of Education of the remedial or corrective action to be taken, whether by amendment of the current plan, if feasible, or by adjustment in the plan for the following year. Failure to provide the expenditure report or the notification of remedial or corrective action in a timely manner shall result in a withholding of the affected funds.

The State Board of Education shall promulgate rules and regulations to implement the provisions of this subsection. No funds shall be released under this subdivision (H)(4) to any district that has not submitted a plan that has been approved by the State Board of Education.

(I) General State Aid for Newly Configured School Districts.

(1) For a new school district formed by combining property included totally within 2 or more previously existing school districts, for its first year of existence the general State aid and supplemental general State aid calculated under this Section shall be computed for the new district and for the previously existing districts for which property is totally included within the new district. If the computation on the basis of the previously existing districts is greater, a supplementary payment equal to the difference shall be made for the first 4 years of existence of the new district.

(2) For a school district which annexes all of the territory of one or more entire other school districts, for the first year during which the change of boundaries attributable to such annexation becomes effective for all purposes as determined under Section 7-9 or 7A-8, the general State aid and supplemental general State aid calculated under this Section shall be computed for the annexing district as constituted after the annexation and for the annexing and each annexed district as constituted prior to the annexation; and if the computation on the basis of the annexing and annexed districts as constituted prior to the annexation is greater, a supplementary payment equal to the difference shall be made for the first 4 years of existence of the annexing school district as constituted upon such annexation.

(3) For 2 or more school districts which annex all of the territory of one or more entire other school districts, and for 2 or more community unit districts which result upon the division (pursuant to petition under Section 11A-2) of one or more other unit school districts into 2 or more parts and which together include all of the parts into which such other unit school district or districts are so divided, for the first year during which the change of boundaries attributable to such annexation or division becomes effective for all purposes as determined under Section 7-9 or 11A-10, as the case may be, the general State aid and supplemental general State aid calculated under this Section shall be computed for each annexing or resulting district as constituted after the annexation or division and for each annexing and annexed district, or for each resulting and divided district, as constituted prior to the annexation or division; and if the aggregate of the general State aid and supplemental general State aid as so computed for the annexing or resulting districts as constituted after the annexation or division is less than the aggregate of the general State aid and supplemental general State aid as so computed for the annexing and annexed districts, or for the resulting and divided districts, as constituted prior to the annexation or division, then a supplementary payment equal to the difference shall be made and allocated between or among the annexing or resulting districts, as constituted upon such annexation or division, for the first 4 years of their existence. The total difference payment shall be allocated between or among the annexing or resulting districts in the same ratio as the pupil enrollment from that portion of the annexed or divided district or districts which is annexed to or included in each such annexing or resulting district bears to the total pupil enrollment from the entire annexed or divided district or districts, as such pupil enrollment is determined for the school year last ending prior to the date when the change of boundaries attributable to the annexation or division becomes effective for all purposes. The amount of the total difference payment and the amount thereof to be allocated to the annexing or resulting districts shall be computed by the State Board of Education on the basis of pupil enrollment and other data which shall be certified to the State Board of Education, on forms which it shall provide for that purpose, by the regional superintendent of schools for each educational service region in which the annexing and annexed districts, or resulting and divided districts are located.

(3.5) Claims for financial assistance under this subsection (I) shall not be recomputed except as expressly provided under this Section.

(4) Any supplementary payment made under this subsection (I) shall be treated as separate from all other payments made pursuant to this Section.

(J) Supplementary Grants in Aid.

(1) Notwithstanding any other provisions of this Section, the amount of the aggregate general State aid in combination with supplemental general State aid under this Section for which each school district is eligible shall be no less than the amount of the aggregate general State aid entitlement that was received by the district under Section 18-8 (exclusive of amounts received under subsections 5(p) and 5(p-5) of that

Section) for the 1997-98 school year, pursuant to the provisions of that Section as it was then in effect. If a school district qualifies to receive a supplementary payment made under this subsection (J), the amount of the aggregate general State aid in combination with supplemental general State aid under this Section which that district is eligible to receive for each school year shall be no less than the amount of the aggregate general State aid entitlement that was received by the district under Section 18-8 (exclusive of amounts received under subsections 5(p) and 5(p-5) of that Section) for the 1997-1998 school year, pursuant to the provisions of that Section as it was then in effect.

(2) If, as provided in paragraph (1) of this subsection (J), a school district is to receive aggregate general State aid in combination with supplemental general State aid under this Section for the 1998-99 school year and any subsequent school year that in any such school year is less than the amount of the aggregate general State aid entitlement that the district received for the 1997-98 school year, the school district shall also receive, from a separate appropriation made for purposes of this subsection (J), a supplementary payment that is equal to the amount of the difference in the aggregate State aid figures as described in paragraph (1).

(3) (Blank).

(K) Grants to Laboratory and Alternative Schools.

In calculating the amount to be paid to the governing board of a public university that operates a laboratory school under this Section or to any alternative school that is operated by a regional superintendent of schools, the State Board of Education shall require by rule such reporting requirements as it deems necessary.

As used in this Section, "laboratory school" means a public school which is created and operated by a public university and approved by the State Board of Education. The governing board of a public university which receives funds from the State Board under this subsection (K) may not increase the number of students enrolled in its laboratory school from a single district, if that district is already sending 50 or more students, except under a mutual agreement between the school board of a student's district of residence and the university which operates the laboratory school. A laboratory school may not have more than 1,000 students, excluding students with disabilities in a special education program.

As used in this Section, "alternative school" means a public school which is created and operated by a Regional Superintendent of Schools and approved by the State Board of Education. Such alternative schools may offer courses of instruction for which credit is given in regular school programs, courses to prepare students for the high school equivalency testing program or vocational and occupational training. A regional superintendent of schools may contract with a school district or a public community college district to operate an alternative school. An alternative school serving more than one educational service region may be established by the regional superintendents of schools of the affected educational service regions. An alternative school serving more than one educational service region may be operated under such terms as the regional superintendents of schools of those educational service regions may agree.

Each laboratory and alternative school shall file, on forms provided by the State Superintendent of Education, an annual State aid claim which states the Average Daily Attendance of the school's students by month. The best 3 months' Average Daily Attendance shall be computed for each school. The general State aid entitlement shall be computed by multiplying the applicable Average Daily Attendance by the Foundation Level as determined under this Section.

(L) Payments, Additional Grants in Aid and Other Requirements.

(1) For a school district operating under the financial supervision of an Authority created under Article 34A, the general State aid otherwise payable to that district under this Section, but not the supplemental general State aid, shall be reduced by an amount equal to the budget for the operations of the Authority as certified by the Authority to the State Board of Education, and an amount equal to such reduction shall be paid to the Authority created for such district for its operating expenses in the manner provided in Section 18-11. The remainder of general State school aid for any such district shall be paid in accordance with Article 34A when that Article provides for a disposition other than that provided by this Article.

(2) (Blank).

(3) Summer school. Summer school payments shall be made as provided in Section 18-4.3.

(M) Education Funding Advisory Board.

The Education Funding Advisory Board, hereinafter in this subsection (M) referred to as the "Board", is hereby created. The Board shall consist of 5 members who are appointed by the Governor, by and with the advice and consent of the Senate. The members appointed shall include representatives of education, business, and the general public. One of the members so appointed shall be designated by the Governor at the time the appointment is made as the chairperson of the Board. The initial members of the Board may be

appointed any time after the effective date of this amendatory Act of 1997. The regular term of each member of the Board shall be for 4 years from the third Monday of January of the year in which the term of the member's appointment is to commence, except that of the 5 initial members appointed to serve on the Board, the member who is appointed as the chairperson shall serve for a term that commences on the date of his or her appointment and expires on the third Monday of January, 2002, and the remaining 4 members, by lots drawn at the first meeting of the Board that is held after all 5 members are appointed, shall determine 2 of their number to serve for terms that commence on the date of their respective appointments and expire on the third Monday of January, 2001, and 2 of their number to serve for terms that commence on the date of their respective appointments and expire on the third Monday of January, 2000. All members appointed to serve on the Board shall serve until their respective successors are appointed and confirmed. Vacancies shall be filled in the same manner as original appointments. If a vacancy in membership occurs at a time when the Senate is not in session, the Governor shall make a temporary appointment until the next meeting of the Senate, when he or she shall appoint, by and with the advice and consent of the Senate, a person to fill that membership for the unexpired term. If the Senate is not in session when the initial appointments are made, those appointments shall be made as in the case of vacancies.

The Education Funding Advisory Board shall be deemed established, and the initial members appointed by the Governor to serve as members of the Board shall take office, on the date that the Governor makes his or her appointment of the fifth initial member of the Board, whether those initial members are then serving pursuant to appointment and confirmation or pursuant to temporary appointments that are made by the Governor as in the case of vacancies.

The State Board of Education shall provide such staff assistance to the Education Funding Advisory Board as is reasonably required for the proper performance by the Board of its responsibilities.

For school years after the 2000-2001 school year, the Education Funding Advisory Board, in consultation with the State Board of Education, shall make recommendations as provided in this subsection (M) to the General Assembly for the foundation level under subdivision (B)(3) of this Section and for the supplemental general State aid grant level under subsection (H) of this Section for districts with high concentrations of children from poverty. The recommended foundation level shall be determined based on a methodology which incorporates the basic education expenditures of low-spending schools exhibiting high academic performance. The Education Funding Advisory Board shall make such recommendations to the General Assembly on January 1 of odd numbered years, beginning January 1, 2001.

(N) (Blank).

(O) References.

(1) References in other laws to the various subdivisions of Section 18-8 as that Section existed before its repeal and replacement by this Section 18-8.05 shall be deemed to refer to the corresponding provisions of this Section 18-8.05, to the extent that those references remain applicable.

(2) References in other laws to State Chapter 1 funds shall be deemed to refer to the supplemental general State aid provided under subsection (H) of this Section.

(Source: P.A. 92-16, eff. 6-28-01; 92-28, eff. 7-1-01; 92-29, eff. 7-1-01; 92-269, eff. 8-7-01; 92-604, eff. 7-1-02; 92-636, eff. 7-11-02; 92-651, eff. 7-11-02; 93-21, eff. 7-1-03.)

Section 99. Effective date. This Act takes effect July 1, 2004."

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 31. Having been read by title a second time on May 28, 2003, and held on the order of Second Reading, the same was again taken up.

The following amendment was offered in the Committee on Revenue, adopted and printed.

AMENDMENT NO. 1 . Amend Senate Bill 31 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Section 207 as follows:

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

Sec. 207. Net Losses.

(a) If after applying all of the (i) modifications provided for in paragraph (2) of Section 203(b),

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

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

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

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

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

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

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

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

(c) Notwithstanding any other provision of this Act, for each taxable year ending on or after December 31, 2004, for purposes of computing the loss for the taxable year under subsection (a) of this Section and the deduction taken into account for the taxable year for a net operating loss carryover under paragraphs (1), (2), and (3) of subsection (a) of this Section, the loss and net operating loss carryover shall be reduced in an amount equal to the reduction to the net operating loss and net operating loss carryover to the taxable year, respectively, required under Section 108(b)(2)(A) of the Internal Revenue Code, multiplied by a fraction, the numerator of which is the amount of discharge of indebtedness income that is excluded from gross income for the taxable year (but only if the taxable year ends on or after December 31, 2004) under Section 108(a) of the Internal Revenue Code and that would have been allocated and apportioned to this State under Article 3 of this Act but for that exclusion, and the denominator of which is the total amount of discharge of indebtedness income excluded from gross income under Section 108(a) of the Internal Revenue Code for the taxable year. The reduction required under this subsection (c) shall be made after the determination of Illinois net income for the taxable year in which the indebtedness is discharged. (Source: P.A. 93-29, eff. 6-20-03.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 833. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1. Amend Senate Bill 833 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Sections 502, 711, 712, 713, 804, and 911 and by adding Section 709.5 as follows:

(35 ILCS 5/502) (from Ch. 120, par. 5-502)

Sec. 502. Returns and notices.

(a) In general. A return with respect to the taxes imposed by this Act shall be made by every person for any taxable year:

(1) for which such person is liable for a tax imposed by this Act, or

(2) in the case of a resident or in the case of a corporation which is qualified to do business in this State, for which such person is required to make a federal income tax return, regardless of whether such person is liable for a tax imposed by this Act. However, this paragraph shall not require a resident to make a return if such person has an Illinois base income of the basic amount in Section 204(b) or less and is either claimed as a dependent on another person's tax return under the Internal Revenue Code of 1986, or is claimed as a dependent on another person's tax return under this Act.

Notwithstanding the provisions of paragraph (1), a nonresident whose Illinois income tax liability under subsections (a), (b), (c), and (d) of Section 201 of this Act is paid in full after taking into account the credits allowed under subsection (f) of this Section or allowed under Section 709.5 of this Act shall not be required to file a return under this subsection (a).

(b) Fiduciaries and receivers.

(1) Decedents. If an individual is deceased, any return or notice required of such individual under this Act shall be made by his executor, administrator, or other person charged with the property of such decedent.

(2) Individuals under a disability. If an individual is unable to make a return or notice required under this Act, the return or notice required of such individual shall be made by his duly authorized agent, guardian, fiduciary or other person charged with the care of the person or property of such individual.

(3) Estates and trusts. Returns or notices required of an estate or a trust shall be made by the fiduciary thereof.

(4) Receivers, trustees and assignees for corporations. In a case where a receiver, trustee in bankruptcy, or assignee, by order of a court of competent jurisdiction, by operation of law, or otherwise, has possession of or holds title to all or substantially all the property or business of a corporation, whether or not such property or business is being operated, such receiver, trustee, or assignee shall make the returns and notices required of such corporation in the same manner and form as corporations are required to make such returns and notices.

(c) Joint returns by husband and wife.

(1) Except as provided in paragraph (3), if a husband and wife file a joint federal income tax return for a taxable year they shall file a joint return under this Act for such taxable year and their liabilities shall be joint and several, but if the federal income tax liability of either spouse is determined on a separate federal income tax return, they shall file separate returns under this Act.

(2) If neither spouse is required to file a federal income tax return and either or both are required to file a return under this Act, they may elect to file separate or joint returns and pursuant to such election their liabilities shall be separate or joint and several.

(3) If either husband or wife is a resident and the other is a nonresident, they shall file separate returns in this State on such forms as may be required by the Department in which event their tax liabilities shall be separate; but they may elect to determine their joint net income and file a joint return as if both were residents and in such case, their liabilities shall be joint and several.

(4) Innocent spouses.

(A) However, for tax liabilities arising and paid prior to August 13, 1999, an innocent spouse shall be relieved of liability for tax (including interest and penalties) for any taxable year for which a joint return has been made, upon submission of proof that the Internal Revenue Service has made a determination under Section 6013(e) of the Internal Revenue Code, for the same taxable year, which determination relieved the spouse from liability for federal income taxes. If there is no federal income tax liability at issue for the same taxable year, the Department shall rely on the provisions of Section 6013(e) to determine whether the person requesting innocent spouse abatement of tax, penalty, and interest is entitled to that relief.

(B) For tax liabilities arising on and after August 13, 1999 or which arose prior to that date, but remain unpaid as of that date, if an individual who filed a joint return for any taxable year has made an election under this paragraph, the individual's liability for any tax shown on the joint return shall not exceed the individual's separate return amount and the individual's liability for any deficiency assessed for that taxable year shall not exceed the portion of the deficiency properly allocable to the individual. For purposes of this paragraph:

(i) An election properly made pursuant to Section 6015 of the Internal Revenue Code shall constitute an election under this paragraph, provided that the election shall not be effective until the individual has notified the Department of the election in the form and manner

prescribed by the Department.

(ii) If no election has been made under Section 6015, the individual may make an election under this paragraph in the form and manner prescribed by the Department, provided that no election may be made if the Department finds that assets were transferred between individuals filing a joint return as part of a scheme by such individuals to avoid payment of Illinois income tax and the election shall not eliminate the individual's liability for any portion of a deficiency attributable to an error on the return of which the individual had actual knowledge as of the date of filing.

(iii) In determining the separate return amount or portion of any deficiency attributable to an individual, the Department shall follow the provisions in subsections (c) and (d) of Section 6015 of the Internal Revenue Code.

(iv) In determining the validity of an individual's election under subparagraph (ii) and in determining an electing individual's separate return amount or portion of any deficiency under subparagraph (iii), any determination made by the Secretary of the Treasury, by the United States Tax Court on petition for review of a determination by the Secretary of the Treasury, or on appeal from the United States Tax Court under Section 6015 of the Internal Revenue Code regarding criteria for eligibility or under subsection (d) of Section 6015 of the Internal Revenue Code regarding the allocation of any item of income, deduction, payment, or credit between an individual making the federal election and that individual's spouse shall be conclusively presumed to be correct. With respect to any item that is not the subject of a determination by the Secretary of the Treasury or the federal courts, in any proceeding involving this subsection, the individual making the election shall have the burden of proof with respect to any item except that the Department shall have the burden of proof with respect to items in subdivision (ii).

(v) Any election made by an individual under this subsection shall apply to all years for which that individual and the spouse named in the election have filed a joint return.

(vi) After receiving a notice that the federal election has been made or after receiving an election under subdivision (ii), the Department shall take no collection action against the electing individual for any liability arising from a joint return covered by the election until the Department has notified the electing individual in writing that the election is invalid or of the portion of the liability the Department has allocated to the electing individual. Within 60 days (150 days if the individual is outside the United States) after the issuance of such notification, the individual may file a written protest of the denial of the election or of the Department's determination of the liability allocated to him or her and shall be granted a hearing within the Department under the provisions of Section 908. If a protest is filed, the Department shall take no collection action against the electing individual until the decision regarding the protest has become final under subsection (d) of Section 908 or, if administrative review of the Department's decision is requested under Section 1201, until the decision of the court becomes final.

(d) Partnerships. Every partnership having any base income allocable to this State in accordance with section 305(c) shall retain information concerning all items of income, gain, loss and deduction; the names and addresses of all of the partners, or names and addresses of members of a limited liability company, or other persons who would be entitled to share in the base income of the partnership if distributed; the amount of the distributive share of each; and such other pertinent information as the Department may by forms or regulations prescribe. The partnership shall make that information available to the Department when requested by the Department.

(e) For taxable years ending on or after December 31, 1985, and before December 31, 1993, taxpayers that are corporations (other than Subchapter S corporations) having the same taxable year and that are members of the same unitary business group may elect to be treated as one taxpayer for purposes of any original return, amended return which includes the same taxpayers of the unitary group which joined in the election to file the original return, extension, claim for refund, assessment, collection and payment and determination of the group's tax liability under this Act. This subsection (e) does not permit the election to be made for some, but not all, of the purposes enumerated above. For taxable years ending on or after December 31, 1987, corporate members (other than Subchapter S corporations) of the same unitary business group making this subsection (e) election are not required to have the same taxable year.

For taxable years ending on or after December 31, 1993, taxpayers that are corporations (other than Subchapter S corporations) and that are members of the same unitary business group shall be treated as one taxpayer for purposes of any original return, amended return which includes the same taxpayers of the unitary group which joined in filing the original return, extension, claim for refund, assessment, collection

and payment and determination of the group's tax liability under this Act.

(f) The Department may promulgate regulations to permit nonresident individual partners of the same partnership, nonresident Subchapter S corporation shareholders of the same Subchapter S corporation, and nonresident individuals transacting an insurance business in Illinois under a Lloyds plan of operation, and nonresident individual members of the same limited liability company that is treated as a partnership under Section 1501 (a)(16) of this Act, to file composite individual income tax returns reflecting the composite income of such individuals allocable to Illinois and to make composite individual income tax payments. The Department may by regulation also permit such composite returns to include the income tax owed by Illinois residents attributable to their income from partnerships, Subchapter S corporations, insurance businesses organized under a Lloyds plan of operation, or limited liability companies that are treated as partnership under Section 1501(a)(16) of this Act, in which case such Illinois residents will be permitted to claim credits on their individual returns for their shares of the composite tax payments. This paragraph of subsection (f) applies to taxable years ending on or after December 31, 1987.

For taxable years ending on or after December 31, 1999, the Department may, by regulation, also permit any persons transacting an insurance business organized under a Lloyds plan of operation to file composite returns reflecting the income of such persons allocable to Illinois and the tax rates applicable to such persons under Section 201 and to make composite tax payments and shall, by regulation, also provide that the income and apportionment factors attributable to the transaction of an insurance business organized under a Lloyds plan of operation by any person joining in the filing of a composite return shall, for purposes of allocating and apportioning income under Article 3 of this Act and computing net income under Section 202 of this Act, be excluded from any other income and apportionment factors of that person or of any unitary business group, as defined in subdivision (a)(27) of Section 1501, to which that person may belong.

For taxable years ending on or after December 31, 2004, every nonresident shall be allowed a credit against his or her liability under subsections (a) and (b) of Section 201 for any amount of tax reported on a composite return and paid on his or her behalf under this subsection (f). Residents (other than persons transacting an insurance business organized under a Lloyds plan of operation) may claim a credit for taxes reported on a composite return and paid on their behalf under this subsection (f) only as permitted by the Department by rule.

(f-5)For taxable years ending on or after December 31, 2004, the Department may promulgate rules to provide that, when a partnership or Subchapter S corporation has made an error in determining the amount of any item of income, deduction, addition, subtraction, or credit required to be reported on its return that affects the liability imposed under this Act on a partner or shareholder, the partnership or Subchapter S corporation may report the changes in liabilities of its partners or shareholders and claim a refund of the resulting overpayments, or pay the resulting underpayments, on behalf of its partners and shareholders.

(g) The Department may adopt rules to authorize the electronic filing of any return required to be filed under this Section.

(Source: P.A. 91-541, eff. 8-13-99; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)"

(35 ILCS 5/709.5 new)

Sec. 709.5. Withholding by partnerships, Subchapter S corporations, and trusts.

(a) In general. For each taxable year ending on or after December 31, 2004, every partnership (other than a publicly traded partnership under Section 7704 of the Internal Revenue Code), Subchapter S corporation, and trust must withhold from each nonresident partner, shareholder, or beneficiary (other than a partner, shareholder, or beneficiary included on a composite return filed by the partnership or Subchapter S corporation for the taxable year under subsection (f) of Section 502 of this Act) an amount equal to the distributable share of the business income of the partnership, Subchapter S corporation, or trust apportionable to Illinois of that partner, shareholder, or beneficiary under Sections 702 and 704 and Subchapter S of the Internal Revenue Code, whether or not distributed, multiplied by the applicable rates of tax for that partner or shareholder under subsections (a) through (d) of Section 201 of this Act.

(b) Credit for taxes withheld. Any amount withheld under subsection (a) of this Section and paid to the Department shall be treated as a payment of the estimated tax liability or of the liability for withholding under this Section of the partner, shareholder, or beneficiary to whom the income is distributable for the taxable year in which that person incurred a liability under this Act with respect to that income.

(35 ILCS 5/711) (from Ch. 120, par. 7-711)

Sec. 711. Payor's Return and Payment of Tax Withheld. (a) In general. Every payor required to deduct and withhold tax under Section 710 (and until January 1, 1989, Sections 708 and 709) shall be subject to the same reporting requirements regarding taxes withheld and the same monthly and quarter monthly

(weekly) payment requirements as an employer subject to the provisions of Section 701. For purposes of monthly and quarter monthly (weekly) payments, the total tax withheld under Sections 701, ~~708, 709~~ and 710 shall be considered in the aggregate.

(a-5) Every partnership, Subchapter S corporation, or trust required to withhold tax under Section 709.5 shall report the amounts withheld and the partners, shareholders, or beneficiaries from whom the amounts were withheld, and pay over the amount withheld, no later than the due date (without regard to extensions) of the tax return of the partnership, Subchapter S corporation, or trust for the taxable year.

(b) Information statement. Every payor required to deduct and withhold tax under Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ shall furnish in duplicate to each party entitled to the credit for such withholding under subsection (b) of Section 709.5 ~~(e) of Section 708, subsection (e) of Section 709,~~ and subsection (b) of Section 710, respectively, on or before January 31 of the succeeding calendar year for amounts withheld under Section 710 or the due date (without regard to extensions) of the return of the partnership, Subchapter S corporation, or trust for the taxable year for amounts withheld under Section 709.5 for the taxable year, a written statement in such form as the Department may by regulation prescribe showing the amount of the payments, the amount deducted and withheld as tax, and such other information as the Department may prescribe. A copy of such statement shall be filed by the party entitled to the credit for the withholding under subsection (b) of Section 709.5 ~~(e) of Section 708, subsection (e) of Section 709,~~ or subsection (b) of Section 710 with his return for the taxable year to which it relates.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/712) (from Ch. 120, par. 7-712)

Sec. 712. Payor's Liability For Withheld Taxes. Every payor who deducts and withholds or is required to deduct and withhold tax under Sections 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ is liable for such tax. For purposes of assessment and collection, any amount withheld or required to be withheld and paid over to the Department, and any penalties and interest with respect thereto, shall be considered the tax of the payor. Any amount of tax actually deducted and withheld under Sections 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ shall be held to be a special fund in trust for the Department. No payee shall have any right of action against his payor in respect of any money deducted and withheld and paid over to the Department in compliance or in intended compliance with Sections and 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/713) (from Ch. 120, par. 7-713)

Sec. 713. Payor's Failure To Withhold. If a payor fails to deduct and withhold any amount of tax as required under Sections and 709.5 or Section 710 ~~(and until January 1, 1989, Sections 708 and 709)~~ and thereafter the tax on account of which such amount was required to be deducted and withheld is paid, such amount of tax shall not be collected from the payor, but the payor shall not be relieved from liability for penalties or interest otherwise applicable in respect of such failure to deduct and withhold. For purposes of this Section, the tax on account of which an amount is required to be deducted and withheld is the tax of the individual or individuals who are entitled to a credit under subsection (b) of Section 709.5 ~~(e) of Section 708, subsection (e) of Section 709,~~ or subsection (b) of Section 710 for the withheld tax.

(Source: P.A. 85-299; 85-982.)

(35 ILCS 5/804) (from Ch. 120, par. 8-804)

Sec. 804. Failure to Pay Estimated Tax.

(a) In general. In case of any underpayment of estimated tax by a taxpayer, except as provided in subsection (d) or (e), the taxpayer shall be liable to a penalty in an amount determined at the rate prescribed by Section 3-3 of the Uniform Penalty and Interest Act upon the amount of the underpayment (determined under subsection (b)) for each required installment.

(b) Amount of underpayment. For purposes of subsection (a), the amount of the underpayment shall be the excess of:

- (1) the amount of the installment which would be required to be paid under subsection (c), over
- (2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

(c) Amount of Required Installments.

(1) Amount.

(A) In General. Except as provided in paragraph (2), the amount of any required installment shall be 25% of the required annual payment.

(B) Required Annual Payment. For purposes of subparagraph (A), the term "required

annual payment" means the lesser of

- (i) 90% of the tax shown on the return for the taxable year, or if no return is filed, 90% of the tax for such year, or
- (ii) 100% of the tax shown on the return of the taxpayer for the preceding taxable year if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and such preceding year was a taxable year of 12 months.

(2) Lower Required Installment where Annualized Income Installment is Less Than Amount Determined Under Paragraph (1).

(A) In General. In the case of any required installment if a taxpayer establishes that the annualized income installment is less than the amount determined under paragraph (1),

- (i) the amount of such required installment shall be the annualized income installment, and
- (ii) any reduction in a required installment resulting from the application of this subparagraph shall be recaptured by increasing the amount of the next required installment determined under paragraph (1) by the amount of such reduction, and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under this clause.

(B) Determination of Annualized Income Installment. In the case of any required installment, the annualized income installment is the excess, if any, of

- (i) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the net income for months in the taxable year ending before the due date for the installment, over
- (ii) the aggregate amount of any prior required installments for the taxable year.

(C) Applicable Percentage.

In the case of the following required installments:

1st	The applicable percentage is: 22.5%
2nd	45%
3rd	67.5%
4th	90%

(D) Annualized Net Income; Individuals. For individuals, net income shall be placed on an annualized basis by:

- (i) multiplying by 12, or in the case of a taxable year of less than 12 months, by the number of months in the taxable year, the net income computed without regard to the standard exemption for the months in the taxable year ending before the month in which the installment is required to be paid;
- (ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls; and
- (iii) deducting from such amount the standard exemption allowable for the taxable year, such standard exemption being determined as of the last date prescribed for payment of the installment.

(E) Annualized Net Income; Corporations. For corporations, net income shall be placed on an annualized basis by multiplying by 12 the taxable income

- (i) for the first 3 months of the taxable year, in the case of the installment required to be paid in the 4th month,
- (ii) for the first 3 months or for the first 5 months of the taxable year, in the case of the installment required to be paid in the 6th month,
- (iii) for the first 6 months or for the first 8 months of the taxable year, in the case of the installment required to be paid in the 9th month, and
- (iv) for the first 9 months or for the first 11 months of the taxable year, in the case of the installment required to be paid in the 12th month of the taxable year, then dividing the resulting amount by the number of months in the taxable year (3, 5, 6, 8, 9, or 11 as the case may be).

(d) Exceptions. Notwithstanding the provisions of the preceding subsections, the penalty imposed by subsection (a) shall not be imposed if the taxpayer was not required to file an Illinois income tax return for the preceding taxable year, or, for individuals, if the taxpayer had no tax liability for the preceding taxable

year and such year was a taxable year of 12 months. The penalty imposed by subsection (a) shall also not be imposed on any underpayments of estimated tax due before the effective date of this amendatory Act of 1998 which underpayments are solely attributable to the change in apportionment from subsection (a) to subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(e) The penalty imposed for underpayment of estimated tax by subsection (a) of this Section shall not be imposed to the extent that the ~~Director~~ ~~Department~~ or his or her designate determines, pursuant to Section 3-8 of the Uniform Penalty and Interest Act that the penalty should not be imposed.

(f) Definition of tax. For purposes of subsections (b) and (c), the term "tax" means the excess of the tax imposed under Article 2 of this Act, over the amounts credited against such tax under Sections 601(b) (3) and (4).

(g) Application of Section in case of tax withheld under Article 7 on compensation. For purposes of applying this Section :

(1) in the case of an individual, tax withheld from compensation under Article 7 for the taxable year shall be deemed a

payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld; -

(2) amounts timely paid by a partnership, Subchapter S corporation, or trust on behalf of a partner, shareholder, or beneficiary pursuant to subsection (f) of Section 502 or Section 709.5 and claimed as a payment of estimated tax shall be deemed a payment of estimated tax made on the last day of the taxable year of the partnership, Subchapter S corporation, or trust for which the income from the withholding is made was computed; and

(3) all other amounts pursuant to Article 7 shall be deemed a payment of estimated tax on the date the payment is made to the taxpayer of the amount from which the tax is withheld.

(g-5) Amounts withheld under the State Salary and Annuity Withholding Act. An individual who has amounts withheld under paragraph (10) of Section 4 of the State Salary and Annuity Withholding Act may elect to have those amounts treated as payments of estimated tax made on the dates on which those amounts are actually withheld.

(i) Short taxable year. The application of this Section to taxable years of less than 12 months shall be in accordance with regulations prescribed by the Department.

The changes in this Section made by Public Act 84-127 shall apply to taxable years ending on or after January 1, 1986.

(Source: P.A. 90-448, eff. 8-16-97; 90-613, eff. 7-9-98.)

(35 ILCS 5/911) (from Ch. 120, par. 9-911)

Sec. 911. Limitations on Claims for Refund.

(a) In general. Except as otherwise provided in this Act:

(1) A claim for refund shall be filed not later than 3 years after the date the return was filed (in the case of returns required under Article 7 of this Act respecting any amounts withheld as tax, not later than 3 years after the 15th day of the 4th month following the close of the calendar year in which such withholding was made), or one year after the date the tax was paid, whichever is the later; and

(2) No credit or refund shall be allowed or made with respect to the year for which the claim was filed unless such claim is filed within such period.

(b) Federal changes.

(1) In general. In any case where notification of an alteration is required by Section 506(b), a claim for refund may be filed within 2 years after the date on which such notification was due (regardless of whether such notice was given), but the amount recoverable pursuant to a claim filed under this Section shall be limited to the amount of any overpayment resulting under this Act from recomputation of the taxpayer's net income, net loss, or Article 2 credits for the taxable year after giving effect to the item or items reflected in the alteration required to be reported.

(2) Tentative carryback adjustments paid before January 1, 1974. If, as the result of the payment before January 1, 1974 of a federal tentative carryback adjustment, a notification of an alteration is required under Section 506(b), a claim for refund may be filed at any time before January 1, 1976, but the amount recoverable pursuant to a claim filed under this Section shall be limited to the amount of any overpayment resulting under this Act from recomputation of the taxpayer's base income

for the taxable year after giving effect to the federal alteration resulting from the tentative carryback adjustment irrespective of any limitation imposed in paragraph (1) of this subsection.

(c) Extension by agreement. Where, before the expiration of the time prescribed in this section for the filing of a claim for refund, both the Department and the claimant shall have consented in writing to its filing after such time, such claim may be filed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon. In the case of a taxpayer who is a partnership, Subchapter S corporation, or trust and who enters into an agreement with the Department pursuant to this subsection on or after January 1, 2003, a claim for refund may be issued to the partners, shareholders, or beneficiaries of the taxpayer at any time prior to the expiration of the period agreed upon. Any refund allowed pursuant to the claim, however, shall be limited to the amount of any overpayment of tax due under this Act that results from recomputation of items of income, deduction, credits, or other amounts of the taxpayer that are taken into account by the partner, shareholder, or beneficiary in computing its liability under this Act.

(d) Limit on amount of credit or refund.

(1) Limit where claim filed within 3-year period. If the claim was filed by the claimant during the 3-year period prescribed in subsection (a), the amount of the credit or refund shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim, equal to 3 years plus the period of any extension of time for filing the return.

(2) Limit where claim not filed within 3-year period. If the claim was not filed within such 3-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the one year immediately preceding the filing of the claim.

(e) Time return deemed filed. For purposes of this section a tax return filed before the last day prescribed by law for the filing of such return (including any extensions thereof) shall be deemed to have been filed on such last day.

(f) No claim for refund based on the taxpayer's taking a credit for estimated tax payments as provided by Section 601(b)(2) or for any amount paid by a taxpayer pursuant to Section 602(a) or for any amount of credit for tax withheld pursuant to Article 7 Section 704 may be filed more than 3 years after the due date, as provided by Section 505, of the return which was required to be filed relative to the taxable year for which the payments were made or for which the tax was withheld. The changes in this subsection (f) made by this amendatory Act of 1987 shall apply to all taxable years ending on or after December 31, 1969.

(g) Special Period of Limitation with Respect to Net Loss Carrybacks. If the claim for refund relates to an overpayment attributable to a net loss carryback as provided by Section 207, in lieu of the 3 year period of limitation prescribed in subsection (a), the period shall be that period which ends 3 years after the time prescribed by law for filing the return (including extensions thereof) for the taxable year of the net loss which results in such carryback (or, on and after August 13, 1999, with respect to a change in the carryover of an Article 2 credit to a taxable year resulting from the carryback of a Section 207 loss incurred in a taxable year beginning on or after January 1, 2000, the period shall be that period that ends 3 years after the time prescribed by law for filing the return (including extensions of that time) for that subsequent taxable year), or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the refund may exceed the portion of the tax paid within the period provided in subsection (d) to the extent of the amount of the overpayment attributable to such carryback. On and after August 13, 1999, if the claim for refund relates to an overpayment attributable to the carryover of an Article 2 credit, or of a Section 207 loss, earned, incurred (in a taxable year beginning on or after January 1, 2000), or used in a year for which a notification of a change affecting federal taxable income must be filed under subsection (b) of Section 506, the claim may be filed within the period prescribed in paragraph (1) of subsection (b) in respect of the year for which the notification is required. In the case of such a claim, the amount of the refund may exceed the portion of the tax paid within the period provided in subsection (d) to the extent of the amount of the overpayment attributable to the recomputation of the taxpayer's Article 2 credits, or Section 207 loss, earned, incurred, or used in the taxable year for which the notification is given.

(h) Claim for refund based on net loss. On and after the effective date of this amendatory Act of the 92nd General Assembly, no claim for refund shall be allowed to the extent the refund is the result of an amount of net loss incurred under Section 207 of this Act that was not reported to the Department within 3 years of the due date (including extensions) of the return for the loss year on either the original return filed by the taxpayer or on amended return.

(Source: P.A. 91-541, eff. 8-13-99; 92-846, eff. 8-23-02.)".

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2205. Having been printed, was taken up and read by title a second time.
The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2205 by replacing everything after the enacting clause with the following:

"Section 5. The Use Tax Act is amended by changing Sections 2, 3, and 3-25 as follows:
(35 ILCS 105/2) (from Ch. 120, par. 439.2)

Sec. 2. "Use" means the exercise by any person of any right or power over tangible personal property incident to the ownership of that property, except that it does not include the sale of such property in any form as tangible personal property in the regular course of business to the extent that such property is not first subjected to a use for which it was purchased, and does not include the use of such property by its owner for demonstration purposes: Provided that the property purchased is deemed to be purchased for the purpose of resale, despite first being used, to the extent to which it is resold as an ingredient of an intentionally produced product or by-product of manufacturing. "Use" does not mean the demonstration use or interim use of tangible personal property by a retailer before he sells that tangible personal property. For watercraft or aircraft, if the period of demonstration use or interim use by the retailer exceeds 18 months, the retailer shall pay on the retailers' original cost price the tax imposed by this Act, and no credit for that tax is permitted if the watercraft or aircraft is subsequently sold by the retailer. "Use" does not mean the physical incorporation of tangible personal property, to the extent not first subjected to a use for which it was purchased, as an ingredient or constituent, into other tangible personal property (a) which is sold in the regular course of business or (b) which the person incorporating such ingredient or constituent therein has undertaken at the time of such purchase to cause to be transported in interstate commerce to destinations outside the State of Illinois: Provided that the property purchased is deemed to be purchased for the purpose of resale, despite first being used, to the extent to which it is resold as an ingredient of an intentionally produced product or by-product of manufacturing.

"Watercraft" means a Class 2, Class 3, or Class 4 watercraft as defined in Section 3-2 of the Boat Registration and Safety Act, a personal watercraft, or any boat equipped with an inboard motor.

"Purchase at retail" means the acquisition of the ownership of or title to tangible personal property through a sale at retail.

"Purchaser" means anyone who, through a sale at retail, acquires the ownership of tangible personal property for a valuable consideration.

"Sale at retail" means any transfer of the ownership of or title to tangible personal property to a purchaser, for the purpose of use, and not for the purpose of resale in any form as tangible personal property to the extent not first subjected to a use for which it was purchased, for a valuable consideration: Provided that the property purchased is deemed to be purchased for the purpose of resale, despite first being used, to the extent to which it is resold as an ingredient of an intentionally produced product or by-product of manufacturing. For this purpose, slag produced as an incident to manufacturing pig iron or steel and sold is considered to be an intentionally produced by-product of manufacturing. "Sale at retail" includes any such transfer made for resale unless made in compliance with Section 2c of the Retailers' Occupation Tax Act, as incorporated by reference into Section 12 of this Act. Transactions whereby the possession of the property is transferred but the seller retains the title as security for payment of the selling price are sales.

"Sale at retail" shall also be construed to include any Illinois florist's sales transaction in which the purchase order is received in Illinois by a florist and the sale is for use or consumption, but the Illinois florist has a florist in another state deliver the property to the purchaser or the purchaser's donee in such other state.

Nonreusable tangible personal property that is used by persons engaged in the business of operating a restaurant, cafeteria, or drive-in is a sale for resale when it is transferred to customers in the ordinary course of business as part of the sale of food or beverages and is used to deliver, package, or consume food or beverages, regardless of where consumption of the food or beverages occurs. Examples of those items include, but are not limited to nonreusable, paper and plastic cups, plates, baskets, boxes, sleeves, buckets or other containers, utensils, straws, placemats, napkins, doggie bags, and wrapping or packaging materials that are transferred to customers as part of the sale of food or beverages in the ordinary course of business.

The purchase, employment and transfer of such tangible personal property as newsprint and ink for the primary purpose of conveying news (with or without other information) is not a purchase, use or sale of tangible personal property.

Beginning July 1, 2004, "sale at retail" shall be construed to include the licensing of computer software.

"Selling price" means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property other than as hereinafter provided, and services, but not including the value of or credit given for traded-in tangible personal property where the item that is traded-in is of like kind and character as that which is being sold, and shall be determined without any deduction on account of the cost of the property sold, the cost of materials used, labor or service cost or any other expense whatsoever, but does not include interest or finance charges which appear as separate items on the bill of sale or sales contract nor charges that are added to prices by sellers on account of the seller's tax liability under the "Retailers' Occupation Tax Act", or on account of the seller's duty to collect, from the purchaser, the tax that is imposed by this Act, or on account of the seller's tax liability under Section 8-11-1 of the Illinois Municipal Code, as heretofore and hereafter amended, or on account of the seller's tax liability under the "County Retailers' Occupation Tax Act". Effective December 1, 1985, "selling price" shall include charges that are added to prices by sellers on account of the seller's tax liability under the Cigarette Tax Act, on account of the seller's duty to collect, from the purchaser, the tax imposed under the Cigarette Use Tax Act, and on account of the seller's duty to collect, from the purchaser, any cigarette tax imposed by a home rule unit.

The phrase "like kind and character" shall be liberally construed (including but not limited to any form of motor vehicle for any form of motor vehicle, or any kind of farm or agricultural implement for any other kind of farm or agricultural implement), while not including a kind of item which, if sold at retail by that retailer, would be exempt from retailers' occupation tax and use tax as an isolated or occasional sale.

"Department" means the Department of Revenue.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint adventure, public or private corporation, limited liability company, or a receiver, executor, trustee, guardian or other representative appointed by order of any court.

"Retailer" means and includes every person engaged in the business of making sales at retail as defined in this Section.

A person who holds himself or herself out as being engaged (or who habitually engages) in selling tangible personal property at retail is a retailer hereunder with respect to such sales (and not primarily in a service occupation) notwithstanding the fact that such person designs and produces such tangible personal property on special order for the purchaser and in such a way as to render the property of value only to such purchaser, if such tangible personal property so produced on special order serves substantially the same function as stock or standard items of tangible personal property that are sold at retail.

A person whose activities are organized and conducted primarily as a not-for-profit service enterprise, and who engages in selling tangible personal property at retail (whether to the public or merely to members and their guests) is a retailer with respect to such transactions, excepting only a person organized and operated exclusively for charitable, religious or educational purposes either (1), to the extent of sales by such person to its members, students, patients or inmates of tangible personal property to be used primarily for the purposes of such person, or (2), to the extent of sales by such person of tangible personal property which is not sold or offered for sale by persons organized for profit. The selling of school books and school supplies by schools at retail to students is not "primarily for the purposes of" the school which does such selling. This paragraph does not apply to nor subject to taxation occasional dinners, social or similar activities of a person organized and operated exclusively for charitable, religious or educational purposes, whether or not such activities are open to the public.

A person who is the recipient of a grant or contract under Title VII of the Older Americans Act of 1965 (P.L. 92-258) and serves meals to participants in the federal Nutrition Program for the Elderly in return for contributions established in amount by the individual participant pursuant to a schedule of suggested fees as provided for in the federal Act is not a retailer under this Act with respect to such transactions.

Persons who engage in the business of transferring tangible personal property upon the redemption of trading stamps are retailers hereunder when engaged in such business.

The isolated or occasional sale of tangible personal property at retail by a person who does not hold himself out as being engaged (or who does not habitually engage) in selling such tangible personal property at retail or a sale through a bulk vending machine does not make such person a retailer hereunder. However, any person who is engaged in a business which is not subject to the tax imposed by the "Retailers' Occupation Tax Act" because of involving the sale of or a contract to sell real estate or a

construction contract to improve real estate, but who, in the course of conducting such business, transfers tangible personal property to users or consumers in the finished form in which it was purchased, and which does not become real estate, under any provision of a construction contract or real estate sale or real estate sales agreement entered into with some other person arising out of or because of such nontaxable business, is a retailer to the extent of the value of the tangible personal property so transferred. If, in such transaction, a separate charge is made for the tangible personal property so transferred, the value of such property, for the purposes of this Act, is the amount so separately charged, but not less than the cost of such property to the transferor; if no separate charge is made, the value of such property, for the purposes of this Act, is the cost to the transferor of such tangible personal property.

"Retailer maintaining a place of business in this State", or any like term, means and includes any of the following retailers:

1. A retailer having or maintaining within this State, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of business, or any agent or other representative operating within this State under the authority of the retailer or its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily, or whether such retailer or subsidiary is licensed to do business in this State. However, the ownership of property that is located at the premises of a printer with which the retailer has contracted for printing and that consists of the final printed product, property that becomes a part of the final printed product, or copy from which the printed product is produced shall not result in the retailer being deemed to have or maintain an office, distribution house, sales house, warehouse, or other place of business within this State.

2. A retailer soliciting orders for tangible personal property by means of a telecommunication or television shopping system (which utilizes toll free numbers) which is intended by the retailer to be broadcast by cable television or other means of broadcasting, to consumers located in this State.

3. A retailer, pursuant to a contract with a broadcaster or publisher located in this State, soliciting orders for tangible personal property by means of advertising which is disseminated primarily to consumers located in this State and only secondarily to bordering jurisdictions.

4. A retailer soliciting orders for tangible personal property by mail if the solicitations are substantial and recurring and if the retailer benefits from any banking, financing, debt collection, telecommunication, or marketing activities occurring in this State or benefits from the location in this State of authorized installation, servicing, or repair facilities.

5. A retailer that is owned or controlled by the same interests that own or control any retailer engaging in business in the same or similar line of business in this State.

6. A retailer having a franchisee or licensee operating under its trade name if the franchisee or licensee is required to collect the tax under this Section.

7. A retailer, pursuant to a contract with a cable television operator located in this State, soliciting orders for tangible personal property by means of advertising which is transmitted or distributed over a cable television system in this State.

8. A retailer engaging in activities in Illinois, which activities in the state in which the retail business engaging in such activities is located would constitute maintaining a place of business in that state.

"Bulk vending machine" means a vending machine, containing unsorted confections, nuts, toys, or other items designed primarily to be used or played with by children which, when a coin or coins of a denomination not larger than \$0.50 are inserted, are dispensed in equal portions, at random and without selection by the customer.

(Source: P.A. 92-213, eff. 1-1-02.)

(35 ILCS 105/3) (from Ch. 120, par. 439.3)

Sec. 3. Tax imposed. A tax is imposed upon the privilege of using in this State tangible personal property purchased at retail from a retailer, including computer software, and including photographs, negatives, and positives that are the product of photoprocessing, but not including products of photoprocessing produced for use in motion pictures for commercial exhibition. Beginning January 1, 2001, prepaid telephone calling arrangements shall be considered tangible personal property subject to the tax imposed under this Act regardless of the form in which those arrangements may be embodied, transmitted, or fixed by any method now known or hereafter developed. Beginning July 1, 2004, computer software subject to tax under this Act includes licenses of computer software.

(Source: P.A. 91-51, eff. 6-30-99; 91-870, eff. 6-22-00.)

(35 ILCS 105/3-25) (from Ch. 120, par. 439.3-25)

Sec. 3-25. Computer software; prewritten computer software.

(a) For the purposes of this Act, "computer software" means a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which those statements, data, or instructions may be embodied, transmitted, or fixed, by any method now known or hereafter developed, regardless of whether the statements, data, or instructions are capable of being perceived by or communicated to humans, and includes prewritten or canned software that is held for repeated sale or lease, and all associated documentation and materials, if any, whether contained on magnetic tapes, discs, cards, or other devices or media, but does not include (i) until July 1, 2004, software that is adapted to specific individualized requirements of a purchaser, custom-made and modified software designed for a particular or limited use by a purchaser, or (ii) software used to operate exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease.

(b) Beginning on July 1, 2004, "prewritten computer software" means computer software, including upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of 2 or more "prewritten computer software" programs or prewritten portions thereof does not cause the combination to be other than "prewritten computer software". "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. When a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of that person's modifications or enhancements. "Prewritten computer software" or a prewritten portion thereof that is modified or enhanced to any degree, when the modification or enhancement according to Department rules is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software", except that when there is a reasonable separately stated charge or an invoice or other statement of the price given to the purchaser for the modification or enhancement, the modification or enhancement does not constitute "prewritten computer software".

For the purposes of this Act, computer software shall be considered to be tangible personal property. (Source: P.A. 91-51, eff. 6-30-99.)

Section 10. The Service Use Tax Act is amended by changing Sections 2 and 3-25 as follows:

(35 ILCS 110/2) (from Ch. 120, par. 439.32)

Sec. 2. "Use" means the exercise by any person of any right or power over tangible personal property incident to the ownership of that property, but does not include the sale or use for demonstration by him of that property in any form as tangible personal property in the regular course of business. "Use" does not mean the interim use of tangible personal property nor the physical incorporation of tangible personal property, as an ingredient or constituent, into other tangible personal property, (a) which is sold in the regular course of business or (b) which the person incorporating such ingredient or constituent therein has undertaken at the time of such purchase to cause to be transported in interstate commerce to destinations outside the State of Illinois. Beginning July 1, 2004, the use of licenses of computer software is considered a use of tangible personal property under this Act.

"Purchased from a serviceman" means the acquisition of the ownership of, or title to, tangible personal property through a sale of service.

"Purchaser" means any person who, through a sale of service, acquires the ownership of, or title to, any tangible personal property.

"Cost price" means the consideration paid by the serviceman for a purchase valued in money, whether paid in money or otherwise, including cash, credits and services, and shall be determined without any deduction on account of the supplier's cost of the property sold or on account of any other expense incurred by the supplier. When a serviceman contracts out part or all of the services required in his sale of service, it shall be presumed that the cost price to the serviceman of the property transferred to him or her by his or her subcontractor is equal to 50% of the subcontractor's charges to the serviceman in the absence of proof of the consideration paid by the subcontractor for the purchase of such property.

"Selling price" means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits and service, and shall be determined without any deduction on account of the serviceman's cost of the property sold, the cost of materials used, labor or service cost or any other expense whatsoever, but does not include interest or finance charges which appear as separate items on the bill of sale or sales contract nor charges that are added to prices by sellers on account of the seller's duty to collect, from the purchaser, the tax that is imposed by this Act.

"Department" means the Department of Revenue.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint venture, public or private corporation, limited liability company, and any receiver, executor, trustee, guardian or other representative appointed by order of any court.

"Sale of service" means any transaction except:

- (1) a retail sale of tangible personal property taxable under the Retailers' Occupation Tax Act or under the Use Tax Act.
- (2) a sale of tangible personal property for the purpose of resale made in compliance with Section 2c of the Retailers' Occupation Tax Act.
- (3) except as hereinafter provided, a sale or transfer of tangible personal property as an incident to the rendering of service for or by any governmental body, or for or by any corporation, society, association, foundation or institution organized and operated exclusively for charitable, religious or educational purposes or any not-for-profit corporation, society, association, foundation, institution or organization which has no compensated officers or employees and which is organized and operated primarily for the recreation of persons 55 years of age or older. A limited liability company may qualify for the exemption under this paragraph only if the limited liability company is organized and operated exclusively for educational purposes.
- (4) a sale or transfer of tangible personal property as an incident to the rendering of service for interstate carriers for hire for use as rolling stock moving in interstate commerce or by lessors under a lease of one year or longer, executed or in effect at the time of purchase of personal property, to interstate carriers for hire for use as rolling stock moving in interstate commerce so long as so used by such interstate carriers for hire, and equipment operated by a telecommunications provider, licensed as a common carrier by the Federal Communications Commission, which is permanently installed in or affixed to aircraft moving in interstate commerce.
- (4a) a sale or transfer of tangible personal property as an incident to the rendering of service for owners, lessors, or shippers of tangible personal property which is utilized by interstate carriers for hire for use as rolling stock moving in interstate commerce so long as so used by interstate carriers for hire, and equipment operated by a telecommunications provider, licensed as a common carrier by the Federal Communications Commission, which is permanently installed in or affixed to aircraft moving in interstate commerce.
- (4a-5) on and after July 1, 2003, a sale or transfer of a motor vehicle of the second division with a gross vehicle weight in excess of 8,000 pounds as an incident to the rendering of service if that motor vehicle is subject to the commercial distribution fee imposed under Section 3-815.1 of the Illinois Vehicle Code. This exemption applies to repair and replacement parts added after the initial purchase of such a motor vehicle if that motor vehicle is used in a manner that would qualify for the rolling stock exemption otherwise provided for in this Act.
- (5) a sale or transfer of machinery and equipment used primarily in the process of the manufacturing or assembling, either in an existing, an expanded or a new manufacturing facility, of tangible personal property for wholesale or retail sale or lease, whether such sale or lease is made directly by the manufacturer or by some other person, whether the materials used in the process are owned by the manufacturer or some other person, or whether such sale or lease is made apart from or as an incident to the seller's engaging in a service occupation and the applicable tax is a Service Use Tax or Service Occupation Tax, rather than Use Tax or Retailers' Occupation Tax.
- (5a) the repairing, reconditioning or remodeling, for a common carrier by rail, of tangible personal property which belongs to such carrier for hire, and as to which such carrier receives the physical possession of the repaired, reconditioned or remodeled item of tangible personal property in Illinois, and which such carrier transports, or shares with another common carrier in the transportation of such property, out of Illinois on a standard uniform bill of lading showing the person who repaired, reconditioned or remodeled the property to a destination outside Illinois, for use outside Illinois.
- (5b) a sale or transfer of tangible personal property which is produced by the seller thereof on special order in such a way as to have made the applicable tax the Service Occupation Tax or the Service Use Tax, rather than the Retailers' Occupation Tax or the Use Tax, for an interstate carrier by rail which receives the physical possession of such property in Illinois, and which transports such property, or shares with another common carrier in the transportation of such property, out of Illinois on a standard uniform bill of lading showing the seller of the property as the shipper or consignor of such property to a destination outside Illinois, for use outside Illinois.
- (6) until July 1, 2003, a sale or transfer of distillation machinery and equipment,

sold as a unit or kit and assembled or installed by the retailer, which machinery and equipment is certified by the user to be used only for the production of ethyl alcohol that will be used for consumption as motor fuel or as a component of motor fuel for the personal use of such user and not subject to sale or resale.

(7) at the election of any serviceman not required to be otherwise registered as a retailer under Section 2a of the Retailers' Occupation Tax Act, made for each fiscal year sales of service in which the aggregate annual cost price of tangible personal property transferred as an incident to the sales of service is less than 35%, or 75% in the case of servicemen transferring prescription drugs or servicemen engaged in graphic arts production, of the aggregate annual total gross receipts from all sales of service. The purchase of such tangible personal property by the serviceman shall be subject to tax under the Retailers' Occupation Tax Act and the Use Tax Act. However, if a primary serviceman who has made the election described in this paragraph subcontracts service work to a secondary serviceman who has also made the election described in this paragraph, the primary serviceman does not incur a Use Tax liability if the secondary serviceman (i) has paid or will pay Use Tax on his or her cost price of any tangible personal property transferred to the primary serviceman and (ii) certifies that fact in writing to the primary serviceman.

Tangible personal property transferred incident to the completion of a maintenance agreement is exempt from the tax imposed pursuant to this Act.

Beginning July 1, 2004, prewritten computer software that is modified or enhanced, when that enhancement or modification according to Department rules is designed and developed to the specifications of a specific purchaser, is exempt from the tax imposed under this Act and the transfer of that modified or enhanced computer software is subject to tax under the Retailers' Occupation Tax Act and the Use Tax Act.

Exemption (5) also includes machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment. For the purposes of exemption (5), each of these terms shall have the following meanings: (1) "manufacturing process" shall mean the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. In relation to a recognized integrated business composed of a series of operations which collectively constitute manufacturing, or individually constitute manufacturing operations, the manufacturing process shall be deemed to commence with the first operation or stage of production in the series, and shall not be deemed to end until the completion of the final product in the last operation or stage of production in the series; and further, for purposes of exemption (5), photoprocessing is deemed to be a manufacturing process of tangible personal property for wholesale or retail sale; (2) "assembling process" shall mean the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by the combination of existing materials in a manner commonly regarded as assembling which results in a material of a different form, use or name; (3) "machinery" shall mean major mechanical machines or major components of such machines contributing to a manufacturing or assembling process; and (4) "equipment" shall include any independent device or tool separate from any machinery but essential to an integrated manufacturing or assembly process; including computers used primarily in a manufacturer's computer assisted design, computer assisted manufacturing (CAD/CAM) system; or any subunit or assembly comprising a component of any machinery or auxiliary, adjunct or attachment parts of machinery, such as tools, dies, jigs, fixtures, patterns and molds; or any parts which require periodic replacement in the course of normal operation; but shall not include hand tools. Equipment includes chemicals or chemicals acting as catalysts but only if the chemicals or chemicals acting as catalysts effect a direct and immediate change upon a product being manufactured or assembled for wholesale or retail sale or lease. The purchaser of such machinery and equipment who has an active resale registration number shall furnish such number to the seller at the time of purchase. The user of such machinery and equipment and tools without an active resale registration number shall prepare a certificate of exemption for each transaction stating facts establishing the exemption for that transaction, which certificate shall be available to the Department for inspection or audit. The Department shall prescribe the form of the certificate.

Any informal rulings, opinions or letters issued by the Department in response to an inquiry or request for any opinion from any person regarding the coverage and applicability of exemption (5) to specific devices shall be published, maintained as a public record, and made available for public inspection and copying. If the informal ruling, opinion or letter contains trade secrets or other confidential information,

where possible the Department shall delete such information prior to publication. Whenever such informal rulings, opinions, or letters contain any policy of general applicability, the Department shall formulate and adopt such policy as a rule in accordance with the provisions of the Illinois Administrative Procedure Act.

On and after July 1, 1987, no entity otherwise eligible under exemption (3) of this Section shall make tax free purchases unless it has an active exemption identification number issued by the Department.

The purchase, employment and transfer of such tangible personal property as newsprint and ink for the primary purpose of conveying news (with or without other information) is not a purchase, use or sale of service or of tangible personal property within the meaning of this Act.

"Serviceman" means any person who is engaged in the occupation of making sales of service.

"Sale at retail" means "sale at retail" as defined in the Retailers' Occupation Tax Act.

"Supplier" means any person who makes sales of tangible personal property to servicemen for the purpose of resale as an incident to a sale of service.

"Serviceman maintaining a place of business in this State", or any like term, means and includes any serviceman:

1. having or maintaining within this State, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of business, or any agent or other representative operating within this State under the authority of the serviceman or its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily, or whether such serviceman or subsidiary is licensed to do business in this State;

2. soliciting orders for tangible personal property by means of a telecommunication or television shopping system (which utilizes toll free numbers) which is intended by the retailer to be broadcast by cable television or other means of broadcasting, to consumers located in this State;

3. pursuant to a contract with a broadcaster or publisher located in this State, soliciting orders for tangible personal property by means of advertising which is disseminated primarily to consumers located in this State and only secondarily to bordering jurisdictions;

4. soliciting orders for tangible personal property by mail if the solicitations are substantial and recurring and if the retailer benefits from any banking, financing, debt collection, telecommunication, or marketing activities occurring in this State or benefits from the location in this State of authorized installation, servicing, or repair facilities;

5. being owned or controlled by the same interests which own or control any retailer engaging in business in the same or similar line of business in this State;

6. having a franchisee or licensee operating under its trade name if the franchisee or licensee is required to collect the tax under this Section;

7. pursuant to a contract with a cable television operator located in this State, soliciting orders for tangible personal property by means of advertising which is transmitted or distributed over a cable television system in this State; or

8. engaging in activities in Illinois, which activities in the state in which the supply business engaging in such activities is located would constitute maintaining a place of business in that state.

(Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24, eff. 6-20-03; revised 8-21-03.)

(35 ILCS 110/3-25) (from Ch. 120, par. 439.33-25)

Sec. 3-25. Computer software.

(a) On and before June 30, 2004, for For the purposes of this Act, "computer software" means a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which those statements, data, or instructions may be embodied, transmitted, or fixed, by any method now known or hereafter developed, regardless of whether the statements, data, or instructions are capable of being perceived by or communicated to humans, and includes prewritten or canned software that is held for repeated sale or lease, and all associated documentation and materials, if any, whether contained on magnetic tapes, discs, cards, or other devices or media, but does not include software that is adapted to specific individualized requirements of a purchaser, custom-made and modified software designed for a particular or limited use by a purchaser, or software used to operate exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease.

(b) On and after July 1, 2004, for the purposes of this Act, "computer software" has the same meaning as that term is defined in Section 3-25 of the Use Tax Act.

(c) For the purposes of this Act, computer software shall be considered to be tangible personal property.

(Source: P.A. 91-51, eff. 6-30-99.)

Section 15. The Service Occupation Tax Act is amended by changing Sections 2 and 3-25 as follows:
(35 ILCS 115/2) (from Ch. 120, par. 439.102)

Sec. 2. "Transfer" means any transfer of the title to property or of the ownership of property whether or not the transferor retains title as security for the payment of amounts due him from the transferee. Beginning July 1, 2004, the transfer of licenses of computer software is considered the transfer of tangible personal property under this Act.

"Cost Price" means the consideration paid by the serviceman for a purchase valued in money, whether paid in money or otherwise, including cash, credits and services, and shall be determined without any deduction on account of the supplier's cost of the property sold or on account of any other expense incurred by the supplier. When a serviceman contracts out part or all of the services required in his sale of service, it shall be presumed that the cost price to the serviceman of the property transferred to him by his or her subcontractor is equal to 50% of the subcontractor's charges to the serviceman in the absence of proof of the consideration paid by the subcontractor for the purchase of such property.

"Department" means the Department of Revenue.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint venture, public or private corporation, limited liability company, and any receiver, executor, trustee, guardian or other representative appointed by order of any court.

"Sale of Service" means any transaction except:

(a) A retail sale of tangible personal property taxable under the Retailers' Occupation Tax Act or under the Use Tax Act.

(b) A sale of tangible personal property for the purpose of resale made in compliance with Section 2c of the Retailers' Occupation Tax Act.

(c) Except as hereinafter provided, a sale or transfer of tangible personal property as an incident to the rendering of service for or by any governmental body or for or by any corporation, society, association, foundation or institution organized and operated exclusively for charitable, religious or educational purposes or any not-for-profit corporation, society, association, foundation, institution or organization which has no compensated officers or employees and which is organized and operated primarily for the recreation of persons 55 years of age or older. A limited liability company may qualify for the exemption under this paragraph only if the limited liability company is organized and operated exclusively for educational purposes.

(d) A sale or transfer of tangible personal property as an incident to the rendering of service for interstate carriers for hire for use as rolling stock moving in interstate commerce or lessors under leases of one year or longer, executed or in effect at the time of purchase, to interstate carriers for hire for use as rolling stock moving in interstate commerce, and equipment operated by a telecommunications provider, licensed as a common carrier by the Federal Communications Commission, which is permanently installed in or affixed to aircraft moving in interstate commerce.

(d-1) A sale or transfer of tangible personal property as an incident to the rendering of service for owners, lessors or shippers of tangible personal property which is utilized by interstate carriers for hire for use as rolling stock moving in interstate commerce, and equipment operated by a telecommunications provider, licensed as a common carrier by the Federal Communications Commission, which is permanently installed in or affixed to aircraft moving in interstate commerce.

(d-1.1) On and after July 1, 2003, a sale or transfer of a motor vehicle of the second division with a gross vehicle weight in excess of 8,000 pounds as an incident to the rendering of service if that motor vehicle is subject to the commercial distribution fee imposed under Section 3-815.1 of the Illinois Vehicle Code. This exemption applies to repair and replacement parts added after the initial purchase of such a motor vehicle if that motor vehicle is used in a manner that would qualify for the rolling stock exemption otherwise provided for in this Act.

(d-2) The repairing, reconditioning or remodeling, for a common carrier by rail, of tangible personal property which belongs to such carrier for hire, and as to which such carrier receives the physical possession of the repaired, reconditioned or remodeled item of tangible personal property in Illinois, and which such carrier transports, or shares with another common carrier in the transportation of such property, out of Illinois on a standard uniform bill of lading showing the person who repaired, reconditioned or remodeled the property as the shipper or consignor of such property to a destination outside Illinois, for use outside Illinois.

(d-3) A sale or transfer of tangible personal property which is produced by the seller thereof on special order in such a way as to have made the applicable tax the Service Occupation Tax or the Service Use Tax,

rather than the Retailers' Occupation Tax or the Use Tax, for an interstate carrier by rail which receives the physical possession of such property in Illinois, and which transports such property, or shares with another common carrier in the transportation of such property, out of Illinois on a standard uniform bill of lading showing the seller of the property as the shipper or consignor of such property to a destination outside Illinois, for use outside Illinois.

(d-4) Until January 1, 1997, a sale, by a registered serviceman paying tax under this Act to the Department, of special order printed materials delivered outside Illinois and which are not returned to this State, if delivery is made by the seller or agent of the seller, including an agent who causes the product to be delivered outside Illinois by a common carrier or the U.S. postal service.

(e) A sale or transfer of machinery and equipment used primarily in the process of the manufacturing or assembling, either in an existing, an expanded or a new manufacturing facility, of tangible personal property for wholesale or retail sale or lease, whether such sale or lease is made directly by the manufacturer or by some other person, whether the materials used in the process are owned by the manufacturer or some other person, or whether such sale or lease is made apart from or as an incident to the seller's engaging in a service occupation and the applicable tax is a Service Occupation Tax or Service Use Tax, rather than Retailers' Occupation Tax or Use Tax.

(f) Until July 1, 2003, the sale or transfer of distillation machinery and equipment, sold as a unit or kit and assembled or installed by the retailer, which machinery and equipment is certified by the user to be used only for the production of ethyl alcohol that will be used for consumption as motor fuel or as a component of motor fuel for the personal use of such user and not subject to sale or resale.

(g) At the election of any serviceman not required to be otherwise registered as a retailer under Section 2a of the Retailers' Occupation Tax Act, made for each fiscal year sales of service in which the aggregate annual cost price of tangible personal property transferred as an incident to the sales of service is less than 35% (75% in the case of servicemen transferring prescription drugs or servicemen engaged in graphic arts production) of the aggregate annual total gross receipts from all sales of service. The purchase of such tangible personal property by the serviceman shall be subject to tax under the Retailers' Occupation Tax Act and the Use Tax Act. However, if a primary serviceman who has made the election described in this paragraph subcontracts service work to a secondary serviceman who has also made the election described in this paragraph, the primary serviceman does not incur a Use Tax liability if the secondary serviceman (i) has paid or will pay Use Tax on his or her cost price of any tangible personal property transferred to the primary serviceman and (ii) certifies that fact in writing to the primary serviceman.

Tangible personal property transferred incident to the completion of a maintenance agreement is exempt from the tax imposed pursuant to this Act.

Beginning July 1, 2004, prewritten computer software that is modified or enhanced, when the enhancement or modification according to Department rules is designed and developed to the specifications of a specific purchaser, is exempt from the tax imposed under this Act and the transfer of that modified or enhanced computer software is subject to tax under the Retailers' Occupation Tax Act and the Use Tax Act.

Exemption (e) also includes machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment. For the purposes of exemption (e), each of these terms shall have the following meanings: (1) "manufacturing process" shall mean the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. In relation to a recognized integrated business composed of a series of operations which collectively constitute manufacturing, or individually constitute manufacturing operations, the manufacturing process shall be deemed to commence with the first operation or stage of production in the series, and shall not be deemed to end until the completion of the final product in the last operation or stage of production in the series; and further for purposes of exemption (e), photoprocessing is deemed to be a manufacturing process of tangible personal property for wholesale or retail sale; (2) "assembling process" shall mean the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by the combination of existing materials in a manner commonly regarded as assembling which results in a material of a different form, use or name; (3) "machinery" shall mean major mechanical machines or major components of such machines contributing to a manufacturing or assembling process; and (4) "equipment" shall include any independent device or tool separate from any machinery but essential to an integrated manufacturing or assembly process; including computers used primarily in a

manufacturer's computer assisted design, computer assisted manufacturing (CAD/CAM) system; or any subunit or assembly comprising a component of any machinery or auxiliary, adjunct or attachment parts of machinery, such as tools, dies, jigs, fixtures, patterns and molds; or any parts which require periodic replacement in the course of normal operation; but shall not include hand tools. Equipment includes chemicals or chemicals acting as catalysts but only if the chemicals or chemicals acting as catalysts effect a direct and immediate change upon a product being manufactured or assembled for wholesale or retail sale or lease. The purchaser of such machinery and equipment who has an active resale registration number shall furnish such number to the seller at the time of purchase. The purchaser of such machinery and equipment and tools without an active resale registration number shall furnish to the seller a certificate of exemption for each transaction stating facts establishing the exemption for that transaction, which certificate shall be available to the Department for inspection or audit.

Except as provided in Section 2d of this Act, the rolling stock exemption applies to rolling stock used by an interstate carrier for hire, even just between points in Illinois, if such rolling stock transports, for hire, persons whose journeys or property whose shipments originate or terminate outside Illinois.

Any informal rulings, opinions or letters issued by the Department in response to an inquiry or request for any opinion from any person regarding the coverage and applicability of exemption (e) to specific devices shall be published, maintained as a public record, and made available for public inspection and copying. If the informal ruling, opinion or letter contains trade secrets or other confidential information, where possible the Department shall delete such information prior to publication. Whenever such informal rulings, opinions, or letters contain any policy of general applicability, the Department shall formulate and adopt such policy as a rule in accordance with the provisions of the Illinois Administrative Procedure Act.

On and after July 1, 1987, no entity otherwise eligible under exemption (c) of this Section shall make tax free purchases unless it has an active exemption identification number issued by the Department.

"Serviceman" means any person who is engaged in the occupation of making sales of service.

"Sale at Retail" means "sale at retail" as defined in the Retailers' Occupation Tax Act.

"Supplier" means any person who makes sales of tangible personal property to servicemen for the purpose of resale as an incident to a sale of service.

(Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24, eff. 6-20-03; revised 8-21-03.)

(35 ILCS 115/3-25) (from Ch. 120, par. 439.103-25)

Sec. 3-25. Computer software.

(a) On and before June 30, 2004, for ~~For~~ the purposes of this Act, "computer software" means a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which those statements, data, or instructions may be embodied, transmitted, or fixed, by any method now known or hereafter developed, regardless of whether the statements, data, or instructions are capable of being perceived by or communicated to humans, and includes prewritten or canned software that is held for repeated sale or lease, and all associated documentation and materials, if any, whether contained on magnetic tapes, discs, cards, or other devices or media, but does not include software that is adapted to specific individualized requirements of a purchaser, custom-made and modified software designed for a particular or limited use by a purchaser, or software used to operate exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease.

(b) On and after July 1, 2004, for the purposes of this Act, "computer software" has the same meaning as that term is defined in Section 2-25 of the Retailers' Occupation Tax Act.

(c) For the purposes of this Act, computer software shall be considered to be tangible personal property.

(Source: P.A. 91-51, eff. 6-30-99.)

Section 20. The Retailers' Occupation Tax Act is amended by changing Sections 1, 2, and 2-25 as follows:

(35 ILCS 120/1) (from Ch. 120, par. 440)

Sec. 1. Definitions. "Sale at retail" means any transfer of the ownership of or title to tangible personal property to a purchaser, for the purpose of use or consumption, and not for the purpose of resale in any form as tangible personal property to the extent not first subjected to a use for which it was purchased, for a valuable consideration: Provided that the property purchased is deemed to be purchased for the purpose of resale, despite first being used, to the extent to which it is resold as an ingredient of an intentionally produced product or byproduct of manufacturing. For this purpose, slag produced as an incident to manufacturing pig iron or steel and sold is considered to be an intentionally produced byproduct of manufacturing. Transactions whereby the possession of the property is transferred but the seller retains the title as security for payment of the selling price shall be deemed to be sales.

Beginning July 1, 2004, "sale at retail" includes the licensing of computer software.

"Sale at retail" shall be construed to include any transfer of the ownership of or title to tangible personal property to a purchaser, for use or consumption by any other person to whom such purchaser may transfer the tangible personal property without a valuable consideration, and to include any transfer, whether made for or without a valuable consideration, for resale in any form as tangible personal property unless made in compliance with Section 2c of this Act.

Sales of tangible personal property, which property, to the extent not first subjected to a use for which it was purchased, as an ingredient or constituent, goes into and forms a part of tangible personal property subsequently the subject of a "Sale at retail", are not sales at retail as defined in this Act: Provided that the property purchased is deemed to be purchased for the purpose of resale, despite first being used, to the extent to which it is resold as an ingredient of an intentionally produced product or byproduct of manufacturing.

"Sale at retail" shall be construed to include any Illinois florist's sales transaction in which the purchase order is received in Illinois by a florist and the sale is for use or consumption, but the Illinois florist has a florist in another state deliver the property to the purchaser or the purchaser's donee in such other state.

Nonreusable tangible personal property that is used by persons engaged in the business of operating a restaurant, cafeteria, or drive-in is a sale for resale when it is transferred to customers in the ordinary course of business as part of the sale of food or beverages and is used to deliver, package, or consume food or beverages, regardless of where consumption of the food or beverages occurs. Examples of those items include, but are not limited to nonreusable, paper and plastic cups, plates, baskets, boxes, sleeves, buckets or other containers, utensils, straws, placemats, napkins, doggie bags, and wrapping or packaging materials that are transferred to customers as part of the sale of food or beverages in the ordinary course of business.

The purchase, employment and transfer of such tangible personal property as newsprint and ink for the primary purpose of conveying news (with or without other information) is not a purchase, use or sale of tangible personal property.

A person whose activities are organized and conducted primarily as a not-for-profit service enterprise, and who engages in selling tangible personal property at retail (whether to the public or merely to members and their guests) is engaged in the business of selling tangible personal property at retail with respect to such transactions, excepting only a person organized and operated exclusively for charitable, religious or educational purposes either (1), to the extent of sales by such person to its members, students, patients or inmates of tangible personal property to be used primarily for the purposes of such person, or (2), to the extent of sales by such person of tangible personal property which is not sold or offered for sale by persons organized for profit. The selling of school books and school supplies by schools at retail to students is not "primarily for the purposes of" the school which does such selling. The provisions of this paragraph shall not apply to nor subject to taxation occasional dinners, socials or similar activities of a person organized and operated exclusively for charitable, religious or educational purposes, whether or not such activities are open to the public.

A person who is the recipient of a grant or contract under Title VII of the Older Americans Act of 1965 (P.L. 92-258) and serves meals to participants in the federal Nutrition Program for the Elderly in return for contributions established in amount by the individual participant pursuant to a schedule of suggested fees as provided for in the federal Act is not engaged in the business of selling tangible personal property at retail with respect to such transactions.

"Purchaser" means anyone who, through a sale at retail, acquires the ownership of or title to tangible personal property for a valuable consideration.

"Reseller of motor fuel" means any person engaged in the business of selling or delivering or transferring title of motor fuel to another person other than for use or consumption. No person shall act as a reseller of motor fuel within this State without first being registered as a reseller pursuant to Section 2c or a retailer pursuant to Section 2a.

"Selling price" or the "amount of sale" means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property, other than as hereinafter provided, and services, but not including the value of or credit given for traded-in tangible personal property where the item that is traded-in is of like kind and character as that which is being sold, and shall be determined without any deduction on account of the cost of the property sold, the cost of materials used, labor or service cost or any other expense whatsoever, but does not include charges that are added to prices by sellers on account of the seller's tax liability under this Act, or on account of the seller's duty to collect, from the purchaser, the tax that is imposed by the Use Tax Act, or on account of the seller's tax liability under Section 8-11-1 of the Illinois Municipal Code, as heretofore and hereafter amended, or on account of

the seller's tax liability under the County Retailers' Occupation Tax Act, or on account of the seller's tax liability under the Home Rule Municipal Soft Drink Retailers' Occupation Tax, or on account of the seller's tax liability under any tax imposed under the "Regional Transportation Authority Act", approved December 12, 1973. Effective December 1, 1985, "selling price" shall include charges that are added to prices by sellers on account of the seller's tax liability under the Cigarette Tax Act, on account of the sellers' duty to collect, from the purchaser, the tax imposed under the Cigarette Use Tax Act, and on account of the seller's duty to collect, from the purchaser, any cigarette tax imposed by a home rule unit.

The phrase "like kind and character" shall be liberally construed (including but not limited to any form of motor vehicle for any form of motor vehicle, or any kind of farm or agricultural implement for any other kind of farm or agricultural implement), while not including a kind of item which, if sold at retail by that retailer, would be exempt from retailers' occupation tax and use tax as an isolated or occasional sale.

"Gross receipts" from the sales of tangible personal property at retail means the total selling price or the amount of such sales, as hereinbefore defined. In the case of charge and time sales, the amount thereof shall be included only as and when payments are received by the seller. Receipts or other consideration derived by a seller from the sale, transfer or assignment of accounts receivable to a wholly owned subsidiary will not be deemed payments prior to the time the purchaser makes payment on such accounts.

"Department" means the Department of Revenue.

"Person" means any natural individual, firm, partnership, association, joint stock company, joint adventure, public or private corporation, limited liability company, or a receiver, executor, trustee, guardian or other representative appointed by order of any court.

The isolated or occasional sale of tangible personal property at retail by a person who does not hold himself out as being engaged (or who does not habitually engage) in selling such tangible personal property at retail, or a sale through a bulk vending machine, does not constitute engaging in a business of selling such tangible personal property at retail within the meaning of this Act; provided that any person who is engaged in a business which is not subject to the tax imposed by this Act because of involving the sale of or a contract to sell real estate or a construction contract to improve real estate or a construction contract to engineer, install, and maintain an integrated system of products, but who, in the course of conducting such business, transfers tangible personal property to users or consumers in the finished form in which it was purchased, and which does not become real estate or was not engineered and installed, under any provision of a construction contract or real estate sale or real estate sales agreement entered into with some other person arising out of or because of such nontaxable business, is engaged in the business of selling tangible personal property at retail to the extent of the value of the tangible personal property so transferred. If, in such a transaction, a separate charge is made for the tangible personal property so transferred, the value of such property, for the purpose of this Act, shall be the amount so separately charged, but not less than the cost of such property to the transferor; if no separate charge is made, the value of such property, for the purposes of this Act, is the cost to the transferor of such tangible personal property. Construction contracts for the improvement of real estate consisting of engineering, installation, and maintenance of voice, data, video, security, and all telecommunication systems do not constitute engaging in a business of selling tangible personal property at retail within the meaning of this Act if they are sold at one specified contract price.

A person who holds himself or herself out as being engaged (or who habitually engages) in selling tangible personal property at retail is a person engaged in the business of selling tangible personal property at retail hereunder with respect to such sales (and not primarily in a service occupation) notwithstanding the fact that such person designs and produces such tangible personal property on special order for the purchaser and in such a way as to render the property of value only to such purchaser, if such tangible personal property so produced on special order serves substantially the same function as stock or standard items of tangible personal property that are sold at retail.

Persons who engage in the business of transferring tangible personal property upon the redemption of trading stamps are engaged in the business of selling such property at retail and shall be liable for and shall pay the tax imposed by this Act on the basis of the retail value of the property transferred upon redemption of such stamps.

"Bulk vending machine" means a vending machine, containing unsorted confections, nuts, toys, or other items designed primarily to be used or played with by children which, when a coin or coins of a denomination not larger than \$0.50 are inserted, are dispensed in equal portions, at random and without selection by the customer.

(Source: P.A. 92-213, eff. 1-1-02.)

(35 ILCS 120/2) (from Ch. 120, par. 441)

Sec. 2. Tax imposed. A tax is imposed upon persons engaged in the business of selling at retail tangible personal property, including computer software, and including photographs, negatives, and positives that are the product of photoprocessing, but not including products of photoprocessing produced for use in motion pictures for public commercial exhibition. Beginning January 1, 2001, prepaid telephone calling arrangements shall be considered tangible personal property subject to the tax imposed under this Act regardless of the form in which those arrangements may be embodied, transmitted, or fixed by any method now known or hereafter developed. Beginning July 1, 2004, computer software subject to tax under this Act includes licenses of computer software.

(Source: P.A. 91-51, eff. 6-30-99; 91-870, eff. 6-22-00.)

(35 ILCS 120/2-25) (from Ch. 120, par. 441-25)

Sec. 2-25. Computer software. For the purposes of this Act, "computer software" means a set of statements, data, or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which those statements, data, or instructions may be embodied, transmitted, or fixed, by any method now known or hereafter developed, regardless of whether the statements, data, or instructions are capable of being perceived by or communicated to humans, and includes prewritten or canned software that is held for repeated sale or lease, and all associated documentation and materials, if any, whether contained on magnetic tapes, discs, cards, or other devices or media, but does not include (i) on and before June 30, 2004, software that is adapted to specific individualized requirements of a purchaser, custom-made and modified software designed for a particular or limited use by a purchaser, or (ii) software used to operate exempt machinery and equipment used in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease.

Beginning on July 1, 2004, "prewritten computer software" means computer software, including upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of 2 or more "prewritten computer software" programs or prewritten portions thereof does not cause the combination to be other than "prewritten computer software". "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. If a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of that person's modifications or enhancements. "Prewritten computer software" or a prewritten portion thereof that is modified or enhanced to any degree, when the modification or enhancement according to Department rules is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software", except that when there is a reasonable separately stated charge or an invoice or other statement of the price given to the purchaser for the modification or enhancement, the modification or enhancement does not constitute "prewritten computer software".

For the purposes of this Act, computer software shall be considered to be tangible personal property. (Source: P.A. 91-51, eff. 6-30-99.)

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

AMENDMENT NO. 2. Amend Senate Bill 2205, AS AMENDED, by inserting the following immediately below the enacting clause:

"Section 3. The State Finance Act is amended by changing Section 6z-45 as follows:

(30 ILCS 105/6z-45)

Sec. 6z-45. The School Infrastructure Fund.

(a) The School Infrastructure Fund is created as a special fund in the State Treasury.

In addition to any other deposits authorized by law, beginning January 1, 2000, on the first day of each month, or as soon thereafter as may be practical, the State Treasurer and State Comptroller shall transfer the sum of \$5,000,000 from the General Revenue Fund to the School Infrastructure Fund; provided, however, that no such transfers shall be made from July 1, 2001 through June 30, 2003.

In addition to any other deposits authorized by this Section or by any other law, beginning July 1, 2004, on the first day of each month, or as soon thereafter as may be practical, the State Treasurer and State Comptroller shall transfer the sum of \$5,000,000 from the General Revenue Fund to the School Infrastructure Fund.

(b) Subject to the transfer provisions set forth below, money in the School Infrastructure Fund shall, if and when the State of Illinois incurs any bonded indebtedness for the construction of school improvements under the School Construction Law, be set aside and used for the purpose of paying and discharging

annually the principal and interest on that bonded indebtedness then due and payable, and for no other purpose.

In addition to other transfers to the General Obligation Bond Retirement and Interest Fund made pursuant to Section 15 of the General Obligation Bond Act, upon each delivery of bonds issued for construction of school improvements under the School Construction Law, the State Comptroller shall compute and certify to the State Treasurer the total amount of principal of, interest on, and premium, if any, on such bonds during the then current and each succeeding fiscal year. With respect to the interest payable on variable rate bonds, such certifications shall be calculated at the maximum rate of interest that may be payable during the fiscal year, after taking into account any credits permitted in the related indenture or other instrument against the amount of such interest required to be appropriated for that period.

On or before the last day of each month, the State Treasurer and State Comptroller shall transfer from the School Infrastructure Fund to the General Obligation Bond Retirement and Interest Fund an amount sufficient to pay the aggregate of the principal of, interest on, and premium, if any, on the bonds payable on their next payment date, divided by the number of monthly transfers occurring between the last previous payment date (or the delivery date if no payment date has yet occurred) and the next succeeding payment date. Interest payable on variable rate bonds shall be calculated at the maximum rate of interest that may be payable for the relevant period, after taking into account any credits permitted in the related indenture or other instrument against the amount of such interest required to be appropriated for that period. Interest for which moneys have already been deposited into the capitalized interest account within the General Obligation Bond Retirement and Interest Fund shall not be included in the calculation of the amounts to be transferred under this subsection.

(c) The surplus, if any, in the School Infrastructure Fund after the payment of principal and interest on that bonded indebtedness then annually due shall, subject to appropriation, be used as follows:

First - to make 3 payments to the School Technology Revolving Loan Fund as follows:

- Transfer of \$30,000,000 in fiscal year 1999;
- Transfer of \$20,000,000 in fiscal year 2000; and
- Transfer of \$10,000,000 in fiscal year 2001.

Second - to pay the expenses of the State Board of Education and the Capital Development Board in administering programs under the School Construction Law, the total expenses not to exceed \$1,200,000 in any fiscal year.

Third - to pay any amounts due for grants for school construction projects and debt service under the School Construction Law.

Fourth - to pay any amounts due for grants for school maintenance projects under the School Construction Law.

(Source: P.A. 92-11, eff. 6-11-01; 92-600, eff. 6-28-02; 93-9, eff. 6-3-03.)".

There being no further amendments, the foregoing Amendments numbered 1 and 2 were adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2206. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2206 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Section 203 as follows:

(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

(1) In general. In the case of an individual, base income means an amount equal to the taxpayer's adjusted gross income for the taxable year as modified by paragraph (2).

(2) Modifications. The adjusted gross income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of adjusted gross income, except stock dividends of qualified public utilities described in Section 305(e) of the Internal Revenue Code;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of adjusted gross income for the taxable year;

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of adjusted gross income;

(D-5) An amount, to the extent not included in adjusted gross income, equal to the amount of money withdrawn by the taxpayer in the taxable year from a medical care savings account and the interest earned on the account in the taxable year of a withdrawal pursuant to subsection (b) of Section 20 of the Medical Care Savings Account Act or subsection (b) of Section 20 of the Medical Care Savings Account Act of 2000;

(D-10) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the individual deducted in computing adjusted gross income and for which the individual claims a credit under subsection (l) of Section 201;

(D-15) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property; ÷

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; - and

(D-20) ~~(D-15)~~ For taxable years beginning on or after January 1, 2002, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B);

and by deducting from the total so obtained the sum of the following amounts:

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the

Internal Revenue Code and regulations adopted pursuant thereto;

(G) The valuation limitation amount;

(H) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(I) An amount equal to all amounts included in such total pursuant to the provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted from adjusted gross income in the computation of taxable income;

(J) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, and conducts substantially all of its operations in an Enterprise Zone or zones;

(K) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (J) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (K);

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

(M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the income interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;

(O) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) An amount equal to any amounts included in such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;

(R) An amount equal to the amount of any federal or State bonus paid to veterans of the Persian Gulf War;

(S) An amount, to the extent included in adjusted gross income, equal to the amount of a contribution made in the taxable year on behalf of the taxpayer to a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 to the extent the contribution is accepted by the account administrator as provided in that Act;

(T) An amount, to the extent included in adjusted gross income, equal to the amount of interest earned in the taxable year on a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 on behalf of the taxpayer, other than interest added pursuant to item (D-5) of this paragraph (2);

(U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal

income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; and

(BB) ~~(Z)~~ Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle.

(b) Corporations.

(1) In general. In the case of a corporation, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(C) In the case of a regulated investment company, an amount equal to the excess of (i) the net long-term capital gain for the taxable year, over (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such earlier taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(E-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the corporation deducted in computing adjusted gross income and for which the corporation claims a credit under subsection (l) of Section 201;

(E-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the sum of the following amounts:

- (F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;
- (G) An amount equal to any amount included in such total under Section 78 of the Internal Revenue Code;
- (H) In the case of a regulated investment company, an amount equal to the amount of exempt interest dividends as defined in subsection (b) (5) of Section 852 of the Internal Revenue Code, paid to shareholders for the taxable year;
- (I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (J) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the income interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;
- (K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or zones;
- (L) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph 2 of this subsection shall not be eligible for the deduction provided under this subparagraph (L);
- (M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;
- (M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the

borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(N) Two times any contribution made during the taxable year to a designated zone organization to the extent that the contribution (i) qualifies as a charitable contribution under subsection (c) of Section 170 of the Internal Revenue Code and (ii) must, by its terms, be used for a project approved by the Department of Commerce and Economic Opportunity Community Affairs under Section 11 of the Illinois Enterprise Zone Act;

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

(P) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(R) In the case of an attorney-in-fact with respect to whom an interinsurer or a reciprocal insurer has made the election under Section 835 of the Internal Revenue Code, 26 U.S.C. 835, an amount equal to the excess, if any, of the amounts paid or incurred by that interinsurer or reciprocal insurer in the taxable year to the attorney-in-fact over the deduction allowed to that interinsurer or reciprocal insurer with respect to the attorney-in-fact under Section 835(b) of the Internal Revenue Code for the taxable year;

(S) For taxable years ending on or after December 31, 1997, in the case of a Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an

amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Special rule. For purposes of paragraph (2) (A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, shall mean the gross investment income for the taxable year.

(c) Trusts and estates.

(1) In general. In the case of a trust or estate, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. Subject to the provisions of paragraph (3), the taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

(C) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(F) For taxable years ending on or after January 1, 1989, an amount equal to the tax deducted pursuant to Section 164 of the Internal Revenue Code if the trust or estate is claiming the same tax for purposes of the Illinois foreign tax credit under Section 601 of this Act;

(G) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(G-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the trust or estate deducted in computing adjusted gross income and for which the trust or estate claims a credit under subsection (l) of Section 201;

(G-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; and by deducting from the total so obtained the sum of the following amounts:

(H) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the Internal Revenue Code or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(I) The valuation limitation amount;

(J) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(K) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C), (D), (E), (F) and (G) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the ~~income interest~~ net of bond premium amortization, ~~interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses.~~ The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;

(L) With the exception of any amounts subtracted under subparagraph (K), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a)(2) and 265(a)(2) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(M) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or Zones;

(N) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(O) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (O);

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any

other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Limitation. The amount of any modification otherwise required under this subsection shall, under regulations prescribed by the Department, be adjusted by any amounts included therein which were properly paid, credited, or required to be distributed, or permanently set aside for charitable purposes pursuant to Internal Revenue Code Section 642(c) during the taxable year.

(d) Partnerships.

(1) In general. In the case of a partnership, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income for the taxable year;

(C) The amount of deductions allowed to the partnership pursuant to Section 707 (c) of the Internal Revenue Code in calculating its taxable income;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(D-5) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the following amounts:

(E) The valuation limitation amount;

- (F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;
- (G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State or of the United States, any treaty of the United States, the Illinois Constitution, or the United States Constitution that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the income interest net of bond premium amortization, interest expense incurred on indebtedness to carry the bond or other obligation, expenses incurred in producing the income to be deducted, and all other related expenses. The amount of expenses to be taken into account under this provision may not exceed the amount of income that is exempted;
- (H) Any income of the partnership which constitutes personal service income as defined in Section 1348 (b) (1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership, whichever is greater;
- (I) An amount equal to all amounts of income distributable to an entity subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code;
- (J) With the exception of any amounts subtracted under subparagraph (G), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;
- (L) An amount equal to any contribution made to a job training project established pursuant to the Real Property Tax Increment Allocation Redevelopment Act;
- (M) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (M);
- (N) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;
- (O) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:
- (1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and
 - (2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).
- The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and
- (P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income

tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(e) Gross income; adjusted gross income; taxable income.

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

(2) Special rule. For purposes of paragraph (1) of this subsection, the taxable income properly reportable for federal income tax purposes shall mean:

(A) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by Section 801 of the Internal Revenue Code, life insurance company taxable income, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under Section 815a of the Internal Revenue Code;

(B) Certain other insurance companies. In the case of mutual insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, insurance company taxable income;

(C) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by Section 852 of the Internal Revenue Code, investment company taxable income;

(D) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by Section 857 of the Internal Revenue Code, real estate investment trust taxable income;

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the

federal Subchapter S rules as in effect on July 1, 1982; and

(H) Partnerships. In the case of a partnership, taxable income determined in accordance with Section 703 of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 703(a)(1) to be separately stated but which would be taken into account by an individual in calculating his taxable income.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

(A) The sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of gain reportable under the provisions of Section 1245 or 1250 of the Internal Revenue Code) for all property in respect of which such gain was reported for the taxable year; plus

(B) The lesser of (i) the sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of capital gain) for all property in respect of which such gain was reported for federal income tax purposes for the taxable year, or (ii) the net capital gain for the taxable year, reduced in either case by any amount of such gain included in the amount determined under subsection (a) (2) (F) or (c) (2) (H).

(2) Pre-August 1, 1969 appreciation amount.

(A) If the fair market value of property referred to in paragraph (1) was readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is the lesser of (i) the excess of such fair market value over the taxpayer's basis (for determining gain) for such property on that date (determined under the Internal Revenue Code as in effect on that date), or (ii) the total gain realized and reportable for federal income tax purposes in respect of the sale, exchange or other disposition of such property.

(B) If the fair market value of property referred to in paragraph (1) was not readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is that amount which bears the same ratio to the total gain reported in respect of the property for federal income tax purposes for the taxable year, as the number of full calendar months in that part of the taxpayer's holding period for the property ending July 31, 1969 bears to the number of full calendar months in the taxpayer's entire holding period for the property.

(C) The Department shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

(g) Double deductions. Unless specifically provided otherwise, nothing in this Section shall permit the same item to be deducted more than once.

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise.

(Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2207. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2207 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Sections 203, 205, 305, and 1501 as follows:

(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

(1) In general. In the case of an individual, base income means an amount equal to the taxpayer's adjusted gross income for the taxable year as modified by paragraph (2).

(2) Modifications. The adjusted gross income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of adjusted gross income, except stock dividends of qualified public utilities described in Section 305(e) of the Internal Revenue Code;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of adjusted gross income for the taxable year;

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of adjusted gross income;

(D-5) An amount, to the extent not included in adjusted gross income, equal to the amount of money withdrawn by the taxpayer in the taxable year from a medical care savings account and the interest earned on the account in the taxable year of a withdrawal pursuant to subsection (b) of Section 20 of the Medical Care Savings Account Act or subsection (b) of Section 20 of the Medical Care Savings Account Act of 2000;

(D-10) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the individual deducted in computing adjusted gross income and for which the individual claims a credit under subsection (l) of Section 201;

(D-15) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property; ~~;~~

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; ~~;~~ and

~~(D-20) (D-15)~~ For taxable years beginning on or after January 1, 2002, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B);

and by deducting from the total so obtained the sum of the following amounts:

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or

missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(G) The valuation limitation amount;

(H) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(I) An amount equal to all amounts included in such total pursuant to the provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted from adjusted gross income in the computation of taxable income;

(J) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, and conducts substantially all of its operations in an Enterprise Zone or zones;

(K) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (J) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (K);

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

(M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a)(2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(O) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) An amount equal to any amounts included in such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;

(R) An amount equal to the amount of any federal or State bonus paid to veterans of the Persian Gulf War;

(S) An amount, to the extent included in adjusted gross income, equal to the amount of a contribution made in the taxable year on behalf of the taxpayer to a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 to the extent the contribution is accepted by the account administrator as provided in that Act;

(T) An amount, to the extent included in adjusted gross income, equal to the amount of interest earned in the taxable year on a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 on behalf of the taxpayer, other than interest added pursuant to item (D-5) of this paragraph (2);

(U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any

one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; and

~~(BB) (Z)~~ Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle.

(b) Corporations.

(1) In general. In the case of a corporation, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(C) In the case of a regulated investment company, an amount equal to the excess of (i) the net long-term capital gain for the taxable year, over (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such earlier taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(E-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the corporation deducted in computing adjusted gross income and for which the corporation claims a credit under subsection (l) of Section 201;

(E-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an

amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property; †

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the sum of the following amounts:

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to any amount included in such total under Section 78 of the Internal Revenue Code;

(H) In the case of a regulated investment company, an amount equal to the amount of exempt interest dividends as defined in subsection (b) (5) of Section 852 of the Internal Revenue Code, paid to shareholders for the taxable year;

(I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(J) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or zones;

(L) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph 2 of this subsection shall not be eligible for the deduction provided under this subparagraph (L);

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the

borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(N) Two times any contribution made during the taxable year to a designated zone organization to the extent that the contribution (i) qualifies as a charitable contribution under subsection (c) of Section 170 of the Internal Revenue Code and (ii) must, by its terms, be used for a project approved by the Department of Commerce and Economic Opportunity Community Affairs under Section 11 of the Illinois Enterprise Zone Act;

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

(P) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(R) In the case of an attorney-in-fact with respect to whom an interinsurer or a reciprocal insurer has made the election under Section 835 of the Internal Revenue Code, 26 U.S.C. 835, an amount equal to the excess, if any, of the amounts paid or incurred by that interinsurer or reciprocal insurer in the taxable year to the attorney-in-fact over the deduction allowed to that interinsurer or reciprocal insurer with respect to the attorney-in-fact under Section 835(b) of the Internal Revenue Code for the taxable year;

(S) For taxable years ending on or after December 31, 1997, in the case of a Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an

amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Special rule. For purposes of paragraph (2) (A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, shall mean the gross investment income for the taxable year.

(c) Trusts and estates.

(1) In general. In the case of a trust or estate, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. Subject to the provisions of paragraph (3), the taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

(C) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(F) For taxable years ending on or after January 1, 1989, an amount equal to the tax deducted pursuant to Section 164 of the Internal Revenue Code if the trust or estate is claiming the same tax for purposes of the Illinois foreign tax credit under Section 601 of this Act;

(G) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(G-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the trust or estate deducted in computing adjusted gross income and for which the trust or estate claims a credit under subsection (l) of Section 201;

(G-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; and by deducting from the total so obtained the sum of the following amounts:

(H) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the Internal Revenue Code or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(I) The valuation limitation amount;

(J) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(K) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C), (D), (E), (F) and (G) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(L) With the exception of any amounts subtracted under subparagraph (K), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2) and 265(a)(2) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(M) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or Zones;

(N) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(O) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (O);

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Limitation. The amount of any modification otherwise required under this subsection shall, under regulations prescribed by the Department, be adjusted by any amounts included therein which were properly paid, credited, or required to be distributed, or permanently set aside for charitable purposes pursuant to Internal Revenue Code Section 642(c) during the taxable year.

(d) Partnerships.

(1) In general. In the case of a partnership, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income for the taxable year;

(C) The amount of deductions allowed to the partnership pursuant to Section 707 (c) of the Internal Revenue Code in calculating its taxable income;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(D-5) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the following amounts:

(E) The valuation limitation amount;

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason of

its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(H) Any income of the partnership which constitutes personal service income as defined in Section 1348 (b) (1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership, whichever is greater;

(I) An amount equal to all amounts of income distributable to an entity subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code;

(J) With the exception of any amounts subtracted under subparagraph (G), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;

(L) An amount equal to any contribution made to a job training project established pursuant to the Real Property Tax Increment Allocation Redevelopment Act;

(M) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (M);

(N) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(O) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(e) Gross income; adjusted gross income; taxable income.

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable

income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

(2) Special rule. For purposes of paragraph (1) of this subsection, the taxable income properly reportable for federal income tax purposes shall mean:

(A) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by Section 801 of the Internal Revenue Code, life insurance company taxable income, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under Section 815a of the Internal Revenue Code;

(B) Certain other insurance companies. In the case of mutual insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, insurance company taxable income;

(C) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by Section 852 of the Internal Revenue Code, investment company taxable income;

(D) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by Section 857 of the Internal Revenue Code, real estate investment trust taxable income;

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the federal Subchapter S rules as in effect on July 1, 1982; and

(H) Partnerships. In the case of a partnership, taxable income determined in accordance with Section 703 of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 703(a)(1) to be separately stated but which would be taken into account by an individual in calculating his taxable income.

(3) Recapture of business expenses on disposition of non-business asset. Notwithstanding any other law to the contrary, if in prior years income from an asset or business has been classified as business income and in a later year is demonstrated to be non-business income, then all expenses, without limitation,

deducted in prior years related to that asset or business that generated the non-business income shall be added back and recaptured as business income in the year of the disposition of the asset.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

(A) The sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of gain reportable under the provisions of Section 1245 or 1250 of the Internal Revenue Code) for all property in respect of which such gain was reported for the taxable year; plus

(B) The lesser of (i) the sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of capital gain) for all property in respect of which such gain was reported for federal income tax purposes for the taxable year, or (ii) the net capital gain for the taxable year, reduced in either case by any amount of such gain included in the amount determined under subsection (a) (2) (F) or (c) (2) (H).

(2) Pre-August 1, 1969 appreciation amount.

(A) If the fair market value of property referred to in paragraph (1) was readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is the lesser of (i) the excess of such fair market value over the taxpayer's basis (for determining gain) for such property on that date (determined under the Internal Revenue Code as in effect on that date), or (ii) the total gain realized and reportable for federal income tax purposes in respect of the sale, exchange or other disposition of such property.

(B) If the fair market value of property referred to in paragraph (1) was not readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is that amount which bears the same ratio to the total gain reported in respect of the property for federal income tax purposes for the taxable year, as the number of full calendar months in that part of the taxpayer's holding period for the property ending July 31, 1969 bears to the number of full calendar months in the taxpayer's entire holding period for the property.

(C) The Department shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

(g) Double deductions. Unless specifically provided otherwise, nothing in this Section shall permit the same item to be deducted more than once.

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise.

(Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

(35 ILCS 5/205) (from Ch. 120, par. 2-205)

Sec. 205. Exempt organizations.

(a) Charitable, etc. organizations. The base income of an organization which is exempt from the federal income tax by reason of Section 501(a) of the Internal Revenue Code shall not be determined under section 203 of this Act, but shall be its unrelated business taxable income as determined under section 512 of the Internal Revenue Code, without any deduction for the tax imposed by this Act. The standard exemption provided by section 204 of this Act shall not be allowed in determining the net income of an organization to which this subsection applies.

(b) Partnerships. A partnership as such shall not be subject to the tax imposed by subsection 201 (a) and (b) of this Act, but shall be subject to the replacement tax imposed by subsection 201 (c) and (d) of this Act and shall compute its base income as described in subsection (d) of Section 203 of this Act. For taxable years ending on or after December 31, 2004, an investment partnership, as defined in Section 1501(a)(11.5) of this Act, shall not be subject to the tax imposed by subsections (c) and (d) of Section 201 of this Act. A partnership shall file such returns and other information at such time and in such manner as may be required under Article 5 of this Act. The partners in a partnership shall be liable for the replacement tax imposed by subsection 201 (c) and (d) of this Act on such partnership, to the extent such tax is not paid by the partnership, as provided under the laws of Illinois governing the liability of partners for the obligations of a partnership. Persons carrying on business as partners shall be liable for the tax imposed by subsection

201 (a) and (b) of this Act only in their separate or individual capacities.

(c) Subchapter S corporations. A Subchapter S corporation shall not be subject to the tax imposed by subsection 201 (a) and (b) of this Act but shall be subject to the replacement tax imposed by subsection 201 (c) and (d) of this Act and shall file such returns and other information at such time and in such manner as may be required under Article 5 of this Act.

(d) Combat zone death. An individual relieved from the federal income tax for any taxable year by reason of section 692 of the Internal Revenue Code shall not be subject to the tax imposed by this Act for such taxable year.

(e) Certain trusts. A common trust fund described in Section 584 of the Internal Revenue Code, and any other trust to the extent that the grantor is treated as the owner thereof under sections 671 through 678 of the Internal Revenue Code shall not be subject to the tax imposed by this Act.

(f) Certain business activities. A person not otherwise subject to the tax imposed by this Act shall not become subject to the tax imposed by this Act by reason of:

(1) that person's ownership of tangible personal property located at the premises of a printer in this State with which the person has contracted for printing, or

(2) activities of the person's employees or agents located solely at the premises of a printer and related to quality control, distribution, or printing services performed by a printer in the State with which the person has contracted for printing.

(Source: P.A. 88-361.)

(35 ILCS 5/305) (from Ch. 120, par. 3-305)

Sec. 305. Allocation of Partnership Income by partnerships and partners other than residents. (a) Allocation of partnership business income by partners other than residents. The respective shares of partners other than residents in so much of the business income of the partnership as is allocated or apportioned to this State in the possession of the partnership shall be taken into account by such partners pro rata in accordance with their respective distributive shares of such partnership income for the partnership's taxable year and allocated to this State.

(b) Allocation of partnership nonbusiness income by partners other than residents. The respective shares of partners other than residents in the items of partnership income and deduction not taken into account in computing the business income of a partnership shall be taken into account by such partners pro rata in accordance with their respective distributive shares of such partnership income for the partnership's taxable year, and allocated as if such items had been paid, incurred or accrued directly to such partners in their separate capacities.

(c) Allocation or apportionment of base income by partnership. Base income of a partnership shall be allocated or apportioned to this State pursuant to Article 3, in the same manner as it is allocated or apportioned for any other nonresident.

(c-5) Taxable income of an investment partnership, as defined in Section 1501(a)(11.5) of this Act, that is distributable to a nonresident partner shall be treated as nonbusiness income and shall be allocated to the partner's state of residence (in the case of an individual) or commercial domicile (in the case of any other person). However, any income distributable to a nonresident partner shall be treated as business income and apportioned as if such income had been received directly by the partner if the partner has made an election under Section 1501(a)(1) of this Act to treat all income as business income or if such income is from investment activity:

(1) that is directly or integrally related to any other business activity conducted in this State by the nonresident partner (or any member of that partner's unitary business group);

(2) that serves an operational function to any other business activity of the nonresident partner (or any member of that partner's unitary business group) in this State; or

(3) where assets of the investment partnership were acquired with working capital from a trade or business activity conducted in this State in which the nonresident partner (or any member of that partner's unitary business group) owns an interest.

(d) Cross reference. For allocation of partnership income or deductions by residents, see Section 301(a).

(Source: P.A. 84-550.)

(35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

Sec. 1501. Definitions.

(a) In general. When used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(1) Business income. The term "business income" means all income that may be treated as apportionable business income under the Constitution of the United States. Business income is net of the

~~deductions allocable thereto income arising from transactions and activity in the regular course of the taxpayer's trade or business, net of the deductions allocable thereto, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.~~ Such term does not include

compensation or the deductions allocable thereto. For each taxable year beginning on or after January 1, 2003, a taxpayer may elect to treat all income other than compensation as business income. This election shall be made in accordance with rules adopted by the Department and, once made, shall be irrevocable.

(2) Commercial domicile. The term "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(3) Compensation. The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(4) Corporation. The term "corporation" includes associations, joint-stock companies, insurance companies and cooperatives. Any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, shall be treated as a corporation if it is so classified for federal income tax purposes.

(5) Department. The term "Department" means the Department of Revenue of this State.

(6) Director. The term "Director" means the Director of Revenue of this State.

(7) Fiduciary. The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, or any person acting in any fiduciary capacity for any person.

(8) Financial organization.

(A) The term "financial organization" means any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person which is owned by a bank or bank holding company. For the purpose of this Section a "person" will include only those persons which a bank holding company may acquire and hold an interest in, directly or indirectly, under the provisions of the Bank Holding Company Act of 1956 (12 U.S.C. 1841, et seq.), except where interests in any person must be disposed of within certain required time limits under the Bank Holding Company Act of 1956.

(B) For purposes of subparagraph (A) of this paragraph, the term "bank" includes (i) any entity that is regulated by the Comptroller of the Currency under the National Bank Act, or by the Federal Reserve Board, or by the Federal Deposit Insurance Corporation and (ii) any federally or State chartered bank operating as a credit card bank.

(C) For purposes of subparagraph (A) of this paragraph, the term "sales finance company" has the meaning provided in the following item (i) or (ii):

(i) A person primarily engaged in one or more of the following businesses: the business of purchasing customer receivables, the business of making loans upon the security of customer receivables, the business of making loans for the express purpose of funding purchases of tangible personal property or services by the borrower, or the business of finance leasing. For purposes of this item (i), "customer receivable" means:

(a) a retail installment contract or retail charge agreement within the meaning of the Sales Finance Agency Act, the Retail Installment Sales Act, or the Motor Vehicle Retail Installment Sales Act;

(b) an installment, charge, credit, or similar contract or agreement arising from the sale of tangible personal property or services in a transaction involving a deferred payment price payable in one or more installments subsequent to the sale; or

(c) the outstanding balance of a contract or agreement described in provisions (a) or (b) of this item (i).

A customer receivable need not provide for payment of interest on deferred payments. A sales finance company may purchase a customer receivable from, or make a loan secured by a customer receivable to, the seller in the original transaction or to a person who purchased the customer receivable directly or indirectly from that seller.

(ii) A corporation meeting each of the following criteria:

(a) the corporation must be a member of an "affiliated group" within the meaning of Section 1504(a) of the Internal Revenue Code, determined without regard to Section 1504(b) of the Internal Revenue Code;

(b) more than 50% of the gross income of the corporation for the taxable

year must be interest income derived from qualifying loans. A "qualifying loan" is a loan made to a member of the corporation's affiliated group that originates customer receivables (within the meaning of item (i)) or to whom customer receivables originated by a member of the affiliated group have been transferred, to the extent the average outstanding balance of loans from that corporation to members of its affiliated group during the taxable year do not exceed the limitation amount for that corporation. The "limitation amount" for a corporation is the average outstanding balances during the taxable year of customer receivables (within the meaning of item (i)) originated by all members of the affiliated group. If the average outstanding balances of the loans made by a corporation to members of its affiliated group exceed the limitation amount, the interest income of that corporation from qualifying loans shall be equal to its interest income from loans to members of its affiliated groups times a fraction equal to the limitation amount divided by the average outstanding balances of the loans made by that corporation to members of its affiliated group;

(c) the total of all shareholder's equity (including, without limitation, paid-in capital on common and preferred stock and retained earnings) of the corporation plus the total of all of its loans, advances, and other obligations payable or owed to members of its affiliated group may not exceed 20% of the total assets of the corporation at any time during the tax year; and

(d) more than 50% of all interest-bearing obligations of the affiliated group payable to persons outside the group determined in accordance with generally accepted accounting principles must be obligations of the corporation.

This amendatory Act of the 91st General Assembly is declaratory of existing law.

(D) Subparagraphs (B) and (C) of this paragraph are declaratory of existing law and apply retroactively, for all tax years beginning on or before December 31, 1996, to all original returns, to all amended returns filed no later than 30 days after the effective date of this amendatory Act of 1996, and to all notices issued on or before the effective date of this amendatory Act of 1996 under subsection (a) of Section 903, subsection (a) of Section 904, subsection (e) of Section 909, or Section 912. A taxpayer that is a "financial organization" that engages in any transaction with an affiliate shall be a "financial organization" for all purposes of this Act.

(E) For all tax years beginning on or before December 31, 1996, a taxpayer that falls within the definition of a "financial organization" under subparagraphs (B) or (C) of this paragraph, but who does not fall within the definition of a "financial organization" under the Proposed Regulations issued by the Department of Revenue on July 19, 1996, may irrevocably elect to apply the Proposed Regulations for all of those years as though the Proposed Regulations had been lawfully promulgated, adopted, and in effect for all of those years. For purposes of applying subparagraphs (B) or (C) of this paragraph to all of those years, the election allowed by this subparagraph applies only to the taxpayer making the election and to those members of the taxpayer's unitary business group who are ordinarily required to apportion business income under the same subsection of Section 304 of this Act as the taxpayer making the election. No election allowed by this subparagraph shall be made under a claim filed under subsection (d) of Section 909 more than 30 days after the effective date of this amendatory Act of 1996.

(F) Finance Leases. For purposes of this subsection, a finance lease shall be treated as a loan or other extension of credit, rather than as a lease, regardless of how the transaction is characterized for any other purpose, including the purposes of any regulatory agency to which the lessor is subject. A finance lease is any transaction in the form of a lease in which the lessee is treated as the owner of the leased asset entitled to any deduction for depreciation allowed under Section 167 of the Internal Revenue Code.

(9) Fiscal year. The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December.

(10) Includes and including. The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(11) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect for the taxable year.

(11.5) Investment partnership.

(A) The term "investment partnership" means any entity that is treated as a partnership for federal

income tax purposes that meets the following requirements:

(i) no less than 90% of the partnership's cost of its total assets consists of qualifying investment securities, deposits at banks or other financial institutions, and office space and equipment reasonably necessary to carry on its activities as an investment partnership;

(ii) no less than 90% of its gross income consists of interest, dividends, and gains from the sale or exchange of qualifying investment securities; and

(iii) the partnership is not a dealer in qualifying investment securities.

(B) For purposes of this paragraph (11.5), the term "qualifying investment securities" includes all of the following:

(i) common stock, including preferred or debt securities convertible into common stock, and preferred stock;

(ii) bonds, debentures, and other debt securities;

(iii) foreign and domestic currency deposits secured by federal, state, or local governmental agencies;

(iv) mortgage or asset-backed securities secured by federal, state, or local governmental agencies;

(v) repurchase agreements and loan participations;

(vi) foreign currency exchange contracts and forward and futures contracts on foreign currencies;

(vii) stock and bond index securities and futures contracts and other similar financial securities and futures contracts on those securities;

(viii) options for the purchase or sale of any of the securities, currencies, contracts, or financial instruments described in items (i) to (vii), inclusive;

(ix) regulated futures contracts;

(x) commodities (not described in Section 1221(a)(1) of the Internal Revenue Code) or futures, forwards, and options with respect to such commodities, provided, however, that any item of a physical commodity to which title is actually acquired in the partnership's capacity as a dealer in such commodity shall not be a qualifying investment security;

(xi) derivatives; and

(xii) a partnership interest in another partnership that is an investment partnership.

(12) Mathematical error. The term "mathematical error" includes the following types of errors, omissions, or defects in a return filed by a taxpayer which prevents acceptance of the return as filed for processing:

(A) arithmetic errors or incorrect computations on the return or supporting schedules;

(B) entries on the wrong lines;

(C) omission of required supporting forms or schedules or the omission of the information in whole or in part called for thereon; and

(D) an attempt to claim, exclude, deduct, or improperly report, in a manner directly contrary to the provisions of the Act and regulations thereunder any item of income, exemption, deduction, or credit.

(13) Nonbusiness income. The term "nonbusiness income" means all income other than business income or compensation.

(14) Nonresident. The term "nonresident" means a person who is not a resident.

(15) Paid, incurred and accrued. The terms "paid", "incurred" and "accrued" shall be construed according to the method of accounting upon the basis of which the person's base income is computed under this Act.

(16) Partnership and partner. The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this Act, a trust or estate or a corporation; and the term "partner" includes a member in such syndicate, group, pool, joint venture or organization.

The term "partnership" includes any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, classified as a partnership for federal income tax purposes.

The term "partnership" does not include a syndicate, group, pool, joint venture, or other unincorporated organization established for the sole purpose of playing the Illinois State Lottery.

(17) Part-year resident. The term "part-year resident" means an individual who became a resident during the taxable year or ceased to be a resident during the taxable year. Under Section

1501(a)(20)(A)(i) residence commences with presence in this State for other than a temporary or transitory purpose and ceases with absence from this State for other than a temporary or transitory purpose. Under Section 1501(a)(20)(A)(ii) residence commences with the establishment of domicile in this State and ceases with the establishment of domicile in another State.

(18) Person. The term "person" shall be construed to mean and include an individual, a trust, estate, partnership, association, firm, company, corporation, limited liability company, or fiduciary. For purposes of Section 1301 and 1302 of this Act, a "person" means (i) an individual, (ii) a corporation, (iii) an officer, agent, or employee of a corporation, (iv) a member, agent or employee of a partnership, or (v) a member, manager, employee, officer, director, or agent of a limited liability company who in such capacity commits an offense specified in Section 1301 and 1302.

(18A) Records. The term "records" includes all data maintained by the taxpayer, whether on paper, microfilm, microfiche, or any type of machine-sensible data compilation.

(19) Regulations. The term "regulations" includes rules promulgated and forms prescribed by the Department.

(20) Resident. The term "resident" means:

(A) an individual (i) who is in this State for other than a temporary or transitory purpose during the taxable year; or (ii) who is domiciled in this State but is absent from the State for a temporary or transitory purpose during the taxable year;

(B) The estate of a decedent who at his or her death was domiciled in this State;

(C) A trust created by a will of a decedent who at his death was domiciled in this State; and

(D) An irrevocable trust, the grantor of which was domiciled in this State at the time such trust became irrevocable. For purpose of this subparagraph, a trust shall be considered irrevocable to the extent that the grantor is not treated as the owner thereof under Sections 671 through 678 of the Internal Revenue Code.

(21) Sales. The term "sales" means all gross receipts of the taxpayer not allocated under Sections 301, 302 and 303.

(22) State. The term "state" when applied to a jurisdiction other than this State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any Territory or Possession of the United States, and any foreign country, or any political subdivision of any of the foregoing. For purposes of the foreign tax credit under Section 601, the term "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States, or any political subdivision of any of the foregoing, effective for tax years ending on or after December 31, 1989.

(23) Taxable year. The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the base income is computed under this Act. "Taxable year" means, in the case of a return made for a fractional part of a year under the provisions of this Act, the period for which such return is made.

(24) Taxpayer. The term "taxpayer" means any person subject to the tax imposed by this Act.

(25) International banking facility. The term international banking facility shall have the same meaning as is set forth in the Illinois Banking Act or as is set forth in the laws of the United States or regulations of the Board of Governors of the Federal Reserve System.

(26) Income Tax Return Preparer.

(A) The term "income tax return preparer" means any person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return of tax imposed by this Act or any claim for refund of tax imposed by this Act. The preparation of a substantial portion of a return or claim for refund shall be treated as the preparation of that return or claim for refund.

(B) A person is not an income tax return preparer if all he or she does is

(i) furnish typing, reproducing, or other mechanical assistance;

(ii) prepare returns or claims for refunds for the employer by whom he or she is regularly and continuously employed;

(iii) prepare as a fiduciary returns or claims for refunds for any person; or

(iv) prepare claims for refunds for a taxpayer in response to any notice of deficiency issued to that taxpayer or in response to any waiver of restriction after the commencement of an audit of that taxpayer or of another taxpayer if a determination in the audit of

the other taxpayer directly or indirectly affects the tax liability of the taxpayer whose claims he or she is preparing.

(27) Unitary business group. The term "unitary business group" means a group of persons related through common ownership whose business activities are integrated with, dependent upon and contribute to each other. The group will not include those members whose business activity outside the United States is 80% or more of any such member's total business activity; for purposes of this paragraph and clause (a)(3)(B)(ii) of Section 304, business activity within the United States shall be measured by means of the factors ordinarily applicable under subsections (a), (b), (c), (d), or (h) of Section 304 except that, in the case of members ordinarily required to apportion business income by means of the 3 factor formula of property, payroll and sales specified in subsection (a) of Section 304, including the formula as weighted in subsection (h) of Section 304, such members shall not use the sales factor in the computation and the results of the property and payroll factor computations of subsection (a) of Section 304 shall be divided by 2 (by one if either the property or payroll factor has a denominator of zero). The computation required by the preceding sentence shall, in each case, involve the division of the member's property, payroll, or revenue miles in the United States, insurance premiums on property or risk in the United States, or financial organization business income from sources within the United States, as the case may be, by the respective worldwide figures for such items. Common ownership in the case of corporations is the direct or indirect control or ownership of more than 50% of the outstanding voting stock of the persons carrying on unitary business activity. Unitary business activity can ordinarily be illustrated where the activities of the members are: (1) in the same general line (such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation or finance); or (2) are steps in a vertically structured enterprise or process (such as the steps involved in the production of natural resources, which might include exploration, mining, refining, and marketing); and, in either instance, the members are functionally integrated through the exercise of strong centralized management (where, for example, authority over such matters as purchasing, financing, tax compliance, product line, personnel, marketing and capital investment is not left to each member). In no event, however, will any unitary business group include members which are ordinarily required to apportion business income under different subsections of Section 304 except that for tax years ending on or after December 31, 1987 this prohibition shall not apply to a unitary business group composed of one or more taxpayers all of which apportion business income pursuant to subsection (b) of Section 304, or all of which apportion business income pursuant to subsection (d) of Section 304, and a holding company of such single-factor taxpayers (see definition of "financial organization" for rule regarding holding companies of financial organizations). If a unitary business group would, but for the preceding sentence, include members that are ordinarily required to apportion business income under different subsections of Section 304, then for each subsection of Section 304 for which there are two or more members, there shall be a separate unitary business group composed of such members. For purposes of the preceding two sentences, a member is "ordinarily required to apportion business income" under a particular subsection of Section 304 if it would be required to use the apportionment method prescribed by such subsection except for the fact that it derives business income solely from Illinois. If the unitary business group members' accounting periods differ, the common parent's accounting period or, if there is no common parent, the accounting period of the member that is expected to have, on a recurring basis, the greatest Illinois income tax liability must be used to determine whether to use the apportionment method provided in subsection (a) or subsection (h) of Section 304. The prohibition against membership in a unitary business group for taxpayers ordinarily required to apportion income under different subsections of Section 304 does not apply to taxpayers required to apportion income under subsection (a) and subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(28) Subchapter S corporation. The term "Subchapter S corporation" means a corporation for which there is in effect an election under Section 1362 of the Internal Revenue Code, or for which there is a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982.

(b) Other definitions.

(1) Words denoting number, gender, and so forth, when used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(A) Words importing the singular include and apply to several persons, parties or things;

(B) Words importing the plural include the singular; and

(C) Words importing the masculine gender include the feminine as well.

(2) "Company" or "association" as including successors and assigns. The word "company" or "association", when used in reference to a corporation, shall be deemed to embrace the words "successors and assigns of such company or association", and in like manner as if these last-named words, or words of similar import, were expressed.

(3) Other terms. Any term used in any Section of this Act with respect to the application of, or in connection with, the provisions of any other Section of this Act shall have the same meaning as in such other Section.

(Source: P.A. 91-535, eff. 1-1-00; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)".

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 3013. Having been recalled on May 17, 2004, and held on the order of Second Reading, the same was again taken up and advanced to the order of Third Reading.

SENATE BILL 2244. Having been recalled on May 17, 2004, and held on the order of Second Reading, the same was again taken up.

Representative John Bradley offered the following amendment and moved its adoption.

AMENDMENT NO. 1. Amend Senate Bill 2244 by replacing the title with the following:

"AN ACT concerning the retail sale of methamphetamine manufacturing chemicals."; and

by replacing everything after the enacting clause with the following:

"Section 1. Short title. This Act may be cited as the Methamphetamine Manufacturing Chemical Retail Sale Control Act.

Section 5. Purpose. The purpose of this Act is to reduce the harm that methamphetamine is inflicting on individuals, families, communities, the economy, and the environment in Illinois by making it more difficult for persons engaged in the unlawful manufacture of methamphetamine to obtain methamphetamine manufacturing chemicals.

Section 10. Definitions. In this Act:

"Methamphetamine manufacturing chemical" has the meaning ascribed to it in subsection (z-1) of Section 102 of the Illinois Controlled Substances Act.

"Targeted methamphetamine manufacturing chemical" and "targeted medications" mean a subset of "methamphetamine manufacturing chemicals". "Targeted methamphetamine manufacturing chemical" means any medication in the form of a tablet, capsule, caplet, or similar product that is sold over the counter, without a prescription, and that contains either (A) more than 15 milligrams of ephedrine or its salts, optical isomers, or salts of optical isomers or (B) more than 15 milligrams of pseudoephedrine or its salts, optical isomers, or salts of optical isomers. "Targeted methamphetamine manufacturing chemical" does not include any medication in the form of a liquid, liquid cap, gel cap, or other similar substance, or any medication dispensed by a licensed pharmacist pursuant to a valid prescription.

"Package" means an item packaged and marked for retail sale that is not designed to be further broken down or subdivided for the purpose of retail sale.

"Targeted package" means a package containing any amount of a targeted methamphetamine manufacturing chemical.

"Single active ingredient targeted methamphetamine manufacturing chemical" means a targeted methamphetamine manufacturing chemical whose sole active ingredient is ephedrine or its salts, optical isomers, or salts of optical isomers; or pseudoephedrine or its salts, optical isomers, or salts of optical isomers.

"Single active ingredient targeted package" means a package containing any amount of single active ingredient targeted methamphetamine manufacturing chemical.

"Multiple active ingredient targeted methamphetamine manufacturing chemical" means a targeted methamphetamine manufacturing chemical that contains at least one active ingredient other than ephedrine or its salts, optical isomers, or salts of optical isomers; or pseudoephedrine or its salts, optical isomers, or salts of optical isomers.

"Multiple active ingredient targeted package" means a package containing any amount of multiple active

ingredient targeted methamphetamine manufacturing chemical.

"Stock keeping unit" or "SKU" means the primary or basic unit of measure assigned to an item sold by a retail distributor and the smallest unit of an item that may be dispensed from a retail distributor's inventory.

"Targeted stock keeping unit" means a stock keeping unit assigned to a targeted package.

"Blister pack" means a unit dose package commonly constructed from a formed cavity containing one or more individual doses.

"Capsule" means a solid dosage form in which a medicinal substance is enclosed and consisting of either a hard or soft soluble outer shell.

"Customer" means a person who buys goods from a retail distributor.

"Distribute" means to sell, give, provide or otherwise transfer.

"Dosage unit" means an exact amount of a drug's treatment pre-packaged by the manufacturer or pharmacist in standardized amounts.

"Sales employee" means any employee who at any time (a) operates a cash register at which targeted packages may be sold, (b) works at or behind a pharmacy counter, (c) stocks shelves containing targeted packages, or (d) trains or supervises other employees who engage in any of the preceding activities.

"Tablet" means a solid dosage form of varying weight, size, and shape that may be molded or compressed and that contains a medicinal substance in pure or diluted form.

"Single retail transaction" means a sale by a retail distributor to a specific customer at a specific time.

"Retail distributor" means a grocery store, general merchandise store, drug store, other merchandise store, or other entity or person whose activities as a distributor relating to drug products containing targeted methamphetamine manufacturing chemicals are limited exclusively or almost exclusively to sales for personal use, both in number of sales and volume of sales, either directly to walk-in customers or in face-to-face transactions by direct sales.

Section 15. Package sale restrictions.

(a) Any targeted methamphetamine manufacturing chemical displayed or distributed by any retail distributor in Illinois shall be packaged in blister packs, with each blister containing not more than 2 dosage units, or when the use of blister packs is technically infeasible, in unit dose packets or pouches.

(b) Any targeted package displayed or distributed by any retail distributor in Illinois shall contain no more than 3 grams of ephedrine or its salts, optical isomers, or salts of optical isomers; or pseudoephedrine or its salts, optical isomers, or salts of optical isomers.

(c) A retail distributor may not distribute more than 2 targeted packages in a single retail transaction.

(d) A retail distributor may not permit the purchase of any targeted package by means of a self-service checkout station, unless the self-service checkout station is programmed in a manner that satisfies all of the following conditions for each retail transaction:

(1) When a particular customer seeks to purchase a single targeted package, the self-service checkout station may allow him or her to do so without any special prompts or actions.

(2) If the customer seeks to purchase a second targeted package, the self-service checkout station shall not allow him or her to purchase the second targeted package without the assistance of a sales employee. If the customer then seeks the assistance of a sales employee, the sales employee may instruct the self-service checkout station to allow the sale of the second targeted package.

(3) If the customer seeks to purchase a third targeted package, neither the self-service checkout station nor the store employee shall allow him or her to do so.

(e) A retail distributor, its employees, or its agents may not distribute any targeted package or packages with knowledge that they will be used to manufacture methamphetamine or with reckless disregard of the likely use of such package or packages to manufacture methamphetamine.

Section 20. Display and sale of single active ingredient targeted packages. All single active ingredient targeted packages must be displayed behind a store counter, in an area not accessible to customers, or in a locked case so that a customer wanting access to the packages must ask a store employee for assistance.

Section 25. Display and sale of multiple active ingredient targeted packages.

(a) Except as provided in subsection (b), every retail distributor must treat multiple active ingredient targeted packages in at least one of the following 4 ways:

(1) The retail distributor may display the multiple active ingredient targeted packages behind a store counter, in an area not accessible to customers;

(2) The retail distributor may display the multiple active ingredient targeted packages in a locked case so that a customer wanting access to the packages must ask a store employee for assistance;

(3) The retail distributor may (i) require that any customer purchasing a targeted

package produce a state-issued photo identification featuring a photograph that reasonably resembles the customer making the purchase, and (ii) record the name, issuing state, and official identification number of the customer into a log specially designed and designated for this purpose; or

(4) The retail distributor may comply with this Section by adopting at least 2 of the following options:

(A) The retail distributor may keep multiple active ingredient targeted packages within 30 feet and the direct line of sight of a cash register or store counter staffed by one or more store employees.

(B) The retail distributor may employ a reliable anti-theft device that uses special package tags and detection alarms designed to prevent the theft of multiple active ingredient targeted packages from the retail distributor's place of business.

(C) The retail distributor may utilize restricted access shelving so that (i) only one multiple active ingredient targeted package can be removed from the shelf at a time, and (ii) there is a delay of 15 seconds or more between the time one such package is removed and the time the next such package can be removed from the shelf.

(D) The retail distributor may keep multiple active ingredient targeted packages under constant video surveillance in a manner that satisfies the following conditions:

(i) A video camera must be positioned so that persons examining or removing the packages are visible;

(ii) The video camera must, at a minimum, record a one-second image every 10 seconds;

(iii) These images must be preserved for a minimum of 72 hours;

(iv) These images must be available to law enforcement authorities immediately upon request; and

(v) The retail distributor must post a sign in a prominent manner stating that the area is under constant video surveillance.

(b) A retail distributor that complies with this Section by adopting 2 of the options listed in paragraph (4) of subsection (a) of this Section must implement the first of the 2 chosen options by the effective date of this Act and the second of the 2 chosen options within 180 days of the effective date of this Act.

If the retail distributor's first chosen option is to employ anti-theft devices as described in clause (a)(4)(B) of this Section, the retailer shall ensure that special package tags are affixed to at least 50 percent of the targeted packages for each targeted stock keeping unit (SKU) by the effective date of the Act, and that special package tags are affixed to all targeted packages within 180 days of the effective date of this Act. If the retail distributor's second chosen option is to employ anti-theft devices as described in clause (a)(4)(b) of this Section, the retail distributor shall ensure that special package tags are affixed to all targeted packages within 180 days of the effective date of this Act.

Section 30. Training and certification.

(a) Every retail distributor of any targeted methamphetamine manufacturing chemical shall train each sales employee on the topics listed on the certification form described in subsection (b) of this Section. This training may be conducted by a live trainer or by means of a computer-based training program. This training shall be completed by the effective date of this Act or within 30 days of the date that each sales employee begins working for the retail distributor, whichever of these 2 dates comes later.

(b) Immediately after training each sales employee as required in subsection (a) of this Section, every retail distributor of any targeted methamphetamine manufacturing chemical shall have each sales employee read, sign, and date a certification form containing the following language:

(1) My name is (insert name of employee) and I am an employee of (insert name of business) at (insert street address).

(2) I understand that in Illinois there are laws governing the sale of certain over-the-counter medications that contain a chemical called ephedrine or a second chemical called pseudoephedrine. Medications that are subject to these laws are called "targeted medications" and they are sold in "targeted packages".

(3) I understand that "targeted medications" can be used to manufacture the illegal and dangerous drug methamphetamine and that methamphetamine is causing great harm to individuals, families, communities, the economy, and the environment throughout Illinois.

(4) I understand that under Illinois law, the store where I work is not allowed to sell more than 2 "targeted packages" in a single retail transaction. That means the store cannot sell more than

2 "targeted packages" to a single customer at one time.

(5) I understand that under Illinois law, the store where I work cannot allow customers to buy "targeted packages" at self-service check-out lanes, except under certain conditions which have been described to me.

(6) I understand that under Illinois law, I cannot sell "targeted medications" to a person if I know that the person is going to use them to make methamphetamine.

(7) I understand that there are a number of ingredients that are used to make the illegal drug methamphetamine, including "targeted medications" sold in "targeted packages." My employer has shown me a list of these various ingredients, and I have reviewed the list.

(8) I understand that there are certain procedures that I should follow if I suspect that a store customer is purchasing "targeted medications" or other products for the purpose of manufacturing methamphetamine. These procedures have been described to me, and I understand them.

(c) A certification form of the type described in subsection (b) of this Section may be signed with a handwritten signature or a reliable electronic signature that includes, a unique identifier for each employee. The certification shall be retained by the retail distributor for each sales employee for the duration of his or her employment and for at least 30 days following the end of his or her employment. Any such form shall be made available for inspection and copying by any law enforcement officer upon request.

(d) The office of the Illinois Attorney General shall make available to retail distributors the list of methamphetamine ingredients referred to in subsection (b) of this Section.

Section 35. Violations.

(a) An individual who violates any provision of this Act is guilty of a Class A misdemeanor for a first offense and a Class 4 felony for a second or subsequent offense.

(b) Except as provided in subsections (c) and (d) of this Section, the owner and the operator of a retail distributor that violates any provision of this Act are guilty of a business offense and subject to a fine of:

- (1) \$500 for a first offense;
- (2) \$1,000 for a second offense occurring at the same retail location as and within 3 years of the prior offense; and
- (3) \$5,000 for a third or subsequent offense occurring at the same retail location as and within 3 years of the prior offenses.

(c) Any retail distributor that seeks to comply with subsection (c) of Section 15 of this Act by installing automated cash register prompts informing sales employees when the two-package limit described in subsection (c) of Section 15 of this Act has been exceeded shall be subject to all of the penalties described in subsection (b) of this Section except as follows: The owner and the operator of a retail distributor that violates subsection (b) or subsection (c) of Section 30 of this Act are guilty of a business offense and subject to a fine of:

- (1) \$100 for a first offense;
- (2) \$200 for a second offense occurring at the same retail location as and within 3 years of the prior offense;
- (3) \$500 for a third or subsequent offense occurring at the same retail location as and within 3 years of the prior offenses;
- (4) \$1,000 for a fourth offense occurring at the same retail location as and within 3 years of the prior offenses; and
- (5) \$5,000 for a fifth offense occurring at the same retail location as and within 3 years of the prior offenses.

(d) The owner and the operator of a retail distributor are not liable for any violation of subsection (c) or subsection (e) of Section 15 of this Act if and only if the owner and the operator:

- (1) strictly complied with subsections (a), (b), and (d) of Section 15 of this Act, Sections 20 and 25 of this Act, and subsection (a) of Section 30 of this Act;
- (2) made a good-faith effort to ensure compliance with subsections (c) and (e) of Section 15 of this Act;
- (3) made a good-faith effort to comply with subsection (b) and subsection (c) of Section 30 of this Act; and
- (4) had no advance knowledge of the violation or violations in question and did not act in reckless disregard of the likelihood of such violation or violations.

Section 40. Defense of Necessity. Conduct which would otherwise be an offense under this Act is justifiable by reason of necessity if the accused was without blame in occasioning or developing the situation and reasonably believed such conduct was necessary to avoid a public or private injury greater

than the injury which might reasonably result from his or her own conduct.

Section 45. Immunity from civil liability. In the event that any agent or employee of a retail distributor reports to any law-enforcement agency any suspicious activity concerning a targeted methamphetamine manufacturing chemical or other methamphetamine ingredient or ingredients, the agent or employee and the retail distributor itself are immune from civil liability based on allegations of defamation, libel, slander, false arrest, or malicious prosecution, or similar allegations, except in cases of willful or wanton misconduct.

Section 50. Special exclusion. If the United States Drug Enforcement Administration has formally certified that a targeted methamphetamine manufacturing chemical has been produced in a manner that prevents its use for the manufacture of methamphetamine, this Act does not apply to the sale of the targeted methamphetamine manufacturing chemical produced in that manner.

Section 55. Relationship to other laws and rules. Nothing in this Act shall be construed to conflict with, contradict, restrict, or in any way limit the enforcement of any federal or State law or rule, including but not limited to Section 216 of the Illinois Controlled Substances Act.

Section 60. Preemption and home rule powers.

(a) Except as provided in subsection (b) of this Section, a county or municipality, including a home rule unit, may regulate the sale of targeted methamphetamine manufacturing chemicals and targeted packages in a manner that is not more or less restrictive than the regulation by the State under this Act. This Section is a limitation under subsection (i) of Section 6 of Article VII of the Illinois Constitution on the concurrent exercise by home rule units of the powers and functions exercised by the State.

(b) Any regulation of the sale of targeted methamphetamine manufacturing chemicals and targeted packages by a home rule unit that took effect on or before May 1, 2004, is exempt from the provisions of subsection (a) of this Section."

The motion prevailed and the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was again advanced to the order of Third Reading.

HOUSE BILL 2830. Having been printed, was taken up and read by title a second time.

Floor Amendment No. 1 remained in the Committee on Rules.

There being no further amendments, the bill was advanced to the order of Third Reading.

HOUSE BILL ON THIRD READING

The following bill and any amendments adopted thereto were printed and laid upon the Members' desks. This bill has been examined, any amendments thereto engrossed and any errors corrected. Any amendments pending were tabled pursuant to Rule 40(a).

On motion of Representative Millner, HOUSE BILL 6415 was taken up and read by title a third time. And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote: 112, Yeas; 0, Nays; 0, Answering Present.

(ROLL CALL 9)

This bill, having received the votes of a constitutional majority of the Members elected, was declared passed.

Ordered that the Clerk inform the Senate and ask their concurrence.

CONCURRENCES AND NON-CONCURRENCES IN SENATE AMENDMENTS TO HOUSE BILLS

Senate Amendment No. 1 to HOUSE BILL 4558, having been printed, was taken up for consideration.

Representative Pihos moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

112, Yeas; 0, Nays; 0, Answering Present.

(ROLL CALL 10)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4558.

Ordered that the Clerk inform the Senate.

Senate Amendment No. 1 to HOUSE BILL 4566, having been printed, was taken up for consideration.

Representative Jones moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

63, Yeas; 49, Nays; 0, Answering Present.

(ROLL CALL 11)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4566.

Ordered that the Clerk inform the Senate.

Senate Amendment No. 1 to HOUSE BILL 4481, having been printed, was taken up for consideration.

Representative Turner moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

112, Yeas; 0, Nays; 0, Answering Present.

(ROLL CALL 12)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4481.

Ordered that the Clerk inform the Senate.

Senate Amendment No. 1 to HOUSE BILL 4788, having been printed, was taken up for consideration.

Representative Aguilar moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

110, Yeas; 1, Nays; 1, Answering Present.

(ROLL CALL 13)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4788.

Ordered that the Clerk inform the Senate.

Senate Amendment No. 1 to HOUSE BILL 4247, having been printed, was taken up for consideration.

Representative Black moved that the House refuse to concur with the Senate in the adoption of Senate Amendment No. 1.

The motion prevailed.

Ordered that the Clerk inform the Senate.

Senate Amendment No. 1 to HOUSE BILL 4403, having been printed, was taken up for consideration.

Representative Jefferson moved that the House concur with the Senate in the adoption of Senate Amendment No. 1.

And on that motion, a vote was taken resulting as follows:

68, Yeas; 43, Nays; 0, Answering Present.

(ROLL CALL 14)

The motion prevailed and the House concurred with the Senate in the adoption of Senate Amendment No. 1 to HOUSE BILL 4403.

Ordered that the Clerk inform the Senate.

RESOLUTIONS

Having been reported out of the Committee on Labor on March 4, 2004, HOUSE JOINT RESOLUTION 64 was taken up for consideration.

The following amendments were offered in the Committee on Labor, adopted and printed:

AMENDMENT NO. 1. Amend House Joint Resolution 64, on page 2, by replacing lines 25 through 28 with the following:

"Governor from manufacturing companies in the State; four individuals appointed by the Governor from the Illinois AFL-CIO Executive Board; and four individuals appointed by the Governor from the Illinois Manufacturers' Association; and be it further".

AMENDMENT NO. 2. Amend House Joint Resolution 64 on page 3, by replacing line 7 with the following:

"as study committee members; and be it further

RESOLVED, That the study committee shall file a final report, containing its findings and recommendations, with the Governor and the General Assembly no later than January 3, 2005."

Representative Steve Davis moved the adoption of the resolution.

And on that motion, a vote was taken resulting as follows:

112, Yeas; 0, Nays; 0, Answering Present.

(ROLL CALL 15)

Floor Amendment No. 3 remained in the Committee on Rules.

The motion prevailed and the Resolution was adopted, as amended.

Ordered that the Clerk inform the Senate and ask their concurrence.

Having been reported out of the Committee on Judiciary II - Criminal Law on May 13, 2004, HOUSE JOINT RESOLUTION 79 was taken up for consideration.

Representative Mulligan moved the adoption of the resolution.

The motion prevailed and the resolution was adopted.

Ordered that the Clerk inform the Senate and ask their concurrence.

SENATE BILLS ON SECOND READING

SENATE BILL 2208. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1. Amend Senate Bill 2208 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Section 1501 as follows:

(35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

Sec. 1501. Definitions.

(a) In general. When used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(1) Business income. The term "business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business, net of the deductions allocable thereto, and includes income from tangible and intangible property if the acquisition, management, and

disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Such term does not include compensation or the deductions allocable thereto. For each taxable year beginning on or after January 1, 2003, a taxpayer may elect to treat all income other than compensation as business income. This election shall be made in accordance with rules adopted by the Department and, once made, shall be irrevocable.

(2) Commercial domicile. The term "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(3) Compensation. The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(4) Corporation. The term "corporation" includes associations, joint-stock companies, insurance companies and cooperatives. Any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, shall be treated as a corporation if it is so classified for federal income tax purposes.

(5) Department. The term "Department" means the Department of Revenue of this State.

(6) Director. The term "Director" means the Director of Revenue of this State.

(7) Fiduciary. The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, or any person acting in any fiduciary capacity for any person.

(8) Financial organization.

(A) The term "financial organization" means any bank, bank holding company, trust company, savings bank, industrial bank, land bank, ~~safe deposit company~~, private banker, savings and loan association, building and loan association, credit union, ~~currency exchange~~, cooperative bank, ~~small loan company~~, ~~sales finance company~~, investment company, or any person which is owned by a bank or bank holding company. For the purpose of this Section a "person" will include only those persons which a bank holding company may acquire and hold an interest in, directly or indirectly, under the provisions of the Bank Holding Company Act of 1956 (12 U.S.C. 1841, et seq.), except where interests in any person must be disposed of within certain required time limits under the Bank Holding Company Act of 1956.

(B) For purposes of subparagraph (A) of this paragraph, the term "bank" includes (i) any entity that is regulated by the Comptroller of the Currency under the National Bank Act, or by the Federal Reserve Board, or by the Federal Deposit Insurance Corporation and (ii) any federally or State chartered bank operating as a credit card bank.

(C) For purposes of subparagraph (A) of this paragraph, the term "sales finance company" has the meaning provided in the following item (i) or (ii):

(i) A person primarily engaged in one or more of the following businesses: the business of purchasing customer receivables, the business of making loans upon the security of customer receivables, the business of making loans for the express purpose of funding purchases of tangible personal property or services by the borrower, or the business of finance leasing. For purposes of this item (i), "customer receivable" means:

(a) a retail installment contract or retail charge agreement within the meaning of the Sales Finance Agency Act, the Retail Installment Sales Act, or the Motor Vehicle Retail Installment Sales Act;

(b) an installment, charge, credit, or similar contract or agreement arising from the sale of tangible personal property or services in a transaction involving a deferred payment price payable in one or more installments subsequent to the sale; or

(c) the outstanding balance of a contract or agreement described in provisions (a) or (b) of this item (i).

A customer receivable need not provide for payment of interest on deferred payments. A sales finance company may purchase a customer receivable from, or make a loan secured by a customer receivable to, the seller in the original transaction or to a person who purchased the customer receivable directly or indirectly from that seller.

(ii) A corporation meeting each of the following criteria:

(a) the corporation must be a member of an "affiliated group" within the meaning of Section 1504(a) of the Internal Revenue Code, determined without regard to Section 1504(b) of the Internal Revenue Code;

(b) more than 50% of the gross income of the corporation for the taxable year must be interest income derived from qualifying loans. A "qualifying loan" is a loan made to a member of the corporation's affiliated group that originates customer receivables (within the

meaning of item (i)) or to whom customer receivables originated by a member of the affiliated group have been transferred, to the extent the average outstanding balance of loans from that corporation to members of its affiliated group during the taxable year do not exceed the limitation amount for that corporation. The "limitation amount" for a corporation is the average outstanding balances during the taxable year of customer receivables (within the meaning of item (i)) originated by all members of the affiliated group. If the average outstanding balances of the loans made by a corporation to members of its affiliated group exceed the limitation amount, the interest income of that corporation from qualifying loans shall be equal to its interest income from loans to members of its affiliated groups times a fraction equal to the limitation amount divided by the average outstanding balances of the loans made by that corporation to members of its affiliated group;

(c) the total of all shareholder's equity (including, without limitation, paid-in capital on common and preferred stock and retained earnings) of the corporation plus the total of all of its loans, advances, and other obligations payable or owed to members of its affiliated group may not exceed 20% of the total assets of the corporation at any time during the tax year; and

(d) more than 50% of all interest-bearing obligations of the affiliated group payable to persons outside the group determined in accordance with generally accepted accounting principles must be obligations of the corporation.

This amendatory Act of the 91st General Assembly is declaratory of existing law.

(D) Subparagraphs (B) and (C) of this paragraph are declaratory of existing law and apply retroactively, for all tax years beginning on or before December 31, 1996, to all original returns, to all amended returns filed no later than 30 days after the effective date of this amendatory Act of 1996, and to all notices issued on or before the effective date of this amendatory Act of 1996 under subsection (a) of Section 903, subsection (a) of Section 904, subsection (e) of Section 909, or Section 912. A taxpayer that is a "financial organization" that engages in any transaction with an affiliate shall be a "financial organization" for all purposes of this Act.

(E) For all tax years beginning on or before December 31, 1996, a taxpayer that falls within the definition of a "financial organization" under subparagraphs (B) or (C) of this paragraph, but who does not fall within the definition of a "financial organization" under the Proposed Regulations issued by the Department of Revenue on July 19, 1996, may irrevocably elect to apply the Proposed Regulations for all of those years as though the Proposed Regulations had been lawfully promulgated, adopted, and in effect for all of those years. For purposes of applying subparagraphs (B) or (C) of this paragraph to all of those years, the election allowed by this subparagraph applies only to the taxpayer making the election and to those members of the taxpayer's unitary business group who are ordinarily required to apportion business income under the same subsection of Section 304 of this Act as the taxpayer making the election. No election allowed by this subparagraph shall be made under a claim filed under subsection (d) of Section 909 more than 30 days after the effective date of this amendatory Act of 1996.

(F) Finance Leases. For purposes of this subsection, a finance lease shall be treated as a loan or other extension of credit, rather than as a lease, regardless of how the transaction is characterized for any other purpose, including the purposes of any regulatory agency to which the lessor is subject. A finance lease is any transaction in the form of a lease in which the lessee is treated as the owner of the leased asset entitled to any deduction for depreciation allowed under Section 167 of the Internal Revenue Code.

(9) Fiscal year. The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December.

(10) Includes and including. The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(11) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect for the taxable year.

(12) Mathematical error. The term "mathematical error" includes the following types of errors, omissions, or defects in a return filed by a taxpayer which prevents acceptance of the return as filed for processing:

(A) arithmetic errors or incorrect computations on the return or supporting

schedules;

(B) entries on the wrong lines;

(C) omission of required supporting forms or schedules or the omission of the information in whole or in part called for thereon; and

(D) an attempt to claim, exclude, deduct, or improperly report, in a manner directly contrary to the provisions of the Act and regulations thereunder any item of income, exemption, deduction, or credit.

(13) Nonbusiness income. The term "nonbusiness income" means all income other than business income or compensation.

(14) Nonresident. The term "nonresident" means a person who is not a resident.

(15) Paid, incurred and accrued. The terms "paid", "incurred" and "accrued" shall be construed according to the method of accounting upon the basis of which the person's base income is computed under this Act.

(16) Partnership and partner. The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this Act, a trust or estate or a corporation; and the term "partner" includes a member in such syndicate, group, pool, joint venture or organization.

The term "partnership" includes any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, classified as a partnership for federal income tax purposes.

The term "partnership" does not include a syndicate, group, pool, joint venture, or other unincorporated organization established for the sole purpose of playing the Illinois State Lottery.

(17) Part-year resident. The term "part-year resident" means an individual who became a resident during the taxable year or ceased to be a resident during the taxable year. Under Section 1501(a)(20)(A)(i) residence commences with presence in this State for other than a temporary or transitory purpose and ceases with absence from this State for other than a temporary or transitory purpose. Under Section 1501(a)(20)(A)(ii) residence commences with the establishment of domicile in this State and ceases with the establishment of domicile in another State.

(18) Person. The term "person" shall be construed to mean and include an individual, a trust, estate, partnership, association, firm, company, corporation, limited liability company, or fiduciary. For purposes of Section 1301 and 1302 of this Act, a "person" means (i) an individual, (ii) a corporation, (iii) an officer, agent, or employee of a corporation, (iv) a member, agent or employee of a partnership, or (v) a member, manager, employee, officer, director, or agent of a limited liability company who in such capacity commits an offense specified in Section 1301 and 1302.

(18A) Records. The term "records" includes all data maintained by the taxpayer, whether on paper, microfilm, microfiche, or any type of machine-sensible data compilation.

(19) Regulations. The term "regulations" includes rules promulgated and forms prescribed by the Department.

(20) Resident. The term "resident" means:

(A) an individual (i) who is in this State for other than a temporary or transitory purpose during the taxable year; or (ii) who is domiciled in this State but is absent from the State for a temporary or transitory purpose during the taxable year;

(B) The estate of a decedent who at his or her death was domiciled in this State;

(C) A trust created by a will of a decedent who at his death was domiciled in this State; and

(D) An irrevocable trust, the grantor of which was domiciled in this State at the time such trust became irrevocable. For purpose of this subparagraph, a trust shall be considered irrevocable to the extent that the grantor is not treated as the owner thereof under Sections 671 through 678 of the Internal Revenue Code.

(21) Sales. The term "sales" means all gross receipts of the taxpayer not allocated under Sections 301, 302 and 303.

(22) State. The term "state" when applied to a jurisdiction other than this State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any Territory or Possession of the United States, and any foreign country, or any political subdivision of any of the foregoing. For purposes of the foreign tax credit under Section 601, the term "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or

possession of the United States, or any political subdivision of any of the foregoing, effective for tax years ending on or after December 31, 1989.

(23) Taxable year. The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the base income is computed under this Act. "Taxable year" means, in the case of a return made for a fractional part of a year under the provisions of this Act, the period for which such return is made.

(24) Taxpayer. The term "taxpayer" means any person subject to the tax imposed by this Act.

(25) International banking facility. The term international banking facility shall have the same meaning as is set forth in the Illinois Banking Act or as is set forth in the laws of the United States or regulations of the Board of Governors of the Federal Reserve System.

(26) Income Tax Return Preparer.

(A) The term "income tax return preparer" means any person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return of tax imposed by this Act or any claim for refund of tax imposed by this Act. The preparation of a substantial portion of a return or claim for refund shall be treated as the preparation of that return or claim for refund.

(B) A person is not an income tax return preparer if all he or she does is

(i) furnish typing, reproducing, or other mechanical assistance;

(ii) prepare returns or claims for refunds for the employer by whom he or she is regularly and continuously employed;

(iii) prepare as a fiduciary returns or claims for refunds for any person; or

(iv) prepare claims for refunds for a taxpayer in response to any notice of deficiency issued to that taxpayer or in response to any waiver of restriction after the commencement of an audit of that taxpayer or of another taxpayer if a determination in the audit of the other taxpayer directly or indirectly affects the tax liability of the taxpayer whose claims he or she is preparing.

(27) Unitary business group. The term "unitary business group" means a group of persons related through common ownership whose business activities are integrated with, dependent upon and contribute to each other. The group will not include those members whose business activity outside the United States is 80% or more of any such member's total business activity; for purposes of this paragraph and clause (a)(3)(B)(ii) of Section 304, business activity within the United States shall be measured by means of the factors ordinarily applicable under subsections (a), (b), (c), (d), or (h) of Section 304 except that, in the case of members ordinarily required to apportion business income by means of the 3 factor formula of property, payroll and sales specified in subsection (a) of Section 304, including the formula as weighted in subsection (h) of Section 304, such members shall not use the sales factor in the computation and the results of the property and payroll factor computations of subsection (a) of Section 304 shall be divided by 2 (by one if either the property or payroll factor has a denominator of zero). The computation required by the preceding sentence shall, in each case, involve the division of the member's property, payroll, or revenue miles in the United States, insurance premiums on property or risk in the United States, or financial organization business income from sources within the United States, as the case may be, by the respective worldwide figures for such items. Common ownership in the case of corporations is the direct or indirect control or ownership of more than 50% of the outstanding voting stock of the persons carrying on unitary business activity. Unitary business activity can ordinarily be illustrated where the activities of the members are: (1) in the same general line (such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation or finance); or (2) are steps in a vertically structured enterprise or process (such as the steps involved in the production of natural resources, which might include exploration, mining, refining, and marketing); and, in either instance, the members are functionally integrated through the exercise of strong centralized management (where, for example, authority over such matters as purchasing, financing, tax compliance, product line, personnel, marketing and capital investment is not left to each member). For tax years ending before December 31, 2004, no ~~In no event, however, will any~~ unitary business group may include members which are ordinarily required to apportion business income under different subsections of Section 304 except that for tax years ending on or after December 31, 1987 and before December 31, 2004, this prohibition shall not apply to a unitary business group composed of one or more taxpayers all of which apportion business income pursuant to subsection (b) of Section 304, or all of which apportion business income pursuant to subsection (d) of Section 304, and a holding company of such single-factor

taxpayers (see definition of "financial organization" for rule regarding holding companies of financial organizations). If a unitary business group would, but for the preceding sentence, include members that are ordinarily required to apportion business income under different subsections of Section 304, then for each subsection of Section 304 for which there are two or more members, there shall be a separate unitary business group composed of such members. For purposes of the preceding two sentences, a member is "ordinarily required to apportion business income" under a particular subsection of Section 304 if it would be required to use the apportionment method prescribed by such subsection except for the fact that it derives business income solely from Illinois. If the unitary business group members' accounting periods differ, the common parent's accounting period or, if there is no common parent, the accounting period of the member that is expected to have, on a recurring basis, the greatest Illinois income tax liability must be used to determine whether to use the apportionment method provided in subsection (a) or subsection (h) of Section 304. The prohibition against membership in a unitary business group for taxpayers ordinarily required to apportion income under different subsections of Section 304 does not apply to taxpayers required to apportion income under subsection (a) and subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(28) Subchapter S corporation. The term "Subchapter S corporation" means a corporation for which there is in effect an election under Section 1362 of the Internal Revenue Code, or for which there is a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982.

(b) Other definitions.

(1) Words denoting number, gender, and so forth, when used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(A) Words importing the singular include and apply to several persons, parties or things;

(B) Words importing the plural include the singular; and

(C) Words importing the masculine gender include the feminine as well.

(2) "Company" or "association" as including successors and assigns. The word "company" or "association", when used in reference to a corporation, shall be deemed to embrace the words "successors and assigns of such company or association", and in like manner as if these last-named words, or words of similar import, were expressed.

(3) Other terms. Any term used in any Section of this Act with respect to the application of, or in connection with, the provisions of any other Section of this Act shall have the same meaning as in such other Section.

(Source: P.A. 91-535, eff. 1-1-00; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2209. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2209 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Section 304 as follows:

(35 ILCS 5/304) (from Ch. 120, par. 3-304)

Sec. 304. Business income of persons other than residents.

(a) In general. The business income of a person other than a resident shall be allocated to this State if such person's business income is derived solely from this State. If a person other than a resident derives business income from this State and one or more other states, then, for tax years ending on or before December 30, 1998, and except as otherwise provided by this Section, such person's business income shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the sum of the property factor (if any), the payroll factor (if any) and 200% of the sales factor (if any), and the denominator of which is 4 reduced by the number of factors other than the sales factor which have a denominator of zero and by an additional 2 if the sales factor has a denominator of zero. For tax years ending on or after December 31, 1998, and except as otherwise provided by this Section, persons other than

residents who derive business income from this State and one or more other states shall compute their apportionment factor by weighting their property, payroll, and sales factors as provided in subsection (h) of this Section.

(1) Property factor.

(A) The property factor is a fraction, the numerator of which is the average value of the person's real and tangible personal property owned or rented and used in the trade or business in this State during the taxable year and the denominator of which is the average value of all the person's real and tangible personal property owned or rented and used in the trade or business during the taxable year.

(B) Property owned by the person is valued at its original cost. Property rented by the person is valued at 8 times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the person less any annual rental rate received by the person from sub-rentals.

(C) The average value of property shall be determined by averaging the values at the beginning and ending of the taxable year but the Director may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the person's property.

(2) Payroll factor.

(A) The payroll factor is a fraction, the numerator of which is the total amount paid in this State during the taxable year by the person for compensation, and the denominator of which is the total compensation paid everywhere during the taxable year.

(B) Compensation is paid in this State if:

(i) The individual's service is performed entirely within this State;

(ii) The individual's service is performed both within and without this State, but the service performed without this State is incidental to the individual's service performed within this State; or

(iii) Some of the service is performed within this State and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is within this State, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this State.

Beginning with taxable years ending on or after December 31, 1992, for residents of states that impose a comparable tax liability on residents of this State, for purposes of item (i) of this paragraph (B), in the case of persons who perform personal services under personal service contracts for sports performances, services by that person at a sporting event taking place in Illinois shall be deemed to be a performance entirely within this State.

(3) Sales factor.

(A) The sales factor is a fraction, the numerator of which is the total sales of the person in this State during the taxable year, and the denominator of which is the total sales of the person everywhere during the taxable year.

(B) Sales of tangible personal property are in this State if:

(i) The property is delivered or shipped to a purchaser, other than the United States government, within this State regardless of the f. o. b. point or other conditions of the sale; or

(ii) The property is shipped from an office, store, warehouse, factory or other place of storage in this State and either the purchaser is the United States government or the person is not taxable in the state of the purchaser; provided, however, that premises owned or leased by a person who has independently contracted with the seller for the printing of newspapers, periodicals or books shall not be deemed to be an office, store, warehouse, factory or other place of storage for purposes of this Section. For taxable years ending before December 31, 2004, sales ~~Sales~~ of tangible personal property are not in this State if the seller and purchaser would be members of the same unitary business group but for the fact that either the seller or purchaser is a person with 80% or more of total business activity outside of the United States and the property is purchased for resale.

(B-1) Patents, copyrights, trademarks, and similar items of intangible personal property.

(i) Gross receipts from the licensing, sale, or other disposition of a patent, copyright, trademark, or similar item of intangible personal property are in this State to the extent the item is utilized in this State during the year the gross receipts are included in gross income.

(ii) Place of utilization.

(I) A patent is utilized in a state to the extent that it is employed in

production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If a patent is utilized in more than one state, the extent to which it is utilized in any one state shall be a fraction equal to the gross receipts of the licensee or purchaser from sales or leases of items produced, fabricated, manufactured, or processed within that state using the patent and of patented items produced within that state, divided by the total of such gross receipts for all states in which the patent is utilized.

(II) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If a copyright is utilized in more than one state, the extent to which it is utilized in any one state shall be a fraction equal to the gross receipts from sales or licenses of materials printed or published in that state divided by the total of such gross receipts for all states in which the copyright is utilized.

(III) Trademarks and other items of intangible personal property governed by this paragraph (B-1) are utilized in the state in which the commercial domicile of the licensee or purchaser is located.

(iii) If the state of utilization of an item of property governed by this paragraph (B-1) cannot be determined from the taxpayer's books and records or from the books and records of any person related to the taxpayer within the meaning of Section 267(b) of the Internal Revenue Code, 26 U.S.C. 267, the gross receipts attributable to that item shall be excluded from both the numerator and the denominator of the sales factor.

(B-2) Gross receipts from the license, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property may be included in the numerator or denominator of the sales factor only if gross receipts from licenses, sales, or other disposition of such items comprise more than 50% of the taxpayer's total gross receipts included in gross income during the tax year and during each of the 2 immediately preceding tax years; provided that, when a taxpayer is a member of a unitary business group, such determination shall be made on the basis of the gross receipts of the entire unitary business group.

(C) For taxable years ending before December 31, 2004, sales ~~Sales~~, other than sales governed by paragraphs (B) ~~, and (B-1)~~ ~~and (B-2)~~, are in this State if:

- (i) The income-producing activity is performed in this State; or
- (ii) The income-producing activity is performed both within and without this State and a greater proportion of the income-producing activity is performed within this State than without this State, based on performance costs.

(C-5) For taxable years ending on or after December 31, 2004, sales, other than sales governed by paragraphs (B), (B-1), and (B-2), are in this State if the purchaser is in this State or the sale is otherwise attributable to this State's marketplace. The following examples are illustrative:

(i) Sales from the sale or lease of real property are in this State if the property is located in this State.

(ii) Sales from the lease or rental of tangible personal property are in this State if the property is located in this State during the rental period. Sales from the lease or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are in this State to the extent that the property is used in this State.

(iii) Sales of intangible personal property are in this State if the purchaser realizes benefit from the property in this State. If the purchaser realizes benefit from the the property both within and without this State, the gross receipts from the sale shall be divided among those states in which the taxpayer is taxable in proportion to the benefit in each state. If the proportionate benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the sales factor.

(iv) Sales of services are in this State if the benefit of the service is realized in this State. If the benefit of the service is realized both within and without this State, the gross receipts from the sale shall be divided among those states in which the taxpayer is taxable in proportion to the benefit of service realized in each state. If the proportionate benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the sales factor. The Department may adopt rules prescribing where the benefit of specific types of service, including, but not limited to, telecommunications, broadcast, cable, advertising, publishing, and utility service, is realized.

(D) For taxable years ending on or after December 31, 1995, the following items of income shall not be included in the numerator or denominator of the sales factor: dividends; amounts included under Section 78 of the Internal Revenue Code; and Subpart F income as defined in Section 952 of the Internal Revenue Code. No inference shall be drawn from the enactment of this paragraph (D) in

construing this Section for taxable years ending before December 31, 1995.

(E) Paragraphs (B-1) and (B-2) shall apply to tax years ending on or after December 31, 1999, provided that a taxpayer may elect to apply the provisions of these paragraphs to prior tax years. Such election shall be made in the form and manner prescribed by the Department, shall be irrevocable, and shall apply to all tax years; provided that, if a taxpayer's Illinois income tax liability for any tax year, as assessed under Section 903 prior to January 1, 1999, was computed in a manner contrary to the provisions of paragraphs (B-1) or (B-2), no refund shall be payable to the taxpayer for that tax year to the extent such refund is the result of applying the provisions of paragraph (B-1) or (B-2) retroactively. In the case of a unitary business group, such election shall apply to all members of such group for every tax year such group is in existence, but shall not apply to any taxpayer for any period during which that taxpayer is not a member of such group.

(b) Insurance companies.

(1) In general. Except as otherwise provided by paragraph (2), business income of an insurance company for a taxable year shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the direct premiums written for insurance upon property or risk in this State, and the denominator of which is the direct premiums written for insurance upon property or risk everywhere. For purposes of this subsection, the term "direct premiums written" means the total amount of direct premiums written, assessments and annuity considerations, and surplus line contracts, but excluding deposit-type funds, as reported for the taxable year on the annual statement filed ~~by the company with the Illinois Director of Insurance~~ in the form approved by the National Convention of Insurance Commissioners as filed by the taxpayer with the Illinois Department of Insurance or, if no report is filed with the Illinois Department of Insurance, as filed by the taxpayer with its state of domicile. If no such annual report is filed with any of the United States for a particular year, "direct premiums written" shall be determined by applying the instructions to the Illinois annual report form for that year or such other form as may be prescribed in lieu thereof.

(2) Reinsurance. If the principal source of premiums written by an insurance company consists of premiums for reinsurance accepted by it, the business income of such company shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the sum of (i) direct premiums written for insurance upon property or risk in this State, plus (ii) premiums written for reinsurance accepted in respect of property or risk in this State, and the denominator of which is the sum of (iii) direct premiums written for insurance upon property or risk everywhere, plus (iv) premiums written for reinsurance accepted in respect of property or risk everywhere. For taxable years ending before December 31, 2004, for purposes of this paragraph, premiums written for reinsurance accepted in respect of property or risk in this State, whether or not otherwise determinable, may, at the election of the company, be determined on the basis of the proportion which premiums written for reinsurance accepted from companies commercially domiciled in Illinois bears to premiums written for reinsurance accepted from all sources, or, alternatively, in the proportion which the sum of the direct premiums written for insurance upon property or risk in this State by each ceding company from which reinsurance is accepted bears to the sum of the total direct premiums written by each such ceding company for the taxable year.

(c) Financial organizations.

(1) In general. For taxable years ending before December 31, 2004, ~~business~~ Business income of a financial organization shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is its business income from sources within this State, and the denominator of which is its business income from all sources. For the purposes of this subsection, the business income of a financial organization from sources within this State is the sum of the amounts referred to in subparagraphs (A) through (E) following, but excluding the adjusted income of an international banking facility as determined in paragraph (2):

- (A) Fees, commissions or other compensation for financial services rendered within this State;
- (B) Gross profits from trading in stocks, bonds or other securities managed within this State;
- (C) Dividends, and interest from Illinois customers, which are received within this State;
- (D) Interest charged to customers at places of business maintained within this State for carrying debit balances of margin accounts, without deduction of any costs incurred in carrying such accounts; and
- (E) Any other gross income resulting from the operation as a financial organization

within this State. In computing the amounts referred to in paragraphs (A) through (E) of this subsection, any amount received by a member of an affiliated group (determined under Section 1504(a) of the Internal Revenue Code but without reference to whether any such corporation is an "includible corporation" under Section 1504(b) of the Internal Revenue Code) from another member of such group shall be included only to the extent such amount exceeds expenses of the recipient directly related thereto.

(2) International Banking Facility. For taxable years ending before December 31, 2004:

(A) Adjusted Income. The adjusted income of an international banking facility is its income reduced by the amount of the floor amount.

(B) Floor Amount. The floor amount shall be the amount, if any, determined by multiplying the income of the international banking facility by a fraction, not greater than one, which is determined as follows:

(i) The numerator shall be:

The average aggregate, determined on a quarterly basis, of the financial organization's loans to banks in foreign countries, to foreign domiciled borrowers (except where secured primarily by real estate) and to foreign governments and other foreign official institutions, as reported for its branches, agencies and offices within the state on its "Consolidated Report of Condition", Schedule A, Lines 2.c., 5.b., and 7.a., which was filed with the Federal Deposit Insurance Corporation and other regulatory authorities, for the year 1980, minus

The average aggregate, determined on a quarterly basis, of such loans (other than loans of an international banking facility), as reported by the financial institution for its branches, agencies and offices within the state, on the corresponding Schedule and lines of the Consolidated Report of Condition for the current taxable year, provided, however, that in no case shall the amount determined in this clause (the subtrahend) exceed the amount determined in the preceding clause (the minuend); and

(ii) the denominator shall be the average aggregate, determined on a quarterly basis, of the international banking facility's loans to banks in foreign countries, to foreign domiciled borrowers (except where secured primarily by real estate) and to foreign governments and other foreign official institutions, which were recorded in its financial accounts for the current taxable year.

(C) Change to Consolidated Report of Condition and in Qualification. In the event the Consolidated Report of Condition which is filed with the Federal Deposit Insurance Corporation and other regulatory authorities is altered so that the information required for determining the floor amount is not found on Schedule A, lines 2.c., 5.b. and 7.a., the financial institution shall notify the Department and the Department may, by regulations or otherwise, prescribe or authorize the use of an alternative source for such information. The financial institution shall also notify the Department should its international banking facility fail to qualify as such, in whole or in part, or should there be any amendment or change to the Consolidated Report of Condition, as originally filed, to the extent such amendment or change alters the information used in determining the floor amount.

(3) For taxable years ending on or after December 31, 2004, the business income of a financial organization shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is its gross receipts from sources in this State or otherwise attributable to this State's marketplace and the denominator of which is its gross receipts everywhere during the taxable year. "Gross receipts" for purposes of this subparagraph (3) means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the financial organization's trade or business. If a person derives business income from activities in addition to the provision of financial services, this subparagraph (3) shall apply only to its business income from financial services, and its other business income shall be apportioned to this State under the applicable provisions of this Section. The following examples are illustrative:

(i) Receipts from the lease or rental of real or tangible personal property are in this State if the property is located in this State during the rental period. Receipts from the lease or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are from sources in this State to the extent that the property is used in this State.

(ii) Interest income, commissions, fees, gains on disposition, and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property are from sources in this State if the security is located in this State.

(iii) Interest income, commissions, fees, gains on disposition, and other receipts from consumer loans that are not secured by real or tangible personal property are from sources in this State if the debtor is a resident of this State.

(iv) Interest income, commissions, fees, gains on disposition, and other receipts from commercial loans and installment obligations that are not secured by real or tangible personal property are from sources in this State if the proceeds of the loan are to be applied in this State. If it cannot be determined where the funds are to be applied, the income and receipts are from sources in this State if the office of the borrower from which the loan was negotiated in the regular course of business is located in this State. If the location of this office cannot be determined, the income and receipts shall be excluded from the numerator and denominator of the sales factor.

(v) Interest income, fees, gains on disposition, service charges, merchant discount income, and other receipts from credit card receivables are from sources in this State if the card charges are regularly billed to a customer in this State.

(vi) Receipts from the performance of services, including, but not limited to, fiduciary, advisory, and brokerage services, are in this State if the benefit of the service is realized in this State. If the benefit of the service is realized both within and without this State, the gross receipts from the sale shall be divided among those states in which the taxpayer is taxable in proportion to the benefit of service realized in each state. If the proportionate benefit in this State cannot be determined, the sale shall be excluded from both the numerator and the denominator of the gross receipts factor.

(vii) Receipts from the issuance of travelers checks and money orders are from sources in this State if the checks and money orders are issued from a location within this State.

(viii) In the case of a financial organization that accepts deposits, receipts from investments and from money market instruments are apportioned to this State based on the ratio that the total deposits of the financial organization (including all members of the financial organization's unitary group) from this State, its residents, (including businesses with an office or other place of business in this State), and its political subdivisions, agencies, and instrumentalities bear to total deposits everywhere. For purposes of this subdivision, deposits must be attributed to this State under the preceding sentence, whether or not the deposits are accepted or maintained by the financial organization at locations within this State. In the case of a financial organization that does not accept deposits, receipts from investments in securities and from money market instruments shall be excluded from the numerator and the denominator of the gross receipts factor.

(4) As used in subparagraph (3), "deposit" includes but is not limited to:

(i) the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial organization, or a letter of credit or a traveler's check on which the financial organization is primarily liable. However, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection;

(ii) trust funds received or held by the financial organization, whether held in the trust department or held or deposited in any other department of the financial organization;

(iii) money received or held by a financial organization, or the credit given for money or its equivalent received or held by a financial organization, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial organization or others, including funds held as dealers reserves, or for securities loaned by the financial organization, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial organization for immediate application to the reduction of an indebtedness to the receiving financial organization, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness;

(iv) outstanding drafts, including advice of another financial organization, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial organization itself; and

(v) money or its equivalent held as a credit balance by a financial organization on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(5) As used in subparagraph (3), "money market instruments" includes but is not limited to:

(i) Interest-bearing deposits, federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

"Securities" means corporate stock, bonds, and other securities (including, for purposes of taxation of gains on securities and for purchases under agreements to resell, United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, the interest on which is exempt from Illinois income tax), participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities, and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(ii) For purposes of subparagraph (3), "money market instruments" shall include investments in investment partnerships, trusts, pools, funds, investment companies, or any similar entity in proportion to the investment of the entity in money market instruments, and "securities" shall include investments in investment partnerships, trusts, pools, funds, investment companies, or any similar entity in proportion to the investment of the entity in securities.

(d) Transportation services. For taxable years ending before December 31, 2004, business income derived from furnishing transportation services shall be apportioned to this State in accordance with paragraphs (1) and (2):

(1) Such business income (other than that derived from transportation by pipeline)

shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the revenue miles of the person in this State, and the denominator of which is the revenue miles of the person everywhere. For purposes of this paragraph, a revenue mile is the transportation of 1 passenger or 1 net ton of freight the distance of 1 mile for a consideration. Where a person is engaged in the transportation of both passengers and freight, the fraction above referred to shall be determined by means of an average of the passenger revenue mile fraction and the freight revenue mile fraction, weighted to reflect the person's

(A) relative railway operating income from total passenger and total freight service, as reported to the Interstate Commerce Commission, in the case of transportation by railroad, and

(B) relative gross receipts from passenger and freight transportation, in case of transportation other than by railroad.

(2) Such business income derived from transportation by pipeline shall be apportioned to this State by multiplying such income by a fraction, the numerator of which is the revenue miles of the person in this State, and the denominator of which is the revenue miles of the person everywhere. For the purposes of this paragraph, a revenue mile is the transportation by pipeline of 1 barrel of oil, 1,000 cubic feet of gas, or of any specified quantity of any other substance, the distance of 1 mile for a consideration.

(3) For taxable years ending on or after December 31, 2004, business income derived from providing transportation services other than airline services shall be apportioned to this State by using a fraction, (a) the numerator of which shall be (i) all receipts from any movement or shipment of people, goods, mail, oil, gas, or any other substance (other than by airline) that both originates and terminates in this State, plus (ii) that portion of the person's gross receipts from movements or shipments of people, goods, mail, oil, gas, or any other substance (other than by airline) passing through, into, or out of this State, that is determined by the ratio that the miles traveled in this State bears to total miles from point of origin to point of destination and (b) the denominator of which shall be all revenue derived from the movement or shipment of people, goods, mail, oil, gas, or any other substance (other than by airline). If a person derives business income from activities in addition to the provision of transportation services (other than by airline), this subsection shall apply only to its business income from transportation services and its other business income shall be apportioned to this State according to the applicable provisions of this Section.

(4) For taxable years ending on or after December 31, 2004, business income derived from providing

airline services shall be apportioned to this State by using a fraction, (a) the numerator of which shall be arrivals of aircraft to and departures from this State weighted as to cost of aircraft by type and (b) the denominator of which shall be total arrivals and departures of aircraft weighted as to cost of aircraft by type. If a person derives business income from activities in addition to the provision of airline services, this subsection shall apply only to its business income from airline services and its other business income shall be apportioned to this State under the applicable provisions of this Section.

(e) Combined apportionment. Where 2 or more persons are engaged in a unitary business as described in subsection (a)(27) of Section 1501, a part of which is conducted in this State by one or more members of the group, the business income attributable to this State by any such member or members shall be apportioned by means of the combined apportionment method.

(f) Alternative allocation. If the allocation and apportionment provisions of subsections (a) through (e) and of subsection (h) do not fairly represent the extent of a person's business activity in this State, the person may petition for, or the Director may, without a petition, permit or require, in respect of all or any part of the person's business activity, if reasonable:

- (1) Separate accounting;
- (2) The exclusion of any one or more factors;
- (3) The inclusion of one or more additional factors which will fairly represent the person's business activities in this State; or
- (4) The employment of any other method to effectuate an equitable allocation and apportionment of the person's business income.

(g) Cross reference. For allocation of business income by residents, see Section 301(a).

(h) For tax years ending on or after December 31, 1998, the apportionment factor of persons who apportion their business income to this State under subsection (a) shall be equal to:

- (1) for tax years ending on or after December 31, 1998 and before December 31, 1999, 16 2/3% of the property factor plus 16 2/3% of the payroll factor plus 66 2/3% of the sales factor;
- (2) for tax years ending on or after December 31, 1999 and before December 31, 2000, 8 1/3% of the property factor plus 8 1/3% of the payroll factor plus 83 1/3% of the sales factor;
- (3) for tax years ending on or after December 31, 2000, the sales factor.

If, in any tax year ending on or after December 31, 1998 and before December 31, 2000, the denominator of the payroll, property, or sales factor is zero, the apportionment factor computed in paragraph (1) or (2) of this subsection for that year shall be divided by an amount equal to 100% minus the percentage weight given to each factor whose denominator is equal to zero.

(Source: P.A. 90-562, eff. 12-16-97; 90-613, eff. 7-9-98; 91-541, eff. 8-13-99.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2210. Having been printed, was taken up and read by title a second time.

The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2210 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Sections 203 and 1501 as follows:

(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

(1) In general. In the case of an individual, base income means an amount equal to the taxpayer's adjusted gross income for the taxable year as modified by paragraph (2).

(2) Modifications. The adjusted gross income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of adjusted gross income, except stock dividends of qualified public utilities described in Section 305(e) of the Internal Revenue Code;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of adjusted gross income for the taxable year;

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of adjusted gross income;

(D-5) An amount, to the extent not included in adjusted gross income, equal to the amount of money withdrawn by the taxpayer in the taxable year from a medical care savings account and the interest earned on the account in the taxable year of a withdrawal pursuant to subsection (b) of Section 20 of the Medical Care Savings Account Act or subsection (b) of Section 20 of the Medical Care Savings Account Act of 2000;

(D-10) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the individual deducted in computing adjusted gross income and for which the individual claims a credit under subsection (l) of Section 201;

(D-15) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property; ~~;~~

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; ~~and~~

(D-17) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph does not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(D-18) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(a)(2)(D-17) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect

acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

~~(D-15)~~ (D-20) For taxable years beginning on or after January 1, 2002, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B);

and by deducting from the total so obtained the sum of the following amounts:

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(G) The valuation limitation amount;

(H) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(I) An amount equal to all amounts included in such total pursuant to the provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted from adjusted gross income in the computation of taxable income;

(J) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, and conducts substantially all of its operations in an Enterprise Zone or zones;

(K) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (J) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (K);

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

(M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this

subparagraph are exempt from the provisions of Section 250;

(N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(O) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) An amount equal to any amounts included in such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;

(R) An amount equal to the amount of any federal or State bonus paid to veterans of the Persian Gulf War;

(S) An amount, to the extent included in adjusted gross income, equal to the amount of a contribution made in the taxable year on behalf of the taxpayer to a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 to the extent the contribution is accepted by the account administrator as provided in that Act;

(T) An amount, to the extent included in adjusted gross income, equal to the amount of interest earned in the taxable year on a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 on behalf of the taxpayer, other than interest added pursuant to item (D-5) of this paragraph (2);

(U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply

to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; ~~and~~

~~(BB) (Z)~~ Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle; -

~~(CC) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of that addition modification, and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of that addition modification;~~

~~(DD) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-17) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and~~

~~(EE) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-18) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.~~

(b) Corporations.

(1) In general. In the case of a corporation, base income means an amount equal to the

taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(C) In the case of a regulated investment company, an amount equal to the excess of (i) the net long-term capital gain for the taxable year, over (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such earlier taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(E-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the corporation deducted in computing adjusted gross income and for which the corporation claims a credit under subsection (l) of Section 201;

(E-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(E-12) For taxable years ending on or after December 31, 2004, to the extent not otherwise included in base income, an amount equal to the amount of dividends received, directly or indirectly, (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of a passive income affiliate, as defined in Section 1501(a)(29) of this Act;

(E-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's

total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(E-14) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-13) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

and by deducting from the total so obtained the sum of the following amounts:

- (F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;
- (G) An amount equal to any amount included in such total under Section 78 of the Internal Revenue Code;
- (H) In the case of a regulated investment company, an amount equal to the amount of exempt interest dividends as defined in subsection (b) (5) of Section 852 of the Internal Revenue Code, paid to shareholders for the taxable year;
- (I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (J) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;
- (K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or zones;
- (L) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or

Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph 2 of this subsection shall not be eligible for the deduction provided under this subparagraph (L);

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(N) Two times any contribution made during the taxable year to a designated zone organization to the extent that the contribution (i) qualifies as a charitable contribution under subsection (c) of Section 170 of the Internal Revenue Code and (ii) must, by its terms, be used for a project approved by the Department of Commerce and Economic Opportunity Community Affairs under Section 11 of the Illinois Enterprise Zone Act;

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

(P) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(R) In the case of an attorney-in-fact with respect to whom an interinsurer or a reciprocal insurer has made the election under Section 835 of the Internal Revenue Code, 26 U.S.C. 835, an amount equal to the excess, if any, of the amounts paid or incurred by that interinsurer or reciprocal insurer in the taxable year to the attorney-in-fact over the deduction allowed to that

interinsurer or reciprocal insurer with respect to the attorney-in-fact under Section 835(b) of the Internal Revenue Code for the taxable year;

(S) For taxable years ending on or after December 31, 1997, in the case of a Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; -

(V) The amount of: (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(W) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-13) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(X) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(b)(2)(E-14) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(3) Special rule. For purposes of paragraph (2) (A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, shall mean the gross investment income for the taxable year.

(c) Trusts and estates.

(1) In general. In the case of a trust or estate, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. Subject to the provisions of paragraph (3), the taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

(C) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(F) For taxable years ending on or after January 1, 1989, an amount equal to the tax deducted pursuant to Section 164 of the Internal Revenue Code if the trust or estate is claiming the same tax for purposes of the Illinois foreign tax credit under Section 601 of this Act;

(G) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(G-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the trust or estate deducted in computing adjusted gross income and for which the trust or estate claims a credit under subsection (l) of Section 201;

(G-10) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(G-12) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to

whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest;

(G-13) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(c)(2)(G-12) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person who is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes: (1) expenses, losses, and costs for or related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

and by deducting from the total so obtained the sum of the following amounts:

(H) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the Internal Revenue Code or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(I) The valuation limitation amount;

(J) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(K) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C), (D), (E), (F) and (G) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(L) With the exception of any amounts subtracted under subparagraph (K), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a)(2) and 265(a)(2) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(M) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or Zones;

(N) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(O) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends

eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (O);

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; -

(T) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(U) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-12) for interest paid,

accrued, or incurred, directly or indirectly, to the same foreign person; and

(V) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-13) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(3) Limitation. The amount of any modification otherwise required under this subsection shall, under regulations prescribed by the Department, be adjusted by any amounts included therein which were properly paid, credited, or required to be distributed, or permanently set aside for charitable purposes pursuant to Internal Revenue Code Section 642(c) during the taxable year.

(d) Partnerships.

(1) In general. In the case of a partnership, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income for the taxable year;

(C) The amount of deductions allowed to the partnership pursuant to Section 707 (c) of the Internal Revenue Code in calculating its taxable income;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(D-5) For taxable years 2001 and thereafter, an amount equal to the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

(D-7) For taxable years ending on or after December 31, 2004, an amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. This subparagraph shall not apply to an item of interest paid, accrued, or incurred, directly or indirectly, to a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such interest; and

(D-8) For taxable years ending on or after December 31, 2004, an amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue

Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(d)(2)(D-7) of this Act. This subparagraph shall not apply to any item of intangible expenses or costs paid, accrued, or incurred, directly or indirectly, from a transaction with a foreign person that is subject in a foreign country to a tax on or measured by net income with respect to such item. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and copyright fees; (4) licensing fees; and (5) other similar expenses and costs. For purposes of this subparagraph, "intangible property" includes patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets;

and by deducting from the total so obtained the following amounts:

- (E) The valuation limitation amount;
- (F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;
- (G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;
- (H) Any income of the partnership which constitutes personal service income as defined in Section 1348 (b) (1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership, whichever is greater;
- (I) An amount equal to all amounts of income distributable to an entity subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code;
- (J) With the exception of any amounts subtracted under subparagraph (G), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;
- (K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;
- (L) An amount equal to any contribution made to a job training project established pursuant to the Real Property Tax Increment Allocation Redevelopment Act;
- (M) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (M);
- (N) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;
- (O) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction (30% of the adjusted basis of the qualified property) was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code, but not including the bonus depreciation deduction; and

(2) "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429).

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction (30% of the adjusted basis of the qualified property) taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; -

(Q) The amount of (i) any interest income (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-17), 203(b)(2)(E-13), 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed the amount of such addition modification and (ii) any income from intangible property (net of the deductions allocable thereto) taken into account for the taxable year with respect to a transaction with a taxpayer that is required to make an addition modification with respect to such transaction under Section 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification;

(R) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-7) for interest paid, accrued, or incurred, directly or indirectly, to the same foreign person; and

(S) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-8) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person.

(e) Gross income; adjusted gross income; taxable income.

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

(2) Special rule. For purposes of paragraph (1) of this subsection, the taxable income

properly reportable for federal income tax purposes shall mean:

(A) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by Section 801 of the Internal Revenue Code, life insurance company taxable income, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under Section 815a of the Internal Revenue Code;

(B) Certain other insurance companies. In the case of mutual insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, insurance company taxable income;

(C) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by Section 852 of the Internal Revenue Code, investment company taxable income;

(D) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by Section 857 of the Internal Revenue Code, real estate investment trust taxable income;

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the federal Subchapter S rules as in effect on July 1, 1982; and

(H) Partnerships. In the case of a partnership, taxable income determined in accordance with Section 703 of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 703(a)(1) to be separately stated but which would be taken into account by an individual in calculating his taxable income.

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

(A) The sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of gain reportable under the provisions of Section 1245 or 1250 of the Internal Revenue Code) for all property in respect of which such gain was reported for the taxable year; plus

(B) The lesser of (i) the sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of capital gain) for all property in respect of which such gain was reported for federal income tax purposes for the taxable year, or (ii) the net capital gain for the taxable year, reduced in either case by any amount of such gain included in the amount determined under subsection (a) (2) (F) or (c) (2) (H).

(2) Pre-August 1, 1969 appreciation amount.

(A) If the fair market value of property referred to in paragraph (1) was readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is the lesser of (i) the excess of such fair market value over the taxpayer's basis (for determining gain) for such property on that date (determined under the Internal Revenue Code as in effect on that date), or (ii) the total gain realized and reportable for federal income tax purposes in respect of the sale, exchange or other disposition of such property.

(B) If the fair market value of property referred to in paragraph (1) was not readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property

is that amount which bears the same ratio to the total gain reported in respect of the property for federal income tax purposes for the taxable year, as the number of full calendar months in that part of the taxpayer's holding period for the property ending July 31, 1969 bears to the number of full calendar months in the taxpayer's entire holding period for the property.

(C) The Department shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

(g) Double deductions. Unless specifically provided otherwise, nothing in this Section shall permit the same item to be deducted more than once.

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise.

(Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

(35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

Sec. 1501. Definitions.

(a) In general. When used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(1) Business income. The term "business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business, net of the deductions allocable thereto, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Such term does not include compensation or the deductions allocable thereto. For each taxable year beginning on or after January 1, 2003, a taxpayer may elect to treat all income other than compensation as business income. This election shall be made in accordance with rules adopted by the Department and, once made, shall be irrevocable.

(2) Commercial domicile. The term "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(3) Compensation. The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(4) Corporation. The term "corporation" includes associations, joint-stock companies, insurance companies and cooperatives. Any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, shall be treated as a corporation if it is so classified for federal income tax purposes.

(5) Department. The term "Department" means the Department of Revenue of this State.

(6) Director. The term "Director" means the Director of Revenue of this State.

(7) Fiduciary. The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, or any person acting in any fiduciary capacity for any person.

(8) Financial organization.

(A) The term "financial organization" means any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person which is owned by a bank or bank holding company. For the purpose of this Section a "person" will include only those persons which a bank holding company may acquire and hold an interest in, directly or indirectly, under the provisions of the Bank Holding Company Act of 1956 (12 U.S.C. 1841, et seq.), except where interests in any person must be disposed of within certain required time limits under the Bank Holding Company Act of 1956.

(B) For purposes of subparagraph (A) of this paragraph, the term "bank" includes

(i) any entity that is regulated by the Comptroller of the Currency under the National Bank Act, or by the Federal Reserve Board, or by the Federal Deposit Insurance Corporation and (ii) any federally or State chartered bank operating as a credit card bank.

(C) For purposes of subparagraph (A) of this paragraph, the term "sales finance company" has the meaning provided in the following item (i) or (ii):

(i) A person primarily engaged in one or more of the following businesses: the business of purchasing customer receivables, the business of making loans upon the security of customer receivables, the business of making loans for the express purpose of funding purchases of tangible personal property or services by the borrower, or the business of finance leasing. For purposes of this item (i), "customer receivable" means:

(a) a retail installment contract or retail charge agreement within the meaning of the Sales Finance Agency Act, the Retail Installment Sales Act, or the Motor Vehicle Retail Installment Sales Act;

(b) an installment, charge, credit, or similar contract or agreement arising from the sale of tangible personal property or services in a transaction involving a deferred payment price payable in one or more installments subsequent to the sale; or

(c) the outstanding balance of a contract or agreement described in provisions (a) or (b) of this item (i).

A customer receivable need not provide for payment of interest on deferred payments. A sales finance company may purchase a customer receivable from, or make a loan secured by a customer receivable to, the seller in the original transaction or to a person who purchased the customer receivable directly or indirectly from that seller.

(ii) A corporation meeting each of the following criteria:

(a) the corporation must be a member of an "affiliated group" within the meaning of Section 1504(a) of the Internal Revenue Code, determined without regard to Section 1504(b) of the Internal Revenue Code;

(b) more than 50% of the gross income of the corporation for the taxable year must be interest income derived from qualifying loans. A "qualifying loan" is a loan made to a member of the corporation's affiliated group that originates customer receivables (within the meaning of item (i)) or to whom customer receivables originated by a member of the affiliated group have been transferred, to the extent the average outstanding balance of loans from that corporation to members of its affiliated group during the taxable year do not exceed the limitation amount for that corporation. The "limitation amount" for a corporation is the average outstanding balances during the taxable year of customer receivables (within the meaning of item (i)) originated by all members of the affiliated group. If the average outstanding balances of the loans made by a corporation to members of its affiliated group exceed the limitation amount, the interest income of that corporation from qualifying loans shall be equal to its interest income from loans to members of its affiliated groups times a fraction equal to the limitation amount divided by the average outstanding balances of the loans made by that corporation to members of its affiliated group;

(c) the total of all shareholder's equity (including, without limitation, paid-in capital on common and preferred stock and retained earnings) of the corporation plus the total of all of its loans, advances, and other obligations payable or owed to members of its affiliated group may not exceed 20% of the total assets of the corporation at any time during the tax year; and

(d) more than 50% of all interest-bearing obligations of the affiliated group payable to persons outside the group determined in accordance with generally accepted accounting principles must be obligations of the corporation.

This amendatory Act of the 91st General Assembly is declaratory of existing law.

(D) Subparagraphs (B) and (C) of this paragraph are declaratory of existing law and apply retroactively, for all tax years beginning on or before December 31, 1996, to all original returns, to all amended returns filed no later than 30 days after the effective date of this amendatory Act of 1996, and to all notices issued on or before the effective date of this amendatory Act of 1996 under subsection (a) of Section 903, subsection (a) of Section 904, subsection (e) of Section 909, or Section 912. A taxpayer that is a "financial organization" that engages in any transaction with an affiliate shall be a "financial organization" for all purposes of this Act.

(E) For all tax years beginning on or before December 31, 1996, a taxpayer that falls within the definition of a "financial organization" under subparagraphs (B) or (C) of this paragraph, but who does not fall within the definition of a "financial organization" under the Proposed Regulations issued by the Department of Revenue on July 19, 1996, may irrevocably elect to apply the Proposed Regulations for all of those years as though the Proposed Regulations had been lawfully promulgated, adopted, and in effect for all of those years. For purposes of applying subparagraphs (B)

or (C) of this paragraph to all of those years, the election allowed by this subparagraph applies only to the taxpayer making the election and to those members of the taxpayer's unitary business group who are ordinarily required to apportion business income under the same subsection of Section 304 of this Act as the taxpayer making the election. No election allowed by this subparagraph shall be made under a claim filed under subsection (d) of Section 909 more than 30 days after the effective date of this amendatory Act of 1996.

(F) Finance Leases. For purposes of this subsection, a finance lease shall be treated as a loan or other extension of credit, rather than as a lease, regardless of how the transaction is characterized for any other purpose, including the purposes of any regulatory agency to which the lessor is subject. A finance lease is any transaction in the form of a lease in which the lessee is treated as the owner of the leased asset entitled to any deduction for depreciation allowed under Section 167 of the Internal Revenue Code.

(9) Fiscal year. The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December.

(10) Includes and including. The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(11) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect for the taxable year.

(12) Mathematical error. The term "mathematical error" includes the following types of errors, omissions, or defects in a return filed by a taxpayer which prevents acceptance of the return as filed for processing:

- (A) arithmetic errors or incorrect computations on the return or supporting schedules;
- (B) entries on the wrong lines;
- (C) omission of required supporting forms or schedules or the omission of the information in whole or in part called for thereon; and
- (D) an attempt to claim, exclude, deduct, or improperly report, in a manner directly contrary to the provisions of the Act and regulations thereunder any item of income, exemption, deduction, or credit.

(13) Nonbusiness income. The term "nonbusiness income" means all income other than business income or compensation.

(14) Nonresident. The term "nonresident" means a person who is not a resident.

(15) Paid, incurred and accrued. The terms "paid", "incurred" and "accrued" shall be construed according to the method of accounting upon the basis of which the person's base income is computed under this Act.

(16) Partnership and partner. The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this Act, a trust or estate or a corporation; and the term "partner" includes a member in such syndicate, group, pool, joint venture or organization.

The term "partnership" includes any entity, including a limited liability company formed under the Illinois Limited Liability Company Act, classified as a partnership for federal income tax purposes.

The term "partnership" does not include a syndicate, group, pool, joint venture, or other unincorporated organization established for the sole purpose of playing the Illinois State Lottery.

(17) Part-year resident. The term "part-year resident" means an individual who became a resident during the taxable year or ceased to be a resident during the taxable year. Under Section 1501(a)(20)(A)(i) residence commences with presence in this State for other than a temporary or transitory purpose and ceases with absence from this State for other than a temporary or transitory purpose. Under Section 1501(a)(20)(A)(ii) residence commences with the establishment of domicile in this State and ceases with the establishment of domicile in another State.

(18) Person. The term "person" shall be construed to mean and include an individual, a trust, estate, partnership, association, firm, company, corporation, limited liability company, or fiduciary. For purposes of Section 1301 and 1302 of this Act, a "person" means (i) an individual, (ii) a corporation, (iii) an officer, agent, or employee of a corporation, (iv) a member, agent or employee of a partnership,

or (v) a member, manager, employee, officer, director, or agent of a limited liability company who in such capacity commits an offense specified in Section 1301 and 1302.

(18A) Records. The term "records" includes all data maintained by the taxpayer, whether on paper, microfilm, microfiche, or any type of machine-sensible data compilation.

(19) Regulations. The term "regulations" includes rules promulgated and forms prescribed by the Department.

(20) Resident. The term "resident" means:

(A) an individual (i) who is in this State for other than a temporary or transitory purpose during the taxable year; or (ii) who is domiciled in this State but is absent from the State for a temporary or transitory purpose during the taxable year;

(B) The estate of a decedent who at his or her death was domiciled in this State;

(C) A trust created by a will of a decedent who at his death was domiciled in this State; and

(D) An irrevocable trust, the grantor of which was domiciled in this State at the time such trust became irrevocable. For purpose of this subparagraph, a trust shall be considered irrevocable to the extent that the grantor is not treated as the owner thereof under Sections 671 through 678 of the Internal Revenue Code.

(21) Sales. The term "sales" means all gross receipts of the taxpayer not allocated under Sections 301, 302 and 303.

(22) State. The term "state" when applied to a jurisdiction other than this State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any Territory or Possession of the United States, and any foreign country, or any political subdivision of any of the foregoing. For purposes of the foreign tax credit under Section 601, the term "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States, or any political subdivision of any of the foregoing, effective for tax years ending on or after December 31, 1989.

(23) Taxable year. The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the base income is computed under this Act. "Taxable year" means, in the case of a return made for a fractional part of a year under the provisions of this Act, the period for which such return is made.

(24) Taxpayer. The term "taxpayer" means any person subject to the tax imposed by this Act.

(25) International banking facility. The term international banking facility shall have the same meaning as is set forth in the Illinois Banking Act or as is set forth in the laws of the United States or regulations of the Board of Governors of the Federal Reserve System.

(26) Income Tax Return Preparer.

(A) The term "income tax return preparer" means any person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return of tax imposed by this Act or any claim for refund of tax imposed by this Act. The preparation of a substantial portion of a return or claim for refund shall be treated as the preparation of that return or claim for refund.

(B) A person is not an income tax return preparer if all he or she does is

(i) furnish typing, reproducing, or other mechanical assistance;

(ii) prepare returns or claims for refunds for the employer by whom he or she is regularly and continuously employed;

(iii) prepare as a fiduciary returns or claims for refunds for any person; or

(iv) prepare claims for refunds for a taxpayer in response to any notice of deficiency issued to that taxpayer or in response to any waiver of restriction after the commencement of an audit of that taxpayer or of another taxpayer if a determination in the audit of the other taxpayer directly or indirectly affects the tax liability of the taxpayer whose claims he or she is preparing.

(27) Unitary business group. The term "unitary business group" means a group of persons related through common ownership whose business activities are integrated with, dependent upon and contribute to each other. The group will not include those members who, in taxable years ending on or after December 31, 2004, are foreign persons and whose business activity outside the United States is 80% or more of any such member's total business activity; for purposes of this paragraph and clause (a)(3)(B)(ii) of Section 304, business activity within the United States shall be measured by

means of the factors ordinarily applicable under subsections (a), (b), (c), (d), or (h) of Section 304 except that, in the case of members ordinarily required to apportion business income by means of the 3 factor formula of property, payroll and sales specified in subsection (a) of Section 304, including the formula as weighted in subsection (h) of Section 304, such members shall not use the sales factor in the computation and the results of the property and payroll factor computations of subsection (a) of Section 304 shall be divided by 2 (by one if either the property or payroll factor has a denominator of zero). The computation required by the preceding sentence shall, in each case, involve the division of the member's property, payroll, or revenue miles in the United States, insurance premiums on property or risk in the United States, or financial organization business income from sources within the United States, as the case may be, by the respective worldwide figures for such items. Common ownership in the case of corporations is the direct or indirect control or ownership of more than 50% of the outstanding voting stock of the persons carrying on unitary business activity. Unitary business activity can ordinarily be illustrated where the activities of the members are: (1) in the same general line (such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation or finance); or (2) are steps in a vertically structured enterprise or process (such as the steps involved in the production of natural resources, which might include exploration, mining, refining, and marketing); and, in either instance, the members are functionally integrated through the exercise of strong centralized management (where, for example, authority over such matters as purchasing, financing, tax compliance, product line, personnel, marketing and capital investment is not left to each member). For taxable years ending before December 31, 2004, a ~~In no event, however, will any~~ unitary business group will not include members which are ordinarily required to apportion business income under different subsections of Section 304 except that for tax years ending on or after December 31, 1987 and before December 31, 2004 this prohibition shall not apply to a unitary business group composed of one or more taxpayers all of which apportion business income pursuant to subsection (b) of Section 304, or all of which apportion business income pursuant to subsection (d) of Section 304, and a holding company of such single-factor taxpayers (see definition of "financial organization" for rule regarding holding companies of financial organizations). If a unitary business group would, but for the preceding sentence, include members that are ordinarily required to apportion business income under different subsections of Section 304, then for each subsection of Section 304 for which there are two or more members, there shall be a separate unitary business group composed of such members. For purposes of the preceding two sentences, a member is "ordinarily required to apportion business income" under a particular subsection of Section 304 if it would be required to use the apportionment method prescribed by such subsection except for the fact that it derives business income solely from Illinois. Pursuant to rules adopted by the Department, the members of a unitary business group (as defined in this Section) may jointly elect to include in the group for any taxable year ending on or after December 31, 2004, a passive income affiliate, as defined in paragraph (29) of this subsection. Where the election is made to include a passive income affiliate in the unitary business group, for purposes of computing the affiliate's base income under Section 203 of this Act, the affiliate's federal taxable income shall be deemed to consist solely of its passive income, as defined in subparagraph (B) of paragraph (29) of this subsection, net of related expenses. As used in this paragraph, for taxable years ending on or after December 31, 2004, the phrase "United States" means the 50 states, the District of Columbia, any territory or possession of the United States, and any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources. This definition includes, but is not limited to, Puerto Rico and the outer continental shelf and any artificial islands and structures therein.

If the unitary business group members' accounting periods differ, the common parent's accounting period or, if there is no common parent, the accounting period of the member that is expected to have, on a recurring basis, the greatest Illinois income tax liability must be used to determine whether to use the apportionment method provided in subsection (a) or subsection (h) of Section 304. The prohibition against membership in a unitary business group for taxpayers ordinarily required to apportion income under different subsections of Section 304 does not apply to taxpayers required to apportion income under subsection (a) and subsection (h) of Section 304. The provisions of this amendatory Act of 1998 apply to tax years ending on or after December 31, 1998.

(28) Subchapter S corporation. The term "Subchapter S corporation" means a corporation for which there is in effect an election under Section 1362 of the Internal Revenue Code, or for which there is a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982.

(29) Passive income affiliate.

(A) In general. The term "passive income affiliate" means any person if (i) the person would be a member of a unitary business group under paragraph (27) of this subsection except for the fact that the person is a foreign person and 80% or more of the person's business activity is outside the United States (as determined under paragraph (27)) and (ii) at least 50% of the person's total gross income (as defined in this Section) for the taxable year consists of "passive income" as set forth in subparagraph (B) of this paragraph.

(B) Passive income. For purpose of subparagraph (A), "passive income" includes the following items (whether or not business income):

(i) dividends, interest, annuities, and royalties (except that "royalties" does not include "active business computer software royalties", as defined in Section 543(d) of the Internal Revenue Code);

(ii) gains from the sale or exchange of stock or securities;

(iii) gains from futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange (except that, pursuant to rules adopted by the Department, gains by a producer, processor, merchant, or handler of the commodity that arise out of bona fide hedging transactions reasonably necessary to the conduct of its business in the manner in which the business is customarily and usually conducted by others shall not be included);

(iv) amounts included in income under part I of subchapter J of the Internal Revenue Code and gains from the sale of other disposition of any interest in an estate or trust;

(v) amounts received as compensation (however designated and from whomever received) for the use of, or the right to use, property of the person in any case where the party entitled to the use of the property (whether the right is obtained directly from the person or by means of a sublease or other arrangement) would be a member of the person's unitary business group under paragraph (27) of this subsection but for the fact that the person's business activity outside the United States is 80% or more of total business activity as determined under paragraph (27);

(vi) rents, unless constituting 50% or more of the gross income. The term "rents" as used in this subparagraph means compensation, however designated, for the use of, or right to use, property but does not include amounts described in subparagraph (v); and

(vii) pursuant to rules adopted by the Department, amounts similar to the items set forth in (i) through (vi) above.

(C) Gross income and special rules.

(i) Gross income. The term "gross income" means the gross income of the person computed under Section 61 of the Internal Revenue Code (without regard to the provisions of subchapter N of the Internal Revenue Code) in any case as if such person were a domestic corporation, partnership, or trust, as applicable. Gross income determined with respect to transactions described in subparagraphs (ii) and (iii) of subparagraph (B) of this paragraph shall include only the excess of gains over losses from such transactions.

(ii) 80/20 dividends. Dividends received by a person, directly or indirectly, with respect to the stock of a corporation that is not a passive income affiliate (as defined in this paragraph) and that would be a member of that person's unitary business group under paragraph (27) of this subsection but for the fact that the corporation or person conducts 80% or more of their business activities outside the United States (as determined under paragraph (27) of this subsection) shall not be considered passive income under subparagraph (B) of this paragraph.

(iii) Exclusion of banks. A person that is organized and doing business under the banking or credit laws of a state or foreign country shall not be considered a passive income affiliate if it is established to the satisfaction of the Director that the person is not formed or availed of for the purpose of avoiding federal income tax or Illinois income tax. If the Director is satisfied that the person is not so formed or availed of, the Director shall issue to the person annually or at other periodic intervals a certification that the person is not a passive income affiliate.

(30) Foreign person. The term "foreign person" means any person who is a nonresident alien individual and any nonindividual other than a person created or organized in the United States or under the law of the United States or of any State.

(b) Other definitions.

(1) Words denoting number, gender, and so forth, when used in this Act, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(A) Words importing the singular include and apply to several persons, parties or things;

(B) Words importing the plural include the singular; and

(C) Words importing the masculine gender include the feminine as well.

(2) "Company" or "association" as including successors and assigns. The word "company" or "association", when used in reference to a corporation, shall be deemed to embrace the words "successors and assigns of such company or association", and in like manner as if these last-named words, or words of similar import, were expressed.

(3) Other terms. Any term used in any Section of this Act with respect to the application of, or in connection with, the provisions of any other Section of this Act shall have the same meaning as in such other Section.

(Source: P.A. 91-535, eff. 1-1-00; 91-913, eff. 1-1-01; 92-846, eff. 8-23-02.)".

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

SENATE BILL 2211. Having been printed, was taken up and read by title a second time. The following amendment was offered in the Committee on Revenue, adopted and printed:

AMENDMENT NO. 1 . Amend Senate Bill 2211 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Income Tax Act is amended by changing Section 203 as follows:

(35 ILCS 5/203) (from Ch. 120, par. 2-203)

Sec. 203. Base income defined.

(a) Individuals.

(1) In general. In the case of an individual, base income means an amount equal to the taxpayer's adjusted gross income for the taxable year as modified by paragraph (2).

(2) Modifications. The adjusted gross income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of adjusted gross income, except stock dividends of qualified public utilities described in Section 305(e) of the Internal Revenue Code;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of adjusted gross income for the taxable year;

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of adjusted gross income;

(D-5) An amount, to the extent not included in adjusted gross income, equal to the amount of money withdrawn by the taxpayer in the taxable year from a medical care savings account and the interest earned on the account in the taxable year of a withdrawal pursuant to subsection (b) of Section 20 of the Medical Care Savings Account Act or subsection (b) of Section 20 of the Medical Care Savings Account Act of 2000;

(D-10) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the individual deducted in computing adjusted gross income and for which the individual claims a credit under subsection (l) of Section 201;

(D-15) For taxable years ending on or after December 31, 2000 and before December 31, 2004 ~~2001 and thereafter~~, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(D-16) If the taxpayer reports a capital gain or loss on the taxpayer's federal

income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (Z) with respect to that property; †

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property; † and

~~(D-20) (D-15)~~ For taxable years beginning on or after January 1, 2002, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B);

and by deducting from the total so obtained the sum of the following amounts:

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard. The provisions of this amendatory Act of the 92nd General Assembly are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(G) The valuation limitation amount;

(H) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(I) An amount equal to all amounts included in such total pursuant to the provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted from adjusted gross income in the computation of taxable income;

(J) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, and conducts substantially all of its operations in an Enterprise Zone or zones;

(K) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (J) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (K);

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

(M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this

subparagraph are exempt from the provisions of Section 250;

(N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(O) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) An amount equal to any amounts included in such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;

(R) An amount equal to the amount of any federal or State bonus paid to veterans of the Persian Gulf War;

(S) An amount, to the extent included in adjusted gross income, equal to the amount of a contribution made in the taxable year on behalf of the taxpayer to a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 to the extent the contribution is accepted by the account administrator as provided in that Act;

(T) An amount, to the extent included in adjusted gross income, equal to the amount of interest earned in the taxable year on a medical care savings account established under the Medical Care Savings Account Act or the Medical Care Savings Account Act of 2000 on behalf of the taxpayer, other than interest added pursuant to item (D-5) of this paragraph (2);

(U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code of 1986, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

(W) For taxable years beginning on or after January 1, 1998, all amounts included in the taxpayer's federal gross income in the taxable year from amounts converted from a regular IRA to a Roth IRA. This paragraph is exempt from the provisions of Section 250;

(X) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply

to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(Y) For taxable years beginning on or after January 1, 2002, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). This subparagraph (Y) is exempt from the provisions of Section 250;

(Z) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; ~~and~~

(AA) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property; and

(BB) ~~(Z)~~ Any amount included in adjusted gross income, other than salary, received by a driver in a ridesharing arrangement using a motor vehicle.

(b) Corporations.

(1) In general. In the case of a corporation, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(C) In the case of a regulated investment company, an amount equal to the excess of (i) the net long-term capital gain for the taxable year, over (ii) the amount of the capital gain dividends designated as such in accordance with Section 852(b)(3)(C) of the Internal Revenue Code and any amount designated under Section 852(b)(3)(D) of the Internal Revenue Code, attributable to the taxable year (this amendatory Act of 1995 (Public Act 89-89) is declarative of existing law and is not a new enactment);

(D) The amount of any net operating loss deduction taken in arriving at taxable

income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such earlier taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(E-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the corporation deducted in computing adjusted gross income and for which the corporation claims a credit under subsection (l) of Section 201;

(E-10) For taxable years ending on or after December 31, 2000 and before December 31, 2004 ~~2001 and thereafter~~, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(E-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (T) with respect to that property; †

The taxpayer is required to make the addition modification under this subparagraph

only once with respect to any one piece of property;

and by deducting from the total so obtained the sum of the following amounts:

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to any amount included in such total under Section 78 of the Internal Revenue Code;

(H) In the case of a regulated investment company, an amount equal to the amount of exempt interest dividends as defined in subsection (b) (5) of Section 852 of the Internal Revenue Code, paid to shareholders for the taxable year;

(I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(J) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the

Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or zones;

(L) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph 2 of this subsection shall not be eligible for the deduction provided under this subparagraph (L);

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the Enterprise Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the Enterprise Zone. The subtraction modification available to taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

(N) Two times any contribution made during the taxable year to a designated zone organization to the extent that the contribution (i) qualifies as a charitable contribution under subsection (c) of Section 170 of the Internal Revenue Code and (ii) must, by its terms, be used for a project approved by the Department of Commerce and Economic Opportunity Community Affairs under Section 11 of the Illinois Enterprise Zone Act;

(O) An amount equal to: (i) 85% for taxable years ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code, from any such corporation specified in clause (i) that would but for the provisions of Section 1504 (b) (3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends;

(P) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(R) In the case of an attorney-in-fact with respect to whom an interinsurer or a reciprocal insurer has made the election under Section 835 of the Internal Revenue Code, 26 U.S.C. 835, an amount equal to the excess, if any, of the amounts paid or incurred by that interinsurer or reciprocal insurer in the taxable year to the attorney-in-fact over the deduction allowed to that interinsurer or reciprocal insurer with respect to the attorney-in-fact under Section 835(b) of the Internal Revenue Code for the taxable year;

(S) For taxable years ending on or after December 31, 1997, in the case of a Subchapter S corporation, an amount equal to all amounts of income allocable to a shareholder subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act, including amounts allocable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code. This subparagraph (S) is exempt from the provisions of Section 250;

(T) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(U) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Special rule. For purposes of paragraph (2) (A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, shall mean the gross investment income for the taxable year.

(c) Trusts and estates.

(1) In general. In the case of a trust or estate, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. Subject to the provisions of paragraph (3), the taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) In the case of (i) an estate, \$600; (ii) a trust which, under its governing instrument, is required to distribute all of its income currently, \$300; and (iii) any other trust, \$100, but in each such case, only to the extent such amount was deducted in the computation of taxable income;

(C) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income in the computation of taxable income for the taxable year;

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

(E) For taxable years in which a net operating loss carryback or carryforward from a taxable year ending prior to December 31, 1986 is an element of taxable income under paragraph (1) of subsection (e) or subparagraph (E) of paragraph (2) of subsection (e), the amount by which addition modifications other than those provided by this subparagraph (E) exceeded subtraction modifications in such taxable year, with the following limitations applied in the order that they are listed:

(i) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall be reduced by the amount of addition modification under this subparagraph (E) which related to that net operating loss and which was taken into account in calculating the base income of an earlier taxable year, and

(ii) the addition modification relating to the net operating loss carried back or forward to the taxable year from any taxable year ending prior to December 31, 1986 shall not exceed the amount of such carryback or carryforward;

For taxable years in which there is a net operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

(F) For taxable years ending on or after January 1, 1989, an amount equal to the tax deducted pursuant to Section 164 of the Internal Revenue Code if the trust or estate is claiming the same tax for purposes of the Illinois foreign tax credit under Section 601 of this Act;

(G) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(G-5) For taxable years ending after December 31, 1997, an amount equal to any eligible remediation costs that the trust or estate deducted in computing adjusted gross income and for which the trust or estate claims a credit under subsection (l) of Section 201;

(G-10) For taxable years ending on or after December 31, 2000 and before December 31, 2004, 2001 and thereafter, an amount equal to the bonus depreciation deduction (~~30% of the adjusted basis of the qualified property~~)

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(G-11) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (R) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the sum of the following amounts:

(H) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the Internal Revenue Code or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

(I) The valuation limitation amount;

(J) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(K) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C), (D), (E), (F) and (G) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(L) With the exception of any amounts subtracted under subparagraph (K), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2) and 265(a)(2) of the Internal Revenue Code, as now or hereafter amended, and all amounts of expenses allocable to

interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code of 1954, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(M) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act and conducts substantially all of its operations in an Enterprise Zone or Zones;

(N) An amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act;

(O) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (O);

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(S) If the taxpayer reports a capital gain or loss on the taxpayer's federal income

tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(3) Limitation. The amount of any modification otherwise required under this subsection shall, under regulations prescribed by the Department, be adjusted by any amounts included therein which were properly paid, credited, or required to be distributed, or permanently set aside for charitable purposes pursuant to Internal Revenue Code Section 642(c) during the taxable year.

(d) Partnerships.

(1) In general. In the case of a partnership, base income means an amount equal to the taxpayer's taxable income for the taxable year as modified by paragraph (2).

(2) Modifications. The taxable income referred to in paragraph (1) shall be modified by adding thereto the sum of the following amounts:

(A) An amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income in the computation of taxable income;

(B) An amount equal to the amount of tax imposed by this Act to the extent deducted from gross income for the taxable year;

(C) The amount of deductions allowed to the partnership pursuant to Section 707 (c) of the Internal Revenue Code in calculating its taxable income;

(D) An amount equal to the amount of the capital gain deduction allowable under the Internal Revenue Code, to the extent deducted from gross income in the computation of taxable income;

(D-5) For taxable years ending on or after December 31, 2000 and before December 31, 2004, 2004 and thereafter, an amount equal to the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; and

(D-6) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to the aggregate amount of the deductions taken in all taxable years under subparagraph (O) with respect to that property. ;

The taxpayer is required to make the addition modification under this subparagraph only once with respect to any one piece of property;

and by deducting from the total so obtained the following amounts:

(E) The valuation limitation amount;

(F) An amount equal to the amount of any tax imposed by this Act which was refunded to the taxpayer and included in such total for the taxable year;

(G) An amount equal to all amounts included in taxable income as modified by subparagraphs (A), (B), (C) and (D) which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

(H) Any income of the partnership which constitutes personal service income as defined in Section 1348 (b) (1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership, whichever is greater;

(I) An amount equal to all amounts of income distributable to an entity subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code;

(J) With the exception of any amounts subtracted under subparagraph (G), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a) (2), and 265(2) of the Internal Revenue Code of 1954, as now or hereafter amended, and all amounts of expenses allocable

to interest and disallowed as deductions by Section 265(1) of the Internal Revenue Code, as now or hereafter amended; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in an Enterprise Zone or zones created under the Illinois Enterprise Zone Act, enacted by the 82nd General Assembly, and conducts substantially all of its operations in an Enterprise Zone or Zones;

(L) An amount equal to any contribution made to a job training project established pursuant to the Real Property Tax Increment Allocation Redevelopment Act;

(M) An amount equal to those dividends included in such total that were paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois; provided that dividends eligible for the deduction provided in subparagraph (K) of paragraph (2) of this subsection shall not be eligible for the deduction provided under this subparagraph (M);

(N) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code of 1986;

(O) For each taxable year ending before December 31, 2004 ~~years 2001 and thereafter~~, for the taxable year in which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~

is taken on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

(1) "y" equals the amount of the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return on property for which the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ was taken in any year under subsection (k) of Section 168 of the Internal Revenue Code (for this purpose, the depreciation deduction taken for the taxable year on the taxpayer's federal income tax return is deemed to take into account any depreciation adjustment required under Section 203(e)(2)(I)), but not including the bonus depreciation deduction; and

(2) for property on which a bonus depreciation deduction of 30% of the adjusted basis was taken, "x" equals "y" multiplied by 30 and then divided by 70 (or "y" multiplied by 0.429), and for property on which a bonus depreciation deduction of 50% of the adjusted basis was taken, "x" equals "y" multiplied by 1.0.

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus depreciation deduction ~~(30% of the adjusted basis of the qualified property)~~ taken on that property on the taxpayer's federal income tax return under subsection (k) of Section 168 of the Internal Revenue Code; and

(P) If the taxpayer reports a capital gain or loss on the taxpayer's federal income tax return for the taxable year based on a sale or transfer of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

The taxpayer is allowed to take the deduction under this subparagraph only once with respect to any one piece of property.

(e) Gross income; adjusted gross income; taxable income.

(1) In general. Subject to the provisions of paragraph (2) and subsection (b) (3), for purposes of this Section and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. With respect to taxable years ending on or after December 31, 2004, for purposes of determining the amount of gross income, adjusted gross income, or taxable income properly reportable for federal income tax purposes: (i) there shall be taken into account the depreciation adjustment and the basis adjustment required by paragraph (2)(I) of this subsection; (ii) the provisions of Section 179 of the Internal Revenue Code apply to the extent that the Section is elected for federal income tax purposes with respect to "Section 179 property", except that the dollar limitation of Section 179(b)(1) shall be deemed to be \$25,000 for all taxable years and the reduction in limitation under Section 179(b)(2) shall be deemed to be \$200,000 for all taxable years, without any adjustment under

Section 179(b)(5); and (iii) the gross income, adjusted gross income, or taxable income shall be determined as if the Internal Revenue Code required that, with respect to property placed in service in taxable years ending on or after December 31, 2004, the depreciation deduction determined under Section 168 of the Internal Revenue Code must be determined under Section 168(g)(2) (including the straight-line method and without any special allowance under Section 168(k)). Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

(2) Special rule. For purposes of paragraph (1) of this subsection, the taxable income properly reportable for federal income tax purposes shall mean:

(A) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by Section 801 of the Internal Revenue Code, life insurance company taxable income, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under Section 815a of the Internal Revenue Code;

(B) Certain other insurance companies. In the case of mutual insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, insurance company taxable income;

(C) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by Section 852 of the Internal Revenue Code, investment company taxable income;

(D) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by Section 857 of the Internal Revenue Code, real estate investment trust taxable income;

(E) Consolidated corporations. In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated income tax return for the taxable year for federal income tax purposes, taxable income determined as if such corporation had filed a separate return for federal income tax purposes for the taxable year and each preceding taxable year for which it was a member of an affiliated group. For purposes of this subparagraph, the taxpayer's separate taxable income shall be determined as if the election provided by Section 243(b) (2) of the Internal Revenue Code had been in effect for all such years;

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the federal Subchapter S rules as in effect on July 1, 1982; and

(H) Partnerships. In the case of a partnership, taxable income determined in accordance with Section 703 of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 703(a)(1) to be separately stated but which would be taken into account by an individual in calculating his taxable income.

(I) Depreciation and basis adjustments for all taxpayers.

(A) Depreciation adjustment. With respect to property placed in service in taxable years ending before December 31, 2004, the depreciation deduction allowed under Section 167 of the Internal Revenue Code, with respect to property as to which the deduction is determined under Section 168 of the Code, shall be determined as if the Internal Revenue Code required a switch to the straight-line method beginning with that property's adjusted basis for federal income tax purposes as of the beginning of the last taxable year beginning before December 31, 2004.

(B) Basis adjustment. With respect to property subject to subparagraph (A) of this paragraph, the adjustment otherwise required under Section 1016 of the Internal Revenue Code shall take into account the depreciation adjustment required under subparagraph (A).

(f) Valuation limitation amount.

(1) In general. The valuation limitation amount referred to in subsections (a) (2)

(G), (c) (2) (I) and (d)(2) (E) is an amount equal to:

(A) The sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of gain reportable under the provisions of Section 1245 or 1250 of the Internal Revenue Code) for all property in respect of which such gain was reported for the taxable year; plus

(B) The lesser of (i) the sum of the pre-August 1, 1969 appreciation amounts (to the extent consisting of capital gain) for all property in respect of which such gain was reported for federal income tax purposes for the taxable year, or (ii) the net capital gain for the taxable year, reduced in either case by any amount of such gain included in the amount determined under subsection (a) (2) (F) or (c) (2) (H).

(2) Pre-August 1, 1969 appreciation amount.

(A) If the fair market value of property referred to in paragraph (1) was readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is the lesser of (i) the excess of such fair market value over the taxpayer's basis (for determining gain) for such property on that date (determined under the Internal Revenue Code as in effect on that date), or (ii) the total gain realized and reportable for federal income tax purposes in respect of the sale, exchange or other disposition of such property.

(B) If the fair market value of property referred to in paragraph (1) was not readily ascertainable on August 1, 1969, the pre-August 1, 1969 appreciation amount for such property is that amount which bears the same ratio to the total gain reported in respect of the property for federal income tax purposes for the taxable year, as the number of full calendar months in that part of the taxpayer's holding period for the property ending July 31, 1969 bears to the number of full calendar months in the taxpayer's entire holding period for the property.

(C) The Department shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

(g) Double deductions. Unless specifically provided otherwise, nothing in this Section shall permit the same item to be deducted more than once.

(h) Legislative intention. Except as expressly provided by this Section there shall be no modifications or limitations on the amounts of income, gain, loss or deduction taken into account in determining gross income, adjusted gross income or taxable income for federal income tax purposes for the taxable year, or in the amount of such items entering into the computation of base income and net income under this Act for such taxable year, whether in respect of property values as of August 1, 1969 or otherwise.

(Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)"

There being no further amendments, the foregoing Amendment No. 1 was adopted and the bill, as amended, was advanced to the order of Third Reading.

Having been printed, the following bills were taken up, read by title a second time and held on the order of Second Reading: SENATE BILLS 3340, 3343, 3350, 3356, 3359, 3361, 3362, 3367 and 3368.

AGREED RESOLUTIONS

HOUSE RESOLUTIONS 942, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 956, 957, 958, 959, 961, 963, 964, 965, 966, 968, 969 and 972 were taken up for consideration.

Representative Currie moved the adoption of the agreed resolutions.

The motion prevailed and the Agreed Resolutions were adopted.

**ADJOURNMENT RESOLUTION
HOUSE JOINT RESOLUTION 88**

Representative Currie offered the following resolution:

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-THIRD GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE SENATE CONCURRING HEREIN, that when the two Houses adjourn on Thursday, May 20, 2004, the House of Representatives stands adjourned until Monday, May 24, 2004 at 4:00 o'clock p.m.; and the Senate stands adjourned until Monday, May 24, 2004, at 3:00 o'clock p.m.

The motion prevailed and the resolution was placed in the Committee on Rules.

Having been reported out of the Committee on Rules earlier today, HOUSE JOINT RESOLUTION 88 was taken up for consideration.

Representative Currie moved the adoption of the resolution.

The motion prevailed and the resolution was adopted.

Ordered that the Clerk inform the Senate and ask their concurrence.

At the hour of 5:08 o'clock p.m., Representative Currie moved that the House do now adjourn.

The motion prevailed.

And in accordance therewith and pursuant to HOUSE JOINT RESOLUTION 88, the House stood adjourned until Monday, May 24, 2004, at 4:00 o'clock p.m.

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 QUORUM ROLL CALL FOR ATTENDANCE

May 20, 2004

0 YEAS

0 NAYS

118 PRESENT

P Acevedo	P Delgado	P Kurtz	P Phelps
P Aguilar	P Dugan	P Lang	P Pihos
P Bailey	P Dunkin	P Leitch	P Poe
P Bassi	P Dunn	P Lindner	P Pritchard
P Beaubien	P Eddy	P Lyons, Eileen	P Reitz
P Bellock	P Feigenholtz	P Lyons, Joseph	P Rita
P Berrios	P Flider	P Mathias	P Rose
P Biggins	P Flowers	P Mautino	P Ryg
P Black	P Franks	P May	P Sacia
P Boland	P Fritchey	P McAuliffe	P Saviano
P Bost	P Froehlich	P McCarthy	P Schmitz
P Bradley, John	P Giles	P McGuire	P Scully
P Bradley, Richard	P Gordon	P McKeon	P Slone
P Brady	P Graham	P Mendoza	P Smith
P Brauer	P Granberg	P Meyer	P Sommer
P Brosnahan	P Grunloh	P Miller	P Soto
P Burke	P Hamos	P Millner	P Stephens
P Capparelli	P Hannig	P Mitchell, Bill	P Sullivan
P Chapa LaVia	P Hassert	P Mitchell, Jerry	P Tenhouse
P Churchill	P Hoffman	P Moffitt	P Turner
P Collins	P Holbrook	P Molaro	P Verschoore
P Colvin	P Howard	P Morrow	P Wait
P Coulson	P Hultgren	P Mulligan	P Washington
P Cross	P Jakobsson	P Munson	P Watson
P Cultra	P Jefferson	P Myers	P Winters
P Currie	P Jones	P Nekritz	P Yarbrough
P Daniels	P Joyce	P Osmond	P Younge
P Davis, Monique	P Kelly	P Osterman	P Mr. Speaker
P Davis, Steve	P Kosel	P Pankau	
P Davis, William	P Krause	P Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 HOUSE BILL 4099
 ENERGY EFFICIENT BUILDING ACT
 MOTION TO CONCUR IN SENATE AMENDMENT NO.1
 CONCURRED

May 20, 2004

70 YEAS

48 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	N Phelps
N Aguilar	N Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	N Leitch	N Poe
N Bassi	N Dunn	Y Lindner	N Pritchard
N Beaubien	N Eddy	Y Lyons, Eileen	Y Reitz
N Bellock	Y Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	N Mautino	Y Ryg
N Black	N Franks	Y May	N Sacia
Y Boland	Y Fritchey	N McAuliffe	Y Saviano
N Bost	Y Froehlich	Y McCarthy	N Schmitz
N Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	N Gordon	Y McKeon	Y Slone
N Brady	Y Graham	Y Mendoza	Y Smith
N Brauer	Y Granberg	N Meyer	N Sommer
Y Brosnahan	N Grunloh	Y Miller	Y Soto
Y Burke	Y Hamos	N Millner	N Stephens
Y Capparelli	Y Hannig	N Mitchell, Bill	N Sullivan
N Chapa LaVia	N Hassert	N Mitchell, Jerry	N Tenhouse
N Churchill	Y Hoffman	N Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	N Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	N Hultgren	N Mulligan	Y Washington
N Cross	Y Jakobsson	Y Munson	N Watson
N Cultra	N Jefferson	N Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
N Daniels	Y Joyce	N Osmond	Y Younge
Y Davis, Monique	Y Kelly	Y Osterman	Y Mr. Speaker
Y Davis, Steve	N Kosel	N Pankau	
Y Davis, William	Y Krause	N Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 SENATE BILL 132
 COUNTY IMPACT FEES
 THIRD READING
 PASSED

May 20, 2004

116 YEAS

0 NAYS

1 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	Y Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	Y May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
Y Burke	Y Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	Y Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	Y Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
A Davis, William	Y Krause	P Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
SENATE BILL 827
INSURANCE-TECH
THIRD READING
PASSED
VERIFIED

May 20, 2004

63 YEAS

53 NAYS

2 PRESENT

Y Acevedo	N Delgado	N Kurtz	Y Phelps
Y Aguilar	Y Dugan	N Lang	N Pihos
N Bailey	N Dunkin	Y Leitch	Y Poe
N Bassi	Y Dunn	N Lindner	Y Pritchard
N Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	N Feigenholtz	Y Lyons, Joseph	N Rita
N Berrios	Y Flider	N Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	N Ryg
Y Black	Y Franks	N May	Y Sacia
N Boland	N Fritchey	Y McAuliffe	N Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	N Giles	Y McGuire	N Scully
Y Bradley, Richard	Y Gordon	N McKeon	N Slone
Y Brady	N Graham	N Mendoza	N Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	N Miller	N Soto
N Burke	N Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
N Chapa LaVia	N Hassert	Y Mitchell, Jerry	Y Tenhouse
Y Churchill	N Hoffman	Y Moffitt	N Turner
N Collins	Y Holbrook	N Molaro	Y Verschoore
P Colvin	N Howard	N Morrow	Y Wait
N Coulson	Y Hultgren	N Mulligan	N Washington
N Cross	N Jakobsson	N Munson	Y Watson
Y Cultra	N Jefferson	Y Myers	Y Winters
N Currie	N Jones	N Nekritz	N Yarbrough
Y Daniels	Y Joyce	Y Osmond	N Younge
N Davis, Monique	N Kelly	N Osterman	Y Mr. Speaker
P Davis, Steve	Y Kosel	Y Pankau	
N Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 SENATE BILL 1006
 ENVIRONMENTAL SAFETY-TECH
 THIRD READING
 PASSED

May 20, 2004

70 YEAS

44 NAYS

2 PRESENT

P Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	N Pihos
Y Bailey	Y Dunkin	N Leitch	N Poe
N Bassi	Y Dunn	N Lindner	N Pritchard
Y Beaubien	N Eddy	N Lyons, Eileen	Y Reitz
N Bellock	Y Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	N Mathias	N Rose
N Biggins	Y Flowers	N Mautino	Y Ryg
N Black	N Franks	N May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
N Bost	Y Froehlich	N McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	N Slone
Y Brady	Y Graham	P Mendoza	Y Smith
N Brauer	Y Granberg	N Meyer	N Sommer
N Brosnahan	Y Grunloh	Y Miller	Y Soto
Y Burke	Y Hamos	Y Millner	N Stephens
Y Capparelli	Y Hannig	N Mitchell, Bill	Y Sullivan
N Chapa LaVia	Y Hassert	N Mitchell, Jerry	A Tenhouse
N Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
N Coulson	N Hultgren	N Mulligan	Y Washington
Y Cross	Y Jakobsson	N Munson	N Watson
N Cultra	Y Jefferson	N Myers	N Winters
N Currie	Y Jones	Y Nekritz	Y Yarbrough
N Daniels	N Joyce	N Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
N Davis, Steve	N Kosel	N Pankau	
Y Davis, William	Y Krause	N Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
SENATE BILL 1631
MWRD-TECH
THIRD READING
PASSED

May 20, 2004

114 YEAS

1 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	Y Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
N Black	Y Franks	Y May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
Y Burke	Y Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	A Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 SENATE BILL 2175
 MUNI CD-DISCONNECT SPLIT LOTS
 THIRD READING
 PASSED

May 20, 2004

115 YEAS

1 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	Y Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
N Black	Y Franks	Y May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
Y Burke	Y Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
SENATE BILL 2215
STATE FINANCE ACT-TECH
THIRD READING
PASSED

May 20, 2004

78 YEAS

28 NAYS

9 PRESENT

P Acevedo	P Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
A Bailey	N Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	N Reitz
Y Bellock	N Feigenholtz	P Lyons, Joseph	Y Rita
P Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	N Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	Y May	Y Sacia
Y Boland	N Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	N McCarthy	Y Schmitz
Y Bradley, John	N Giles	Y McGuire	N Scully
P Bradley, Richard	Y Gordon	N McKeon	Y Slone
Y Brady	N Graham	N Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
N Brosnahan	Y Grunloh	N Miller	P Soto
Y Burke	N Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	N Hoffman	Y Moffitt	N Turner
N Collins	Y Holbrook	Y Molaro	Y Verschoore
N Colvin	P Howard	N Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	N Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	P Jefferson	Y Myers	Y Winters
N Currie	N Jones	N Nekritz	N Yarbrough
Y Daniels	N Joyce	Y Osmond	P Younge
N Davis, Monique	N Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
N Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
HOUSE BILL 6415
CRIMINAL LAW-TECH
THIRD READING
PASSED

May 20, 2004

112 YEAS

0 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
HOUSE BILL 4558
IDPH-SUICIDE PREVENTION
MOTION TO CONCUR IN SENATE AMENDMENT NO.1
CONCURRED

May 20, 2004

112 YEAS

0 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 HOUSE BILL 4566
 JUV CT-EXPUNGEMENT
 MOTION TO CONCUR IN SENATE AMENDMENT NO.1
 CONCURRED

May 20, 2004

63 YEAS

49 NAYS

0 PRESENT

Y Acevedo	Y Delgado	N Kurtz	N Phelps
N Aguilar	Y Dugan	Y Lang	N Pihos
Y Bailey	Y Dunkin	N Leitch	Y Poe
Y Bassi	N Dunn	Y Lindner	N Pritchard
Y Beaubien	N Eddy	N Lyons, Eileen	Y Reitz
N Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	N Flider	Y Mathias	N Rose
N Biggins	Y Flowers	Y Mautino	N Ryg
N Black	N Franks	A May	Y Sacia
Y Boland	Y Fritchey	N McAuliffe	N Saviano
N Bost	Y Froehlich	Y McCarthy	N Schmitz
N Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	N Gordon	Y McKeon	Y Slone
Y Brady	N Graham	Y Mendoza	Y Smith
N Brauer	Y Granberg	N Meyer	N Sommer
Y Brosnahan	N Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	N Stephens
Y Capparelli	Y Hannig	N Mitchell, Bill	N Sullivan
N Chapa LaVia	Y Hassert	N Mitchell, Jerry	A Tenhouse
N Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	N Verschoore
Y Colvin	Y Howard	Y Morrow	N Wait
N Coulson	N Hultgren	Y Mulligan	Y Washington
N Cross	N Jakobsson	N Munson	N Watson
N Cultra	Y Jefferson	Y Myers	N Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
N Daniels	N Joyce	N Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	N Kosel	N Pankau	
Y Davis, William	Y Krause	N Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 HOUSE BILL 4481
 CHILDHOOD LEAD POISON RED ACT
 MOTION TO CONCUR IN SENATE AMENDMENT NO.1
 CONCURRED

May 20, 2004

112 YEAS

0 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
 NINETY-THIRD
 GENERAL ASSEMBLY
 HOUSE ROLL CALL
 HOUSE BILL 4788
 CRIM CD-SCHOOL-STREETGANG
 MOTION TO CONCUR IN SENATE AMENDMENT NO.1
 CONCURRED

May 20, 2004

110 YEAS

1 NAYS

1 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	P Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
N Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
HOUSE BILL 4403
VEH CD-DRIVER OMNIBUS
MOTION TO CONCUR IN SENATE AMENDMENT NO.1
CONCURRED

May 20, 2004

68 YEAS

43 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	N Pihos
Y Bailey	Y Dunkin	N Leitch	N Poe
N Bassi	N Dunn	N Lindner	Y Pritchard
N Beaubien	N Eddy	N Lyons, Eileen	Y Reitz
N Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	N Flowers	N Mautino	Y Ryg
N Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
N Bost	N Froehlich	Y McCarthy	N Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
N Brady	Y Graham	Y Mendoza	Y Smith
N Brauer	Y Granberg	N Meyer	N Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	N Stephens
Y Capparelli	Y Hannig	N Mitchell, Bill	N Sullivan
Y Chapa LaVia	N Hassert	N Mitchell, Jerry	A Tenhouse
N Churchill	Y Hoffman	N Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
N Coulson	N Hultgren	A Mulligan	Y Washington
N Cross	Y Jakobsson	N Munson	N Watson
N Cultra	Y Jefferson	N Myers	N Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
N Daniels	Y Joyce	N Osmond	Y Younge
N Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
N Davis, Steve	N Kosel	N Pankau	
Y Davis, William	N Krause	N Parke	

E - Denotes Excused Absence

STATE OF ILLINOIS
NINETY-THIRD
GENERAL ASSEMBLY
HOUSE ROLL CALL
HOUSE JOINT RESOLUTION 64
TRADE STUDY COMMITTEE
ADOPTED

May 20, 2004

112 YEAS

0 NAYS

0 PRESENT

Y Acevedo	Y Delgado	Y Kurtz	Y Phelps
Y Aguilar	Y Dugan	Y Lang	Y Pihos
Y Bailey	Y Dunkin	Y Leitch	Y Poe
Y Bassi	Y Dunn	Y Lindner	Y Pritchard
Y Beaubien	Y Eddy	Y Lyons, Eileen	Y Reitz
Y Bellock	A Feigenholtz	Y Lyons, Joseph	Y Rita
Y Berrios	Y Flider	Y Mathias	Y Rose
Y Biggins	Y Flowers	Y Mautino	Y Ryg
Y Black	Y Franks	A May	Y Sacia
Y Boland	Y Fritchey	Y McAuliffe	Y Saviano
Y Bost	Y Froehlich	Y McCarthy	Y Schmitz
Y Bradley, John	Y Giles	Y McGuire	Y Scully
Y Bradley, Richard	Y Gordon	Y McKeon	Y Slone
Y Brady	Y Graham	Y Mendoza	Y Smith
Y Brauer	Y Granberg	Y Meyer	Y Sommer
Y Brosnahan	Y Grunloh	Y Miller	Y Soto
A Burke	A Hamos	Y Millner	Y Stephens
Y Capparelli	Y Hannig	Y Mitchell, Bill	Y Sullivan
Y Chapa LaVia	Y Hassert	Y Mitchell, Jerry	A Tenhouse
Y Churchill	Y Hoffman	Y Moffitt	Y Turner
Y Collins	Y Holbrook	Y Molaro	Y Verschoore
Y Colvin	Y Howard	Y Morrow	Y Wait
Y Coulson	Y Hultgren	Y Mulligan	Y Washington
Y Cross	Y Jakobsson	Y Munson	Y Watson
Y Cultra	Y Jefferson	Y Myers	Y Winters
Y Currie	Y Jones	Y Nekritz	Y Yarbrough
Y Daniels	Y Joyce	Y Osmond	Y Younge
Y Davis, Monique	Y Kelly	A Osterman	Y Mr. Speaker
Y Davis, Steve	Y Kosel	Y Pankau	
Y Davis, William	Y Krause	Y Parke	

E - Denotes Excused Absence