



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB4184

Introduced 10/19/2021, by Rep. Michael J. Zalewski

SYNOPSIS AS INTRODUCED:

35 ILCS 5/223
35 ILCS 105/3-8
35 ILCS 110/3-8
35 ILCS 115/3-8
35 ILCS 120/2-9

Amends the Illinois Income Tax Act. Extends the income tax credit for certain hospitals through taxable years ending on or before December 31, 2027 (currently, December 31, 2022). Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that the credit for personal property sold to or used by certain hospitals is exempt from the Acts' automatic sunset provisions. Effective immediately.

LRB102 20291 HLH 29143 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 223 as follows:

6 (35 ILCS 5/223)

7 Sec. 223. Hospital credit.

8 (a) For tax years ending on or after December 31, 2012 and
9 ending on or before December 31, 2027 ~~December 31, 2022~~, a
10 taxpayer that is the owner of a hospital licensed under the
11 Hospital Licensing Act, but not including an organization that
12 is exempt from federal income taxes under the Internal Revenue
13 Code, is entitled to a credit against the taxes imposed under
14 subsections (a) and (b) of Section 201 of this Act in an amount
15 equal to the lesser of the amount of real property taxes paid
16 during the tax year on real property used for hospital
17 purposes during the prior tax year or the cost of free or
18 discounted services provided during the tax year pursuant to
19 the hospital's charitable financial assistance policy,
20 measured at cost.

21 (b) If the taxpayer is a partnership or Subchapter S
22 corporation, the credit is allowed to the partners or
23 shareholders in accordance with the determination of income

1 and distributive share of income under Sections 702 and 704
2 and Subchapter S of the Internal Revenue Code. A transfer of
3 this credit may be made by the taxpayer earning the credit
4 within one year after the credit is earned in accordance with
5 rules adopted by the Department. The Department shall
6 prescribe rules to enforce and administer provisions of this
7 Section. If the amount of the credit exceeds the tax liability
8 for the year, then the excess credit may be carried forward and
9 applied to the tax liability of the 5 taxable years following
10 the excess credit year. The credit shall be applied to the
11 earliest year for which there is a tax liability. If there are
12 credits from more than one tax year that are available to
13 offset a liability, the earlier credit shall be applied first.
14 In no event shall a credit under this Section reduce the
15 taxpayer's liability to less than zero.

16 (Source: P.A. 100-587, eff. 6-4-18.)

17 Section 10. The Use Tax Act is amended by changing Section
18 3-8 as follows:

19 (35 ILCS 105/3-8)

20 Sec. 3-8. Hospital exemption.

21 (a) Tangible ~~Until July 1, 2022, tangible~~ personal
22 property sold to or used by a hospital owner that owns one or
23 more hospitals licensed under the Hospital Licensing Act or
24 operated under the University of Illinois Hospital Act, or a

1 hospital affiliate that is not already exempt under another
2 provision of this Act and meets the criteria for an exemption
3 under this Section, is exempt from taxation under this Act.

4 (b) A hospital owner or hospital affiliate satisfies the
5 conditions for an exemption under this Section if the value of
6 qualified services or activities listed in subsection (c) of
7 this Section for the hospital year equals or exceeds the
8 relevant hospital entity's estimated property tax liability,
9 without regard to any property tax exemption granted under
10 Section 15-86 of the Property Tax Code, for the calendar year
11 in which exemption or renewal of exemption is sought. For
12 purposes of making the calculations required by this
13 subsection (b), if the relevant hospital entity is a hospital
14 owner that owns more than one hospital, the value of the
15 services or activities listed in subsection (c) shall be
16 calculated on the basis of only those services and activities
17 relating to the hospital that includes the subject property,
18 and the relevant hospital entity's estimated property tax
19 liability shall be calculated only with respect to the
20 properties comprising that hospital. In the case of a
21 multi-state hospital system or hospital affiliate, the value
22 of the services or activities listed in subsection (c) shall
23 be calculated on the basis of only those services and
24 activities that occur in Illinois and the relevant hospital
25 entity's estimated property tax liability shall be calculated
26 only with respect to its property located in Illinois.

1 (c) The following services and activities shall be
2 considered for purposes of making the calculations required by
3 subsection (b):

4 (1) Charity care. Free or discounted services provided
5 pursuant to the relevant hospital entity's financial
6 assistance policy, measured at cost, including discounts
7 provided under the Hospital Uninsured Patient Discount
8 Act.

9 (2) Health services to low-income and underserved
10 individuals. Other unreimbursed costs of the relevant
11 hospital entity for providing without charge, paying for,
12 or subsidizing goods, activities, or services for the
13 purpose of addressing the health of low-income or
14 underserved individuals. Those activities or services may
15 include, but are not limited to: financial or in-kind
16 support to affiliated or unaffiliated hospitals, hospital
17 affiliates, community clinics, or programs that treat
18 low-income or underserved individuals; paying for or
19 subsidizing health care professionals who care for
20 low-income or underserved individuals; providing or
21 subsidizing outreach or educational services to low-income
22 or underserved individuals for disease management and
23 prevention; free or subsidized goods, supplies, or
24 services needed by low-income or underserved individuals
25 because of their medical condition; and prenatal or
26 childbirth outreach to low-income or underserved persons.

1 (3) Subsidy of State or local governments. Direct or
2 indirect financial or in-kind subsidies of State or local
3 governments by the relevant hospital entity that pay for
4 or subsidize activities or programs related to health care
5 for low-income or underserved individuals.

6 (4) Support for State health care programs for
7 low-income individuals. At the election of the hospital
8 applicant for each applicable year, either (A) 10% of
9 payments to the relevant hospital entity and any hospital
10 affiliate designated by the relevant hospital entity
11 (provided that such hospital affiliate's operations
12 provide financial or operational support for or receive
13 financial or operational support from the relevant
14 hospital entity) under Medicaid or other means-tested
15 programs, including, but not limited to, General
16 Assistance, the Covering ALL KIDS Health Insurance Act,
17 and the State Children's Health Insurance Program or (B)
18 the amount of subsidy provided by the relevant hospital
19 entity and any hospital affiliate designated by the
20 relevant hospital entity (provided that such hospital
21 affiliate's operations provide financial or operational
22 support for or receive financial or operational support
23 from the relevant hospital entity) to State or local
24 government in treating Medicaid recipients and recipients
25 of means-tested programs, including but not limited to
26 General Assistance, the Covering ALL KIDS Health Insurance

1 Act, and the State Children's Health Insurance Program.
2 The amount of subsidy for purpose of this item (4) is
3 calculated in the same manner as unreimbursed costs are
4 calculated for Medicaid and other means-tested government
5 programs in the Schedule H of IRS Form 990 in effect on the
6 effective date of this amendatory Act of the 97th General
7 Assembly.

8 (5) Dual-eligible subsidy. The amount of subsidy
9 provided to government by treating dual-eligible
10 Medicare/Medicaid patients. The amount of subsidy for
11 purposes of this item (5) is calculated by multiplying the
12 relevant hospital entity's unreimbursed costs for
13 Medicare, calculated in the same manner as determined in
14 the Schedule H of IRS Form 990 in effect on the effective
15 date of this amendatory Act of the 97th General Assembly,
16 by the relevant hospital entity's ratio of dual-eligible
17 patients to total Medicare patients.

18 (6) Relief of the burden of government related to
19 health care. Except to the extent otherwise taken into
20 account in this subsection, the portion of unreimbursed
21 costs of the relevant hospital entity attributable to
22 providing, paying for, or subsidizing goods, activities,
23 or services that relieve the burden of government related
24 to health care for low-income individuals. Such activities
25 or services shall include, but are not limited to,
26 providing emergency, trauma, burn, neonatal, psychiatric,

1 rehabilitation, or other special services; providing
2 medical education; and conducting medical research or
3 training of health care professionals. The portion of
4 those unreimbursed costs attributable to benefiting
5 low-income individuals shall be determined using the ratio
6 calculated by adding the relevant hospital entity's costs
7 attributable to charity care, Medicaid, other means-tested
8 government programs, Medicare patients with disabilities
9 under age 65, and dual-eligible Medicare/Medicaid patients
10 and dividing that total by the relevant hospital entity's
11 total costs. Such costs for the numerator and denominator
12 shall be determined by multiplying gross charges by the
13 cost to charge ratio taken from the hospital's most
14 recently filed Medicare cost report (CMS 2252-10
15 Worksheet, Part I). In the case of emergency services, the
16 ratio shall be calculated using costs (gross charges
17 multiplied by the cost to charge ratio taken from the
18 hospital's most recently filed Medicare cost report (CMS
19 2252-10 Worksheet, Part I)) of patients treated in the
20 relevant hospital entity's emergency department.

21 (7) Any other activity by the relevant hospital entity
22 that the Department determines relieves the burden of
23 government or addresses the health of low-income or
24 underserved individuals.

25 (d) The hospital applicant shall include information in
26 its exemption application establishing that it satisfies the

1 requirements of subsection (b). For purposes of making the
2 calculations required by subsection (b), the hospital
3 applicant may for each year elect to use either (1) the value
4 of the services or activities listed in subsection (e) for the
5 hospital year or (2) the average value of those services or
6 activities for the 3 fiscal years ending with the hospital
7 year. If the relevant hospital entity has been in operation
8 for less than 3 completed fiscal years, then the latter
9 calculation, if elected, shall be performed on a pro rata
10 basis.

11 (e) For purposes of making the calculations required by
12 this Section:

13 (1) particular services or activities eligible for
14 consideration under any of the paragraphs (1) through (7)
15 of subsection (c) may not be counted under more than one of
16 those paragraphs; and

17 (2) the amount of unreimbursed costs and the amount of
18 subsidy shall not be reduced by restricted or unrestricted
19 payments received by the relevant hospital entity as
20 contributions deductible under Section 170(a) of the
21 Internal Revenue Code.

22 (f) (Blank).

23 (g) Estimation of Exempt Property Tax Liability. The
24 estimated property tax liability used for the determination in
25 subsection (b) shall be calculated as follows:

26 (1) "Estimated property tax liability" means the

1 estimated dollar amount of property tax that would be
2 owed, with respect to the exempt portion of each of the
3 relevant hospital entity's properties that are already
4 fully or partially exempt, or for which an exemption in
5 whole or in part is currently being sought, and then
6 aggregated as applicable, as if the exempt portion of
7 those properties were subject to tax, calculated with
8 respect to each such property by multiplying:

9 (A) the lesser of (i) the actual assessed value,
10 if any, of the portion of the property for which an
11 exemption is sought or (ii) an estimated assessed
12 value of the exempt portion of such property as
13 determined in item (2) of this subsection (g), by

14 (B) the applicable State equalization rate
15 (yielding the equalized assessed value), by

16 (C) the applicable tax rate.

17 (2) The estimated assessed value of the exempt portion
18 of the property equals the sum of (i) the estimated fair
19 market value of buildings on the property, as determined
20 in accordance with subparagraphs (A) and (B) of this item
21 (2), multiplied by the applicable assessment factor, and
22 (ii) the estimated assessed value of the land portion of
23 the property, as determined in accordance with
24 subparagraph (C).

25 (A) The "estimated fair market value of buildings
26 on the property" means the replacement value of any

1 exempt portion of buildings on the property, minus
2 depreciation, determined utilizing the cost
3 replacement method whereby the exempt square footage
4 of all such buildings is multiplied by the replacement
5 cost per square foot for Class A Average building
6 found in the most recent edition of the Marshall &
7 Swift Valuation Services Manual, adjusted by any
8 appropriate current cost and local multipliers.

9 (B) Depreciation, for purposes of calculating the
10 estimated fair market value of buildings on the
11 property, is applied by utilizing a weighted mean life
12 for the buildings based on original construction and
13 assuming a 40-year life for hospital buildings and the
14 applicable life for other types of buildings as
15 specified in the American Hospital Association
16 publication "Estimated Useful Lives of Depreciable
17 Hospital Assets". In the case of hospital buildings,
18 the remaining life is divided by 40 and this ratio is
19 multiplied by the replacement cost of the buildings to
20 obtain an estimated fair market value of buildings. If
21 a hospital building is older than 35 years, a
22 remaining life of 5 years for residual value is
23 assumed; and if a building is less than 8 years old, a
24 remaining life of 32 years is assumed.

25 (C) The estimated assessed value of the land
26 portion of the property shall be determined by

1 multiplying (i) the per square foot average of the
2 assessed values of three parcels of land (not
3 including farm land, and excluding the assessed value
4 of the improvements thereon) reasonably comparable to
5 the property, by (ii) the number of square feet
6 comprising the exempt portion of the property's land
7 square footage.

8 (3) The assessment factor, State equalization rate,
9 and tax rate (including any special factors such as
10 Enterprise Zones) used in calculating the estimated
11 property tax liability shall be for the most recent year
12 that is publicly available from the applicable chief
13 county assessment officer or officers at least 90 days
14 before the end of the hospital year.

15 (4) The method utilized to calculate estimated
16 property tax liability for purposes of this Section 15-86
17 shall not be utilized for the actual valuation,
18 assessment, or taxation of property pursuant to the
19 Property Tax Code.

20 (h) For the purpose of this Section, the following terms
21 shall have the meanings set forth below:

22 (1) "Hospital" means any institution, place, building,
23 buildings on a campus, or other health care facility
24 located in Illinois that is licensed under the Hospital
25 Licensing Act and has a hospital owner.

26 (2) "Hospital owner" means a not-for-profit

1 corporation that is the titleholder of a hospital, or the
2 owner of the beneficial interest in an Illinois land trust
3 that is the titleholder of a hospital.

4 (3) "Hospital affiliate" means any corporation,
5 partnership, limited partnership, joint venture, limited
6 liability company, association or other organization,
7 other than a hospital owner, that directly or indirectly
8 controls, is controlled by, or is under common control
9 with one or more hospital owners and that supports, is
10 supported by, or acts in furtherance of the exempt health
11 care purposes of at least one of those hospital owners'
12 hospitals.

13 (4) "Hospital system" means a hospital and one or more
14 other hospitals or hospital affiliates related by common
15 control or ownership.

16 (5) "Control" relating to hospital owners, hospital
17 affiliates, or hospital systems means possession, direct
18 or indirect, of the power to direct or cause the direction
19 of the management and policies of the entity, whether
20 through ownership of assets, membership interest, other
21 voting or governance rights, by contract or otherwise.

22 (6) "Hospital applicant" means a hospital owner or
23 hospital affiliate that files an application for an
24 exemption or renewal of exemption under this Section.

25 (7) "Relevant hospital entity" means (A) the hospital
26 owner, in the case of a hospital applicant that is a

1 hospital owner, and (B) at the election of a hospital
2 applicant that is a hospital affiliate, either (i) the
3 hospital affiliate or (ii) the hospital system to which
4 the hospital applicant belongs, including any hospitals or
5 hospital affiliates that are related by common control or
6 ownership.

7 (8) "Subject property" means property used for the
8 calculation under subsection (b) of this Section.

9 (9) "Hospital year" means the fiscal year of the
10 relevant hospital entity, or the fiscal year of one of the
11 hospital owners in the hospital system if the relevant
12 hospital entity is a hospital system with members with
13 different fiscal years, that ends in the year for which
14 the exemption is sought.

15 (i) It is the intent of the General Assembly that any
16 exemptions taken, granted, or renewed under this Section prior
17 to the effective date of this amendatory Act of the 100th
18 General Assembly are hereby validated.

19 (j) It is the intent of the General Assembly that the
20 exemption under this Section applies on a continuous basis. If
21 this amendatory Act of the 102nd General Assembly takes effect
22 after July 1, 2022, any exemptions taken, granted, or renewed
23 under this Section on or after July 1, 2022 and prior to the
24 effective date of this amendatory Act of the 102nd General
25 Assembly are hereby validated.

26 (k) This Section is exempt from the provisions of Section

1 3-90.

2 (Source: P.A. 99-143, eff. 7-27-15; 100-1181, eff. 3-8-19.)

3 Section 15. The Service Use Tax Act is amended by changing
4 Section 3-8 as follows:

5 (35 ILCS 110/3-8)

6 Sec. 3-8. Hospital exemption.

7 (a) Tangible ~~Until July 1, 2022, tangible~~ personal
8 property sold to or used by a hospital owner that owns one or
9 more hospitals licensed under the Hospital Licensing Act or
10 operated under the University of Illinois Hospital Act, or a
11 hospital affiliate that is not already exempt under another
12 provision of this Act and meets the criteria for an exemption
13 under this Section, is exempt from taxation under this Act.

14 (b) A hospital owner or hospital affiliate satisfies the
15 conditions for an exemption under this Section if the value of
16 qualified services or activities listed in subsection (c) of
17 this Section for the hospital year equals or exceeds the
18 relevant hospital entity's estimated property tax liability,
19 without regard to any property tax exemption granted under
20 Section 15-86 of the Property Tax Code, for the calendar year
21 in which exemption or renewal of exemption is sought. For
22 purposes of making the calculations required by this
23 subsection (b), if the relevant hospital entity is a hospital
24 owner that owns more than one hospital, the value of the

1 services or activities listed in subsection (c) shall be
2 calculated on the basis of only those services and activities
3 relating to the hospital that includes the subject property,
4 and the relevant hospital entity's estimated property tax
5 liability shall be calculated only with respect to the
6 properties comprising that hospital. In the case of a
7 multi-state hospital system or hospital affiliate, the value
8 of the services or activities listed in subsection (c) shall
9 be calculated on the basis of only those services and
10 activities that occur in Illinois and the relevant hospital
11 entity's estimated property tax liability shall be calculated
12 only with respect to its property located in Illinois.

13 (c) The following services and activities shall be
14 considered for purposes of making the calculations required by
15 subsection (b):

16 (1) Charity care. Free or discounted services provided
17 pursuant to the relevant hospital entity's financial
18 assistance policy, measured at cost, including discounts
19 provided under the Hospital Uninsured Patient Discount
20 Act.

21 (2) Health services to low-income and underserved
22 individuals. Other unreimbursed costs of the relevant
23 hospital entity for providing without charge, paying for,
24 or subsidizing goods, activities, or services for the
25 purpose of addressing the health of low-income or
26 underserved individuals. Those activities or services may

1 include, but are not limited to: financial or in-kind
2 support to affiliated or unaffiliated hospitals, hospital
3 affiliates, community clinics, or programs that treat
4 low-income or underserved individuals; paying for or
5 subsidizing health care professionals who care for
6 low-income or underserved individuals; providing or
7 subsidizing outreach or educational services to low-income
8 or underserved individuals for disease management and
9 prevention; free or subsidized goods, supplies, or
10 services needed by low-income or underserved individuals
11 because of their medical condition; and prenatal or
12 childbirth outreach to low-income or underserved persons.

13 (3) Subsidy of State or local governments. Direct or
14 indirect financial or in-kind subsidies of State or local
15 governments by the relevant hospital entity that pay for
16 or subsidize activities or programs related to health care
17 for low-income or underserved individuals.

18 (4) Support for State health care programs for
19 low-income individuals. At the election of the hospital
20 applicant for each applicable year, either (A) 10% of
21 payments to the relevant hospital entity and any hospital
22 affiliate designated by the relevant hospital entity
23 (provided that such hospital affiliate's operations
24 provide financial or operational support for or receive
25 financial or operational support from the relevant
26 hospital entity) under Medicaid or other means-tested

1 programs, including, but not limited to, General
2 Assistance, the Covering ALL KIDS Health Insurance Act,
3 and the State Children's Health Insurance Program or (B)
4 the amount of subsidy provided by the relevant hospital
5 entity and any hospital affiliate designated by the
6 relevant hospital entity (provided that such hospital
7 affiliate's operations provide financial or operational
8 support for or receive financial or operational support
9 from the relevant hospital entity) to State or local
10 government in treating Medicaid recipients and recipients
11 of means-tested programs, including but not limited to
12 General Assistance, the Covering ALL KIDS Health Insurance
13 Act, and the State Children's Health Insurance Program.
14 The amount of subsidy for purposes of this item (4) is
15 calculated in the same manner as unreimbursed costs are
16 calculated for Medicaid and other means-tested government
17 programs in the Schedule H of IRS Form 990 in effect on the
18 effective date of this amendatory Act of the 97th General
19 Assembly.

20 (5) Dual-eligible subsidy. The amount of subsidy
21 provided to government by treating dual-eligible
22 Medicare/Medicaid patients. The amount of subsidy for
23 purposes of this item (5) is calculated by multiplying the
24 relevant hospital entity's unreimbursed costs for
25 Medicare, calculated in the same manner as determined in
26 the Schedule H of IRS Form 990 in effect on the effective

1 date of this amendatory Act of the 97th General Assembly,
2 by the relevant hospital entity's ratio of dual-eligible
3 patients to total Medicare patients.

4 (6) Relief of the burden of government related to
5 health care. Except to the extent otherwise taken into
6 account in this subsection, the portion of unreimbursed
7 costs of the relevant hospital entity attributable to
8 providing, paying for, or subsidizing goods, activities,
9 or services that relieve the burden of government related
10 to health care for low-income individuals. Such activities
11 or services shall include, but are not limited to,
12 providing emergency, trauma, burn, neonatal, psychiatric,
13 rehabilitation, or other special services; providing
14 medical education; and conducting medical research or
15 training of health care professionals. The portion of
16 those unreimbursed costs attributable to benefiting
17 low-income individuals shall be determined using the ratio
18 calculated by adding the relevant hospital entity's costs
19 attributable to charity care, Medicaid, other means-tested
20 government programs, Medicare patients with disabilities
21 under age 65, and dual-eligible Medicare/Medicaid patients
22 and dividing that total by the relevant hospital entity's
23 total costs. Such costs for the numerator and denominator
24 shall be determined by multiplying gross charges by the
25 cost to charge ratio taken from the hospital's most
26 recently filed Medicare cost report (CMS 2252-10

1 Worksheet, Part I). In the case of emergency services, the
2 ratio shall be calculated using costs (gross charges
3 multiplied by the cost to charge ratio taken from the
4 hospital's most recently filed Medicare cost report (CMS
5 2252-10 Worksheet, Part I)) of patients treated in the
6 relevant hospital entity's emergency department.

7 (7) Any other activity by the relevant hospital entity
8 that the Department determines relieves the burden of
9 government or addresses the health of low-income or
10 underserved individuals.

11 (d) The hospital applicant shall include information in
12 its exemption application establishing that it satisfies the
13 requirements of subsection (b). For purposes of making the
14 calculations required by subsection (b), the hospital
15 applicant may for each year elect to use either (1) the value
16 of the services or activities listed in subsection (e) for the
17 hospital year or (2) the average value of those services or
18 activities for the 3 fiscal years ending with the hospital
19 year. If the relevant hospital entity has been in operation
20 for less than 3 completed fiscal years, then the latter
21 calculation, if elected, shall be performed on a pro rata
22 basis.

23 (e) For purposes of making the calculations required by
24 this Section:

25 (1) particular services or activities eligible for
26 consideration under any of the paragraphs (1) through (7)

1 of subsection (c) may not be counted under more than one of
2 those paragraphs; and

3 (2) the amount of unreimbursed costs and the amount of
4 subsidy shall not be reduced by restricted or unrestricted
5 payments received by the relevant hospital entity as
6 contributions deductible under Section 170(a) of the
7 Internal Revenue Code.

8 (f) (Blank).

9 (g) Estimation of Exempt Property Tax Liability. The
10 estimated property tax liability used for the determination in
11 subsection (b) shall be calculated as follows:

12 (1) "Estimated property tax liability" means the
13 estimated dollar amount of property tax that would be
14 owed, with respect to the exempt portion of each of the
15 relevant hospital entity's properties that are already
16 fully or partially exempt, or for which an exemption in
17 whole or in part is currently being sought, and then
18 aggregated as applicable, as if the exempt portion of
19 those properties were subject to tax, calculated with
20 respect to each such property by multiplying:

21 (A) the lesser of (i) the actual assessed value,
22 if any, of the portion of the property for which an
23 exemption is sought or (ii) an estimated assessed
24 value of the exempt portion of such property as
25 determined in item (2) of this subsection (g), by

26 (B) the applicable State equalization rate

1 (yielding the equalized assessed value), by

2 (C) the applicable tax rate.

3 (2) The estimated assessed value of the exempt portion
4 of the property equals the sum of (i) the estimated fair
5 market value of buildings on the property, as determined
6 in accordance with subparagraphs (A) and (B) of this item
7 (2), multiplied by the applicable assessment factor, and
8 (ii) the estimated assessed value of the land portion of
9 the property, as determined in accordance with
10 subparagraph (C).

11 (A) The "estimated fair market value of buildings
12 on the property" means the replacement value of any
13 exempt portion of buildings on the property, minus
14 depreciation, determined utilizing the cost
15 replacement method whereby the exempt square footage
16 of all such buildings is multiplied by the replacement
17 cost per square foot for Class A Average building
18 found in the most recent edition of the Marshall &
19 Swift Valuation Services Manual, adjusted by any
20 appropriate current cost and local multipliers.

21 (B) Depreciation, for purposes of calculating the
22 estimated fair market value of buildings on the
23 property, is applied by utilizing a weighted mean life
24 for the buildings based on original construction and
25 assuming a 40-year life for hospital buildings and the
26 applicable life for other types of buildings as

1 specified in the American Hospital Association
2 publication "Estimated Useful Lives of Depreciable
3 Hospital Assets". In the case of hospital buildings,
4 the remaining life is divided by 40 and this ratio is
5 multiplied by the replacement cost of the buildings to
6 obtain an estimated fair market value of buildings. If
7 a hospital building is older than 35 years, a
8 remaining life of 5 years for residual value is
9 assumed; and if a building is less than 8 years old, a
10 remaining life of 32 years is assumed.

11 (C) The estimated assessed value of the land
12 portion of the property shall be determined by
13 multiplying (i) the per square foot average of the
14 assessed values of three parcels of land (not
15 including farm land, and excluding the assessed value
16 of the improvements thereon) reasonably comparable to
17 the property, by (ii) the number of square feet
18 comprising the exempt portion of the property's land
19 square footage.

20 (3) The assessment factor, State equalization rate,
21 and tax rate (including any special factors such as
22 Enterprise Zones) used in calculating the estimated
23 property tax liability shall be for the most recent year
24 that is publicly available from the applicable chief
25 county assessment officer or officers at least 90 days
26 before the end of the hospital year.

1 (4) The method utilized to calculate estimated
2 property tax liability for purposes of this Section 15-86
3 shall not be utilized for the actual valuation,
4 assessment, or taxation of property pursuant to the
5 Property Tax Code.

6 (h) For the purpose of this Section, the following terms
7 shall have the meanings set forth below:

8 (1) "Hospital" means any institution, place, building,
9 buildings on a campus, or other health care facility
10 located in Illinois that is licensed under the Hospital
11 Licensing Act and has a hospital owner.

12 (2) "Hospital owner" means a not-for-profit
13 corporation that is the titleholder of a hospital, or the
14 owner of the beneficial interest in an Illinois land trust
15 that is the titleholder of a hospital.

16 (3) "Hospital affiliate" means any corporation,
17 partnership, limited partnership, joint venture, limited
18 liability company, association or other organization,
19 other than a hospital owner, that directly or indirectly
20 controls, is controlled by, or is under common control
21 with one or more hospital owners and that supports, is
22 supported by, or acts in furtherance of the exempt health
23 care purposes of at least one of those hospital owners'
24 hospitals.

25 (4) "Hospital system" means a hospital and one or more
26 other hospitals or hospital affiliates related by common

1 control or ownership.

2 (5) "Control" relating to hospital owners, hospital
3 affiliates, or hospital systems means possession, direct
4 or indirect, of the power to direct or cause the direction
5 of the management and policies of the entity, whether
6 through ownership of assets, membership interest, other
7 voting or governance rights, by contract or otherwise.

8 (6) "Hospital applicant" means a hospital owner or
9 hospital affiliate that files an application for an
10 exemption or renewal of exemption under this Section.

11 (7) "Relevant hospital entity" means (A) the hospital
12 owner, in the case of a hospital applicant that is a
13 hospital owner, and (B) at the election of a hospital
14 applicant that is a hospital affiliate, either (i) the
15 hospital affiliate or (ii) the hospital system to which
16 the hospital applicant belongs, including any hospitals or
17 hospital affiliates that are related by common control or
18 ownership.

19 (8) "Subject property" means property used for the
20 calculation under subsection (b) of this Section.

21 (9) "Hospital year" means the fiscal year of the
22 relevant hospital entity, or the fiscal year of one of the
23 hospital owners in the hospital system if the relevant
24 hospital entity is a hospital system with members with
25 different fiscal years, that ends in the year for which
26 the exemption is sought.

1 (i) It is the intent of the General Assembly that any
2 exemptions taken, granted, or renewed under this Section prior
3 to the effective date of this amendatory Act of the 100th
4 General Assembly are hereby validated.

5 (j) It is the intent of the General Assembly that the
6 exemption under this Section applies on a continuous basis. If
7 this amendatory Act of the 102nd General Assembly takes effect
8 after July 1, 2022, any exemptions taken, granted, or renewed
9 under this Section on or after July 1, 2022 and prior to the
10 effective date of this amendatory Act of the 102nd General
11 Assembly are hereby validated.

12 (k) This Section is exempt from the provisions of Section
13 3-75.

14 (Source: P.A. 99-143, eff. 7-27-15; 100-1181, eff. 3-8-19.)

15 Section 20. The Service Occupation Tax Act is amended by
16 changing Section 3-8 as follows:

17 (35 ILCS 115/3-8)

18 Sec. 3-8. Hospital exemption.

19 (a) Tangible ~~Until July 1, 2022, tangible~~ personal
20 property sold to or used by a hospital owner that owns one or
21 more hospitals licensed under the Hospital Licensing Act or
22 operated under the University of Illinois Hospital Act, or a
23 hospital affiliate that is not already exempt under another
24 provision of this Act and meets the criteria for an exemption

1 under this Section, is exempt from taxation under this Act.

2 (b) A hospital owner or hospital affiliate satisfies the
3 conditions for an exemption under this Section if the value of
4 qualified services or activities listed in subsection (c) of
5 this Section for the hospital year equals or exceeds the
6 relevant hospital entity's estimated property tax liability,
7 without regard to any property tax exemption granted under
8 Section 15-86 of the Property Tax Code, for the calendar year
9 in which exemption or renewal of exemption is sought. For
10 purposes of making the calculations required by this
11 subsection (b), if the relevant hospital entity is a hospital
12 owner that owns more than one hospital, the value of the
13 services or activities listed in subsection (c) shall be
14 calculated on the basis of only those services and activities
15 relating to the hospital that includes the subject property,
16 and the relevant hospital entity's estimated property tax
17 liability shall be calculated only with respect to the
18 properties comprising that hospital. In the case of a
19 multi-state hospital system or hospital affiliate, the value
20 of the services or activities listed in subsection (c) shall
21 be calculated on the basis of only those services and
22 activities that occur in Illinois and the relevant hospital
23 entity's estimated property tax liability shall be calculated
24 only with respect to its property located in Illinois.

25 (c) The following services and activities shall be
26 considered for purposes of making the calculations required by

1 subsection (b):

2 (1) Charity care. Free or discounted services provided
3 pursuant to the relevant hospital entity's financial
4 assistance policy, measured at cost, including discounts
5 provided under the Hospital Uninsured Patient Discount
6 Act.

7 (2) Health services to low-income and underserved
8 individuals. Other unreimbursed costs of the relevant
9 hospital entity for providing without charge, paying for,
10 or subsidizing goods, activities, or services for the
11 purpose of addressing the health of low-income or
12 underserved individuals. Those activities or services may
13 include, but are not limited to: financial or in-kind
14 support to affiliated or unaffiliated hospitals, hospital
15 affiliates, community clinics, or programs that treat
16 low-income or underserved individuals; paying for or
17 subsidizing health care professionals who care for
18 low-income or underserved individuals; providing or
19 subsidizing outreach or educational services to low-income
20 or underserved individuals for disease management and
21 prevention; free or subsidized goods, supplies, or
22 services needed by low-income or underserved individuals
23 because of their medical condition; and prenatal or
24 childbirth outreach to low-income or underserved persons.

25 (3) Subsidy of State or local governments. Direct or
26 indirect financial or in-kind subsidies of State or local

1 governments by the relevant hospital entity that pay for
2 or subsidize activities or programs related to health care
3 for low-income or underserved individuals.

4 (4) Support for State health care programs for
5 low-income individuals. At the election of the hospital
6 applicant for each applicable year, either (A) 10% of
7 payments to the relevant hospital entity and any hospital
8 affiliate designated by the relevant hospital entity
9 (provided that such hospital affiliate's operations
10 provide financial or operational support for or receive
11 financial or operational support from the relevant
12 hospital entity) under Medicaid or other means-tested
13 programs, including, but not limited to, General
14 Assistance, the Covering ALL KIDS Health Insurance Act,
15 and the State Children's Health Insurance Program or (B)
16 the amount of subsidy provided by the relevant hospital
17 entity and any hospital affiliate designated by the
18 relevant hospital entity (provided that such hospital
19 affiliate's operations provide financial or operational
20 support for or receive financial or operational support
21 from the relevant hospital entity) to State or local
22 government in treating Medicaid recipients and recipients
23 of means-tested programs, including but not limited to
24 General Assistance, the Covering ALL KIDS Health Insurance
25 Act, and the State Children's Health Insurance Program.
26 The amount of subsidy for purposes of this item (4) is

1 calculated in the same manner as unreimbursed costs are
2 calculated for Medicaid and other means-tested government
3 programs in the Schedule H of IRS Form 990 in effect on the
4 effective date of this amendatory Act of the 97th General
5 Assembly.

6 (5) Dual-eligible subsidy. The amount of subsidy
7 provided to government by treating dual-eligible
8 Medicare/Medicaid patients. The amount of subsidy for
9 purposes of this item (5) is calculated by multiplying the
10 relevant hospital entity's unreimbursed costs for
11 Medicare, calculated in the same manner as determined in
12 the Schedule H of IRS Form 990 in effect on the effective
13 date of this amendatory Act of the 97th General Assembly,
14 by the relevant hospital entity's ratio of dual-eligible
15 patients to total Medicare patients.

16 (6) Relief of the burden of government related to
17 health care. Except to the extent otherwise taken into
18 account in this subsection, the portion of unreimbursed
19 costs of the relevant hospital entity attributable to
20 providing, paying for, or subsidizing goods, activities,
21 or services that relieve the burden of government related
22 to health care for low-income individuals. Such activities
23 or services shall include, but are not limited to,
24 providing emergency, trauma, burn, neonatal, psychiatric,
25 rehabilitation, or other special services; providing
26 medical education; and conducting medical research or

1 training of health care professionals. The portion of
2 those unreimbursed costs attributable to benefiting
3 low-income individuals shall be determined using the ratio
4 calculated by adding the relevant hospital entity's costs
5 attributable to charity care, Medicaid, other means-tested
6 government programs, Medicare patients with disabilities
7 under age 65, and dual-eligible Medicare/Medicaid patients
8 and dividing that total by the relevant hospital entity's
9 total costs. Such costs for the numerator and denominator
10 shall be determined by multiplying gross charges by the
11 cost to charge ratio taken from the hospital's most
12 recently filed Medicare cost report (CMS 2252-10
13 Worksheet, Part I). In the case of emergency services, the
14 ratio shall be calculated using costs (gross charges
15 multiplied by the cost to charge ratio taken from the
16 hospital's most recently filed Medicare cost report (CMS
17 2252-10 Worksheet, Part I)) of patients treated in the
18 relevant hospital entity's emergency department.

19 (7) Any other activity by the relevant hospital entity
20 that the Department determines relieves the burden of
21 government or addresses the health of low-income or
22 underserved individuals.

23 (d) The hospital applicant shall include information in
24 its exemption application establishing that it satisfies the
25 requirements of subsection (b). For purposes of making the
26 calculations required by subsection (b), the hospital

1 applicant may for each year elect to use either (1) the value
2 of the services or activities listed in subsection (e) for the
3 hospital year or (2) the average value of those services or
4 activities for the 3 fiscal years ending with the hospital
5 year. If the relevant hospital entity has been in operation
6 for less than 3 completed fiscal years, then the latter
7 calculation, if elected, shall be performed on a pro rata
8 basis.

9 (e) For purposes of making the calculations required by
10 this Section:

11 (1) particular services or activities eligible for
12 consideration under any of the paragraphs (1) through (7)
13 of subsection (c) may not be counted under more than one of
14 those paragraphs; and

15 (2) the amount of unreimbursed costs and the amount of
16 subsidy shall not be reduced by restricted or unrestricted
17 payments received by the relevant hospital entity as
18 contributions deductible under Section 170(a) of the
19 Internal Revenue Code.

20 (f) (Blank).

21 (g) Estimation of Exempt Property Tax Liability. The
22 estimated property tax liability used for the determination in
23 subsection (b) shall be calculated as follows:

24 (1) "Estimated property tax liability" means the
25 estimated dollar amount of property tax that would be
26 owed, with respect to the exempt portion of each of the

1 relevant hospital entity's properties that are already
2 fully or partially exempt, or for which an exemption in
3 whole or in part is currently being sought, and then
4 aggregated as applicable, as if the exempt portion of
5 those properties were subject to tax, calculated with
6 respect to each such property by multiplying:

7 (A) the lesser of (i) the actual assessed value,
8 if any, of the portion of the property for which an
9 exemption is sought or (ii) an estimated assessed
10 value of the exempt portion of such property as
11 determined in item (2) of this subsection (g), by

12 (B) the applicable State equalization rate
13 (yielding the equalized assessed value), by

14 (C) the applicable tax rate.

15 (2) The estimated assessed value of the exempt portion
16 of the property equals the sum of (i) the estimated fair
17 market value of buildings on the property, as determined
18 in accordance with subparagraphs (A) and (B) of this item
19 (2), multiplied by the applicable assessment factor, and
20 (ii) the estimated assessed value of the land portion of
21 the property, as determined in accordance with
22 subparagraph (C).

23 (A) The "estimated fair market value of buildings
24 on the property" means the replacement value of any
25 exempt portion of buildings on the property, minus
26 depreciation, determined utilizing the cost

1 replacement method whereby the exempt square footage
2 of all such buildings is multiplied by the replacement
3 cost per square foot for Class A Average building
4 found in the most recent edition of the Marshall &
5 Swift Valuation Services Manual, adjusted by any
6 appropriate current cost and local multipliers.

7 (B) Depreciation, for purposes of calculating the
8 estimated fair market value of buildings on the
9 property, is applied by utilizing a weighted mean life
10 for the buildings based on original construction and
11 assuming a 40-year life for hospital buildings and the
12 applicable life for other types of buildings as
13 specified in the American Hospital Association
14 publication "Estimated Useful Lives of Depreciable
15 Hospital Assets". In the case of hospital buildings,
16 the remaining life is divided by 40 and this ratio is
17 multiplied by the replacement cost of the buildings to
18 obtain an estimated fair market value of buildings. If
19 a hospital building is older than 35 years, a
20 remaining life of 5 years for residual value is
21 assumed; and if a building is less than 8 years old, a
22 remaining life of 32 years is assumed.

23 (C) The estimated assessed value of the land
24 portion of the property shall be determined by
25 multiplying (i) the per square foot average of the
26 assessed values of three parcels of land (not

1 including farm land, and excluding the assessed value
2 of the improvements thereon) reasonably comparable to
3 the property, by (ii) the number of square feet
4 comprising the exempt portion of the property's land
5 square footage.

6 (3) The assessment factor, State equalization rate,
7 and tax rate (including any special factors such as
8 Enterprise Zones) used in calculating the estimated
9 property tax liability shall be for the most recent year
10 that is publicly available from the applicable chief
11 county assessment officer or officers at least 90 days
12 before the end of the hospital year.

13 (4) The method utilized to calculate estimated
14 property tax liability for purposes of this Section 15-86
15 shall not be utilized for the actual valuation,
16 assessment, or taxation of property pursuant to the
17 Property Tax Code.

18 (h) For the purpose of this Section, the following terms
19 shall have the meanings set forth below:

20 (1) "Hospital" means any institution, place, building,
21 buildings on a campus, or other health care facility
22 located in Illinois that is licensed under the Hospital
23 Licensing Act and has a hospital owner.

24 (2) "Hospital owner" means a not-for-profit
25 corporation that is the titleholder of a hospital, or the
26 owner of the beneficial interest in an Illinois land trust

1 that is the titleholder of a hospital.

2 (3) "Hospital affiliate" means any corporation,
3 partnership, limited partnership, joint venture, limited
4 liability company, association or other organization,
5 other than a hospital owner, that directly or indirectly
6 controls, is controlled by, or is under common control
7 with one or more hospital owners and that supports, is
8 supported by, or acts in furtherance of the exempt health
9 care purposes of at least one of those hospital owners'
10 hospitals.

11 (4) "Hospital system" means a hospital and one or more
12 other hospitals or hospital affiliates related by common
13 control or ownership.

14 (5) "Control" relating to hospital owners, hospital
15 affiliates, or hospital systems means possession, direct
16 or indirect, of the power to direct or cause the direction
17 of the management and policies of the entity, whether
18 through ownership of assets, membership interest, other
19 voting or governance rights, by contract or otherwise.

20 (6) "Hospital applicant" means a hospital owner or
21 hospital affiliate that files an application for an
22 exemption or renewal of exemption under this Section.

23 (7) "Relevant hospital entity" means (A) the hospital
24 owner, in the case of a hospital applicant that is a
25 hospital owner, and (B) at the election of a hospital
26 applicant that is a hospital affiliate, either (i) the

1 hospital affiliate or (ii) the hospital system to which
2 the hospital applicant belongs, including any hospitals or
3 hospital affiliates that are related by common control or
4 ownership.

5 (8) "Subject property" means property used for the
6 calculation under subsection (b) of this Section.

7 (9) "Hospital year" means the fiscal year of the
8 relevant hospital entity, or the fiscal year of one of the
9 hospital owners in the hospital system if the relevant
10 hospital entity is a hospital system with members with
11 different fiscal years, that ends in the year for which
12 the exemption is sought.

13 (i) It is the intent of the General Assembly that any
14 exemptions taken, granted, or renewed under this Section prior
15 to the effective date of this amendatory Act of the 100th
16 General Assembly are hereby validated.

17 (j) It is the intent of the General Assembly that the
18 exemption under this Section applies on a continuous basis. If
19 this amendatory Act of the 102nd General Assembly takes effect
20 after July 1, 2022, any exemptions taken, granted, or renewed
21 under this Section on or after July 1, 2022 and prior to the
22 effective date of this amendatory Act of the 102nd General
23 Assembly are hereby validated.

24 (k) This Section is exempt from the provisions of Section
25 3-55.

26 (Source: P.A. 99-143, eff. 7-27-15; 100-1181, eff. 3-8-19.)

1 Section 25. The Retailers' Occupation Tax Act is amended
2 by changing Section 2-9 as follows:

3 (35 ILCS 120/2-9)

4 Sec. 2-9. Hospital exemption.

5 (a) Tangible ~~Until July 1, 2022, tangible~~ personal
6 property sold to or used by a hospital owner that owns one or
7 more hospitals licensed under the Hospital Licensing Act or
8 operated under the University of Illinois Hospital Act, or a
9 hospital affiliate that is not already exempt under another
10 provision of this Act and meets the criteria for an exemption
11 under this Section, is exempt from taxation under this Act.

12 (b) A hospital owner or hospital affiliate satisfies the
13 conditions for an exemption under this Section if the value of
14 qualified services or activities listed in subsection (c) of
15 this Section for the hospital year equals or exceeds the
16 relevant hospital entity's estimated property tax liability,
17 without regard to any property tax exemption granted under
18 Section 15-86 of the Property Tax Code, for the calendar year
19 in which exemption or renewal of exemption is sought. For
20 purposes of making the calculations required by this
21 subsection (b), if the relevant hospital entity is a hospital
22 owner that owns more than one hospital, the value of the
23 services or activities listed in subsection (c) shall be
24 calculated on the basis of only those services and activities

1 relating to the hospital that includes the subject property,
2 and the relevant hospital entity's estimated property tax
3 liability shall be calculated only with respect to the
4 properties comprising that hospital. In the case of a
5 multi-state hospital system or hospital affiliate, the value
6 of the services or activities listed in subsection (c) shall
7 be calculated on the basis of only those services and
8 activities that occur in Illinois and the relevant hospital
9 entity's estimated property tax liability shall be calculated
10 only with respect to its property located in Illinois.

11 (c) The following services and activities shall be
12 considered for purposes of making the calculations required by
13 subsection (b):

14 (1) Charity care. Free or discounted services provided
15 pursuant to the relevant hospital entity's financial
16 assistance policy, measured at cost, including discounts
17 provided under the Hospital Uninsured Patient Discount
18 Act.

19 (2) Health services to low-income and underserved
20 individuals. Other unreimbursed costs of the relevant
21 hospital entity for providing without charge, paying for,
22 or subsidizing goods, activities, or services for the
23 purpose of addressing the health of low-income or
24 underserved individuals. Those activities or services may
25 include, but are not limited to: financial or in-kind
26 support to affiliated or unaffiliated hospitals, hospital

1 affiliates, community clinics, or programs that treat
2 low-income or underserved individuals; paying for or
3 subsidizing health care professionals who care for
4 low-income or underserved individuals; providing or
5 subsidizing outreach or educational services to low-income
6 or underserved individuals for disease management and
7 prevention; free or subsidized goods, supplies, or
8 services needed by low-income or underserved individuals
9 because of their medical condition; and prenatal or
10 childbirth outreach to low-income or underserved persons.

11 (3) Subsidy of State or local governments. Direct or
12 indirect financial or in-kind subsidies of State or local
13 governments by the relevant hospital entity that pay for
14 or subsidize activities or programs related to health care
15 for low-income or underserved individuals.

16 (4) Support for State health care programs for
17 low-income individuals. At the election of the hospital
18 applicant for each applicable year, either (A) 10% of
19 payments to the relevant hospital entity and any hospital
20 affiliate designated by the relevant hospital entity
21 (provided that such hospital affiliate's operations
22 provide financial or operational support for or receive
23 financial or operational support from the relevant
24 hospital entity) under Medicaid or other means-tested
25 programs, including, but not limited to, General
26 Assistance, the Covering ALL KIDS Health Insurance Act,

1 and the State Children's Health Insurance Program or (B)
2 the amount of subsidy provided by the relevant hospital
3 entity and any hospital affiliate designated by the
4 relevant hospital entity (provided that such hospital
5 affiliate's operations provide financial or operational
6 support for or receive financial or operational support
7 from the relevant hospital entity) to State or local
8 government in treating Medicaid recipients and recipients
9 of means-tested programs, including but not limited to
10 General Assistance, the Covering ALL KIDS Health Insurance
11 Act, and the State Children's Health Insurance Program.
12 The amount of subsidy for purposes of this item (4) is
13 calculated in the same manner as unreimbursed costs are
14 calculated for Medicaid and other means-tested government
15 programs in the Schedule H of IRS Form 990 in effect on the
16 effective date of this amendatory Act of the 97th General
17 Assembly.

18 (5) Dual-eligible subsidy. The amount of subsidy
19 provided to government by treating dual-eligible
20 Medicare/Medicaid patients. The amount of subsidy for
21 purposes of this item (5) is calculated by multiplying the
22 relevant hospital entity's unreimbursed costs for
23 Medicare, calculated in the same manner as determined in
24 the Schedule H of IRS Form 990 in effect on the effective
25 date of this amendatory Act of the 97th General Assembly,
26 by the relevant hospital entity's ratio of dual-eligible

1 patients to total Medicare patients.

2 (6) Relief of the burden of government related to
3 health care. Except to the extent otherwise taken into
4 account in this subsection, the portion of unreimbursed
5 costs of the relevant hospital entity attributable to
6 providing, paying for, or subsidizing goods, activities,
7 or services that relieve the burden of government related
8 to health care for low-income individuals. Such activities
9 or services shall include, but are not limited to,
10 providing emergency, trauma, burn, neonatal, psychiatric,
11 rehabilitation, or other special services; providing
12 medical education; and conducting medical research or
13 training of health care professionals. The portion of
14 those unreimbursed costs attributable to benefiting
15 low-income individuals shall be determined using the ratio
16 calculated by adding the relevant hospital entity's costs
17 attributable to charity care, Medicaid, other means-tested
18 government programs, Medicare patients with disabilities
19 under age 65, and dual-eligible Medicare/Medicaid patients
20 and dividing that total by the relevant hospital entity's
21 total costs. Such costs for the numerator and denominator
22 shall be determined by multiplying gross charges by the
23 cost to charge ratio taken from the hospital's most
24 recently filed Medicare cost report (CMS 2252-10
25 Worksheet, Part I). In the case of emergency services, the
26 ratio shall be calculated using costs (gross charges

1 multiplied by the cost to charge ratio taken from the
2 hospital's most recently filed Medicare cost report (CMS
3 2252-10 Worksheet, Part I)) of patients treated in the
4 relevant hospital entity's emergency department.

5 (7) Any other activity by the relevant hospital entity
6 that the Department determines relieves the burden of
7 government or addresses the health of low-income or
8 underserved individuals.

9 (d) The hospital applicant shall include information in
10 its exemption application establishing that it satisfies the
11 requirements of subsection (b). For purposes of making the
12 calculations required by subsection (b), the hospital
13 applicant may for each year elect to use either (1) the value
14 of the services or activities listed in subsection (e) for the
15 hospital year or (2) the average value of those services or
16 activities for the 3 fiscal years ending with the hospital
17 year. If the relevant hospital entity has been in operation
18 for less than 3 completed fiscal years, then the latter
19 calculation, if elected, shall be performed on a pro rata
20 basis.

21 (e) For purposes of making the calculations required by
22 this Section:

23 (1) particular services or activities eligible for
24 consideration under any of the paragraphs (1) through (7)
25 of subsection (c) may not be counted under more than one of
26 those paragraphs; and

1 (2) the amount of unreimbursed costs and the amount of
2 subsidy shall not be reduced by restricted or unrestricted
3 payments received by the relevant hospital entity as
4 contributions deductible under Section 170(a) of the
5 Internal Revenue Code.

6 (f) (Blank).

7 (g) Estimation of Exempt Property Tax Liability. The
8 estimated property tax liability used for the determination in
9 subsection (b) shall be calculated as follows:

10 (1) "Estimated property tax liability" means the
11 estimated dollar amount of property tax that would be
12 owed, with respect to the exempt portion of each of the
13 relevant hospital entity's properties that are already
14 fully or partially exempt, or for which an exemption in
15 whole or in part is currently being sought, and then
16 aggregated as applicable, as if the exempt portion of
17 those properties were subject to tax, calculated with
18 respect to each such property by multiplying:

19 (A) the lesser of (i) the actual assessed value,
20 if any, of the portion of the property for which an
21 exemption is sought or (ii) an estimated assessed
22 value of the exempt portion of such property as
23 determined in item (2) of this subsection (g), by

24 (B) the applicable State equalization rate
25 (yielding the equalized assessed value), by

26 (C) the applicable tax rate.

1 (2) The estimated assessed value of the exempt portion
2 of the property equals the sum of (i) the estimated fair
3 market value of buildings on the property, as determined
4 in accordance with subparagraphs (A) and (B) of this item
5 (2), multiplied by the applicable assessment factor, and
6 (ii) the estimated assessed value of the land portion of
7 the property, as determined in accordance with
8 subparagraph (C).

9 (A) The "estimated fair market value of buildings
10 on the property" means the replacement value of any
11 exempt portion of buildings on the property, minus
12 depreciation, determined utilizing the cost
13 replacement method whereby the exempt square footage
14 of all such buildings is multiplied by the replacement
15 cost per square foot for Class A Average building
16 found in the most recent edition of the Marshall &
17 Swift Valuation Services Manual, adjusted by any
18 appropriate current cost and local multipliers.

19 (B) Depreciation, for purposes of calculating the
20 estimated fair market value of buildings on the
21 property, is applied by utilizing a weighted mean life
22 for the buildings based on original construction and
23 assuming a 40-year life for hospital buildings and the
24 applicable life for other types of buildings as
25 specified in the American Hospital Association
26 publication "Estimated Useful Lives of Depreciable

1 Hospital Assets". In the case of hospital buildings,
2 the remaining life is divided by 40 and this ratio is
3 multiplied by the replacement cost of the buildings to
4 obtain an estimated fair market value of buildings. If
5 a hospital building is older than 35 years, a
6 remaining life of 5 years for residual value is
7 assumed; and if a building is less than 8 years old, a
8 remaining life of 32 years is assumed.

9 (C) The estimated assessed value of the land
10 portion of the property shall be determined by
11 multiplying (i) the per square foot average of the
12 assessed values of three parcels of land (not
13 including farm land, and excluding the assessed value
14 of the improvements thereon) reasonably comparable to
15 the property, by (ii) the number of square feet
16 comprising the exempt portion of the property's land
17 square footage.

18 (3) The assessment factor, State equalization rate,
19 and tax rate (including any special factors such as
20 Enterprise Zones) used in calculating the estimated
21 property tax liability shall be for the most recent year
22 that is publicly available from the applicable chief
23 county assessment officer or officers at least 90 days
24 before the end of the hospital year.

25 (4) The method utilized to calculate estimated
26 property tax liability for purposes of this Section 15-86

1 shall not be utilized for the actual valuation,
2 assessment, or taxation of property pursuant to the
3 Property Tax Code.

4 (h) For the purpose of this Section, the following terms
5 shall have the meanings set forth below:

6 (1) "Hospital" means any institution, place, building,
7 buildings on a campus, or other health care facility
8 located in Illinois that is licensed under the Hospital
9 Licensing Act and has a hospital owner.

10 (2) "Hospital owner" means a not-for-profit
11 corporation that is the titleholder of a hospital, or the
12 owner of the beneficial interest in an Illinois land trust
13 that is the titleholder of a hospital.

14 (3) "Hospital affiliate" means any corporation,
15 partnership, limited partnership, joint venture, limited
16 liability company, association or other organization,
17 other than a hospital owner, that directly or indirectly
18 controls, is controlled by, or is under common control
19 with one or more hospital owners and that supports, is
20 supported by, or acts in furtherance of the exempt health
21 care purposes of at least one of those hospital owners'
22 hospitals.

23 (4) "Hospital system" means a hospital and one or more
24 other hospitals or hospital affiliates related by common
25 control or ownership.

26 (5) "Control" relating to hospital owners, hospital

1 affiliates, or hospital systems means possession, direct
2 or indirect, of the power to direct or cause the direction
3 of the management and policies of the entity, whether
4 through ownership of assets, membership interest, other
5 voting or governance rights, by contract or otherwise.

6 (6) "Hospital applicant" means a hospital owner or
7 hospital affiliate that files an application for an
8 exemption or renewal of exemption under this Section.

9 (7) "Relevant hospital entity" means (A) the hospital
10 owner, in the case of a hospital applicant that is a
11 hospital owner, and (B) at the election of a hospital
12 applicant that is a hospital affiliate, either (i) the
13 hospital affiliate or (ii) the hospital system to which
14 the hospital applicant belongs, including any hospitals or
15 hospital affiliates that are related by common control or
16 ownership.

17 (8) "Subject property" means property used for the
18 calculation under subsection (b) of this Section.

19 (9) "Hospital year" means the fiscal year of the
20 relevant hospital entity, or the fiscal year of one of the
21 hospital owners in the hospital system if the relevant
22 hospital entity is a hospital system with members with
23 different fiscal years, that ends in the year for which
24 the exemption is sought.

25 (i) It is the intent of the General Assembly that any
26 exemptions taken, granted, or renewed under this Section prior

1 to the effective date of this amendatory Act of the 100th
2 General Assembly are hereby validated.

3 (j) It is the intent of the General Assembly that the
4 exemption under this Section applies on a continuous basis. If
5 this amendatory Act of the 102nd General Assembly takes effect
6 after July 1, 2022, any exemptions taken, granted, or renewed
7 under this Section on or after July 1, 2022 and prior to the
8 effective date of this amendatory Act of the 102nd General
9 Assembly are hereby validated.

10 (k) This Section is exempt from the provisions of Section
11 2-70.

12 (Source: P.A. 99-143, eff. 7-27-15; 100-1181, eff. 3-8-19.)

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