



Sen. James T. Meeks

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1 AMENDMENT TO HOUSE BILL 750

2 AMENDMENT NO. _____. Amend House Bill 750 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The State Finance Act is amended by adding
5 Sections 5.625 and 6z-65 as follows:

6 (30 ILCS 105/5.625 new)

7 Sec. 5.625. The School District Property Tax Relief Fund.

8 (30 ILCS 105/6z-65 new)

9 Sec. 6z-65. School District Property Tax Relief Fund.

10 (a) The School District property Tax Relief Fund is created
11 as a special Fund in the State treasury. All interest earned on
12 moneys in the Fund shall be deposited into the Fund.

13 (b) As used in this Section:

14 "Department" means the Department of Revenue.

15 "Minimum property tax relief grant" means the minimum
16 amount of property tax relief that will be distributed to each
17 school district from the School District Property Tax Relief
18 Fund in each fiscal year.

19 "High property tax effort school district" means each
20 school district that has a total tax rate that is in the top
21 25% of all total tax rates of all school districts.

22 "Supplemental percentage" means the average daily head
23 count of a particular high property tax effort school district

1 in a fiscal year, divided by the head count total for that
2 fiscal year.

3 "Head count total" means the aggregate average daily
4 attendance of all high property tax effort school districts in
5 the applicable fiscal year.

6 "Supplemental property tax relief grant" means the amount
7 of property tax relief granted to each high property tax effort
8 school district in each fiscal year that is in addition to the
9 minimum property tax relief grant that the district receives.

10 (c) Beginning in fiscal year 2006, the General Assembly
11 shall appropriate \$2.4 billion from the education
12 appropriation minimum, as defined in Section 18-25 of the
13 School Code, to the School District Property Tax Relief Fund.
14 In each fiscal year thereafter, the General Assembly shall
15 appropriate an amount from the education appropriation
16 minimum, to the School District Property Tax Relief Fund equal
17 to the amount appropriated to the School District Property Tax
18 Relief Fund in the immediately preceding fiscal year, increased
19 by the Employment Cost Index ("ECI") published by the U.S.
20 Bureau of Labor Statistics for the immediately preceding fiscal
21 year.

22 (d) Between November 15 and 17 beginning in fiscal year
23 2006 and for every year thereafter, the Department must
24 certify, no earlier than November 15 and no later than November
25 17, the total amount of property tax relief each school
26 district will receive from the School District Property Tax
27 Relief Fund. The relief shall be determined as follows:

28 (1) In each fiscal year commencing with fiscal year
29 2006, the General Assembly shall appropriate 80% of the
30 total amount appropriated to the School District Property
31 Tax Relief Fund for that fiscal year to fund the aggregate
32 amount of minimum property tax relief grants that will be
33 distributed to all school districts. The Department then
34 shall calculate the amount of minimum property tax relief

1 grant to be distributed to each school district in each
2 fiscal year as follows:

3 (A) for fiscal year 2006, each school district
4 shall receive a minimum property tax relief grant in an
5 amount equal to 20% of the total property taxes
6 reported as payable for that school district in fiscal
7 year 2002; and

8 (B) for each fiscal year thereafter, the minimum
9 property tax relief grant for each school district must
10 be increased by the percentage increase, if any, in the
11 ECI published for the prior fiscal year.

12 (2) In each fiscal year commencing with fiscal year
13 2006, the General Assembly shall appropriate 20% of the
14 total amount appropriated to the School District Property
15 Tax Relief Fund for that fiscal year to fund the aggregate
16 amount of supplemental property tax relief grants that will
17 be distributed to all high property tax effort school
18 districts. The Department shall calculate the amount of
19 supplemental property tax relief grants payable to a
20 particular high property tax effort school district in each
21 fiscal year commencing in fiscal year 2006 and continuing
22 in each fiscal year thereafter by multiplying the
23 Supplemental Percentage of that high property tax effort
24 school district for that fiscal year by the total amount
25 appropriated to fund all the supplemental property tax
26 relief grants in that fiscal year.

27 Section 10. The Illinois Income Tax Act is amended by
28 changing Sections 201 and 203 and by adding Section 247 as
29 follows:

30 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

31 Sec. 201. Tax Imposed.

32 (a) In general. A tax measured by net income is hereby

1 imposed on every individual, corporation, trust and estate for
2 each taxable year ending after July 31, 1969 on the privilege
3 of earning or receiving income in or as a resident of this
4 State. Such tax shall be in addition to all other occupation or
5 privilege taxes imposed by this State or by any municipal
6 corporation or political subdivision thereof.

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

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

14 (2) In the case of an individual, trust or estate, for
15 taxable years beginning prior to July 1, 1989 and ending
16 after June 30, 1989, an amount equal to the sum of (i) 2
17 1/2% of the taxpayer's net income for the period prior to
18 July 1, 1989, as calculated under Section 202.3, and (ii)
19 3% of the taxpayer's net income for the period after June
20 30, 1989, as calculated under Section 202.3.

21 (3) In the case of an individual, trust or estate, for
22 taxable years beginning after June 30, 1989 and beginning
23 on or before January 1, 2005, an amount equal to 3% of the
24 taxpayer's net income for the taxable year.

25 (4) In the case of an individual, trust or estate, for
26 taxable years beginning after January 1, 2005, an amount
27 equal to 5% of the taxpayer's net income for the taxable
28 year (Blank).

29 (5) (Blank).

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

33 (7) In the case of a corporation, for taxable years
34 beginning prior to July 1, 1989 and ending after June 30,

1 1989, an amount equal to the sum of (i) 4% of the
2 taxpayer's net income for the period prior to July 1, 1989,
3 as calculated under Section 202.3, and (ii) 4.8% of the
4 taxpayer's net income for the period after June 30, 1989,
5 as calculated under Section 202.3.

6 (8) In the case of a corporation, for taxable years
7 beginning after June 30, 1989 and beginning on or before
8 January 1, 2005, an amount equal to 4.8% of the taxpayer's
9 net income for the taxable year.

10 (9) In the case of a corporation, for taxable years
11 beginning after January 1, 2005, an amount equal to 8% of
12 the taxpayer's net income for the taxable year.

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

26 (d) Additional Personal Property Tax Replacement Income
27 Tax Rates. The personal property tax replacement income tax
28 imposed by this subsection and subsection (c) of this Section
29 in the case of a corporation, other than a Subchapter S
30 corporation and except as adjusted by subsection (d-1), shall
31 be an additional amount equal to 2.85% of such taxpayer's net
32 income for the taxable year, except that beginning on January
33 1, 1981, and thereafter, the rate of 2.85% specified in this
34 subsection shall be reduced to 2.5%, and in the case of a

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

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

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

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

34 (B) the privilege tax imposed by Section 409 of the

1 Illinois Insurance Code, the fire insurance company
2 tax imposed by Section 12 of the Fire Investigation
3 Act, and the fire department taxes imposed under
4 Section 11-10-1 of the Illinois Municipal Code,
5 equals 1.25% for taxable years ending prior to December 31,
6 2003, or 1.75% for taxable years ending on or after
7 December 31, 2003, of the net taxable premiums written for
8 the taxable year, as described by subsection (1) of Section
9 409 of the Illinois Insurance Code. This paragraph will in
10 no event increase the rates imposed under subsections (b)
11 and (d).

12 (2) Any reduction in the rates of tax imposed by this
13 subsection shall be applied first against the rates imposed
14 by subsection (b) and only after the tax imposed by
15 subsection (a) net of all credits allowed under this
16 Section other than the credit allowed under subsection (i)
17 has been reduced to zero, against the rates imposed by
18 subsection (d).

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

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

24 (1) A taxpayer shall be allowed a credit equal to .5%
25 of the basis of qualified property placed in service during
26 the taxable year, provided such property is placed in
27 service on or after July 1, 1984. There shall be allowed an
28 additional credit equal to .5% of the basis of qualified
29 property placed in service during the taxable year,
30 provided such property is placed in service on or after
31 July 1, 1986, and the taxpayer's base employment within
32 Illinois has increased by 1% or more over the preceding
33 year as determined by the taxpayer's employment records
34 filed with the Illinois Department of Employment Security.

1 Taxpayers who are new to Illinois shall be deemed to have
2 met the 1% growth in base employment for the first year in
3 which they file employment records with the Illinois
4 Department of Employment Security. The provisions added to
5 this Section by Public Act 85-1200 (and restored by Public
6 Act 87-895) shall be construed as declaratory of existing
7 law and not as a new enactment. If, in any year, the
8 increase in base employment within Illinois over the
9 preceding year is less than 1%, the additional credit shall
10 be limited to that percentage times a fraction, the
11 numerator of which is .5% and the denominator of which is
12 1%, but shall not exceed .5%. The investment credit shall
13 not be allowed to the extent that it would reduce a
14 taxpayer's liability in any tax year below zero, nor may
15 any credit for qualified property be allowed for any year
16 other than the year in which the property was placed in
17 service in Illinois. For tax years ending on or after
18 December 31, 1987, and on or before December 31, 1988, the
19 credit shall be allowed for the tax year in which the
20 property is placed in service, or, if the amount of the
21 credit exceeds the tax liability for that year, whether it
22 exceeds the original liability or the liability as later
23 amended, such excess may be carried forward and applied to
24 the tax liability of the 5 taxable years following the
25 excess credit years if the taxpayer (i) makes investments
26 which cause the creation of a minimum of 2,000 full-time
27 equivalent jobs in Illinois, (ii) is located in an
28 enterprise zone established pursuant to the Illinois
29 Enterprise Zone Act and (iii) is certified by the
30 Department of Commerce and Community Affairs (now
31 Department of Commerce and Economic Opportunity) as
32 complying with the requirements specified in clause (i) and
33 (ii) by July 1, 1986. The Department of Commerce and
34 Community Affairs (now Department of Commerce and Economic

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

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

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

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

28 (C) is acquired by purchase as defined in Section
29 179(d) of the Internal Revenue Code;

30 (D) is used in Illinois by a taxpayer who is
31 primarily engaged in manufacturing, or in mining coal
32 or fluorite, or in retailing; and

33 (E) has not previously been used in Illinois in
34 such a manner and by such a person as would qualify for

1 the credit provided by this subsection (e) or
2 subsection (f).

3 (3) For purposes of this subsection (e),
4 "manufacturing" means the material staging and production
5 of tangible personal property by procedures commonly
6 regarded as manufacturing, processing, fabrication, or
7 assembling which changes some existing material into new
8 shapes, new qualities, or new combinations. For purposes of
9 this subsection (e) the term "mining" shall have the same
10 meaning as the term "mining" in Section 613(c) of the
11 Internal Revenue Code. For purposes of this subsection (e),
12 the term "retailing" means the sale of tangible personal
13 property or services rendered in conjunction with the sale
14 of tangible consumer goods or commodities.

15 (4) The basis of qualified property shall be the basis
16 used to compute the depreciation deduction for federal
17 income tax purposes.

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

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

25 (7) If during any taxable year, any property ceases to
26 be qualified property in the hands of the taxpayer within
27 48 months after being placed in service, or the situs of
28 any qualified property is moved outside Illinois within 48
29 months after being placed in service, the Personal Property
30 Tax Replacement Income Tax for such taxable year shall be
31 increased. Such increase shall be determined by (i)
32 recomputing the investment credit which would have been
33 allowed for the year in which credit for such property was
34 originally allowed by eliminating such property from such

1 computation and, (ii) subtracting such recomputed credit
2 from the amount of credit previously allowed. For the
3 purposes of this paragraph (7), a reduction of the basis of
4 qualified property resulting from a redetermination of the
5 purchase price shall be deemed a disposition of qualified
6 property to the extent of such reduction.

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

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

28 For taxable years ending on or after December 31, 2000,
29 a partner that qualifies its partnership for a subtraction
30 under subparagraph (I) of paragraph (2) of subsection (d)
31 of Section 203 or a shareholder that qualifies a Subchapter
32 S corporation for a subtraction under subparagraph (S) of
33 paragraph (2) of subsection (b) of Section 203 shall be
34 allowed a credit under this subsection (e) equal to its

1 share of the credit earned under this subsection (e) during
2 the taxable year by the partnership or Subchapter S
3 corporation, determined in accordance with the
4 determination of income and distributive share of income
5 under Sections 702 and 704 and Subchapter S of the Internal
6 Revenue Code. This paragraph is exempt from the provisions
7 of Section 250.

8 (f) Investment credit; Enterprise Zone.

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

1 earliest year for which there is a liability. If there is
2 credit from more than one tax year that is available to
3 offset a liability, the credit accruing first in time shall
4 be applied first.

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

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

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

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

15 (D) is used in the Enterprise Zone by the taxpayer;
16 and

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

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

24 (4) If the basis of the property for federal income tax
25 depreciation purposes is increased after it has been placed
26 in service in the Enterprise Zone by the taxpayer, the
27 amount of such increase shall be deemed property placed in
28 service on the date of such increase in basis.

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

31 (6) If during any taxable year, any property ceases to
32 be qualified property in the hands of the taxpayer within
33 48 months after being placed in service, or the situs of
34 any qualified property is moved outside the Enterprise Zone

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

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

16 (1) A taxpayer conducting a trade or business in an
17 enterprise zone or a High Impact Business designated by the
18 Department of Commerce and Economic Opportunity ~~Community~~
19 ~~Affairs~~ conducting a trade or business in a federally
20 designated Foreign Trade Zone or Sub-Zone shall be allowed
21 a credit against the tax imposed by subsections (a) and (b)
22 of this Section in the amount of \$500 per eligible employee
23 hired to work in the zone during the taxable year.

24 (2) To qualify for the credit:

25 (A) the taxpayer must hire 5 or more eligible
26 employees to work in an enterprise zone or federally
27 designated Foreign Trade Zone or Sub-Zone during the
28 taxable year;

29 (B) the taxpayer's total employment within the
30 enterprise zone or federally designated Foreign Trade
31 Zone or Sub-Zone must increase by 5 or more full-time
32 employees beyond the total employed in that zone at the
33 end of the previous tax year for which a jobs tax
34 credit under this Section was taken, or beyond the

1 total employed by the taxpayer as of December 31, 1985,
2 whichever is later; and

3 (C) the eligible employees must be employed 180
4 consecutive days in order to be deemed hired for
5 purposes of this subsection.

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

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

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

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

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

27 (4) For tax years ending on or after December 31, 1985
28 and prior to December 31, 1988, the credit shall be allowed
29 for the tax year in which the eligible employees are hired.
30 For tax years ending on or after December 31, 1988, the
31 credit shall be allowed for the tax year immediately
32 following the tax year in which the eligible employees are
33 hired. If the amount of the credit exceeds the tax
34 liability for that year, whether it exceeds the original

1 liability or the liability as later amended, such excess
2 may be carried forward and applied to the tax liability of
3 the 5 taxable years following the excess credit year. The
4 credit shall be applied to the earliest year for which
5 there is a liability. If there is credit from more than one
6 tax year that is available to offset a liability, earlier
7 credit shall be applied first.

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

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

13 (h) Investment credit; High Impact Business.

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

1 beyond the minimum investment by a designated high impact
2 business authorized under subdivision (a) (3) (A) of Section
3 5.5 of the Illinois Enterprise Zone Act shall be available
4 only in the taxable year in which the property is placed in
5 service and shall not be allowed to the extent that it
6 would reduce a taxpayer's liability for the tax imposed by
7 subsections (a) and (b) of this Section to below zero. For
8 tax years ending on or after December 31, 1987, the credit
9 shall be allowed for the tax year in which the property is
10 placed in service, or, if the amount of the credit exceeds
11 the tax liability for that year, whether it exceeds the
12 original liability or the liability as later amended, such
13 excess may be carried forward and applied to the tax
14 liability of the 5 taxable years following the excess
15 credit year. The credit shall be applied to the earliest
16 year for which there is a liability. If there is credit
17 from more than one tax year that is available to offset a
18 liability, the credit accruing first in time shall be
19 applied first.

20 Changes made in this subdivision (h) (1) by Public Act
21 88-670 restore changes made by Public Act 85-1182 and
22 reflect existing law.

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

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

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

31 (C) is acquired by purchase as defined in Section
32 179(d) of the Internal Revenue Code; and

33 (D) is not eligible for the Enterprise Zone
34 Investment Credit provided by subsection (f) of this

1 Section.

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

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

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

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

31 (7) Beginning with tax years ending after December 31,
32 1996, if a taxpayer qualifies for the credit under this
33 subsection (h) and thereby is granted a tax abatement and
34 the taxpayer relocates its entire facility in violation of

1 the explicit terms and length of the contract under Section
2 18-183 of the Property Tax Code, the tax imposed under
3 subsections (a) and (b) of this Section shall be increased
4 for the taxable year in which the taxpayer relocated its
5 facility by an amount equal to the amount of credit
6 received by the taxpayer under this subsection (h).

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

17 Any credit earned on or after December 31, 1986 under this
18 subsection which is unused in the year the credit is computed
19 because it exceeds the tax liability imposed by subsections (a)
20 and (b) for that year (whether it exceeds the original
21 liability or the liability as later amended) may be carried
22 forward and applied to the tax liability imposed by subsections
23 (a) and (b) of the 5 taxable years following the excess credit
24 year, provided that no credit may be carried forward to any
25 year ending on or after December 31, 2003. This credit shall be
26 applied first to the earliest year for which there is a
27 liability. If there is a credit under this subsection from more
28 than one tax year that is available to offset a liability the
29 earliest credit arising under this subsection shall be applied
30 first.

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

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

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

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

1 after December 31, 2003.

2 (k) Research and development credit.

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

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

31 Any credit in excess of the tax liability for the taxable
32 year may be carried forward. A taxpayer may elect to have the
33 unused credit shown on its final completed return carried over
34 as a credit against the tax liability for the following 5

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

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

16 No inference shall be drawn from this amendatory Act of the
17 91st General Assembly in construing this Section for taxable
18 years beginning before January 1, 1999.

19 (1) Environmental Remediation Tax Credit.

20 (i) For tax years ending after December 31, 1997 and on
21 or before December 31, 2001, a taxpayer shall be allowed a
22 credit against the tax imposed by subsections (a) and (b)
23 of this Section for certain amounts paid for unreimbursed
24 eligible remediation costs, as specified in this
25 subsection. For purposes of this Section, "unreimbursed
26 eligible remediation costs" means costs approved by the
27 Illinois Environmental Protection Agency ("Agency") under
28 Section 58.14 of the Environmental Protection Act that were
29 paid in performing environmental remediation at a site for
30 which a No Further Remediation Letter was issued by the
31 Agency and recorded under Section 58.10 of the
32 Environmental Protection Act. The credit must be claimed
33 for the taxable year in which Agency approval of the
34 eligible remediation costs is granted. The credit is not

1 available to any taxpayer if the taxpayer or any related
2 party caused or contributed to, in any material respect, a
3 release of regulated substances on, in, or under the site
4 that was identified and addressed by the remedial action
5 pursuant to the Site Remediation Program of the
6 Environmental Protection Act. After the Pollution Control
7 Board rules are adopted pursuant to the Illinois
8 Administrative Procedure Act for the administration and
9 enforcement of Section 58.9 of the Environmental
10 Protection Act, determinations as to credit availability
11 for purposes of this Section shall be made consistent with
12 those rules. For purposes of this Section, "taxpayer"
13 includes a person whose tax attributes the taxpayer has
14 succeeded to under Section 381 of the Internal Revenue Code
15 and "related party" includes the persons disallowed a
16 deduction for losses by paragraphs (b), (c), and (f)(1) of
17 Section 267 of the Internal Revenue Code by virtue of being
18 a related taxpayer, as well as any of its partners. The
19 credit allowed against the tax imposed by subsections (a)
20 and (b) shall be equal to 25% of the unreimbursed eligible
21 remediation costs in excess of \$100,000 per site, except
22 that the \$100,000 threshold shall not apply to any site
23 contained in an enterprise zone as determined by the
24 Department of Commerce and Community Affairs (now
25 Department of Commerce and Economic Opportunity). The
26 total credit allowed shall not exceed \$40,000 per year with
27 a maximum total of \$150,000 per site. For partners and
28 shareholders of subchapter S corporations, there shall be
29 allowed a credit under this subsection to be determined in
30 accordance with the determination of income and
31 distributive share of income under Sections 702 and 704 and
32 subchapter S of the Internal Revenue Code.

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

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

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

27 (m) Education expense credit. Beginning with tax years
28 ending after December 31, 1999, a taxpayer who is the custodian
29 of one or more qualifying pupils shall be allowed a credit
30 against the tax imposed by subsections (a) and (b) of this
31 Section for qualified education expenses incurred on behalf of
32 the qualifying pupils. The credit shall be equal to 25% of
33 qualified education expenses, but in no event may the total
34 credit under this subsection claimed by a family that is the

1 custodian of qualifying pupils exceed \$500. In no event shall a
2 credit under this subsection reduce the taxpayer's liability
3 under this Act to less than zero. This subsection is exempt
4 from the provisions of Section 250 of this Act.

5 For purposes of this subsection:

6 "Qualifying pupils" means individuals who (i) are
7 residents of the State of Illinois, (ii) are under the age of
8 21 at the close of the school year for which a credit is
9 sought, and (iii) during the school year for which a credit is
10 sought were full-time pupils enrolled in a kindergarten through
11 twelfth grade education program at any school, as defined in
12 this subsection.

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

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

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

27 (Source: P.A. 92-12, eff. 7-1-01; 92-16, eff. 6-28-01; 92-651,
28 eff. 7-11-02; 92-846, eff. 8-23-02; 93-29, eff. 6-20-03;
29 revised 12-6-03.)

30 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

31 Sec. 203. Base income defined.

32 (a) Individuals.

33 (1) In general. In the case of an individual, base

1 income means an amount equal to the taxpayer's adjusted
2 gross income for the taxable year as modified by paragraph
3 (2).

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

7 (A) An amount equal to all amounts paid or accrued
8 to the taxpayer as interest or dividends during the
9 taxable year to the extent excluded from gross income
10 in the computation of adjusted gross income, except
11 stock dividends of qualified public utilities
12 described in Section 305(e) of the Internal Revenue
13 Code;

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

18 (C) An amount equal to the amount received during
19 the taxable year as a recovery or refund of real
20 property taxes paid with respect to the taxpayer's
21 principal residence under the Revenue Act of 1939 and
22 for which a deduction was previously taken under
23 subparagraph (L) of this paragraph (2) prior to July 1,
24 1991, the retrospective application date of Article 4
25 of Public Act 87-17. In the case of multi-unit or
26 multi-use structures and farm dwellings, the taxes on
27 the taxpayer's principal residence shall be that
28 portion of the total taxes for the entire property
29 which is attributable to such principal residence;

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

34 (D-5) An amount, to the extent not included in

1 adjusted gross income, equal to the amount of money
2 withdrawn by the taxpayer in the taxable year from a
3 medical care savings account and the interest earned on
4 the account in the taxable year of a withdrawal
5 pursuant to subsection (b) of Section 20 of the Medical
6 Care Savings Account Act or subsection (b) of Section
7 20 of the Medical Care Savings Account Act of 2000;

8 (D-10) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation costs
10 that the individual deducted in computing adjusted
11 gross income and for which the individual claims a
12 credit under subsection (l) of Section 201;

13 (D-15) For taxable years 2001 and thereafter, an
14 amount equal to the bonus depreciation deduction (30%
15 of the adjusted basis of the qualified property) taken
16 on the taxpayer's federal income tax return for the
17 taxable year under subsection (k) of Section 168 of the
18 Internal Revenue Code; ~~and~~

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

28 The taxpayer is required to make the addition
29 modification under this subparagraph only once with
30 respect to any one piece of property; ~~†~~ and

31 (D-20) ~~(D-15)~~ For taxable years beginning on or
32 after January 1, 2002, in the case of a distribution
33 from a qualified tuition program under Section 529 of
34 the Internal Revenue Code, other than (i) a

1 distribution from a College Savings Pool created under
2 Section 16.5 of the State Treasurer Act or (ii) a
3 distribution from the Illinois Prepaid Tuition Trust
4 Fund, an amount equal to the amount excluded from gross
5 income under Section 529(c) (3) (B);

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

8 (E) For taxable years ending before December 31,
9 2001, any amount included in such total in respect of
10 any compensation (including but not limited to any
11 compensation paid or accrued to a serviceman while a
12 prisoner of war or missing in action) paid to a
13 resident by reason of being on active duty in the Armed
14 Forces of the United States and in respect of any
15 compensation paid or accrued to a resident who as a
16 governmental employee was a prisoner of war or missing
17 in action, and in respect of any compensation paid to a
18 resident in 1971 or thereafter for annual training
19 performed pursuant to Sections 502 and 503, Title 32,
20 United States Code as a member of the Illinois National
21 Guard. For taxable years ending on or after December
22 31, 2001, any amount included in such total in respect
23 of any compensation (including but not limited to any
24 compensation paid or accrued to a serviceman while a
25 prisoner of war or missing in action) paid to a
26 resident by reason of being a member of any component
27 of the Armed Forces of the United States and in respect
28 of any compensation paid or accrued to a resident who
29 as a governmental employee was a prisoner of war or
30 missing in action, and in respect of any compensation
31 paid to a resident in 2001 or thereafter by reason of
32 being a member of the Illinois National Guard. The
33 provisions of this amendatory Act of the 92nd General
34 Assembly are exempt from the provisions of Section 250;

1 (F) For taxable years beginning on or before
2 January 1, 2005, an ~~A~~ amount equal to all amounts
3 included in such total pursuant to the provisions of
4 Sections 402(a), 402(c), 403(a), 403(b), 406(a),
5 407(a), and 408 of the Internal Revenue Code, or
6 included in such total as distributions under the
7 provisions of any retirement or disability plan for
8 employees of any governmental agency or unit, or
9 retirement payments to retired partners, which
10 payments are excluded in computing net earnings from
11 self employment by Section 1402 of the Internal Revenue
12 Code and regulations adopted pursuant thereto;

13 (F-5) For taxable years beginning after January 1,
14 2005, for those taxpayers who report an adjusted gross
15 income of \$74,999 ("the retirement threshold amount")
16 or less, an amount equal to all amounts included in
17 such total pursuant to the provisions of Sections
18 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
19 408 of the Internal Revenue Code, or included in such
20 total as distributions under the provisions of any
21 retirement or disability plan for employees of any
22 governmental agency or unit, or retirement payments to
23 retired partners, which payments are excluded in
24 computing net earnings from self employment by Section
25 1402 of the Internal Revenue Code and regulations
26 adopted pursuant thereto, provided that the retirement
27 threshold amount shall increase annually for each tax
28 year by the percentage increase, if any, in the
29 Consumer Price Index published by the U.S. Bureau of
30 Labor Statistics from July of the immediately
31 preceding tax year to June 30 of the then current tax
32 year;

33 (G) The valuation limitation amount;

34 (H) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

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

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

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

23 (L) For taxable years ending after December 31,
24 1983, an amount equal to all social security benefits
25 and railroad retirement benefits included in such
26 total pursuant to Sections 72(r) and 86 of the Internal
27 Revenue Code;

28 (M) With the exception of any amounts subtracted
29 under subparagraph (N), an amount equal to the sum of
30 all amounts disallowed as deductions by (i) Sections
31 171(a) (2), and 265(2) of the Internal Revenue Code of
32 1954, as now or hereafter amended, and all amounts of
33 expenses allocable to interest and disallowed as
34 deductions by Section 265(1) of the Internal Revenue

1 Code of 1954, as now or hereafter amended; and (ii) for
2 taxable years ending on or after August 13, 1999,
3 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of
4 the Internal Revenue Code; the provisions of this
5 subparagraph are exempt from the provisions of Section
6 250;

7 (N) An amount equal to all amounts included in such
8 total which are exempt from taxation by this State
9 either by reason of its statutes or Constitution or by
10 reason of the Constitution, treaties or statutes of the
11 United States; provided that, in the case of any
12 statute of this State that exempts income derived from
13 bonds or other obligations from the tax imposed under
14 this Act, the amount exempted shall be the interest net
15 of bond premium amortization;

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

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

24 (Q) An amount equal to any amounts included in such
25 total, received by the taxpayer as an acceleration in
26 the payment of life, endowment or annuity benefits in
27 advance of the time they would otherwise be payable as
28 an indemnity for a terminal illness;

29 (R) An amount equal to the amount of any federal or
30 State bonus paid to veterans of the Persian Gulf War;

31 (S) An amount, to the extent included in adjusted
32 gross income, equal to the amount of a contribution
33 made in the taxable year on behalf of the taxpayer to a
34 medical care savings account established under the

1 Medical Care Savings Account Act or the Medical Care
2 Savings Account Act of 2000 to the extent the
3 contribution is accepted by the account administrator
4 as provided in that Act;

5 (T) An amount, to the extent included in adjusted
6 gross income, equal to the amount of interest earned in
7 the taxable year on a medical care savings account
8 established under the Medical Care Savings Account Act
9 or the Medical Care Savings Account Act of 2000 on
10 behalf of the taxpayer, other than interest added
11 pursuant to item (D-5) of this paragraph (2);

12 (U) For one taxable year beginning on or after
13 January 1, 1994, an amount equal to the total amount of
14 tax imposed and paid under subsections (a) and (b) of
15 Section 201 of this Act on grant amounts received by
16 the taxpayer under the Nursing Home Grant Assistance
17 Act during the taxpayer's taxable years 1992 and 1993;

18 (V) Beginning with tax years ending on or after
19 December 31, 1995 and ending with tax years ending on
20 or before December 31, 2004, an amount equal to the
21 amount paid by a taxpayer who is a self-employed
22 taxpayer, a partner of a partnership, or a shareholder
23 in a Subchapter S corporation for health insurance or
24 long-term care insurance for that taxpayer or that
25 taxpayer's spouse or dependents, to the extent that the
26 amount paid for that health insurance or long-term care
27 insurance may be deducted under Section 213 of the
28 Internal Revenue Code of 1986, has not been deducted on
29 the federal income tax return of the taxpayer, and does
30 not exceed the taxable income attributable to that
31 taxpayer's income, self-employment income, or
32 Subchapter S corporation income; except that no
33 deduction shall be allowed under this item (V) if the
34 taxpayer is eligible to participate in any health

1 insurance or long-term care insurance plan of an
2 employer of the taxpayer or the taxpayer's spouse. The
3 amount of the health insurance and long-term care
4 insurance subtracted under this item (V) shall be
5 determined by multiplying total health insurance and
6 long-term care insurance premiums paid by the taxpayer
7 times a number that represents the fractional
8 percentage of eligible medical expenses under Section
9 213 of the Internal Revenue Code of 1986 not actually
10 deducted on the taxpayer's federal income tax return;

11 (W) For taxable years beginning on or after January
12 1, 1998, all amounts included in the taxpayer's federal
13 gross income in the taxable year from amounts converted
14 from a regular IRA to a Roth IRA. This paragraph is
15 exempt from the provisions of Section 250;

16 (X) For taxable year 1999 and thereafter, an amount
17 equal to the amount of any (i) distributions, to the
18 extent includible in gross income for federal income
19 tax purposes, made to the taxpayer because of his or
20 her status as a victim of persecution for racial or
21 religious reasons by Nazi Germany or any other Axis
22 regime or as an heir of the victim and (ii) items of
23 income, to the extent includible in gross income for
24 federal income tax purposes, attributable to, derived
25 from or in any way related to assets stolen from,
26 hidden from, or otherwise lost to a victim of
27 persecution for racial or religious reasons by Nazi
28 Germany or any other Axis regime immediately prior to,
29 during, and immediately after World War II, including,
30 but not limited to, interest on the proceeds receivable
31 as insurance under policies issued to a victim of
32 persecution for racial or religious reasons by Nazi
33 Germany or any other Axis regime by European insurance
34 companies immediately prior to and during World War II;

1 provided, however, this subtraction from federal
2 adjusted gross income does not apply to assets acquired
3 with such assets or with the proceeds from the sale of
4 such assets; provided, further, this paragraph shall
5 only apply to a taxpayer who was the first recipient of
6 such assets after their recovery and who is a victim of
7 persecution for racial or religious reasons by Nazi
8 Germany or any other Axis regime or as an heir of the
9 victim. The amount of and the eligibility for any
10 public assistance, benefit, or similar entitlement is
11 not affected by the inclusion of items (i) and (ii) of
12 this paragraph in gross income for federal income tax
13 purposes. This paragraph is exempt from the provisions
14 of Section 250;

15 (Y) For taxable years beginning on or after January
16 1, 2002, moneys contributed in the taxable year to a
17 College Savings Pool account under Section 16.5 of the
18 State Treasurer Act, except that amounts excluded from
19 gross income under Section 529(c)(3) (C)(i) of the
20 Internal Revenue Code shall not be considered moneys
21 contributed under this subparagraph (Y). This
22 subparagraph (Y) is exempt from the provisions of
23 Section 250;

24 (Z) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 (30% of the adjusted basis of the qualified property)
27 is taken on the taxpayer's federal income tax return
28 under subsection (k) of Section 168 of the Internal
29 Revenue Code and for each applicable taxable year
30 thereafter, an amount equal to "x", where:

31 (1) "y" equals the amount of the depreciation
32 deduction taken for the taxable year on the
33 taxpayer's federal income tax return on property
34 for which the bonus depreciation deduction (30% of

1 the adjusted basis of the qualified property) was
2 taken in any year under subsection (k) of Section
3 168 of the Internal Revenue Code, but not including
4 the bonus depreciation deduction; and

5 (2) "x" equals "y" multiplied by 30 and then
6 divided by 70 (or "y" multiplied by 0.429).

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

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

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

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

27 (b) Corporations.

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

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

1 (A) An amount equal to all amounts paid or accrued
2 to the taxpayer as interest and all distributions
3 received from regulated investment companies during
4 the taxable year to the extent excluded from gross
5 income in the computation of taxable income;

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

9 (C) In the case of a regulated investment company,
10 an amount equal to the excess of (i) the net long-term
11 capital gain for the taxable year, over (ii) the amount
12 of the capital gain dividends designated as such in
13 accordance with Section 852(b)(3)(C) of the Internal
14 Revenue Code and any amount designated under Section
15 852(b)(3)(D) of the Internal Revenue Code,
16 attributable to the taxable year (this amendatory Act
17 of 1995 (Public Act 89-89) is declarative of existing
18 law and is not a new enactment);

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

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

33 (i) the addition modification relating to the
34 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall be reduced by the amount of
3 addition modification under this subparagraph (E)
4 which related to that net operating loss and which
5 was taken into account in calculating the base
6 income of an earlier taxable year, and

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

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

19 (E-5) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation costs
21 that the corporation deducted in computing adjusted
22 gross income and for which the corporation claims a
23 credit under subsection (l) of Section 201;

24 (E-10) For taxable years 2001 and thereafter, an
25 amount equal to the bonus depreciation deduction (30%
26 of the adjusted basis of the qualified property) taken
27 on the taxpayer's federal income tax return for the
28 taxable year under subsection (k) of Section 168 of the
29 Internal Revenue Code; and

30 (E-11) If the taxpayer reports a capital gain or
31 loss on the taxpayer's federal income tax return for
32 the taxable year based on a sale or transfer of
33 property for which the taxpayer was required in any
34 taxable year to make an addition modification under

1 subparagraph (E-10), then an amount equal to the
2 aggregate amount of the deductions taken in all taxable
3 years under subparagraph (T) with respect to that
4 property.~~+~~

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

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

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

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

15 (H) In the case of a regulated investment company,
16 an amount equal to the amount of exempt interest
17 dividends as defined in subsection (b) (5) of Section
18 852 of the Internal Revenue Code, paid to shareholders
19 for the taxable year;

20 (I) With the exception of any amounts subtracted
21 under subparagraph (J), an amount equal to the sum of
22 all amounts disallowed as deductions by (i) Sections
23 171(a) (2), and 265(a) (2) and amounts disallowed as
24 interest expense by Section 291(a) (3) of the Internal
25 Revenue Code, as now or hereafter amended, and all
26 amounts of expenses allocable to interest and
27 disallowed as deductions by Section 265(a) (1) of the
28 Internal Revenue Code, as now or hereafter amended; and
29 (ii) for taxable years ending on or after August 13,
30 1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and
31 832(b) (5) (B) (i) of the Internal Revenue Code; the
32 provisions of this subparagraph are exempt from the
33 provisions of Section 250;

34 (J) An amount equal to all amounts included in such

1 total which are exempt from taxation by this State
2 either by reason of its statutes or Constitution or by
3 reason of the Constitution, treaties or statutes of the
4 United States; provided that, in the case of any
5 statute of this State that exempts income derived from
6 bonds or other obligations from the tax imposed under
7 this Act, the amount exempted shall be the interest net
8 of bond premium amortization;

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

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

24 (M) For any taxpayer that is a financial
25 organization within the meaning of Section 304(c) of
26 this Act, an amount included in such total as interest
27 income from a loan or loans made by such taxpayer to a
28 borrower, to the extent that such a loan is secured by
29 property which is eligible for the Enterprise Zone
30 Investment Credit. To determine the portion of a loan
31 or loans that is secured by property eligible for a
32 Section 201(f) investment credit to the borrower, the
33 entire principal amount of the loan or loans between
34 the taxpayer and the borrower should be divided into

1 the basis of the Section 201(f) investment credit
2 property which secures the loan or loans, using for
3 this purpose the original basis of such property on the
4 date that it was placed in service in the Enterprise
5 Zone. The subtraction modification available to
6 taxpayer in any year under this subsection shall be
7 that portion of the total interest paid by the borrower
8 with respect to such loan attributable to the eligible
9 property as calculated under the previous sentence;

10 (M-1) For any taxpayer that is a financial
11 organization within the meaning of Section 304(c) of
12 this Act, an amount included in such total as interest
13 income from a loan or loans made by such taxpayer to a
14 borrower, to the extent that such a loan is secured by
15 property which is eligible for the High Impact Business
16 Investment Credit. To determine the portion of a loan
17 or loans that is secured by property eligible for a
18 Section 201(h) investment credit to the borrower, the
19 entire principal amount of the loan or loans between
20 the taxpayer and the borrower should be divided into
21 the basis of the Section 201(h) investment credit
22 property which secures the loan or loans, using for
23 this purpose the original basis of such property on the
24 date that it was placed in service in a federally
25 designated Foreign Trade Zone or Sub-Zone located in
26 Illinois. No taxpayer that is eligible for the
27 deduction provided in subparagraph (M) of paragraph
28 (2) of this subsection shall be eligible for the
29 deduction provided under this subparagraph (M-1). The
30 subtraction modification available to taxpayers in any
31 year under this subsection shall be that portion of the
32 total interest paid by the borrower with respect to
33 such loan attributable to the eligible property as
34 calculated under the previous sentence;

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

10 (O) An amount equal to: (i) 85% for taxable years
11 ending on or before December 31, 1992, or, a percentage
12 equal to the percentage allowable under Section
13 243(a)(1) of the Internal Revenue Code of 1986 for
14 taxable years ending after December 31, 1992, of the
15 amount by which dividends included in taxable income
16 and received from a corporation that is not created or
17 organized under the laws of the United States or any
18 state or political subdivision thereof, including, for
19 taxable years ending on or after December 31, 1988,
20 dividends received or deemed received or paid or deemed
21 paid under Sections 951 through 964 of the Internal
22 Revenue Code, exceed the amount of the modification
23 provided under subparagraph (G) of paragraph (2) of
24 this subsection (b) which is related to such dividends;
25 plus (ii) 100% of the amount by which dividends,
26 included in taxable income and received, including,
27 for taxable years ending on or after December 31, 1988,
28 dividends received or deemed received or paid or deemed
29 paid under Sections 951 through 964 of the Internal
30 Revenue Code, from any such corporation specified in
31 clause (i) that would but for the provisions of Section
32 1504 (b) (3) of the Internal Revenue Code be treated as
33 a member of the affiliated group which includes the
34 dividend recipient, exceed the amount of the

1 modification provided under subparagraph (G) of
2 paragraph (2) of this subsection (b) which is related
3 to such dividends;

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

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

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

22 (S) For taxable years ending on or after December
23 31, 1997, in the case of a Subchapter S corporation, an
24 amount equal to all amounts of income allocable to a
25 shareholder subject to the Personal Property Tax
26 Replacement Income Tax imposed by subsections (c) and
27 (d) of Section 201 of this Act, including amounts
28 allocable to organizations exempt from federal income
29 tax by reason of Section 501(a) of the Internal Revenue
30 Code. This subparagraph (S) is exempt from the
31 provisions of Section 250;

32 (T) For taxable years 2001 and thereafter, for the
33 taxable year in which the bonus depreciation deduction
34 (30% of the adjusted basis of the qualified property)

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

5 (1) "y" equals the amount of the depreciation
6 deduction taken for the taxable year on the
7 taxpayer's federal income tax return on property
8 for which the bonus depreciation deduction (30% of
9 the adjusted basis of the qualified property) was
10 taken in any year under subsection (k) of Section
11 168 of the Internal Revenue Code, but not including
12 the bonus depreciation deduction; and

13 (2) "x" equals "y" multiplied by 30 and then
14 divided by 70 (or "y" multiplied by 0.429).

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

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

29 The taxpayer is allowed to take the deduction under
30 this subparagraph only once with respect to any one
31 piece of property.

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

1 the gross investment income for the taxable year.

2 (c) Trusts and estates.

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

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

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

14 (B) In the case of (i) an estate, \$600; (ii) a
15 trust which, under its governing instrument, is
16 required to distribute all of its income currently,
17 \$300; and (iii) any other trust, \$100, but in each such
18 case, only to the extent such amount was deducted in
19 the computation of taxable income;

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

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

27 (E) For taxable years in which a net operating loss
28 carryback or carryforward from a taxable year ending
29 prior to December 31, 1986 is an element of taxable
30 income under paragraph (1) of subsection (e) or
31 subparagraph (E) of paragraph (2) of subsection (e),
32 the amount by which addition modifications other than
33 those provided by this subparagraph (E) exceeded

1 subtraction modifications in such taxable year, with
2 the following limitations applied in the order that
3 they are listed:

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

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

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

24 (F) For taxable years ending on or after January 1,
25 1989, an amount equal to the tax deducted pursuant to
26 Section 164 of the Internal Revenue Code if the trust
27 or estate is claiming the same tax for purposes of the
28 Illinois foreign tax credit under Section 601 of this
29 Act;

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

34 (G-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs
2 that the trust or estate deducted in computing adjusted
3 gross income and for which the trust or estate claims a
4 credit under subsection (l) of Section 201;

5 (G-10) For taxable years 2001 and thereafter, an
6 amount equal to the bonus depreciation deduction (30%
7 of the adjusted basis of the qualified property) taken
8 on the taxpayer's federal income tax return for the
9 taxable year under subsection (k) of Section 168 of the
10 Internal Revenue Code; and

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

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

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

25 (H) An amount equal to all amounts included in such
26 total pursuant to the provisions of Sections 402(a),
27 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
28 Internal Revenue Code or included in such total as
29 distributions under the provisions of any retirement
30 or disability plan for employees of any governmental
31 agency or unit, or retirement payments to retired
32 partners, which payments are excluded in computing net
33 earnings from self employment by Section 1402 of the
34 Internal Revenue Code and regulations adopted pursuant

1 thereto;

2 (I) The valuation limitation amount;

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

6 (K) An amount equal to all amounts included in
7 taxable income as modified by subparagraphs (A), (B),
8 (C), (D), (E), (F) and (G) which are exempt from
9 taxation by this State either by reason of its statutes
10 or Constitution or by reason of the Constitution,
11 treaties or statutes of the United States; provided
12 that, in the case of any statute of this State that
13 exempts income derived from bonds or other obligations
14 from the tax imposed under this Act, the amount
15 exempted shall be the interest net of bond premium
16 amortization;

17 (L) With the exception of any amounts subtracted
18 under subparagraph (K), an amount equal to the sum of
19 all amounts disallowed as deductions by (i) Sections
20 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
21 as now or hereafter amended, and all amounts of
22 expenses allocable to interest and disallowed as
23 deductions by Section 265(1) of the Internal Revenue
24 Code of 1954, as now or hereafter amended; and (ii) for
25 taxable years ending on or after August 13, 1999,
26 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
27 the Internal Revenue Code; the provisions of this
28 subparagraph are exempt from the provisions of Section
29 250;

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

1 Enterprise Zone or Zones;

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

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

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

19 (Q) For taxable year 1999 and thereafter, an amount
20 equal to the amount of any (i) distributions, to the
21 extent includible in gross income for federal income
22 tax purposes, made to the taxpayer because of his or
23 her status as a victim of persecution for racial or
24 religious reasons by Nazi Germany or any other Axis
25 regime or as an heir of the victim and (ii) items of
26 income, to the extent includible in gross income for
27 federal income tax purposes, attributable to, derived
28 from or in any way related to assets stolen from,
29 hidden from, or otherwise lost to a victim of
30 persecution for racial or religious reasons by Nazi
31 Germany or any other Axis regime immediately prior to,
32 during, and immediately after World War II, including,
33 but not limited to, interest on the proceeds receivable
34 as insurance under policies issued to a victim of

1 persecution for racial or religious reasons by Nazi
2 Germany or any other Axis regime by European insurance
3 companies immediately prior to and during World War II;
4 provided, however, this subtraction from federal
5 adjusted gross income does not apply to assets acquired
6 with such assets or with the proceeds from the sale of
7 such assets; provided, further, this paragraph shall
8 only apply to a taxpayer who was the first recipient of
9 such assets after their recovery and who is a victim of
10 persecution for racial or religious reasons by Nazi
11 Germany or any other Axis regime or as an heir of the
12 victim. The amount of and the eligibility for any
13 public assistance, benefit, or similar entitlement is
14 not affected by the inclusion of items (i) and (ii) of
15 this paragraph in gross income for federal income tax
16 purposes. This paragraph is exempt from the provisions
17 of Section 250;

18 (R) For taxable years 2001 and thereafter, for the
19 taxable year in which the bonus depreciation deduction
20 (30% of the adjusted basis of the qualified property)
21 is taken on the taxpayer's federal income tax return
22 under subsection (k) of Section 168 of the Internal
23 Revenue Code and for each applicable taxable year
24 thereafter, an amount equal to "x", where:

25 (1) "y" equals the amount of the depreciation
26 deduction taken for the taxable year on the
27 taxpayer's federal income tax return on property
28 for which the bonus depreciation deduction (30% of
29 the adjusted basis of the qualified property) was
30 taken in any year under subsection (k) of Section
31 168 of the Internal Revenue Code, but not including
32 the bonus depreciation deduction; and

33 (2) "x" equals "y" multiplied by 30 and then
34 divided by 70 (or "y" multiplied by 0.429).

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

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

15 The taxpayer is allowed to take the deduction under
16 this subparagraph only once with respect to any one
17 piece of property.

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

25 (d) Partnerships.

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

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

32 (A) An amount equal to all amounts paid or accrued
33 to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income
2 in the computation of taxable income;

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

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

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

13 (D-5) For taxable years 2001 and thereafter, an
14 amount equal to the bonus depreciation deduction (30%
15 of the adjusted basis of the qualified property) taken
16 on the taxpayer's federal income tax return for the
17 taxable year under subsection (k) of Section 168 of the
18 Internal Revenue Code; and

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

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

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

33 (E) The valuation limitation amount;

34 (F) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

3 (G) An amount equal to all amounts included in
4 taxable income as modified by subparagraphs (A), (B),
5 (C) and (D) which are exempt from taxation by this
6 State either by reason of its statutes or Constitution
7 or by reason of the Constitution, treaties or statutes
8 of the United States; provided that, in the case of any
9 statute of this State that exempts income derived from
10 bonds or other obligations from the tax imposed under
11 this Act, the amount exempted shall be the interest net
12 of bond premium amortization;

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

19 (I) An amount equal to all amounts of income
20 distributable to an entity subject to the Personal
21 Property Tax Replacement Income Tax imposed by
22 subsections (c) and (d) of Section 201 of this Act
23 including amounts distributable to organizations
24 exempt from federal income tax by reason of Section
25 501(a) of the Internal Revenue Code;

26 (J) With the exception of any amounts subtracted
27 under subparagraph (G), an amount equal to the sum of
28 all amounts disallowed as deductions by (i) Sections
29 171(a) (2), and 265(2) of the Internal Revenue Code of
30 1954, as now or hereafter amended, and all amounts of
31 expenses allocable to interest and disallowed as
32 deductions by Section 265(1) of the Internal Revenue
33 Code, as now or hereafter amended; and (ii) for taxable
34 years ending on or after August 13, 1999, Sections

1 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
2 Internal Revenue Code; the provisions of this
3 subparagraph are exempt from the provisions of Section
4 250;

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

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

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

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

29 (O) For taxable years 2001 and thereafter, for the
30 taxable year in which the bonus depreciation deduction
31 (30% of the adjusted basis of the qualified property)
32 is taken on the taxpayer's federal income tax return
33 under subsection (k) of Section 168 of the Internal
34 Revenue Code and for each applicable taxable year

1 thereafter, an amount equal to "x", where:

2 (1) "y" equals the amount of the depreciation
3 deduction taken for the taxable year on the
4 taxpayer's federal income tax return on property
5 for which the bonus depreciation deduction (30% of
6 the adjusted basis of the qualified property) was
7 taken in any year under subsection (k) of Section
8 168 of the Internal Revenue Code, but not including
9 the bonus depreciation deduction; and

10 (2) "x" equals "y" multiplied by 30 and then
11 divided by 70 (or "y" multiplied by 0.429).

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

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

26 The taxpayer is allowed to take the deduction under
27 this subparagraph only once with respect to any one
28 piece of property.

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

30 (1) In general. Subject to the provisions of paragraph
31 (2) and subsection (b) (3), for purposes of this Section
32 and Section 803(e), a taxpayer's gross income, adjusted
33 gross income, or taxable income for the taxable year shall

1 mean the amount of gross income, adjusted gross income or
2 taxable income properly reportable for federal income tax
3 purposes for the taxable year under the provisions of the
4 Internal Revenue Code. Taxable income may be less than
5 zero. However, for taxable years ending on or after
6 December 31, 1986, net operating loss carryforwards from
7 taxable years ending prior to December 31, 1986, may not
8 exceed the sum of federal taxable income for the taxable
9 year before net operating loss deduction, plus the excess
10 of addition modifications over subtraction modifications
11 for the taxable year. For taxable years ending prior to
12 December 31, 1986, taxable income may never be an amount in
13 excess of the net operating loss for the taxable year as
14 defined in subsections (c) and (d) of Section 172 of the
15 Internal Revenue Code, provided that when taxable income of
16 a corporation (other than a Subchapter S corporation),
17 trust, or estate is less than zero and addition
18 modifications, other than those provided by subparagraph
19 (E) of paragraph (2) of subsection (b) for corporations or
20 subparagraph (E) of paragraph (2) of subsection (c) for
21 trusts and estates, exceed subtraction modifications, an
22 addition modification must be made under those
23 subparagraphs for any other taxable year to which the
24 taxable income less than zero (net operating loss) is
25 applied under Section 172 of the Internal Revenue Code or
26 under subparagraph (E) of paragraph (2) of this subsection
27 (e) applied in conjunction with Section 172 of the Internal
28 Revenue Code.

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

32 (A) Certain life insurance companies. In the case
33 of a life insurance company subject to the tax imposed
34 by Section 801 of the Internal Revenue Code, life

1 insurance company taxable income, plus the amount of
2 distribution from pre-1984 policyholder surplus
3 accounts as calculated under Section 815a of the
4 Internal Revenue Code;

5 (B) Certain other insurance companies. In the case
6 of mutual insurance companies subject to the tax
7 imposed by Section 831 of the Internal Revenue Code,
8 insurance company taxable income;

9 (C) Regulated investment companies. In the case of
10 a regulated investment company subject to the tax
11 imposed by Section 852 of the Internal Revenue Code,
12 investment company taxable income;

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

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

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

34 (G) Subchapter S corporations. In the case of: (i)

1 a Subchapter S corporation for which there is in effect
2 an election for the taxable year under Section 1362 of
3 the Internal Revenue Code, the taxable income of such
4 corporation determined in accordance with Section
5 1363(b) of the Internal Revenue Code, except that
6 taxable income shall take into account those items
7 which are required by Section 1363(b)(1) of the
8 Internal Revenue Code to be separately stated; and (ii)
9 a Subchapter S corporation for which there is in effect
10 a federal election to opt out of the provisions of the
11 Subchapter S Revision Act of 1982 and have applied
12 instead the prior federal Subchapter S rules as in
13 effect on July 1, 1982, the taxable income of such
14 corporation determined in accordance with the federal
15 Subchapter S rules as in effect on July 1, 1982; and

16 (H) Partnerships. In the case of a partnership,
17 taxable income determined in accordance with Section
18 703 of the Internal Revenue Code, except that taxable
19 income shall take into account those items which are
20 required by Section 703(a)(1) to be separately stated
21 but which would be taken into account by an individual
22 in calculating his taxable income.

23 (f) Valuation limitation amount.

24 (1) In general. The valuation limitation amount
25 referred to in subsections (a) (2) (G), (c) (2) (I) and
26 (d) (2) (E) is an amount equal to:

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

32 (B) The lesser of (i) the sum of the pre-August 1,
33 1969 appreciation amounts (to the extent consisting of

1 capital gain) for all property in respect of which such
2 gain was reported for federal income tax purposes for
3 the taxable year, or (ii) the net capital gain for the
4 taxable year, reduced in either case by any amount of
5 such gain included in the amount determined under
6 subsection (a) (2) (F) or (c) (2) (H).

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

8 (A) If the fair market value of property referred
9 to in paragraph (1) was readily ascertainable on August
10 1, 1969, the pre-August 1, 1969 appreciation amount for
11 such property is the lesser of (i) the excess of such
12 fair market value over the taxpayer's basis (for
13 determining gain) for such property on that date
14 (determined under the Internal Revenue Code as in
15 effect on that date), or (ii) the total gain realized
16 and reportable for federal income tax purposes in
17 respect of the sale, exchange or other disposition of
18 such property.

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

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

33 (g) Double deductions. Unless specifically provided

1 otherwise, nothing in this Section shall permit the same item
2 to be deducted more than once.

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

12 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
13 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
14 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
15 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
16 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
17 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

18 (35 ILCS 5/247 new)

19 Sec. 247. Family Tax Credit.

20 (a) For taxable years beginning after January 1, 2005, each
21 taxpayer who is a natural person or is a married couple filing
22 jointly that reports total annual income of \$47,000 or less
23 (the "eligibility cap"), is entitled to a refundable tax credit
24 known as the Family Tax Credit in those amounts identified in
25 subsection (b) of this Section. The Family Tax Credit may be
26 claimed only upon proper filing of an Illinois State income tax
27 return by an eligible taxpayer. The eligibility cap shall
28 increase for each tax year beginning after December 31, 2005,
29 by an amount equal to the percentage increase, if any, in the
30 Consumer Price Index ("CPI") published by the U.S. Bureau of
31 Labor Statistics for the immediately preceding tax year,
32 multiplied by the eligibility cap for that immediately

1 preceding tax year.

2 (b) The amount of Family Tax Credit an eligible taxpayer
3 may claim will vary in amount, based on the following table:

4 <u>Total Annual Income</u>	<u>Credit</u>
5 <u>Less than \$16,000</u>	<u>\$200</u>
6 <u>\$16,000 or more but less than \$29,000</u>	<u>\$350</u>
7 <u>\$29,000 or more but less than \$47,001</u>	<u>\$230</u>

9 The dollar ranges of Total Annual Income identified in each
10 category, as well as the value of the credit for that category,
11 shall increase in each tax year beginning after December 31,
12 2005 by an amount equal to the applicable Total Annual Income
13 category or credit amount, as the case may be, increased by the
14 percentage increase, if any, in the CPI for the immediately
15 preceding tax year. The Department of Revenue shall update the
16 Total Annual Income category and credit amounts for the Family
17 Tax Credit annually and distribute the updated table with the
18 Illinois personal income tax returns.

19 (c) If the amount of the Family Tax Credit exceeds the
20 income tax liability of an eligible taxpayer, the State shall
21 refund to the taxpayer the difference between the Family Tax
22 Credit and the taxpayer's income tax liability.

23 (d) This Section is exempt from the provisions of Section
24 250 of this Act.

25 Section 15. The Use Tax Act is amended by changing Section
26 2 as follows:

27 (35 ILCS 105/2) (from Ch. 120, par. 439.2)

28 Sec. 2. "Use" means the exercise by any person of any right
29 or power over tangible personal property incident to the
30 ownership of that property, except that it does not include the

1 sale of such property in any form as tangible personal property
2 in the regular course of business to the extent that such
3 property is not first subjected to a use for which it was
4 purchased, and does not include the use of such property by its
5 owner for demonstration purposes: Provided that the property
6 purchased is deemed to be purchased for the purpose of resale,
7 despite first being used, to the extent to which it is resold
8 as an ingredient of an intentionally produced product or
9 by-product of manufacturing. "Use" does not mean the
10 demonstration use or interim use of tangible personal property
11 by a retailer before he sells that tangible personal property.
12 For watercraft or aircraft, if the period of demonstration use
13 or interim use by the retailer exceeds 18 months, the retailer
14 shall pay on the retailers' original cost price the tax imposed
15 by this Act, and no credit for that tax is permitted if the
16 watercraft or aircraft is subsequently sold by the retailer.
17 "Use" does not mean the physical incorporation of tangible
18 personal property, to the extent not first subjected to a use
19 for which it was purchased, as an ingredient or constituent,
20 into other tangible personal property (a) which is sold in the
21 regular course of business or (b) which the person
22 incorporating such ingredient or constituent therein has
23 undertaken at the time of such purchase to cause to be
24 transported in interstate commerce to destinations outside the
25 State of Illinois: Provided that the property purchased is
26 deemed to be purchased for the purpose of resale, despite first
27 being used, to the extent to which it is resold as an
28 ingredient of an intentionally produced product or by-product
29 of manufacturing.

30 "Watercraft" means a Class 2, Class 3, or Class 4
31 watercraft as defined in Section 3-2 of the Boat Registration
32 and Safety Act, a personal watercraft, or any boat equipped
33 with an inboard motor.

34 "Purchase at retail" means the acquisition of the ownership

1 of or title to tangible personal property through a sale at
2 retail.

3 "Purchaser" means anyone who, through a sale at retail,
4 acquires the ownership of tangible personal property for a
5 valuable consideration.

6 "Sale at retail" means any transfer of the ownership of or
7 title to tangible personal property to a purchaser, for the
8 purpose of use, and not for the purpose of resale in any form
9 as tangible personal property to the extent not first subjected
10 to a use for which it was purchased, for a valuable
11 consideration: Provided that the property purchased is deemed
12 to be purchased for the purpose of resale, despite first being
13 used, to the extent to which it is resold as an ingredient of
14 an intentionally produced product or by-product of
15 manufacturing. For this purpose, slag produced as an incident
16 to manufacturing pig iron or steel and sold is considered to be
17 an intentionally produced by-product of manufacturing. "Sale
18 at retail" includes any such transfer made for resale unless
19 made in compliance with Section 2c of the Retailers' Occupation
20 Tax Act, as incorporated by reference into Section 12 of this
21 Act. Transactions whereby the possession of the property is
22 transferred but the seller retains the title as security for
23 payment of the selling price are sales.

24 "Sale at retail" shall also be construed to include any
25 Illinois florist's sales transaction in which the purchase
26 order is received in Illinois by a florist and the sale is for
27 use or consumption, but the Illinois florist has a florist in
28 another state deliver the property to the purchaser or the
29 purchaser's donee in such other state.

30 Nonreusable tangible personal property that is used by
31 persons engaged in the business of operating a restaurant,
32 cafeteria, or drive-in is a sale for resale when it is
33 transferred to customers in the ordinary course of business as
34 part of the sale of food or beverages and is used to deliver,

1 package, or consume food or beverages, regardless of where
2 consumption of the food or beverages occurs. Examples of those
3 items include, but are not limited to nonreusable, paper and
4 plastic cups, plates, baskets, boxes, sleeves, buckets or other
5 containers, utensils, straws, placemats, napkins, doggie bags,
6 and wrapping or packaging materials that are transferred to
7 customers as part of the sale of food or beverages in the
8 ordinary course of business.

9 ~~The purchase, employment and transfer of such tangible~~
10 ~~personal property as newsprint and ink for the primary purpose~~
11 ~~of conveying news (with or without other information) is not a~~
12 ~~purchase, use or sale of tangible personal property.~~

13 "Selling price" means the consideration for a sale valued
14 in money whether received in money or otherwise, including
15 cash, credits, property other than as hereinafter provided, and
16 services, but not including the value of or credit given for
17 traded-in tangible personal property where the item that is
18 traded-in is of like kind and character as that which is being
19 sold, and shall be determined without any deduction on account
20 of the cost of the property sold, the cost of materials used,
21 labor or service cost or any other expense whatsoever, but does
22 not include interest or finance charges which appear as
23 separate items on the bill of sale or sales contract nor
24 charges that are added to prices by sellers on account of the
25 seller's tax liability under the "Retailers' Occupation Tax
26 Act", or on account of the seller's duty to collect, from the
27 purchaser, the tax that is imposed by this Act, or on account
28 of the seller's tax liability under Section 8-11-1 of the
29 Illinois Municipal Code, as heretofore and hereafter amended,
30 or on account of the seller's tax liability under the "County
31 Retailers' Occupation Tax Act". Effective December 1, 1985,
32 "selling price" shall include charges that are added to prices
33 by sellers on account of the seller's tax liability under the
34 Cigarette Tax Act, on account of the seller's duty to collect,

1 from the purchaser, the tax imposed under the Cigarette Use Tax
2 Act, and on account of the seller's duty to collect, from the
3 purchaser, any cigarette tax imposed by a home rule unit.

4 The phrase "like kind and character" shall be liberally
5 construed (including but not limited to any form of motor
6 vehicle for any form of motor vehicle, or any kind of farm or
7 agricultural implement for any other kind of farm or
8 agricultural implement), while not including a kind of item
9 which, if sold at retail by that retailer, would be exempt from
10 retailers' occupation tax and use tax as an isolated or
11 occasional sale.

12 "Department" means the Department of Revenue.

13 "Person" means any natural individual, firm, partnership,
14 association, joint stock company, joint adventure, public or
15 private corporation, limited liability company, or a receiver,
16 executor, trustee, guardian or other representative appointed
17 by order of any court.

18 "Retailer" means and includes every person engaged in the
19 business of making sales at retail as defined in this Section.

20 A person who holds himself or herself out as being engaged
21 (or who habitually engages) in selling tangible personal
22 property at retail is a retailer hereunder with respect to such
23 sales (and not primarily in a service occupation)
24 notwithstanding the fact that such person designs and produces
25 such tangible personal property on special order for the
26 purchaser and in such a way as to render the property of value
27 only to such purchaser, if such tangible personal property so
28 produced on special order serves substantially the same
29 function as stock or standard items of tangible personal
30 property that are sold at retail.

31 A person whose activities are organized and conducted
32 primarily as a not-for-profit service enterprise, and who
33 engages in selling tangible personal property at retail
34 (whether to the public or merely to members and their guests)

1 is a retailer with respect to such transactions, excepting only
2 a person organized and operated exclusively for charitable,
3 religious or educational purposes either (1), to the extent of
4 sales by such person to its members, students, patients or
5 inmates of tangible personal property to be used primarily for
6 the purposes of such person, or (2), to the extent of sales by
7 such person of tangible personal property which is not sold or
8 offered for sale by persons organized for profit. The selling
9 of school books and school supplies by schools at retail to
10 students is not "primarily for the purposes of" the school
11 which does such selling. This paragraph does not apply to nor
12 subject to taxation occasional dinners, social or similar
13 activities of a person organized and operated exclusively for
14 charitable, religious or educational purposes, whether or not
15 such activities are open to the public.

16 A person who is the recipient of a grant or contract under
17 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and
18 serves meals to participants in the federal Nutrition Program
19 for the Elderly in return for contributions established in
20 amount by the individual participant pursuant to a schedule of
21 suggested fees as provided for in the federal Act is not a
22 retailer under this Act with respect to such transactions.

23 Persons who engage in the business of transferring tangible
24 personal property upon the redemption of trading stamps are
25 retailers hereunder when engaged in such business.

26 The isolated or occasional sale of tangible personal
27 property at retail by a person who does not hold himself out as
28 being engaged (or who does not habitually engage) in selling
29 such tangible personal property at retail or a sale through a
30 bulk vending machine does not make such person a retailer
31 hereunder. However, any person who is engaged in a business
32 which is not subject to the tax imposed by the "Retailers'
33 Occupation Tax Act" because of involving the sale of or a
34 contract to sell real estate or a construction contract to

1 improve real estate, but who, in the course of conducting such
2 business, transfers tangible personal property to users or
3 consumers in the finished form in which it was purchased, and
4 which does not become real estate, under any provision of a
5 construction contract or real estate sale or real estate sales
6 agreement entered into with some other person arising out of or
7 because of such nontaxable business, is a retailer to the
8 extent of the value of the tangible personal property so
9 transferred. If, in such transaction, a separate charge is made
10 for the tangible personal property so transferred, the value of
11 such property, for the purposes of this Act, is the amount so
12 separately charged, but not less than the cost of such property
13 to the transferor; if no separate charge is made, the value of
14 such property, for the purposes of this Act, is the cost to the
15 transferor of such tangible personal property.

16 "Retailer maintaining a place of business in this State",
17 or any like term, means and includes any of the following
18 retailers:

- 19 1. A retailer having or maintaining within this State,
20 directly or by a subsidiary, an office, distribution house,
21 sales house, warehouse or other place of business, or any
22 agent or other representative operating within this State
23 under the authority of the retailer or its subsidiary,
24 irrespective of whether such place of business or agent or
25 other representative is located here permanently or
26 temporarily, or whether such retailer or subsidiary is
27 licensed to do business in this State. However, the
28 ownership of property that is located at the premises of a
29 printer with which the retailer has contracted for printing
30 and that consists of the final printed product, property
31 that becomes a part of the final printed product, or copy
32 from which the printed product is produced shall not result
33 in the retailer being deemed to have or maintain an office,
34 distribution house, sales house, warehouse, or other place

1 of business within this State.

2 2. A retailer soliciting orders for tangible personal
3 property by means of a telecommunication or television
4 shopping system (which utilizes toll free numbers) which is
5 intended by the retailer to be broadcast by cable
6 television or other means of broadcasting, to consumers
7 located in this State.

8 3. A retailer, pursuant to a contract with a
9 broadcaster or publisher located in this State, soliciting
10 orders for tangible personal property by means of
11 advertising which is disseminated primarily to consumers
12 located in this State and only secondarily to bordering
13 jurisdictions.

14 4. A retailer soliciting orders for tangible personal
15 property by mail if the solicitations are substantial and
16 recurring and if the retailer benefits from any banking,
17 financing, debt collection, telecommunication, or
18 marketing activities occurring in this State or benefits
19 from the location in this State of authorized installation,
20 servicing, or repair facilities.

21 5. A retailer that is owned or controlled by the same
22 interests that own or control any retailer engaging in
23 business in the same or similar line of business in this
24 State.

25 6. A retailer having a franchisee or licensee operating
26 under its trade name if the franchisee or licensee is
27 required to collect the tax under this Section.

28 7. A retailer, pursuant to a contract with a cable
29 television operator located in this State, soliciting
30 orders for tangible personal property by means of
31 advertising which is transmitted or distributed over a
32 cable television system in this State.

33 8. A retailer engaging in activities in Illinois, which
34 activities in the state in which the retail business

1 engaging in such activities is located would constitute
2 maintaining a place of business in that state.

3 "Bulk vending machine" means a vending machine, containing
4 unsorted confections, nuts, toys, or other items designed
5 primarily to be used or played with by children which, when a
6 coin or coins of a denomination not larger than \$0.50 are
7 inserted, are dispensed in equal portions, at random and
8 without selection by the customer.

9 (Source: P.A. 92-213, eff. 1-1-02.)

10 (35 ILCS 105/3-50 rep.) (from Ch. 120, par. 439.3-50)

11 Section 17. The Use Tax Act is amended by repealing Section
12 3-50.

13 Section 20. The Service Use Tax Act is amended by changing
14 Section 2 as follows:

15 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

16 Sec. 2. "Use" means the exercise by any person of any right
17 or power over tangible personal property incident to the
18 ownership of that property, but does not include the sale or
19 use for demonstration by him of that property in any form as
20 tangible personal property in the regular course of business.
21 "Use" does not mean the interim use of tangible personal
22 property nor the physical incorporation of tangible personal
23 property, as an ingredient or constituent, into other tangible
24 personal property, (a) which is sold in the regular course of
25 business or (b) which the person incorporating such ingredient
26 or constituent therein has undertaken at the time of such
27 purchase to cause to be transported in interstate commerce to
28 destinations outside the State of Illinois.

29 "Purchased from a serviceman" means the acquisition of the
30 ownership of, or title to, tangible personal property through a
31 sale of service.

1 "Purchaser" means any person who, through a sale of
2 service, acquires the ownership of, or title to, any tangible
3 personal property.

4 "Cost price" means the consideration paid by the serviceman
5 for a purchase valued in money, whether paid in money or
6 otherwise, including cash, credits and services, and shall be
7 determined without any deduction on account of the supplier's
8 cost of the property sold or on account of any other expense
9 incurred by the supplier. When a serviceman contracts out part
10 or all of the services required in his sale of service, it
11 shall be presumed that the cost price to the serviceman of the
12 property transferred to him or her by his or her subcontractor
13 is equal to 50% of the subcontractor's charges to the
14 serviceman in the absence of proof of the consideration paid by
15 the subcontractor for the purchase of such property.

16 "Selling price" means the consideration for a sale valued
17 in money whether received in money or otherwise, including
18 cash, credits and service, and shall be determined without any
19 deduction on account of the serviceman's cost of the property
20 sold, the cost of materials used, labor or service cost or any
21 other expense whatsoever, but does not include interest or
22 finance charges which appear as separate items on the bill of
23 sale or sales contract nor charges that are added to prices by
24 sellers on account of the seller's duty to collect, from the
25 purchaser, the tax that is imposed by this Act.

26 "Department" means the Department of Revenue.

27 "Person" means any natural individual, firm, partnership,
28 association, joint stock company, joint venture, public or
29 private corporation, limited liability company, and any
30 receiver, executor, trustee, guardian or other representative
31 appointed by order of any court.

32 "Sale of service" means any transaction except:

33 (1) a retail sale of tangible personal property taxable
34 under the Retailers' Occupation Tax Act or under the Use

1 Tax Act.

2 (2) a sale of tangible personal property for the
3 purpose of resale made in compliance with Section 2c of the
4 Retailers' Occupation Tax Act.

5 (3) except as hereinafter provided, a sale or transfer
6 of tangible personal property as an incident to the
7 rendering of service for or by any governmental body, or
8 for or by any corporation, society, association,
9 foundation or institution organized and operated
10 exclusively for charitable, religious or educational
11 purposes or any not-for-profit corporation, society,
12 association, foundation, institution or organization which
13 has no compensated officers or employees and which is
14 organized and operated primarily for the recreation of
15 persons 55 years of age or older. A limited liability
16 company may qualify for the exemption under this paragraph
17 only if the limited liability company is organized and
18 operated exclusively for educational purposes.

19 (4) a sale or transfer of tangible personal property as
20 an incident to the rendering of service for interstate
21 carriers for hire for use as rolling stock moving in
22 interstate commerce or by lessors under a lease of one year
23 or longer, executed or in effect at the time of purchase of
24 personal property, to interstate carriers for hire for use
25 as rolling stock moving in interstate commerce so long as
26 so used by such interstate carriers for hire, and equipment
27 operated by a telecommunications provider, licensed as a
28 common carrier by the Federal Communications Commission,
29 which is permanently installed in or affixed to aircraft
30 moving in interstate commerce.

31 (4a) a sale or transfer of tangible personal property
32 as an incident to the rendering of service for owners,
33 lessors, or shippers of tangible personal property which is
34 utilized by interstate carriers for hire for use as rolling

1 stock moving in interstate commerce so long as so used by
2 interstate carriers for hire, and equipment operated by a
3 telecommunications provider, licensed as a common carrier
4 by the Federal Communications Commission, which is
5 permanently installed in or affixed to aircraft moving in
6 interstate commerce.

7 (4a-5) on and after July 1, 2003, a sale or transfer of
8 a motor vehicle of the second division with a gross vehicle
9 weight in excess of 8,000 pounds as an incident to the
10 rendering of service if that motor vehicle is subject to
11 the commercial distribution fee imposed under Section
12 3-815.1 of the Illinois Vehicle Code. This exemption
13 applies to repair and replacement parts added after the
14 initial purchase of such a motor vehicle if that motor
15 vehicle is used in a manner that would qualify for the
16 rolling stock exemption otherwise provided for in this Act.

17 (5) a sale or transfer of machinery and equipment used
18 primarily in the process of the manufacturing or
19 assembling, either in an existing, an expanded or a new
20 manufacturing facility, of tangible personal property for
21 wholesale or retail sale or lease, whether such sale or
22 lease is made directly by the manufacturer or by some other
23 person, whether the materials used in the process are owned
24 by the manufacturer or some other person, or whether such
25 sale or lease is made apart from or as an incident to the
26 seller's engaging in a service occupation and the
27 applicable tax is a Service Use Tax or Service Occupation
28 Tax, rather than Use Tax or Retailers' Occupation Tax.

29 (5a) the repairing, reconditioning or remodeling, for
30 a common carrier by rail, of tangible personal property
31 which belongs to such carrier for hire, and as to which
32 such carrier receives the physical possession of the
33 repaired, reconditioned or remodeled item of tangible
34 personal property in Illinois, and which such carrier

1 transports, or shares with another common carrier in the
2 transportation of such property, out of Illinois on a
3 standard uniform bill of lading showing the person who
4 repaired, reconditioned or remodeled the property to a
5 destination outside Illinois, for use outside Illinois.

6 (5b) a sale or transfer of tangible personal property
7 which is produced by the seller thereof on special order in
8 such a way as to have made the applicable tax the Service
9 Occupation Tax or the Service Use Tax, rather than the
10 Retailers' Occupation Tax or the Use Tax, for an interstate
11 carrier by rail which receives the physical possession of
12 such property in Illinois, and which transports such
13 property, or shares with another common carrier in the
14 transportation of such property, out of Illinois on a
15 standard uniform bill of lading showing the seller of the
16 property as the shipper or consignor of such property to a
17 destination outside Illinois, for use outside Illinois.

18 (6) until July 1, 2003, a sale or transfer of
19 distillation machinery and equipment, sold as a unit or kit
20 and assembled or installed by the retailer, which machinery
21 and equipment is certified by the user to be used only for
22 the production of ethyl alcohol that will be used for
23 consumption as motor fuel or as a component of motor fuel
24 for the personal use of such user and not subject to sale
25 or resale.

26 (7) at the election of any serviceman not required to
27 be otherwise registered as a retailer under Section 2a of
28 the Retailers' Occupation Tax Act, made for each fiscal
29 year sales of service in which the aggregate annual cost
30 price of tangible personal property transferred as an
31 incident to the sales of service is less than 35%, or 75%
32 in the case of servicemen transferring prescription drugs
33 or servicemen engaged in graphic arts production, of the
34 aggregate annual total gross receipts from all sales of

1 service. The purchase of such tangible personal property by
2 the serviceman shall be subject to tax under the Retailers'
3 Occupation Tax Act and the Use Tax Act. However, if a
4 primary serviceman who has made the election described in
5 this paragraph subcontracts service work to a secondary
6 serviceman who has also made the election described in this
7 paragraph, the primary serviceman does not incur a Use Tax
8 liability if the secondary serviceman (i) has paid or will
9 pay Use Tax on his or her cost price of any tangible
10 personal property transferred to the primary serviceman
11 and (ii) certifies that fact in writing to the primary
12 serviceman.

13 Tangible personal property transferred incident to the
14 completion of a maintenance agreement is exempt from the tax
15 imposed pursuant to this Act.

16 ~~Exemption (5) also includes machinery and equipment used in~~
17 ~~the general maintenance or repair of such exempt machinery and~~
18 ~~equipment or for in house manufacture of exempt machinery and~~
19 ~~equipment. For the purposes of exemption (5), each of these~~
20 ~~terms shall have the following meanings: (1) "manufacturing~~
21 ~~process" shall mean the production of any article of tangible~~
22 ~~personal property, whether such article is a finished product~~
23 ~~or an article for use in the process of manufacturing or~~
24 ~~assembling a different article of tangible personal property,~~
25 ~~by procedures commonly regarded as manufacturing, processing,~~
26 ~~fabricating, or refining which changes some existing material~~
27 ~~or materials into a material with a different form, use or~~
28 ~~name. In relation to a recognized integrated business composed~~
29 ~~of a series of operations which collectively constitute~~
30 ~~manufacturing, or individually constitute manufacturing~~
31 ~~operations, the manufacturing process shall be deemed to~~
32 ~~commence with the first operation or stage of production in the~~
33 ~~series, and shall not be deemed to end until the completion of~~
34 ~~the final product in the last operation or stage of production~~

1 ~~in the series; and further, for purposes of exemption (5),~~
2 ~~photoprocessing is deemed to be a manufacturing process of~~
3 ~~tangible personal property for wholesale or retail sale; (2)~~
4 ~~"assembling process" shall mean the production of any article~~
5 ~~of tangible personal property, whether such article is a~~
6 ~~finished product or an article for use in the process of~~
7 ~~manufacturing or assembling a different article of tangible~~
8 ~~personal property, by the combination of existing materials in~~
9 ~~a manner commonly regarded as assembling which results in a~~
10 ~~material of a different form, use or name; (3) "machinery"~~
11 ~~shall mean major mechanical machines or major components of~~
12 ~~such machines contributing to a manufacturing or assembling~~
13 ~~process; and (4) "equipment" shall include any independent~~
14 ~~device or tool separate from any machinery but essential to an~~
15 ~~integrated manufacturing or assembly process; including~~
16 ~~computers used primarily in a manufacturer's computer assisted~~
17 ~~design, computer assisted manufacturing (CAD/CAM) system; or~~
18 ~~any subunit or assembly comprising a component of any machinery~~
19 ~~or auxiliary, adjunct or attachment parts of machinery, such as~~
20 ~~tools, dies, jigs, fixtures, patterns and molds; or any parts~~
21 ~~which require periodic replacement in the course of normal~~
22 ~~operation; but shall not include hand tools. Equipment includes~~
23 ~~chemicals or chemicals acting as catalysts but only if the~~
24 ~~chemicals or chemicals acting as catalysts effect a direct and~~
25 ~~immediate change upon a product being manufactured or assembled~~
26 ~~for wholesale or retail sale or lease. The purchaser of such~~
27 ~~machinery and equipment who has an active resale registration~~
28 ~~number shall furnish such number to the seller at the time of~~
29 ~~purchase. The user of such machinery and equipment and tools~~
30 ~~without an active resale registration number shall prepare a~~
31 ~~certificate of exemption for each transaction stating facts~~
32 ~~establishing the exemption for that transaction, which~~
33 ~~certificate shall be available to the Department for inspection~~
34 ~~or audit. The Department shall prescribe the form of the~~

1 ~~certificate.~~

2 Any informal rulings, opinions or letters issued by the
3 Department in response to an inquiry or request for any opinion
4 from any person regarding the coverage and applicability of
5 exemption (5) to specific devices shall be published,
6 maintained as a public record, and made available for public
7 inspection and copying. If the informal ruling, opinion or
8 letter contains trade secrets or other confidential
9 information, where possible the Department shall delete such
10 information prior to publication. Whenever such informal
11 rulings, opinions, or letters contain any policy of general
12 applicability, the Department shall formulate and adopt such
13 policy as a rule in accordance with the provisions of the
14 Illinois Administrative Procedure Act.

15 On and after July 1, 1987, no entity otherwise eligible
16 under exemption (3) of this Section shall make tax free
17 purchases unless it has an active exemption identification
18 number issued by the Department.

19 ~~The purchase, employment and transfer of such tangible~~
20 ~~personal property as newsprint and ink for the primary purpose~~
21 ~~of conveying news (with or without other information) is not a~~
22 ~~purchase, use or sale of service or of tangible personal~~
23 ~~property within the meaning of this Act.~~

24 "Serviceman" means any person who is engaged in the
25 occupation of making sales of service.

26 "Sale at retail" means "sale at retail" as defined in the
27 Retailers' Occupation Tax Act.

28 "Supplier" means any person who makes sales of tangible
29 personal property to servicemen for the purpose of resale as an
30 incident to a sale of service.

31 "Serviceman maintaining a place of business in this State",
32 or any like term, means and includes any serviceman:

33 1. having or maintaining within this State, directly or
34 by a subsidiary, an office, distribution house, sales

1 house, warehouse or other place of business, or any agent
2 or other representative operating within this State under
3 the authority of the serviceman or its subsidiary,
4 irrespective of whether such place of business or agent or
5 other representative is located here permanently or
6 temporarily, or whether such serviceman or subsidiary is
7 licensed to do business in this State;

8 2. soliciting orders for tangible personal property by
9 means of a telecommunication or television shopping system
10 (which utilizes toll free numbers) which is intended by the
11 retailer to be broadcast by cable television or other means
12 of broadcasting, to consumers located in this State;

13 3. pursuant to a contract with a broadcaster or
14 publisher located in this State, soliciting orders for
15 tangible personal property by means of advertising which is
16 disseminated primarily to consumers located in this State
17 and only secondarily to bordering jurisdictions;

18 4. soliciting orders for tangible personal property by
19 mail if the solicitations are substantial and recurring and
20 if the retailer benefits from any banking, financing, debt
21 collection, telecommunication, or marketing activities
22 occurring in this State or benefits from the location in
23 this State of authorized installation, servicing, or
24 repair facilities;

25 5. being owned or controlled by the same interests
26 which own or control any retailer engaging in business in
27 the same or similar line of business in this State;

28 6. having a franchisee or licensee operating under its
29 trade name if the franchisee or licensee is required to
30 collect the tax under this Section;

31 7. pursuant to a contract with a cable television
32 operator located in this State, soliciting orders for
33 tangible personal property by means of advertising which is
34 transmitted or distributed over a cable television system

1 in this State; or

2 8. engaging in activities in Illinois, which
3 activities in the state in which the supply business
4 engaging in such activities is located would constitute
5 maintaining a place of business in that state.

6 (Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24,
7 eff. 6-20-03; revised 8-21-03.)

8 Section 25. The Service Occupation Tax Act is amended by
9 changing Section 2 as follows:

10 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

11 Sec. 2. "Transfer" means any transfer of the title to
12 property or of the ownership of property whether or not the
13 transferor retains title as security for the payment of amounts
14 due him from the transferee.

15 "Cost Price" means the consideration paid by the serviceman
16 for a purchase valued in money, whether paid in money or
17 otherwise, including cash, credits and services, and shall be
18 determined without any deduction on account of the supplier's
19 cost of the property sold or on account of any other expense
20 incurred by the supplier. When a serviceman contracts out part
21 or all of the services required in his sale of service, it
22 shall be presumed that the cost price to the serviceman of the
23 property transferred to him by his or her subcontractor is
24 equal to 50% of the subcontractor's charges to the serviceman
25 in the absence of proof of the consideration paid by the
26 subcontractor for the purchase of such property.

27 "Department" means the Department of Revenue.

28 "Person" means any natural individual, firm, partnership,
29 association, joint stock company, joint venture, public or
30 private corporation, limited liability company, and any
31 receiver, executor, trustee, guardian or other representative
32 appointed by order of any court.

1 "Sale of Service" means any transaction except:

2 (a) A retail sale of tangible personal property taxable
3 under the Retailers' Occupation Tax Act or under the Use Tax
4 Act.

5 (b) A sale of tangible personal property for the purpose of
6 resale made in compliance with Section 2c of the Retailers'
7 Occupation Tax Act.

8 (c) Except as hereinafter provided, a sale or transfer of
9 tangible personal property as an incident to the rendering of
10 service for or by any governmental body or for or by any
11 corporation, society, association, foundation or institution
12 organized and operated exclusively for charitable, religious
13 or educational purposes or any not-for-profit corporation,
14 society, association, foundation, institution or organization
15 which has no compensated officers or employees and which is
16 organized and operated primarily for the recreation of persons
17 55 years of age or older. A limited liability company may
18 qualify for the exemption under this paragraph only if the
19 limited liability company is organized and operated
20 exclusively for educational purposes.

21 (d) A sale or transfer of tangible personal property as an
22 incident to the rendering of service for interstate carriers
23 for hire for use as rolling stock moving in interstate commerce
24 or lessors under leases of one year or longer, executed or in
25 effect at the time of purchase, to interstate carriers for hire
26 for use as rolling stock moving in interstate commerce, and
27 equipment operated by a telecommunications provider, licensed
28 as a common carrier by the Federal Communications Commission,
29 which is permanently installed in or affixed to aircraft moving
30 in interstate commerce.

31 (d-1) A sale or transfer of tangible personal property as
32 an incident to the rendering of service for owners, lessors or
33 shippers of tangible personal property which is utilized by
34 interstate carriers for hire for use as rolling stock moving in

1 interstate commerce, and equipment operated by a
2 telecommunications provider, licensed as a common carrier by
3 the Federal Communications Commission, which is permanently
4 installed in or affixed to aircraft moving in interstate
5 commerce.

6 (d-1.1) On and after July 1, 2003, a sale or transfer of a
7 motor vehicle of the second division with a gross vehicle
8 weight in excess of 8,000 pounds as an incident to the
9 rendering of service if that motor vehicle is subject to the
10 commercial distribution fee imposed under Section 3-815.1 of
11 the Illinois Vehicle Code. This exemption applies to repair and
12 replacement parts added after the initial purchase of such a
13 motor vehicle if that motor vehicle is used in a manner that
14 would qualify for the rolling stock exemption otherwise
15 provided for in this Act.

16 (d-2) The repairing, reconditioning or remodeling, for a
17 common carrier by rail, of tangible personal property which
18 belongs to such carrier for hire, and as to which such carrier
19 receives the physical possession of the repaired,
20 reconditioned or remodeled item of tangible personal property
21 in Illinois, and which such carrier transports, or shares with
22 another common carrier in the transportation of such property,
23 out of Illinois on a standard uniform bill of lading showing
24 the person who repaired, reconditioned or remodeled the
25 property as the shipper or consignor of such property to a
26 destination outside Illinois, for use outside Illinois.

27 (d-3) A sale or transfer of tangible personal property
28 which is produced by the seller thereof on special order in
29 such a way as to have made the applicable tax the Service
30 Occupation Tax or the Service Use Tax, rather than the
31 Retailers' Occupation Tax or the Use Tax, for an interstate
32 carrier by rail which receives the physical possession of such
33 property in Illinois, and which transports such property, or
34 shares with another common carrier in the transportation of

1 such property, out of Illinois on a standard uniform bill of
2 lading showing the seller of the property as the shipper or
3 consignor of such property to a destination outside Illinois,
4 for use outside Illinois.

5 (d-4) Until January 1, 1997, a sale, by a registered
6 serviceman paying tax under this Act to the Department, of
7 special order printed materials delivered outside Illinois and
8 which are not returned to this State, if delivery is made by
9 the seller or agent of the seller, including an agent who
10 causes the product to be delivered outside Illinois by a common
11 carrier or the U.S. postal service.

12 (e) A sale or transfer of machinery and equipment used
13 primarily in the process of the manufacturing or assembling,
14 either in an existing, an expanded or a new manufacturing
15 facility, of tangible personal property for wholesale or retail
16 sale or lease, whether such sale or lease is made directly by
17 the manufacturer or by some other person, whether the materials
18 used in the process are owned by the manufacturer or some other
19 person, or whether such sale or lease is made apart from or as
20 an incident to the seller's engaging in a service occupation
21 and the applicable tax is a Service Occupation Tax or Service
22 Use Tax, rather than Retailers' Occupation Tax or Use Tax.

23 (f) Until July 1, 2003, the sale or transfer of
24 distillation machinery and equipment, sold as a unit or kit and
25 assembled or installed by the retailer, which machinery and
26 equipment is certified by the user to be used only for the
27 production of ethyl alcohol that will be used for consumption
28 as motor fuel or as a component of motor fuel for the personal
29 use of such user and not subject to sale or resale.

30 (g) At the election of any serviceman not required to be
31 otherwise registered as a retailer under Section 2a of the
32 Retailers' Occupation Tax Act, made for each fiscal year sales
33 of service in which the aggregate annual cost price of tangible
34 personal property transferred as an incident to the sales of

1 service is less than 35% (75% in the case of servicemen
2 transferring prescription drugs or servicemen engaged in
3 graphic arts production) of the aggregate annual total gross
4 receipts from all sales of service. The purchase of such
5 tangible personal property by the serviceman shall be subject
6 to tax under the Retailers' Occupation Tax Act and the Use Tax
7 Act. However, if a primary serviceman who has made the election
8 described in this paragraph subcontracts service work to a
9 secondary serviceman who has also made the election described
10 in this paragraph, the primary serviceman does not incur a Use
11 Tax liability if the secondary serviceman (i) has paid or will
12 pay Use Tax on his or her cost price of any tangible personal
13 property transferred to the primary serviceman and (ii)
14 certifies that fact in writing to the primary serviceman.

15 Tangible personal property transferred incident to the
16 completion of a maintenance agreement is exempt from the tax
17 imposed pursuant to this Act.

18 ~~Exemption (c) also includes machinery and equipment used in~~
19 ~~the general maintenance or repair of such exempt machinery and~~
20 ~~equipment or for in-house manufacture of exempt machinery and~~
21 ~~equipment. For the purposes of exemption (c), each of these~~
22 ~~terms shall have the following meanings: (1) "manufacturing~~
23 ~~process" shall mean the production of any article of tangible~~
24 ~~personal property, whether such article is a finished product~~
25 ~~or an article for use in the process of manufacturing or~~
26 ~~assembling a different article of tangible personal property,~~
27 ~~by procedures commonly regarded as manufacturing, processing,~~
28 ~~fabricating, or refining which changes some existing material~~
29 ~~or materials into a material with a different form, use or~~
30 ~~name. In relation to a recognized integrated business composed~~
31 ~~of a series of operations which collectively constitute~~
32 ~~manufacturing, or individually constitute manufacturing~~
33 ~~operations, the manufacturing process shall be deemed to~~
34 ~~commence with the first operation or stage of production in the~~

1 ~~series, and shall not be deemed to end until the completion of~~
2 ~~the final product in the last operation or stage of production~~
3 ~~in the series; and further for purposes of exemption (e),~~
4 ~~photoprocessing is deemed to be a manufacturing process of~~
5 ~~tangible personal property for wholesale or retail sale; (2)~~
6 ~~"assembling process" shall mean the production of any article~~
7 ~~of tangible personal property, whether such article is a~~
8 ~~finished product or an article for use in the process of~~
9 ~~manufacturing or assembling a different article of tangible~~
10 ~~personal property, by the combination of existing materials in~~
11 ~~a manner commonly regarded as assembling which results in a~~
12 ~~material of a different form, use or name; (3) "machinery"~~
13 ~~shall mean major mechanical machines or major components of~~
14 ~~such machines contributing to a manufacturing or assembling~~
15 ~~process; and (4) "equipment" shall include any independent~~
16 ~~device or tool separate from any machinery but essential to an~~
17 ~~integrated manufacturing or assembly process; including~~
18 ~~computers used primarily in a manufacturer's computer assisted~~
19 ~~design, computer assisted manufacturing (CAD/CAM) system; or~~
20 ~~any subunit or assembly comprising a component of any machinery~~
21 ~~or auxiliary, adjunct or attachment parts of machinery, such as~~
22 ~~tools, dies, jigs, fixtures, patterns and molds; or any parts~~
23 ~~which require periodic replacement in the course of normal~~
24 ~~operation; but shall not include hand tools. Equipment includes~~
25 ~~chemicals or chemicals acting as catalysts but only if the~~
26 ~~chemicals or chemicals acting as catalysts effect a direct and~~
27 ~~immediate change upon a product being manufactured or assembled~~
28 ~~for wholesale or retail sale or lease. The purchaser of such~~
29 ~~machinery and equipment who has an active resale registration~~
30 ~~number shall furnish such number to the seller at the time of~~
31 ~~purchase. The purchaser of such machinery and equipment and~~
32 ~~tools without an active resale registration number shall~~
33 ~~furnish to the seller a certificate of exemption for each~~
34 ~~transaction stating facts establishing the exemption for that~~

1 ~~transaction, which certificate shall be available to the~~
2 ~~Department for inspection or audit.~~

3 Except as provided in Section 2d of this Act, the rolling
4 stock exemption applies to rolling stock used by an interstate
5 carrier for hire, even just between points in Illinois, if such
6 rolling stock transports, for hire, persons whose journeys or
7 property whose shipments originate or terminate outside
8 Illinois.

9 Any informal rulings, opinions or letters issued by the
10 Department in response to an inquiry or request for any opinion
11 from any person regarding the coverage and applicability of
12 exemption (e) to specific devices shall be published,
13 maintained as a public record, and made available for public
14 inspection and copying. If the informal ruling, opinion or
15 letter contains trade secrets or other confidential
16 information, where possible the Department shall delete such
17 information prior to publication. Whenever such informal
18 rulings, opinions, or letters contain any policy of general
19 applicability, the Department shall formulate and adopt such
20 policy as a rule in accordance with the provisions of the
21 Illinois Administrative Procedure Act.

22 On and after July 1, 1987, no entity otherwise eligible
23 under exemption (c) of this Section shall make tax free
24 purchases unless it has an active exemption identification
25 number issued by the Department.

26 "Serviceman" means any person who is engaged in the
27 occupation of making sales of service.

28 "Sale at Retail" means "sale at retail" as defined in the
29 Retailers' Occupation Tax Act.

30 "Supplier" means any person who makes sales of tangible
31 personal property to servicemen for the purpose of resale as an
32 incident to a sale of service.

33 (Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24,
34 eff. 6-20-03; revised 8-21-03.)

1 Section 30. The Retailers' Occupation Tax Act is amended by
2 changing Sections 1 and 2-5 as follows:

3 (35 ILCS 120/1) (from Ch. 120, par. 440)

4 Sec. 1. Definitions. "Sale at retail" means any transfer of
5 the ownership of or title to tangible personal property to a
6 purchaser, for the purpose of use or consumption, and not for
7 the purpose of resale in any form as tangible personal property
8 to the extent not first subjected to a use for which it was
9 purchased, for a valuable consideration: Provided that the
10 property purchased is deemed to be purchased for the purpose of
11 resale, despite first being used, to the extent to which it is
12 resold as an ingredient of an intentionally produced product or
13 byproduct of manufacturing. For this purpose, slag produced as
14 an incident to manufacturing pig iron or steel and sold is
15 considered to be an intentionally produced byproduct of
16 manufacturing. Transactions whereby the possession of the
17 property is transferred but the seller retains the title as
18 security for payment of the selling price shall be deemed to be
19 sales.

20 "Sale at retail" shall be construed to include any transfer
21 of the ownership of or title to tangible personal property to a
22 purchaser, for use or consumption by any other person to whom
23 such purchaser may transfer the tangible personal property
24 without a valuable consideration, and to include any transfer,
25 whether made for or without a valuable consideration, for
26 resale in any form as tangible personal property unless made in
27 compliance with Section 2c of this Act.

28 Sales of tangible personal property, which property, to the
29 extent not first subjected to a use for which it was purchased,
30 as an ingredient or constituent, goes into and forms a part of
31 tangible personal property subsequently the subject of a "Sale
32 at retail", are not sales at retail as defined in this Act:

1 Provided that the property purchased is deemed to be purchased
2 for the purpose of resale, despite first being used, to the
3 extent to which it is resold as an ingredient of an
4 intentionally produced product or byproduct of manufacturing.

5 "Sale at retail" shall be construed to include the
6 following Arts, Entertainment, and Recreation services, as
7 enumerated in the North American Industry Classification
8 System Manual (NAICS), 2002, prepared by the United States
9 Office of Management and Budget:

10 (1) Arts, Entertainment, and Recreation (NAICS sector
11 71); and

12 (2) Other Services (NAICS sector 81), except
13 Electronic and Precision Equipment Repair and Maintenance
14 (NAICS 8112), Commercial and Industry Machinery and
15 Equipment (except Automotive and Electronic) Repair and
16 Maintenance (NAICS 8113), Linen and Uniform Supply (NAICS
17 81233).

18 "Sale at retail" shall be construed to include any Illinois
19 florist's sales transaction in which the purchase order is
20 received in Illinois by a florist and the sale is for use or
21 consumption, but the Illinois florist has a florist in another
22 state deliver the property to the purchaser or the purchaser's
23 donee in such other state.

24 Nonreusable tangible personal property that is used by
25 persons engaged in the business of operating a restaurant,
26 cafeteria, or drive-in is a sale for resale when it is
27 transferred to customers in the ordinary course of business as
28 part of the sale of food or beverages and is used to deliver,
29 package, or consume food or beverages, regardless of where
30 consumption of the food or beverages occurs. Examples of those
31 items include, but are not limited to nonreusable, paper and
32 plastic cups, plates, baskets, boxes, sleeves, buckets or other
33 containers, utensils, straws, placemats, napkins, doggie bags,
34 and wrapping or packaging materials that are transferred to

1 customers as part of the sale of food or beverages in the
2 ordinary course of business.

3 ~~The purchase, employment and transfer of such tangible~~
4 ~~personal property as newsprint and ink for the primary purpose~~
5 ~~of conveying news (with or without other information) is not a~~
6 ~~purchase, use or sale of tangible personal property.~~

7 A person whose activities are organized and conducted
8 primarily as a not-for-profit service enterprise, and who
9 engages in selling tangible personal property at retail
10 (whether to the public or merely to members and their guests)
11 is engaged in the business of selling tangible personal
12 property at retail with respect to such transactions, excepting
13 only a person organized and operated exclusively for
14 charitable, religious or educational purposes either (1), to
15 the extent of sales by such person to its members, students,
16 patients or inmates of tangible personal property to be used
17 primarily for the purposes of such person, or (2), to the
18 extent of sales by such person of tangible personal property
19 which is not sold or offered for sale by persons organized for
20 profit. The selling of school books and school supplies by
21 schools at retail to students is not "primarily for the
22 purposes of" the school which does such selling. The provisions
23 of this paragraph shall not apply to nor subject to taxation
24 occasional dinners, socials or similar activities of a person
25 organized and operated exclusively for charitable, religious
26 or educational purposes, whether or not such activities are
27 open to the public.

28 A person who is the recipient of a grant or contract under
29 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and
30 serves meals to participants in the federal Nutrition Program
31 for the Elderly in return for contributions established in
32 amount by the individual participant pursuant to a schedule of
33 suggested fees as provided for in the federal Act is not
34 engaged in the business of selling tangible personal property

1 at retail with respect to such transactions.

2 "Purchaser" means anyone who, through a sale at retail,
3 acquires the ownership of or title to tangible personal
4 property for a valuable consideration.

5 "Reseller of motor fuel" means any person engaged in the
6 business of selling or delivering or transferring title of
7 motor fuel to another person other than for use or consumption.
8 No person shall act as a reseller of motor fuel within this
9 State without first being registered as a reseller pursuant to
10 Section 2c or a retailer pursuant to Section 2a.

11 "Selling price" or the "amount of sale" means the
12 consideration for a sale valued in money whether received in
13 money or otherwise, including cash, credits, property, other
14 than as hereinafter provided, and services, but not including
15 the value of or credit given for traded-in tangible personal
16 property where the item that is traded-in is of like kind and
17 character as that which is being sold, and shall be determined
18 without any deduction on account of the cost of the property
19 sold, the cost of materials used, labor or service cost or any
20 other expense whatsoever, but does not include charges that are
21 added to prices by sellers on account of the seller's tax
22 liability under this Act, or on account of the seller's duty to
23 collect, from the purchaser, the tax that is imposed by the Use
24 Tax Act, or on account of the seller's tax liability under
25 Section 8-11-1 of the Illinois Municipal Code, as heretofore
26 and hereafter amended, or on account of the seller's tax
27 liability under the County Retailers' Occupation Tax Act, or on
28 account of the seller's tax liability under the Home Rule
29 Municipal Soft Drink Retailers' Occupation Tax, or on account
30 of the seller's tax liability under any tax imposed under the
31 "Regional Transportation Authority Act", approved December 12,
32 1973. Effective December 1, 1985, "selling price" shall include
33 charges that are added to prices by sellers on account of the
34 seller's tax liability under the Cigarette Tax Act, on account

1 of the sellers' duty to collect, from the purchaser, the tax
2 imposed under the Cigarette Use Tax Act, and on account of the
3 seller's duty to collect, from the purchaser, any cigarette tax
4 imposed by a home rule unit.

5 The phrase "like kind and character" shall be liberally
6 construed (including but not limited to any form of motor
7 vehicle for any form of motor vehicle, or any kind of farm or
8 agricultural implement for any other kind of farm or
9 agricultural implement), while not including a kind of item
10 which, if sold at retail by that retailer, would be exempt from
11 retailers' occupation tax and use tax as an isolated or
12 occasional sale.

13 "Gross receipts" from the sales of tangible personal
14 property at retail means the total selling price or the amount
15 of such sales, as hereinbefore defined. In the case of charge
16 and time sales, the amount thereof shall be included only as
17 and when payments are received by the seller. Receipts or other
18 consideration derived by a seller from the sale, transfer or
19 assignment of accounts receivable to a wholly owned subsidiary
20 will not be deemed payments prior to the time the purchaser
21 makes payment on such accounts.

22 "Department" means the Department of Revenue.

23 "Person" means any natural individual, firm, partnership,
24 association, joint stock company, joint adventure, public or
25 private corporation, limited liability company, or a receiver,
26 executor, trustee, guardian or other representative appointed
27 by order of any court.

28 The isolated or occasional sale of tangible personal
29 property at retail by a person who does not hold himself out as
30 being engaged (or who does not habitually engage) in selling
31 such tangible personal property at retail, or a sale through a
32 bulk vending machine, does not constitute engaging in a
33 business of selling such tangible personal property at retail
34 within the meaning of this Act; provided that any person who is

1 engaged in a business which is not subject to the tax imposed
2 by this Act because of involving the sale of or a contract to
3 sell real estate or a construction contract to improve real
4 estate or a construction contract to engineer, install, and
5 maintain an integrated system of products, but who, in the
6 course of conducting such business, transfers tangible
7 personal property to users or consumers in the finished form in
8 which it was purchased, and which does not become real estate
9 or was not engineered and installed, under any provision of a
10 construction contract or real estate sale or real estate sales
11 agreement entered into with some other person arising out of or
12 because of such nontaxable business, is engaged in the business
13 of selling tangible personal property at retail to the extent
14 of the value of the tangible personal property so transferred.
15 If, in such a transaction, a separate charge is made for the
16 tangible personal property so transferred, the value of such
17 property, for the purpose of this Act, shall be the amount so
18 separately charged, but not less than the cost of such property
19 to the transferor; if no separate charge is made, the value of
20 such property, for the purposes of this Act, is the cost to the
21 transferor of such tangible personal property. Construction
22 contracts for the improvement of real estate consisting of
23 engineering, installation, and maintenance of voice, data,
24 video, security, and all telecommunication systems do not
25 constitute engaging in a business of selling tangible personal
26 property at retail within the meaning of this Act if they are
27 sold at one specified contract price.

28 A person who holds himself or herself out as being engaged
29 (or who habitually engages) in selling tangible personal
30 property at retail is a person engaged in the business of
31 selling tangible personal property at retail hereunder with
32 respect to such sales (and not primarily in a service
33 occupation) notwithstanding the fact that such person designs
34 and produces such tangible personal property on special order

1 for the purchaser and in such a way as to render the property
2 of value only to such purchaser, if such tangible personal
3 property so produced on special order serves substantially the
4 same function as stock or standard items of tangible personal
5 property that are sold at retail.

6 Persons who engage in the business of transferring tangible
7 personal property upon the redemption of trading stamps are
8 engaged in the business of selling such property at retail and
9 shall be liable for and shall pay the tax imposed by this Act
10 on the basis of the retail value of the property transferred
11 upon redemption of such stamps.

12 "Bulk vending machine" means a vending machine, containing
13 unsorted confections, nuts, toys, or other items designed
14 primarily to be used or played with by children which, when a
15 coin or coins of a denomination not larger than \$0.50 are
16 inserted, are dispensed in equal portions, at random and
17 without selection by the customer.

18 (Source: P.A. 92-213, eff. 1-1-02.)

19 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

20 Sec. 2-5. Exemptions. Gross receipts from proceeds from the
21 sale of the following tangible personal property are exempt
22 from the tax imposed by this Act:

23 (1) Farm chemicals.

24 (2) Farm machinery and equipment, both new and used,
25 including that manufactured on special order, certified by the
26 purchaser to be used primarily for production agriculture or
27 State or federal agricultural programs, including individual
28 replacement parts for the machinery and equipment, including
29 machinery and equipment purchased for lease, and including
30 implements of husbandry defined in Section 1-130 of the
31 Illinois Vehicle Code, farm machinery and agricultural
32 chemical and fertilizer spreaders, and nurse wagons required to
33 be registered under Section 3-809 of the Illinois Vehicle Code,

1 but excluding other motor vehicles required to be registered
2 under the Illinois Vehicle Code. Horticultural polyhouses or
3 hoop houses used for propagating, growing, or overwintering
4 plants shall be considered farm machinery and equipment under
5 this item (2). Agricultural chemical tender tanks and dry boxes
6 shall include units sold separately from a motor vehicle
7 required to be licensed and units sold mounted on a motor
8 vehicle required to be licensed, if the selling price of the
9 tender is separately stated.

10 Farm machinery and equipment shall include precision
11 farming equipment that is installed or purchased to be
12 installed on farm machinery and equipment including, but not
13 limited to, tractors, harvesters, sprayers, planters, seeders,
14 or spreaders. Precision farming equipment includes, but is not
15 limited to, soil testing sensors, computers, monitors,
16 software, global positioning and mapping systems, and other
17 such equipment.

18 Farm machinery and equipment also includes computers,
19 sensors, software, and related equipment used primarily in the
20 computer-assisted operation of production agriculture
21 facilities, equipment, and activities such as, but not limited
22 to, the collection, monitoring, and correlation of animal and
23 crop data for the purpose of formulating animal diets and
24 agricultural chemicals. This item (7) is exempt from the
25 provisions of Section 2-70.

26 (3) Until July 1, 2003, distillation machinery and
27 equipment, sold as a unit or kit, assembled or installed by the
28 retailer, certified by the user to be used only for the
29 production of ethyl alcohol that will be used for consumption
30 as motor fuel or as a component of motor fuel for the personal
31 use of the user, and not subject to sale or resale.

32 (4) Until July 1, 2003, graphic arts machinery and
33 equipment, including repair and replacement parts, both new and
34 used, and including that manufactured on special order or

1 purchased for lease, certified by the purchaser to be used
2 primarily for graphic arts production. Equipment includes
3 chemicals or chemicals acting as catalysts but only if the
4 chemicals or chemicals acting as catalysts effect a direct and
5 immediate change upon a graphic arts product.

6 (5) (Blank). ~~A motor vehicle of the first division, a motor
7 vehicle of the second division that is a self-contained motor
8 vehicle designed or permanently converted to provide living
9 quarters for recreational, camping, or travel use, with direct
10 walk through access to the living quarters from the driver's
11 seat, or a motor vehicle of the second division that is of the
12 van configuration designed for the transportation of not less
13 than 7 nor more than 16 passengers, as defined in Section 1-146
14 of the Illinois Vehicle Code, that is used for automobile
15 renting, as defined in the Automobile Renting Occupation and
16 Use Tax Act.~~

17 (6) Personal property sold by a teacher-sponsored student
18 organization affiliated with an elementary or secondary school
19 located in Illinois.

20 (7) Until July 1, 2003, proceeds of that portion of the
21 selling price of a passenger car the sale of which is subject
22 to the Replacement Vehicle Tax.

23 (8) Personal property sold to an Illinois county fair
24 association for use in conducting, operating, or promoting the
25 county fair.

26 (9) Personal property sold to a not-for-profit arts or
27 cultural organization that establishes, by proof required by
28 the Department by rule, that it has received an exemption under
29 Section 501(c)(3) of the Internal Revenue Code and that is
30 organized and operated primarily for the presentation or
31 support of arts or cultural programming, activities, or
32 services. These organizations include, but are not limited to,
33 music and dramatic arts organizations such as symphony
34 orchestras and theatrical groups, arts and cultural service

1 organizations, local arts councils, visual arts organizations,
2 and media arts organizations. On and after the effective date
3 of this amendatory Act of the 92nd General Assembly, however,
4 an entity otherwise eligible for this exemption shall not make
5 tax-free purchases unless it has an active identification
6 number issued by the Department.

7 (10) Personal property sold by a corporation, society,
8 association, foundation, institution, or organization, other
9 than a limited liability company, that is organized and
10 operated as a not-for-profit service enterprise for the benefit
11 of persons 65 years of age or older if the personal property
12 was not purchased by the enterprise for the purpose of resale
13 by the enterprise.

14 (11) Personal property sold to a governmental body, to a
15 corporation, society, association, foundation, or institution
16 organized and operated exclusively for charitable, religious,
17 or educational purposes, or to a not-for-profit corporation,
18 society, association, foundation, institution, or organization
19 that has no compensated officers or employees and that is
20 organized and operated primarily for the recreation of persons
21 55 years of age or older. A limited liability company may
22 qualify for the exemption under this paragraph only if the
23 limited liability company is organized and operated
24 exclusively for educational purposes. On and after July 1,
25 1987, however, no entity otherwise eligible for this exemption
26 shall make tax-free purchases unless it has an active
27 identification number issued by the Department.

28 (12) Tangible personal property sold to interstate
29 carriers for hire for use as rolling stock moving in interstate
30 commerce or to lessors under leases of one year or longer
31 executed or in effect at the time of purchase by interstate
32 carriers for hire for use as rolling stock moving in interstate
33 commerce and equipment operated by a telecommunications
34 provider, licensed as a common carrier by the Federal

1 Communications Commission, which is permanently installed in
2 or affixed to aircraft moving in interstate commerce.

3 (12-5) On and after July 1, 2003, motor vehicles of the
4 second division with a gross vehicle weight in excess of 8,000
5 pounds that are subject to the commercial distribution fee
6 imposed under Section 3-815.1 of the Illinois Vehicle Code.
7 This exemption applies to repair and replacement parts added
8 after the initial purchase of such a motor vehicle if that
9 motor vehicle is used in a manner that would qualify for the
10 rolling stock exemption otherwise provided for in this Act.

11 (13) Proceeds from sales to owners, lessors, or shippers of
12 tangible personal property that is utilized by interstate
13 carriers for hire for use as rolling stock moving in interstate
14 commerce and equipment operated by a telecommunications
15 provider, licensed as a common carrier by the Federal
16 Communications Commission, which is permanently installed in
17 or affixed to aircraft moving in interstate commerce.

18 (14) ~~(Blank). Machinery and equipment that will be used by~~
19 ~~the purchaser, or a lessee of the purchaser, primarily in the~~
20 ~~process of manufacturing or assembling tangible personal~~
21 ~~property for wholesale or retail sale or lease, whether the~~
22 ~~sale or lease is made directly by the manufacturer or by some~~
23 ~~other person, whether the materials used in the process are~~
24 ~~owned by the manufacturer or some other person, or whether the~~
25 ~~sale or lease is made apart from or as an incident to the~~
26 ~~seller's engaging in the service occupation of producing~~
27 ~~machines, tools, dies, jigs, patterns, gauges, or other similar~~
28 ~~items of no commercial value on special order for a particular~~
29 ~~purchaser.~~

30 (15) Proceeds of mandatory service charges separately
31 stated on customers' bills for purchase and consumption of food
32 and beverages, to the extent that the proceeds of the service
33 charge are in fact turned over as tips or as a substitute for
34 tips to the employees who participate directly in preparing,

1 serving, hosting or cleaning up the food or beverage function
2 with respect to which the service charge is imposed.

3 (16) Petroleum products sold to a purchaser if the seller
4 is prohibited by federal law from charging tax to the
5 purchaser.

6 (17) Tangible personal property sold to a common carrier by
7 rail or motor that receives the physical possession of the
8 property in Illinois and that transports the property, or
9 shares with another common carrier in the transportation of the
10 property, out of Illinois on a standard uniform bill of lading
11 showing the seller of the property as the shipper or consignor
12 of the property to a destination outside Illinois, for use
13 outside Illinois.

14 (18) Legal tender, currency, medallions, or gold or silver
15 coinage issued by the State of Illinois, the government of the
16 United States of America, or the government of any foreign
17 country, and bullion.

18 (19) Until July 1 2003, oil field exploration, drilling,
19 and production equipment, including (i) rigs and parts of rigs,
20 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
21 tubular goods, including casing and drill strings, (iii) pumps
22 and pump-jack units, (iv) storage tanks and flow lines, (v) any
23 individual replacement part for oil field exploration,
24 drilling, and production equipment, and (vi) machinery and
25 equipment purchased for lease; but excluding motor vehicles
26 required to be registered under the Illinois Vehicle Code.

27 (20) Photoprocessing machinery and equipment, including
28 repair and replacement parts, both new and used, including that
29 manufactured on special order, certified by the purchaser to be
30 used primarily for photoprocessing, and including
31 photoprocessing machinery and equipment purchased for lease.

32 (21) Until July 1, 2003, coal exploration, mining,
33 offhighway hauling, processing, maintenance, and reclamation
34 equipment, including replacement parts and equipment, and

1 including equipment purchased for lease, but excluding motor
2 vehicles required to be registered under the Illinois Vehicle
3 Code.

4 (22) Fuel and petroleum products sold to or used by an air
5 carrier, certified by the carrier to be used for consumption,
6 shipment, or storage in the conduct of its business as an air
7 common carrier, for a flight destined for or returning from a
8 location or locations outside the United States without regard
9 to previous or subsequent domestic stopovers.

10 (23) A transaction in which the purchase order is received
11 by a florist who is located outside Illinois, but who has a
12 florist located in Illinois deliver the property to the
13 purchaser or the purchaser's donee in Illinois.

14 (24) Fuel consumed or used in the operation of ships,
15 barges, or vessels that are used primarily in or for the
16 transportation of property or the conveyance of persons for
17 hire on rivers bordering on this State if the fuel is delivered
18 by the seller to the purchaser's barge, ship, or vessel while
19 it is afloat upon that bordering river.

20 (25) A motor vehicle sold in this State to a nonresident
21 even though the motor vehicle is delivered to the nonresident
22 in this State, if the motor vehicle is not to be titled in this
23 State, and if a drive-away permit is issued to the motor
24 vehicle as provided in Section 3-603 of the Illinois Vehicle
25 Code or if the nonresident purchaser has vehicle registration
26 plates to transfer to the motor vehicle upon returning to his
27 or her home state. The issuance of the drive-away permit or
28 having the out-of-state registration plates to be transferred
29 is prima facie evidence that the motor vehicle will not be
30 titled in this State.

31 (26) Semen used for artificial insemination of livestock
32 for direct agricultural production.

33 (27) Horses, or interests in horses, registered with and
34 meeting the requirements of any of the Arabian Horse Club

1 Registry of America, Appaloosa Horse Club, American Quarter
2 Horse Association, United States Trotting Association, or
3 Jockey Club, as appropriate, used for purposes of breeding or
4 racing for prizes.

5 (28) Computers and communications equipment utilized for
6 any hospital purpose and equipment used in the diagnosis,
7 analysis, or treatment of hospital patients sold to a lessor
8 who leases the equipment, under a lease of one year or longer
9 executed or in effect at the time of the purchase, to a
10 hospital that has been issued an active tax exemption
11 identification number by the Department under Section 1g of
12 this Act.

13 (29) Personal property sold to a lessor who leases the
14 property, under a lease of one year or longer executed or in
15 effect at the time of the purchase, to a governmental body that
16 has been issued an active tax exemption identification number
17 by the Department under Section 1g of this Act.

18 (30) Beginning with taxable years ending on or after
19 December 31, 1995 and ending with taxable years ending on or
20 before December 31, 2004, personal property that is donated for
21 disaster relief to be used in a State or federally declared
22 disaster area in Illinois or bordering Illinois by a
23 manufacturer or retailer that is registered in this State to a
24 corporation, society, association, foundation, or institution
25 that has been issued a sales tax exemption identification
26 number by the Department that assists victims of the disaster
27 who reside within the declared disaster area.

28 (31) Beginning with taxable years ending on or after
29 December 31, 1995 and ending with taxable years ending on or
30 before December 31, 2004, personal property that is used in the
31 performance of infrastructure repairs in this State, including
32 but not limited to municipal roads and streets, access roads,
33 bridges, sidewalks, waste disposal systems, water and sewer
34 line extensions, water distribution and purification

1 facilities, storm water drainage and retention facilities, and
2 sewage treatment facilities, resulting from a State or
3 federally declared disaster in Illinois or bordering Illinois
4 when such repairs are initiated on facilities located in the
5 declared disaster area within 6 months after the disaster.

6 (32) Beginning July 1, 1999, game or game birds sold at a
7 "game breeding and hunting preserve area" or an "exotic game
8 hunting area" as those terms are used in the Wildlife Code or
9 at a hunting enclosure approved through rules adopted by the
10 Department of Natural Resources. This paragraph is exempt from
11 the provisions of Section 2-70.

12 (33) A motor vehicle, as that term is defined in Section
13 1-146 of the Illinois Vehicle Code, that is donated to a
14 corporation, limited liability company, society, association,
15 foundation, or institution that is determined by the Department
16 to be organized and operated exclusively for educational
17 purposes. For purposes of this exemption, "a corporation,
18 limited liability company, society, association, foundation,
19 or institution organized and operated exclusively for
20 educational purposes" means all tax-supported public schools,
21 private schools that offer systematic instruction in useful
22 branches of learning by methods common to public schools and
23 that compare favorably in their scope and intensity with the
24 course of study presented in tax-supported schools, and
25 vocational or technical schools or institutes organized and
26 operated exclusively to provide a course of study of not less
27 than 6 weeks duration and designed to prepare individuals to
28 follow a trade or to pursue a manual, technical, mechanical,
29 industrial, business, or commercial occupation.

30 (34) Beginning January 1, 2000, personal property,
31 including food, purchased through fundraising events for the
32 benefit of a public or private elementary or secondary school,
33 a group of those schools, or one or more school districts if
34 the events are sponsored by an entity recognized by the school

1 district that consists primarily of volunteers and includes
2 parents and teachers of the school children. This paragraph
3 does not apply to fundraising events (i) for the benefit of
4 private home instruction or (ii) for which the fundraising
5 entity purchases the personal property sold at the events from
6 another individual or entity that sold the property for the
7 purpose of resale by the fundraising entity and that profits
8 from the sale to the fundraising entity. This paragraph is
9 exempt from the provisions of Section 2-70.

10 (35) Beginning January 1, 2000 and through December 31,
11 2001, new or used automatic vending machines that prepare and
12 serve hot food and beverages, including coffee, soup, and other
13 items, and replacement parts for these machines. Beginning
14 January 1, 2002 and through June 30, 2003, machines and parts
15 for machines used in commercial, coin-operated amusement and
16 vending business if a use or occupation tax is paid on the
17 gross receipts derived from the use of the commercial,
18 coin-operated amusement and vending machines. This paragraph
19 is exempt from the provisions of Section 2-70.

20 (35-5) Food for human consumption that is to be consumed
21 off the premises where it is sold (other than alcoholic
22 beverages, soft drinks, and food that has been prepared for
23 immediate consumption) and prescription and nonprescription
24 medicines, drugs, medical appliances, and insulin, urine
25 testing materials, syringes, and needles used by diabetics, for
26 human use, when purchased for use by a person receiving medical
27 assistance under Article 5 of the Illinois Public Aid Code who
28 resides in a licensed long-term care facility, as defined in
29 the Nursing Home Care Act.

30 (36) Beginning August 2, 2001, computers and
31 communications equipment utilized for any hospital purpose and
32 equipment used in the diagnosis, analysis, or treatment of
33 hospital patients sold to a lessor who leases the equipment,
34 under a lease of one year or longer executed or in effect at

1 the time of the purchase, to a hospital that has been issued an
2 active tax exemption identification number by the Department
3 under Section 1g of this Act. This paragraph is exempt from the
4 provisions of Section 2-70.

5 (37) Beginning August 2, 2001, personal property sold to a
6 lessor who leases the property, under a lease of one year or
7 longer executed or in effect at the time of the purchase, to a
8 governmental body that has been issued an active tax exemption
9 identification number by the Department under Section 1g of
10 this Act. This paragraph is exempt from the provisions of
11 Section 2-70.

12 (38) Beginning on January 1, 2002, tangible personal
13 property purchased from an Illinois retailer by a taxpayer
14 engaged in centralized purchasing activities in Illinois who
15 will, upon receipt of the property in Illinois, temporarily
16 store the property in Illinois (i) for the purpose of
17 subsequently transporting it outside this State for use or
18 consumption thereafter solely outside this State or (ii) for
19 the purpose of being processed, fabricated, or manufactured
20 into, attached to, or incorporated into other tangible personal
21 property to be transported outside this State and thereafter
22 used or consumed solely outside this State. The Director of
23 Revenue shall, pursuant to rules adopted in accordance with the
24 Illinois Administrative Procedure Act, issue a permit to any
25 taxpayer in good standing with the Department who is eligible
26 for the exemption under this paragraph (38). The permit issued
27 under this paragraph (38) shall authorize the holder, to the
28 extent and in the manner specified in the rules adopted under
29 this Act, to purchase tangible personal property from a
30 retailer exempt from the taxes imposed by this Act. Taxpayers
31 shall maintain all necessary books and records to substantiate
32 the use and consumption of all such tangible personal property
33 outside of the State of Illinois.

34 (Source: P.A. 92-16, eff. 6-28-01; 92-35, eff. 7-1-01; 92-227,

1 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
2 92-488, eff. 8-23-01; 92-651, eff. 7-11-02; 92-680, eff.
3 7-16-02; 93-23, eff. 6-20-03; 93-24, eff. 6-20-03; revised
4 9-11-03.)

5 (35 ILCS 120/1d rep.) (from Ch. 120, par. 440d)

6 (35 ILCS 120/1f rep.) (from Ch. 120, par. 440f)

7 Section 33. The Retailers' Occupation Tax Act is amended by
8 repealing Sections 1d and 1f.

9 Section 35. The Property Tax Code is amended by changing
10 Sections 18-255, 20-15, and 21-30 and by adding Section 18-178
11 as follows:

12 (35 ILCS 200/18-178 new)

13 Sec. 18-178. Education tax abatement. Beginning with taxes
14 levied for 2003 (payable in 2004), the county clerk must
15 determine the final extension for educational purposes for all
16 taxable property in a school district located in the county or
17 for the taxable property of that part of a school district
18 located in the county, taking into account the maximum rate,
19 levy, and extension authorized under the Property Tax Extension
20 Limitation Law, the Truth in Taxation Law, and any other
21 statute. The county clerk must then abate the extension for
22 educational purposes for each school district or part of a
23 school district in the county by the amount of the minimum
24 property tax relief grant and, if applicable, the supplemental
25 property tax relief grant, certified to the county clerk for
26 that school district or part of a school district by the
27 Department of Revenue under Section 6z-65 of the State Finance
28 Act. When the final extension for educational purposes has been
29 determined and abated, the county clerk must notify the
30 Department of Revenue. The county clerk must determine the
31 prorated portion of the certified minimum and, if applicable,

1 supplemental property tax relief grants allocable to each
2 taxpayer in a given school district based on the tax rate for
3 educational purposes for that school district and the aggregate
4 relief granted to that school district. The extension amount
5 for educational purposes, as originally calculated before
6 abatement, is the official, final extension for educational
7 purposes and must be used for all other purposes, including
8 determining the maximum rate, levy, and extension authorized
9 under the Property Tax Extension Limitation Law, the Truth in
10 Taxation Law, and any other statute and the maximum amount of
11 tax anticipation warrants under Sections 17-16 and 34-23 of the
12 School Code.

13 (35 ILCS 200/18-255)

14 Sec. 18-255. Abstract of assessments and extensions. When
15 the collector's books are completed, the county clerk shall
16 make a complete statement of the assessment and extensions, in
17 conformity to the instructions of the Department. The clerk
18 shall certify the statement to the Department. Beginning with
19 the 2003 levy year, the Department shall require the statement
20 to include a separate listing of the amount of any extension
21 that is abated under Section 18-178 of this Act.

22 (Source: Laws 1943, vol. 1, p. 1136; P.A. 88-455.)

23 (35 ILCS 200/20-15)

24 Sec. 20-15. Information on bill or separate statement. The
25 amount of tax due and rates shown on the tax bill pursuant to
26 this Section shall be net of any abatement under Section
27 18-178. There shall be printed on each bill, or on a separate
28 slip which shall be mailed with the bill:

29 (a) a statement itemizing the rate at which taxes have
30 been extended for each of the taxing districts in the
31 county in whose district the property is located, and in
32 those counties utilizing electronic data processing

1 equipment the dollar amount of tax due from the person
2 assessed allocable to each of those taxing districts,
3 including a separate statement of the dollar amount of tax
4 due which is allocable to a tax levied under the Illinois
5 Local Library Act or to any other tax levied by a
6 municipality or township for public library purposes,

7 (b) a separate statement for each of the taxing
8 districts of the dollar amount of tax due which is
9 allocable to a tax levied under the Illinois Pension Code
10 or to any other tax levied by a municipality or township
11 for public pension or retirement purposes,

12 (c) the total tax rate,

13 (d) the total amount of tax due, ~~and~~

14 (e) the amount by which the total tax and the tax
15 allocable to each taxing district differs from the
16 taxpayer's last prior tax bill, and

17 (f) the amount of tax abated under Section 18-178
18 labeled "Portion of your Education Related Property Taxes
19 paid by the State of Illinois".

20 The county treasurer shall ensure that only those taxing
21 districts in which a parcel of property is located shall be
22 listed on the bill for that property.

23 In all counties the statement shall also provide:

24 (1) the property index number or other suitable
25 description,

26 (2) the assessment of the property,

27 (3) the equalization factors imposed by the county and
28 by the Department, and

29 (4) the equalized assessment resulting from the
30 application of the equalization factors to the basic
31 assessment.

32 In all counties which do not classify property for purposes
33 of taxation, for property on which a single family residence is
34 situated the statement shall also include a statement to

1 reflect the fair cash value determined for the property. In all
2 counties which classify property for purposes of taxation in
3 accordance with Section 4 of Article IX of the Illinois
4 Constitution, for parcels of residential property in the lowest
5 assessment classification the statement shall also include a
6 statement to reflect the fair cash value determined for the
7 property.

8 In all counties, the statement shall include information
9 that certain taxpayers may be eligible for the Senior Citizens
10 and Disabled Persons Property Tax Relief and Pharmaceutical
11 Assistance Act and that applications are available from the
12 Illinois Department of Revenue.

13 In counties which use the estimated or accelerated billing
14 methods, these statements shall only be provided with the final
15 installment of taxes due, except that the statement under item
16 (f) shall be included with both installments in those counties
17 under estimated or accelerated billing methods, the first
18 billing showing the amount deducted from the first installment,
19 and the final billing showing the total tax abated for the levy
20 year under Section 18-178. The provisions of this Section
21 create a mandatory statutory duty. They are not merely
22 directory or discretionary. The failure or neglect of the
23 collector to mail the bill, or the failure of the taxpayer to
24 receive the bill, shall not affect the validity of any tax, or
25 the liability for the payment of any tax.

26 (Source: P.A. 91-699, eff. 1-1-01.)

27 (35 ILCS 200/21-30)

28 Sec. 21-30. Accelerated billing. Except as provided in this
29 Section, Section 9-260, and Section 21-40, in counties with
30 3,000,000 or more inhabitants, by January 31 annually,
31 estimated tax bills setting out the first installment of
32 property taxes for the preceding year, payable in that year,
33 shall be prepared and mailed. The first installment of taxes on

1 the estimated tax bills shall be computed at 50% of the total
2 of each tax bill before the abatement of taxes under Section
3 18-178 for the preceding year, less an estimate of one-half of
4 the minimum school district property tax relief grant for the
5 current year determined based on information available. If,
6 prior to the preparation of the estimated tax bills, a
7 certificate of error has been either approved by a court on or
8 before November 30 of the preceding year or certified pursuant
9 to Section 14-15 on or before November 30 of the preceding
10 year, then the first installment of taxes on the estimated tax
11 bills shall be computed at 50% of the total taxes before the
12 abatement of taxes under Section 18-178 for the preceding year
13 as corrected by the certificate of error, less an estimate of
14 one-half of the minimum school district property tax relief
15 grant for the current year determined based on information
16 available. By June 30 annually, actual tax bills shall be
17 prepared and mailed. These bills shall set out total taxes due
18 and the amount of estimated taxes billed in the first
19 installment, and shall state the balance of taxes due for that
20 year as represented by the sum derived from subtracting the
21 amount of the first installment from the total taxes due for
22 that year.

23 The county board may provide by ordinance, in counties with
24 3,000,000 or more inhabitants, for taxes to be paid in 4
25 installments. For the levy year for which the ordinance is
26 first effective and each subsequent year, estimated tax bills
27 setting out the first, second, and third installment of taxes
28 for the preceding year, payable in that year, shall be prepared
29 and mailed not later than the date specified by ordinance. Each
30 installment on estimated tax bills shall be computed at 25% of
31 the total of each tax bill for the preceding year. By the date
32 specified in the ordinance, actual tax bills shall be prepared
33 and mailed. These bills shall set out total taxes due and the
34 amount of estimated taxes billed in the first, second, and

1 third installments and shall state the balance of taxes due for
2 that year as represented by the sum derived from subtracting
3 the amount of the estimated installments from the total taxes
4 due for that year.

5 The county board of any county with less than 3,000,000
6 inhabitants may, by ordinance or resolution, adopt an
7 accelerated method of tax billing. The county board may
8 subsequently rescind the ordinance or resolution and revert to
9 the method otherwise provided for in this Code.

10 Taxes levied on homestead property in which a member of the
11 National Guard or reserves of the armed forces of the United
12 States who was called to active duty on or after August 1,
13 1990, and who has an ownership interest shall not be deemed
14 delinquent and no interest shall accrue or be charged as a
15 penalty on such taxes due and payable in 1991 or 1992 until one
16 year after that member returns to civilian status.

17 (Source: P.A. 92-475, eff. 8-23-01; 93-560, eff. 8-20-03.)

18 Section 40. The Motor Fuel Tax Law is amended by changing
19 Section 2b as follows:

20 (35 ILCS 505/2b) (from Ch. 120, par. 418b)

21 Sec. 2b. In addition to the tax collection and reporting
22 responsibilities imposed elsewhere in this Act, a person who is
23 required to pay the tax imposed by Section 2a of this Act shall
24 pay the tax to the Department by return showing all fuel
25 purchased, acquired or received and sold, distributed or used
26 during the preceding calendar month including losses of fuel as
27 the result of evaporation or shrinkage due to temperature
28 variations, and such other reasonable information as the
29 Department may require. Losses of fuel as the result of
30 evaporation or shrinkage due to temperature variations may not
31 exceed 1% of the total gallons in storage at the beginning of
32 the month, plus the receipts of gallonage during the month,

1 minus the gallonage remaining in storage at the end of the
2 month. Any loss reported that is in excess of this amount shall
3 be subject to the tax imposed by Section 2a of this Law. On and
4 after July 1, 2001, for each 6-month period January through
5 June, net losses of fuel (for each category of fuel that is
6 required to be reported on a return) as the result of
7 evaporation or shrinkage due to temperature variations may not
8 exceed 1% of the total gallons in storage at the beginning of
9 each January, plus the receipts of gallonage each January
10 through June, minus the gallonage remaining in storage at the
11 end of each June. On and after July 1, 2001, for each 6-month
12 period July through December, net losses of fuel (for each
13 category of fuel that is required to be reported on a return)
14 as the result of evaporation or shrinkage due to temperature
15 variations may not exceed 1% of the total gallons in storage at
16 the beginning of each July, plus the receipts of gallonage each
17 July through December, minus the gallonage remaining in storage
18 at the end of each December. Any net loss reported that is in
19 excess of this amount shall be subject to the tax imposed by
20 Section 2a of this Law. For purposes of this Section, "net
21 loss" means the number of gallons gained through temperature
22 variations minus the number of gallons lost through temperature
23 variations or evaporation for each of the respective 6-month
24 periods.

25 The return shall be prescribed by the Department and shall
26 be filed between the 1st and 20th days of each calendar month.
27 The Department may, in its discretion, combine the returns
28 filed under this Section, Section 5, and Section 5a of this
29 Act. The return must be accompanied by appropriate
30 computer-generated magnetic media supporting schedule data in
31 the format required by the Department, unless, as provided by
32 rule, the Department grants an exception upon petition of a
33 taxpayer. ~~If the return is filed timely, the seller shall take~~
34 ~~a discount of 2% through June 30, 2003 and 1.75% thereafter~~

1 ~~which is allowed to reimburse the seller for the expenses~~
2 ~~incurred in keeping records, preparing and filing returns,~~
3 ~~collecting and remitting the tax and supplying data to the~~
4 ~~Department on request. The discount, however, shall be~~
5 ~~applicable only to the amount of payment which accompanies a~~
6 ~~return that is filed timely in accordance with this Section.~~

7 (Source: P.A. 92-30, eff. 7-1-01; 93-32, eff. 6-20-03.)

8 Section 45. The School Code is amended by changing Section
9 18-8.05 and by adding Sections 18-8.10 and 18-25 as follows:

10 (105 ILCS 5/18-8.05)

11 Sec. 18-8.05. Basis for apportionment of general State
12 financial aid and supplemental general State aid to the common
13 schools for the 1998-1999 and subsequent school years.

14 (A) General Provisions.

15 (1) The provisions of this Section apply to the 1998-1999
16 and subsequent school years. The system of general State
17 financial aid provided for in this Section is designed to
18 assure that, through a combination of State financial aid and
19 required local resources, the financial support provided each
20 pupil in Average Daily Attendance equals or exceeds a
21 prescribed per pupil Foundation Level. This formula approach
22 imputes a level of per pupil Available Local Resources and
23 provides for the basis to calculate a per pupil level of
24 general State financial aid that, when added to Available Local
25 Resources, equals or exceeds the Foundation Level. The amount
26 of per pupil general State financial aid for school districts,
27 in general, varies in inverse relation to Available Local
28 Resources. Per pupil amounts are based upon each school
29 district's Average Daily Attendance as that term is defined in
30 this Section.

31 (2) In addition to general State financial aid, school

1 districts with specified levels or concentrations of pupils
2 from low income households are eligible to receive supplemental
3 general State financial aid grants as provided pursuant to
4 subsection (H). The supplemental State aid grants provided for
5 school districts under subsection (H) shall be appropriated for
6 distribution to school districts as part of the same line item
7 in which the general State financial aid of school districts is
8 appropriated under this Section.

9 (3) To receive financial assistance under this Section,
10 school districts are required to file claims with the State
11 Board of Education, subject to the following requirements:

12 (a) Any school district which fails for any given
13 school year to maintain school as required by law, or to
14 maintain a recognized school is not eligible to file for
15 such school year any claim upon the Common School Fund. In
16 case of nonrecognition of one or more attendance centers in
17 a school district otherwise operating recognized schools,
18 the claim of the district shall be reduced in the
19 proportion which the Average Daily Attendance in the
20 attendance center or centers bear to the Average Daily
21 Attendance in the school district. A "recognized school"
22 means any public school which meets the standards as
23 established for recognition by the State Board of
24 Education. A school district or attendance center not
25 having recognition status at the end of a school term is
26 entitled to receive State aid payments due upon a legal
27 claim which was filed while it was recognized.

28 (b) School district claims filed under this Section are
29 subject to Sections 18-9, 18-10, and 18-12, except as
30 otherwise provided in this Section.

31 (c) If a school district operates a full year school
32 under Section 10-19.1, the general State aid to the school
33 district shall be determined by the State Board of
34 Education in accordance with this Section as near as may be

1 applicable.

2 (d) (Blank).

3 (4) Except as provided in subsections (H) and (L), the
4 board of any district receiving any of the grants provided for
5 in this Section may apply those funds to any fund so received
6 for which that board is authorized to make expenditures by law.

7 School districts are not required to exert a minimum
8 Operating Tax Rate in order to qualify for assistance under
9 this Section.

10 (5) As used in this Section the following terms, when
11 capitalized, shall have the meaning ascribed herein:

12 (a) "Average Daily Attendance": A count of pupil
13 attendance in school, averaged as provided for in
14 subsection (C) and utilized in deriving per pupil financial
15 support levels.

16 (b) "Available Local Resources": A computation of
17 local financial support, calculated on the basis of Average
18 Daily Attendance and derived as provided pursuant to
19 subsection (D).

20 (c) "Corporate Personal Property Replacement Taxes":
21 Funds paid to local school districts pursuant to "An Act in
22 relation to the abolition of ad valorem personal property
23 tax and the replacement of revenues lost thereby, and
24 amending and repealing certain Acts and parts of Acts in
25 connection therewith", certified August 14, 1979, as
26 amended (Public Act 81-1st S.S.-1).

27 (c-5) "ECI" means the Employment Cost Index as
28 published by the U.S. Bureau of Labor Statistics.

29 (d) "Foundation Level": A prescribed level of per pupil
30 financial support as provided for in subsection (B).

31 (e) "Operating Tax Rate": All school district property
32 taxes extended for all purposes, except Bond and Interest,
33 Summer School, Rent, Capital Improvement, and Vocational
34 Education Building purposes.

1 (B) Foundation Level.

2 (1) The Foundation Level is a figure established by the
3 State representing the minimum level of per pupil financial
4 support that should be available to provide for the basic
5 education of each pupil in Average Daily Attendance. As set
6 forth in this Section, each school district is assumed to exert
7 a sufficient local taxing effort such that, in combination with
8 the aggregate of general State financial aid provided the
9 district, an aggregate of State and local resources are
10 available to meet the basic education needs of pupils in the
11 district.

12 (2) For the 1998-1999 school year, the Foundation Level of
13 support is \$4,225. For the 1999-2000 school year, the
14 Foundation Level of support is \$4,325. For the 2000-2001 school
15 year, the Foundation Level of support is \$4,425.

16 (3) For the 2001-2002 school year and 2002-2003 school
17 year, the Foundation Level of support is \$4,560.

18 (4) For the 2003-2004 and 2004-2005 school years ~~year and~~
19 ~~each school year thereafter~~, the Foundation Level of support is
20 \$4,810 ~~or such greater amount as may be established by law by~~
21 ~~the General Assembly~~.

22 (5) For the 2005-2006 school year, the Foundation Level of
23 support is \$5,952. For each school year thereafter, the
24 Foundation Level of support shall be equal to the Foundation
25 Level of support for the immediately preceding school year,
26 increased by the percentage increase, if any, in the ECI
27 published for the immediately preceding school year, or such
28 greater amount as may be established by law by the General
29 Assembly.

30 (C) Average Daily Attendance.

31 (1) For purposes of calculating general State aid pursuant
32 to subsection (E), an Average Daily Attendance figure shall be

1 utilized. The Average Daily Attendance figure for formula
2 calculation purposes shall be the monthly average of the actual
3 number of pupils in attendance of each school district, as
4 further averaged for the best 3 months of pupil attendance for
5 each school district. In compiling the figures for the number
6 of pupils in attendance, school districts and the State Board
7 of Education shall, for purposes of general State aid funding,
8 conform attendance figures to the requirements of subsection
9 (F).

10 (2) The Average Daily Attendance figures utilized in
11 subsection (E) shall be the requisite attendance data for the
12 school year immediately preceding the school year for which
13 general State aid is being calculated or the average of the
14 attendance data for the 3 preceding school years, whichever is
15 greater. The Average Daily Attendance figures utilized in
16 subsection (H) shall be the requisite attendance data for the
17 school year immediately preceding the school year for which
18 general State aid is being calculated.

19 (D) Available Local Resources.

20 (1) For purposes of calculating general State aid pursuant
21 to subsection (E), a representation of Available Local
22 Resources per pupil, as that term is defined and determined in
23 this subsection, shall be utilized. Available Local Resources
24 per pupil shall include a calculated dollar amount representing
25 local school district revenues from local property taxes and
26 from Corporate Personal Property Replacement Taxes, expressed
27 on the basis of pupils in Average Daily Attendance.

28 (2) In determining a school district's revenue from local
29 property taxes, the State Board of Education shall utilize the
30 equalized assessed valuation of all taxable property of each
31 school district as of September 30 of the previous year. The
32 equalized assessed valuation utilized shall be obtained and
33 determined as provided in subsection (G).

1 (3) For school districts maintaining grades kindergarten
2 through 12, local property tax revenues per pupil shall be
3 calculated as the product of the applicable equalized assessed
4 valuation for the district multiplied by 3.00%, and divided by
5 the district's Average Daily Attendance figure. For school
6 districts maintaining grades kindergarten through 8, local
7 property tax revenues per pupil shall be calculated as the
8 product of the applicable equalized assessed valuation for the
9 district multiplied by 2.30%, and divided by the district's
10 Average Daily Attendance figure. For school districts
11 maintaining grades 9 through 12, local property tax revenues
12 per pupil shall be the applicable equalized assessed valuation
13 of the district multiplied by 1.05%, and divided by the
14 district's Average Daily Attendance figure.

15 (4) The Corporate Personal Property Replacement Taxes paid
16 to each school district during the calendar year 2 years before
17 the calendar year in which a school year begins, divided by the
18 Average Daily Attendance figure for that district, shall be
19 added to the local property tax revenues per pupil as derived
20 by the application of the immediately preceding paragraph (3).
21 The sum of these per pupil figures for each school district
22 shall constitute Available Local Resources as that term is
23 utilized in subsection (E) in the calculation of general State
24 aid.

25 (E) Computation of General State Aid.

26 (1) For each school year, the amount of general State aid
27 allotted to a school district shall be computed by the State
28 Board of Education as provided in this subsection.

29 (2) For any school district for which Available Local
30 Resources per pupil is less than the product of 0.93 times the
31 Foundation Level, general State aid for that district shall be
32 calculated as an amount equal to the Foundation Level minus
33 Available Local Resources, multiplied by the Average Daily

1 Attendance of the school district.

2 (3) For any school district for which Available Local
3 Resources per pupil is equal to or greater than the product of
4 0.93 times the Foundation Level and less than the product of
5 1.75 times the Foundation Level, the general State aid per
6 pupil shall be a decimal proportion of the Foundation Level
7 derived using a linear algorithm. Under this linear algorithm,
8 the calculated general State aid per pupil shall decline in
9 direct linear fashion from 0.07 times the Foundation Level for
10 a school district with Available Local Resources equal to the
11 product of 0.93 times the Foundation Level, to 0.05 times the
12 Foundation Level for a school district with Available Local
13 Resources equal to the product of 1.75 times the Foundation
14 Level. The allocation of general State aid for school districts
15 subject to this paragraph 3 shall be the calculated general
16 State aid per pupil figure multiplied by the Average Daily
17 Attendance of the school district.

18 (4) For any school district for which Available Local
19 Resources per pupil equals or exceeds the product of 1.75 times
20 the Foundation Level, the general State aid for the school
21 district shall be calculated as the product of \$218 multiplied
22 by the Average Daily Attendance of the school district.

23 (5) The amount of general State aid allocated to a school
24 district for the 1999-2000 school year meeting the requirements
25 set forth in paragraph (4) of subsection (G) shall be increased
26 by an amount equal to the general State aid that would have
27 been received by the district for the 1998-1999 school year by
28 utilizing the Extension Limitation Equalized Assessed
29 Valuation as calculated in paragraph (4) of subsection (G) less
30 the general State aid allotted for the 1998-1999 school year.
31 This amount shall be deemed a one time increase, and shall not
32 affect any future general State aid allocations.

33 (F) Compilation of Average Daily Attendance.

1 (1) Each school district shall, by July 1 of each year,
2 submit to the State Board of Education, on forms prescribed by
3 the State Board of Education, attendance figures for the school
4 year that began in the preceding calendar year. The attendance
5 information so transmitted shall identify the average daily
6 attendance figures for each month of the school year. Beginning
7 with the general State aid claim form for the 2002-2003 school
8 year, districts shall calculate Average Daily Attendance as
9 provided in subdivisions (a), (b), and (c) of this paragraph
10 (1).

11 (a) In districts that do not hold year-round classes,
12 days of attendance in August shall be added to the month of
13 September and any days of attendance in June shall be added
14 to the month of May.

15 (b) In districts in which all buildings hold year-round
16 classes, days of attendance in July and August shall be
17 added to the month of September and any days of attendance
18 in June shall be added to the month of May.

19 (c) In districts in which some buildings, but not all,
20 hold year-round classes, for the non-year-round buildings,
21 days of attendance in August shall be added to the month of
22 September and any days of attendance in June shall be added
23 to the month of May. The average daily attendance for the
24 year-round buildings shall be computed as provided in
25 subdivision (b) of this paragraph (1). To calculate the
26 Average Daily Attendance for the district, the average
27 daily attendance for the year-round buildings shall be
28 multiplied by the days in session for the non-year-round
29 buildings for each month and added to the monthly
30 attendance of the non-year-round buildings.

31 Except as otherwise provided in this Section, days of
32 attendance by pupils shall be counted only for sessions of not
33 less than 5 clock hours of school work per day under direct
34 supervision of: (i) teachers, or (ii) non-teaching personnel or

1 volunteer personnel when engaging in non-teaching duties and
2 supervising in those instances specified in subsection (a) of
3 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils
4 of legal school age and in kindergarten and grades 1 through
5 12.

6 Days of attendance by tuition pupils shall be accredited
7 only to the districts that pay the tuition to a recognized
8 school.

9 (2) Days of attendance by pupils of less than 5 clock hours
10 of school shall be subject to the following provisions in the
11 compilation of Average Daily Attendance.

12 (a) Pupils regularly enrolled in a public school for
13 only a part of the school day may be counted on the basis
14 of 1/6 day for every class hour of instruction of 40
15 minutes or more attended pursuant to such enrollment,
16 unless a pupil is enrolled in a block-schedule format of 80
17 minutes or more of instruction, in which case the pupil may
18 be counted on the basis of the proportion of minutes of
19 school work completed each day to the minimum number of
20 minutes that school work is required to be held that day.

21 (b) Days of attendance may be less than 5 clock hours
22 on the opening and closing of the school term, and upon the
23 first day of pupil attendance, if preceded by a day or days
24 utilized as an institute or teachers' workshop.

25 (c) A session of 4 or more clock hours may be counted
26 as a day of attendance upon certification by the regional
27 superintendent, and approved by the State Superintendent
28 of Education to the extent that the district has been
29 forced to use daily multiple sessions.

30 (d) A session of 3 or more clock hours may be counted
31 as a day of attendance (1) when the remainder of the school
32 day or at least 2 hours in the evening of that day is
33 utilized for an in-service training program for teachers,
34 up to a maximum of 5 days per school year of which a

1 maximum of 4 days of such 5 days may be used for
2 parent-teacher conferences, provided a district conducts
3 an in-service training program for teachers which has been
4 approved by the State Superintendent of Education; or, in
5 lieu of 4 such days, 2 full days may be used, in which
6 event each such day may be counted as a day of attendance;
7 and (2) when days in addition to those provided in item (1)
8 are scheduled by a school pursuant to its school
9 improvement plan adopted under Article 34 or its revised or
10 amended school improvement plan adopted under Article 2,
11 provided that (i) such sessions of 3 or more clock hours
12 are scheduled to occur at regular intervals, (ii) the
13 remainder of the school days in which such sessions occur
14 are utilized for in-service training programs or other
15 staff development activities for teachers, and (iii) a
16 sufficient number of minutes of school work under the
17 direct supervision of teachers are added to the school days
18 between such regularly scheduled sessions to accumulate
19 not less than the number of minutes by which such sessions
20 of 3 or more clock hours fall short of 5 clock hours. Any
21 full days used for the purposes of this paragraph shall not
22 be considered for computing average daily attendance. Days
23 scheduled for in-service training programs, staff
24 development activities, or parent-teacher conferences may
25 be scheduled separately for different grade levels and
26 different attendance centers of the district.

27 (e) A session of not less than one clock hour of
28 teaching hospitalized or homebound pupils on-site or by
29 telephone to the classroom may be counted as 1/2 day of
30 attendance, however these pupils must receive 4 or more
31 clock hours of instruction to be counted for a full day of
32 attendance.

33 (f) A session of at least 4 clock hours may be counted
34 as a day of attendance for first grade pupils, and pupils

1 in full day kindergartens, and a session of 2 or more hours
2 may be counted as 1/2 day of attendance by pupils in
3 kindergartens which provide only 1/2 day of attendance.

4 (g) For children with disabilities who are below the
5 age of 6 years and who cannot attend 2 or more clock hours
6 because of their disability or immaturity, a session of not
7 less than one clock hour may be counted as 1/2 day of
8 attendance; however for such children whose educational
9 needs so require a session of 4 or more clock hours may be
10 counted as a full day of attendance.

11 (h) A recognized kindergarten which provides for only
12 1/2 day of attendance by each pupil shall not have more
13 than 1/2 day of attendance counted in any one day. However,
14 kindergartens may count 2 1/2 days of attendance in any 5
15 consecutive school days. When a pupil attends such a
16 kindergarten for 2 half days on any one school day, the
17 pupil shall have the following day as a day absent from
18 school, unless the school district obtains permission in
19 writing from the State Superintendent of Education.
20 Attendance at kindergartens which provide for a full day of
21 attendance by each pupil shall be counted the same as
22 attendance by first grade pupils. Only the first year of
23 attendance in one kindergarten shall be counted, except in
24 case of children who entered the kindergarten in their
25 fifth year whose educational development requires a second
26 year of kindergarten as determined under the rules and
27 regulations of the State Board of Education.

28 (G) Equalized Assessed Valuation Data.

29 (1) For purposes of the calculation of Available Local
30 Resources required pursuant to subsection (D), the State Board
31 of Education shall secure from the Department of Revenue the
32 value as equalized or assessed by the Department of Revenue of
33 all taxable property of every school district, together with

1 (i) the applicable tax rate used in extending taxes for the
2 funds of the district as of September 30 of the previous year
3 and (ii) the limiting rate for all school districts subject to
4 property tax extension limitations as imposed under the
5 Property Tax Extension Limitation Law.

6 This equalized assessed valuation, as adjusted further by
7 the requirements of this subsection, shall be utilized in the
8 calculation of Available Local Resources.

9 (2) The equalized assessed valuation in paragraph (1) shall
10 be adjusted, as applicable, in the following manner:

11 (a) For the purposes of calculating State aid under
12 this Section, with respect to any part of a school district
13 within a redevelopment project area in respect to which a
14 municipality has adopted tax increment allocation
15 financing pursuant to the Tax Increment Allocation
16 Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11
17 of the Illinois Municipal Code or the Industrial Jobs
18 Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the
19 Illinois Municipal Code, no part of the current equalized
20 assessed valuation of real property located in any such
21 project area which is attributable to an increase above the
22 total initial equalized assessed valuation of such
23 property shall be used as part of the equalized assessed
24 valuation of the district, until such time as all
25 redevelopment project costs have been paid, as provided in
26 Section 11-74.4-8 of the Tax Increment Allocation
27 Redevelopment Act or in Section 11-74.6-35 of the
28 Industrial Jobs Recovery Law. For the purpose of the
29 equalized assessed valuation of the district, the total
30 initial equalized assessed valuation or the current
31 equalized assessed valuation, whichever is lower, shall be
32 used until such time as all redevelopment project costs
33 have been paid.

34 (b) The real property equalized assessed valuation for

1 a school district shall be adjusted by subtracting from the
2 real property value as equalized or assessed by the
3 Department of Revenue for the district an amount computed
4 by dividing the amount of any abatement of taxes under
5 Section 18-170 of the Property Tax Code by 3.00% for a
6 district maintaining grades kindergarten through 12, by
7 2.30% for a district maintaining grades kindergarten
8 through 8, or by 1.05% for a district maintaining grades 9
9 through 12 and adjusted by an amount computed by dividing
10 the amount of any abatement of taxes under subsection (a)
11 of Section 18-165 of the Property Tax Code by the same
12 percentage rates for district type as specified in this
13 subparagraph (b).

14 (3) For the 1999-2000 school year and each school year
15 thereafter, if a school district meets all of the criteria of
16 this subsection (G) (3), the school district's Available Local
17 Resources shall be calculated under subsection (D) using the
18 district's Extension Limitation Equalized Assessed Valuation
19 as calculated under this subsection (G) (3).

20 For purposes of this subsection (G) (3) the following terms
21 shall have the following meanings:

22 "Budget Year": The school year for which general State
23 aid is calculated and awarded under subsection (E).

24 "Base Tax Year": The property tax levy year used to
25 calculate the Budget Year allocation of general State aid.

26 "Preceding Tax Year": The property tax levy year
27 immediately preceding the Base Tax Year.

28 "Base Tax Year's Tax Extension": The product of the
29 equalized assessed valuation utilized by the County Clerk
30 in the Base Tax Year multiplied by the limiting rate as
31 calculated by the County Clerk and defined in the Property
32 Tax Extension Limitation Law.

33 "Preceding Tax Year's Tax Extension": The product of
34 the equalized assessed valuation utilized by the County

1 Clerk in the Preceding Tax Year multiplied by the Operating
2 Tax Rate as defined in subsection (A).

3 "Extension Limitation Ratio": A numerical ratio,
4 certified by the County Clerk, in which the numerator is
5 the Base Tax Year's Tax Extension and the denominator is
6 the Preceding Tax Year's Tax Extension.

7 "Operating Tax Rate": The operating tax rate as defined
8 in subsection (A).

9 If a school district is subject to property tax extension
10 limitations as imposed under the Property Tax Extension
11 Limitation Law, the State Board of Education shall calculate
12 the Extension Limitation Equalized Assessed Valuation of that
13 district. For the 1999-2000 school year, the Extension
14 Limitation Equalized Assessed Valuation of a school district as
15 calculated by the State Board of Education shall be equal to
16 the product of the district's 1996 Equalized Assessed Valuation
17 and the district's Extension Limitation Ratio. For the
18 2000-2001 school year and each school year thereafter, the
19 Extension Limitation Equalized Assessed Valuation of a school
20 district as calculated by the State Board of Education shall be
21 equal to the product of the Equalized Assessed Valuation last
22 used in the calculation of general State aid and the district's
23 Extension Limitation Ratio. If the Extension Limitation
24 Equalized Assessed Valuation of a school district as calculated
25 under this subsection (G) (3) is less than the district's
26 equalized assessed valuation as calculated pursuant to
27 subsections (G) (1) and (G) (2), then for purposes of calculating
28 the district's general State aid for the Budget Year pursuant
29 to subsection (E), that Extension Limitation Equalized
30 Assessed Valuation shall be utilized to calculate the
31 district's Available Local Resources under subsection (D).

32 (4) For the purposes of calculating general State aid for
33 the 1999-2000 school year only, if a school district
34 experienced a triennial reassessment on the equalized assessed

1 valuation used in calculating its general State financial aid
2 apportionment for the 1998-1999 school year, the State Board of
3 Education shall calculate the Extension Limitation Equalized
4 Assessed Valuation that would have been used to calculate the
5 district's 1998-1999 general State aid. This amount shall equal
6 the product of the equalized assessed valuation used to
7 calculate general State aid for the 1997-1998 school year and
8 the district's Extension Limitation Ratio. If the Extension
9 Limitation Equalized Assessed Valuation of the school district
10 as calculated under this paragraph (4) is less than the
11 district's equalized assessed valuation utilized in
12 calculating the district's 1998-1999 general State aid
13 allocation, then for purposes of calculating the district's
14 general State aid pursuant to paragraph (5) of subsection (E),
15 that Extension Limitation Equalized Assessed Valuation shall
16 be utilized to calculate the district's Available Local
17 Resources.

18 (5) For school districts having a majority of their
19 equalized assessed valuation in any county except Cook, DuPage,
20 Kane, Lake, McHenry, or Will, if the amount of general State
21 aid allocated to the school district for the 1999-2000 school
22 year under the provisions of subsection (E), (H), and (J) of
23 this Section is less than the amount of general State aid
24 allocated to the district for the 1998-1999 school year under
25 these subsections, then the general State aid of the district
26 for the 1999-2000 school year only shall be increased by the
27 difference between these amounts. The total payments made under
28 this paragraph (5) shall not exceed \$14,000,000. Claims shall
29 be prorated if they exceed \$14,000,000.

30 (H) Supplemental General State Aid.

31 (1) In addition to the general State aid a school district
32 is allotted pursuant to subsection (E), qualifying school
33 districts shall receive a grant, paid in conjunction with a

1 district's payments of general State aid, for supplemental
2 general State aid based upon the concentration level of
3 children from low-income households within the school
4 district. Supplemental State aid grants provided for school
5 districts under this subsection shall be appropriated for
6 distribution to school districts as part of the same line item
7 in which the general State financial aid of school districts is
8 appropriated under this Section. If the appropriation in any
9 fiscal year for general State aid and supplemental general
10 State aid is insufficient to pay the amounts required under the
11 general State aid and supplemental general State aid
12 calculations, then the State Board of Education shall ensure
13 that each school district receives the full amount due for
14 general State aid and the remainder of the appropriation shall
15 be used for supplemental general State aid, which the State
16 Board of Education shall calculate and pay to eligible
17 districts on a prorated basis.

18 (1.5) This paragraph (1.5) applies only to those school
19 years preceding the 2003-2004 school year. For purposes of this
20 subsection (H), the term "Low-Income Concentration Level"
21 shall be the low-income eligible pupil count from the most
22 recently available federal census divided by the Average Daily
23 Attendance of the school district. If, however, (i) the
24 percentage decrease from the 2 most recent federal censuses in
25 the low-income eligible pupil count of a high school district
26 with fewer than 400 students exceeds by 75% or more the
27 percentage change in the total low-income eligible pupil count
28 of contiguous elementary school districts, whose boundaries
29 are coterminous with the high school district, or (ii) a high
30 school district within 2 counties and serving 5 elementary
31 school districts, whose boundaries are coterminous with the
32 high school district, has a percentage decrease from the 2 most
33 recent federal censuses in the low-income eligible pupil count
34 and there is a percentage increase in the total low-income

1 eligible pupil count of a majority of the elementary school
2 districts in excess of 50% from the 2 most recent federal
3 censuses, then the high school district's low-income eligible
4 pupil count from the earlier federal census shall be the number
5 used as the low-income eligible pupil count for the high school
6 district, for purposes of this subsection (H). The changes made
7 to this paragraph (1) by Public Act 92-28 shall apply to
8 supplemental general State aid grants for school years
9 preceding the 2003-2004 school year that are paid in fiscal
10 year 1999 or thereafter and to any State aid payments made in
11 fiscal year 1994 through fiscal year 1998 pursuant to
12 subsection 1(n) of Section 18-8 of this Code (which was
13 repealed on July 1, 1998), and any high school district that is
14 affected by Public Act 92-28 is entitled to a recomputation of
15 its supplemental general State aid grant or State aid paid in
16 any of those fiscal years. This recomputation shall not be
17 affected by any other funding.

18 (1.10) This paragraph (1.10) applies to the 2003-2004
19 school year and each school year thereafter. For purposes of
20 this subsection (H), the term "Low-Income Concentration Level"
21 shall, for each fiscal year, be the low-income eligible pupil
22 count as of July 1 of the immediately preceding fiscal year (as
23 determined by the Department of Human Services based on the
24 number of pupils who are eligible for at least one of the
25 following low income programs: Medicaid, KidCare, TANF, or Food
26 Stamps, excluding pupils who are eligible for services provided
27 by the Department of Children and Family Services, averaged
28 over the 2 immediately preceding fiscal years for fiscal year
29 2004 and over the 3 immediately preceding fiscal years for each
30 fiscal year thereafter) divided by the Average Daily Attendance
31 of the school district.

32 (2) Supplemental general State aid pursuant to this
33 subsection (H) shall be provided as follows for the 1998-1999,
34 1999-2000, and 2000-2001 school years only:

1 (a) For any school district with a Low Income
2 Concentration Level of at least 20% and less than 35%, the
3 grant for any school year shall be \$800 multiplied by the
4 low income eligible pupil count.

5 (b) For any school district with a Low Income
6 Concentration Level of at least 35% and less than 50%, the
7 grant for the 1998-1999 school year shall be \$1,100
8 multiplied by the low income eligible pupil count.

9 (c) For any school district with a Low Income
10 Concentration Level of at least 50% and less than 60%, the
11 grant for the 1998-99 school year shall be \$1,500
12 multiplied by the low income eligible pupil count.

13 (d) For any school district with a Low Income
14 Concentration Level of 60% or more, the grant for the
15 1998-99 school year shall be \$1,900 multiplied by the low
16 income eligible pupil count.

17 (e) For the 1999-2000 school year, the per pupil amount
18 specified in subparagraphs (b), (c), and (d) immediately
19 above shall be increased to \$1,243, \$1,600, and \$2,000,
20 respectively.

21 (f) For the 2000-2001 school year, the per pupil
22 amounts specified in subparagraphs (b), (c), and (d)
23 immediately above shall be \$1,273, \$1,640, and \$2,050,
24 respectively.

25 (2.5) Supplemental general State aid pursuant to this
26 subsection (H) shall be provided as follows for the 2002-2003
27 school year:

28 (a) For any school district with a Low Income
29 Concentration Level of less than 10%, the grant for each
30 school year shall be \$355 multiplied by the low income
31 eligible pupil count.

32 (b) For any school district with a Low Income
33 Concentration Level of at least 10% and less than 20%, the
34 grant for each school year shall be \$675 multiplied by the

1 low income eligible pupil count.

2 (c) For any school district with a Low Income
3 Concentration Level of at least 20% and less than 35%, the
4 grant for each school year shall be \$1,330 multiplied by
5 the low income eligible pupil count.

6 (d) For any school district with a Low Income
7 Concentration Level of at least 35% and less than 50%, the
8 grant for each school year shall be \$1,362 multiplied by
9 the low income eligible pupil count.

10 (e) For any school district with a Low Income
11 Concentration Level of at least 50% and less than 60%, the
12 grant for each school year shall be \$1,680 multiplied by
13 the low income eligible pupil count.

14 (f) For any school district with a Low Income
15 Concentration Level of 60% or more, the grant for each
16 school year shall be \$2,080 multiplied by the low income
17 eligible pupil count.

18 (2.10) Except as otherwise provided, supplemental general
19 State aid pursuant to this subsection (H) shall be provided as
20 follows for the 2003-2004 school year and each school year
21 thereafter:

22 (a) For any school district with a Low Income
23 Concentration Level of 15% or less, the grant for the
24 2003-2004 school year and 2004-2005 ~~each~~ school year shall
25 be \$355 multiplied by the low income eligible pupil count.
26 For the 2005-2006 school year and each school year
27 thereafter, the grant shall be \$355, increased by the
28 percentage increase, if any, in the ECI published for the
29 immediately preceding school year, and then multiplied by
30 the low income eligible pupil count.

31 (b) For any school district with a Low Income
32 Concentration Level greater than 15%, the grant for the
33 2003-2004 school year and 2004-2005 ~~each~~ school year shall
34 be \$294.25 added to the product of \$2,700 and the square of

1 the Low Income Concentration Level, all multiplied by the
2 low income eligible pupil count. For the 2005-2006 school
3 year and each school year thereafter, the grant shall be
4 \$294.25, increased by the percentage increase, if any, in
5 the ECI published for the immediately preceding school
6 year, then added to the product of (i) \$2,700, which amount
7 shall be increased by the percentage increase, if any, in
8 the ECI published for the immediately preceding school
9 year, and (ii) the square of the Low Income Concentration
10 Level, and then all multiplied by the low income eligible
11 pupil count.

12 For the 2003-2004 school year only, the grant shall be no
13 less than the grant for the 2002-2003 school year. For the
14 2004-2005 school year only, the grant shall be no less than the
15 grant for the 2002-2003 school year multiplied by 0.66. For the
16 2005-2006 school year only, the grant shall be no less than the
17 grant for the 2002-2003 school year multiplied by 0.33.

18 For the 2003-2004 school year only, the grant shall be no
19 greater than the grant received during the 2002-2003 school
20 year added to the product of 0.25 multiplied by the difference
21 between the grant amount calculated under subsection (a) or (b)
22 of this paragraph (2.10), whichever is applicable, and the
23 grant received during the 2002-2003 school year. For the
24 2004-2005 school year only, the grant shall be no greater than
25 the grant received during the 2002-2003 school year added to
26 the product of 0.50 multiplied by the difference between the
27 grant amount calculated under subsection (a) or (b) of this
28 paragraph (2.10), whichever is applicable, and the grant
29 received during the 2002-2003 school year. For the 2005-2006
30 school year only, the grant shall be no greater than the grant
31 received during the 2002-2003 school year added to the product
32 of 0.75 multiplied by the difference between the grant amount
33 calculated under subsection (a) or (b) of this paragraph
34 (2.10), whichever is applicable, and the grant received during

1 the 2002-2003 school year.

2 (3) School districts with an Average Daily Attendance of
3 more than 1,000 and less than 50,000 that qualify for
4 supplemental general State aid pursuant to this subsection
5 shall submit a plan to the State Board of Education prior to
6 October 30 of each year for the use of the funds resulting from
7 this grant of supplemental general State aid for the
8 improvement of instruction in which priority is given to
9 meeting the education needs of disadvantaged children. Such
10 plan shall be submitted in accordance with rules and
11 regulations promulgated by the State Board of Education.

12 (4) School districts with an Average Daily Attendance of
13 50,000 or more that qualify for supplemental general State aid
14 pursuant to this subsection shall be required to distribute
15 from funds available pursuant to this Section, no less than
16 \$261,000,000 in accordance with the following requirements:

17 (a) The required amounts shall be distributed to the
18 attendance centers within the district in proportion to the
19 number of pupils enrolled at each attendance center who are
20 eligible to receive free or reduced-price lunches or
21 breakfasts under the federal Child Nutrition Act of 1966
22 and under the National School Lunch Act during the
23 immediately preceding school year.

24 (b) The distribution of these portions of supplemental
25 and general State aid among attendance centers according to
26 these requirements shall not be compensated for or
27 contravened by adjustments of the total of other funds
28 appropriated to any attendance centers, and the Board of
29 Education shall utilize funding from one or several sources
30 in order to fully implement this provision annually prior
31 to the opening of school.

32 (c) Each attendance center shall be provided by the
33 school district a distribution of noncategorical funds and
34 other categorical funds to which an attendance center is

1 entitled under law in order that the general State aid and
2 supplemental general State aid provided by application of
3 this subsection supplements rather than supplants the
4 noncategorical funds and other categorical funds provided
5 by the school district to the attendance centers.

6 (d) Any funds made available under this subsection that
7 by reason of the provisions of this subsection are not
8 required to be allocated and provided to attendance centers
9 may be used and appropriated by the board of the district
10 for any lawful school purpose.

11 (e) Funds received by an attendance center pursuant to
12 this subsection shall be used by the attendance center at
13 the discretion of the principal and local school council
14 for programs to improve educational opportunities at
15 qualifying schools through the following programs and
16 services: early childhood education, reduced class size or
17 improved adult to student classroom ratio, enrichment
18 programs, remedial assistance, attendance improvement, and
19 other educationally beneficial expenditures which
20 supplement the regular and basic programs as determined by
21 the State Board of Education. Funds provided shall not be
22 expended for any political or lobbying purposes as defined
23 by board rule.

24 (f) Each district subject to the provisions of this
25 subdivision (H) (4) shall submit an acceptable plan to meet
26 the educational needs of disadvantaged children, in
27 compliance with the requirements of this paragraph, to the
28 State Board of Education prior to July 15 of each year.
29 This plan shall be consistent with the decisions of local
30 school councils concerning the school expenditure plans
31 developed in accordance with part 4 of Section 34-2.3. The
32 State Board shall approve or reject the plan within 60 days
33 after its submission. If the plan is rejected, the district
34 shall give written notice of intent to modify the plan

1 within 15 days of the notification of rejection and then
2 submit a modified plan within 30 days after the date of the
3 written notice of intent to modify. Districts may amend
4 approved plans pursuant to rules promulgated by the State
5 Board of Education.

6 Upon notification by the State Board of Education that
7 the district has not submitted a plan prior to July 15 or a
8 modified plan within the time period specified herein, the
9 State aid funds affected by that plan or modified plan
10 shall be withheld by the State Board of Education until a
11 plan or modified plan is submitted.

12 If the district fails to distribute State aid to
13 attendance centers in accordance with an approved plan, the
14 plan for the following year shall allocate funds, in
15 addition to the funds otherwise required by this
16 subsection, to those attendance centers which were
17 underfunded during the previous year in amounts equal to
18 such underfunding.

19 For purposes of determining compliance with this
20 subsection in relation to the requirements of attendance
21 center funding, each district subject to the provisions of
22 this subsection shall submit as a separate document by
23 December 1 of each year a report of expenditure data for
24 the prior year in addition to any modification of its
25 current plan. If it is determined that there has been a
26 failure to comply with the expenditure provisions of this
27 subsection regarding contravention or supplanting, the
28 State Superintendent of Education shall, within 60 days of
29 receipt of the report, notify the district and any affected
30 local school council. The district shall within 45 days of
31 receipt of that notification inform the State
32 Superintendent of Education of the remedial or corrective
33 action to be taken, whether by amendment of the current
34 plan, if feasible, or by adjustment in the plan for the

1 following year. Failure to provide the expenditure report
2 or the notification of remedial or corrective action in a
3 timely manner shall result in a withholding of the affected
4 funds.

5 The State Board of Education shall promulgate rules and
6 regulations to implement the provisions of this
7 subsection. No funds shall be released under this
8 subdivision (H) (4) to any district that has not submitted a
9 plan that has been approved by the State Board of
10 Education.

11 (I) General State Aid for Newly Configured School Districts.

12 (1) For a new school district formed by combining property
13 included totally within 2 or more previously existing school
14 districts, for its first year of existence the general State
15 aid and supplemental general State aid calculated under this
16 Section shall be computed for the new district and for the
17 previously existing districts for which property is totally
18 included within the new district. If the computation on the
19 basis of the previously existing districts is greater, a
20 supplementary payment equal to the difference shall be made for
21 the first 4 years of existence of the new district.

22 (2) For a school district which annexes all of the
23 territory of one or more entire other school districts, for the
24 first year during which the change of boundaries attributable
25 to such annexation becomes effective for all purposes as
26 determined under Section 7-9 or 7A-8, the general State aid and
27 supplemental general State aid calculated under this Section
28 shall be computed for the annexing district as constituted
29 after the annexation and for the annexing and each annexed
30 district as constituted prior to the annexation; and if the
31 computation on the basis of the annexing and annexed districts
32 as constituted prior to the annexation is greater, a
33 supplementary payment equal to the difference shall be made for

1 the first 4 years of existence of the annexing school district
2 as constituted upon such annexation.

3 (3) For 2 or more school districts which annex all of the
4 territory of one or more entire other school districts, and for
5 2 or more community unit districts which result upon the
6 division (pursuant to petition under Section 11A-2) of one or
7 more other unit school districts into 2 or more parts and which
8 together include all of the parts into which such other unit
9 school district or districts are so divided, for the first year
10 during which the change of boundaries attributable to such
11 annexation or division becomes effective for all purposes as
12 determined under Section 7-9 or 11A-10, as the case may be, the
13 general State aid and supplemental general State aid calculated
14 under this Section shall be computed for each annexing or
15 resulting district as constituted after the annexation or
16 division and for each annexing and annexed district, or for
17 each resulting and divided district, as constituted prior to
18 the annexation or division; and if the aggregate of the general
19 State aid and supplemental general State aid as so computed for
20 the annexing or resulting districts as constituted after the
21 annexation or division is less than the aggregate of the
22 general State aid and supplemental general State aid as so
23 computed for the annexing and annexed districts, or for the
24 resulting and divided districts, as constituted prior to the
25 annexation or division, then a supplementary payment equal to
26 the difference shall be made and allocated between or among the
27 annexing or resulting districts, as constituted upon such
28 annexation or division, for the first 4 years of their
29 existence. The total difference payment shall be allocated
30 between or among the annexing or resulting districts in the
31 same ratio as the pupil enrollment from that portion of the
32 annexed or divided district or districts which is annexed to or
33 included in each such annexing or resulting district bears to
34 the total pupil enrollment from the entire annexed or divided

1 district or districts, as such pupil enrollment is determined
2 for the school year last ending prior to the date when the
3 change of boundaries attributable to the annexation or division
4 becomes effective for all purposes. The amount of the total
5 difference payment and the amount thereof to be allocated to
6 the annexing or resulting districts shall be computed by the
7 State Board of Education on the basis of pupil enrollment and
8 other data which shall be certified to the State Board of
9 Education, on forms which it shall provide for that purpose, by
10 the regional superintendent of schools for each educational
11 service region in which the annexing and annexed districts, or
12 resulting and divided districts are located.

13 (3.5) Claims for financial assistance under this
14 subsection (I) shall not be recomputed except as expressly
15 provided under this Section.

16 (4) Any supplementary payment made under this subsection
17 (I) shall be treated as separate from all other payments made
18 pursuant to this Section.

19 (J) Supplementary Grants in Aid.

20 (1) Notwithstanding any other provisions of this Section,
21 the amount of the aggregate general State aid in combination
22 with supplemental general State aid under this Section for
23 which each school district is eligible shall be no less than
24 the amount of the aggregate general State aid entitlement that
25 was received by the district under Section 18-8 (exclusive of
26 amounts received under subsections 5(p) and 5(p-5) of that
27 Section) for the 1997-98 school year, pursuant to the
28 provisions of that Section as it was then in effect. If a
29 school district qualifies to receive a supplementary payment
30 made under this subsection (J), the amount of the aggregate
31 general State aid in combination with supplemental general
32 State aid under this Section which that district is eligible to
33 receive for each school year shall be no less than the amount

1 of the aggregate general State aid entitlement that was
2 received by the district under Section 18-8 (exclusive of
3 amounts received under subsections 5(p) and 5(p-5) of that
4 Section) for the 1997-1998 school year, pursuant to the
5 provisions of that Section as it was then in effect.

6 (2) If, as provided in paragraph (1) of this subsection
7 (J), a school district is to receive aggregate general State
8 aid in combination with supplemental general State aid under
9 this Section for the 1998-99 school year and any subsequent
10 school year that in any such school year is less than the
11 amount of the aggregate general State aid entitlement that the
12 district received for the 1997-98 school year, the school
13 district shall also receive, from a separate appropriation made
14 for purposes of this subsection (J), a supplementary payment
15 that is equal to the amount of the difference in the aggregate
16 State aid figures as described in paragraph (1).

17 (3) (Blank).

18 (K) Grants to Laboratory and Alternative Schools.

19 In calculating the amount to be paid to the governing board
20 of a public university that operates a laboratory school under
21 this Section or to any alternative school that is operated by a
22 regional superintendent of schools, the State Board of
23 Education shall require by rule such reporting requirements as
24 it deems necessary.

25 As used in this Section, "laboratory school" means a public
26 school which is created and operated by a public university and
27 approved by the State Board of Education. The governing board
28 of a public university which receives funds from the State
29 Board under this subsection (K) may not increase the number of
30 students enrolled in its laboratory school from a single
31 district, if that district is already sending 50 or more
32 students, except under a mutual agreement between the school
33 board of a student's district of residence and the university

1 which operates the laboratory school. A laboratory school may
2 not have more than 1,000 students, excluding students with
3 disabilities in a special education program.

4 As used in this Section, "alternative school" means a
5 public school which is created and operated by a Regional
6 Superintendent of Schools and approved by the State Board of
7 Education. Such alternative schools may offer courses of
8 instruction for which credit is given in regular school
9 programs, courses to prepare students for the high school
10 equivalency testing program or vocational and occupational
11 training. A regional superintendent of schools may contract
12 with a school district or a public community college district
13 to operate an alternative school. An alternative school serving
14 more than one educational service region may be established by
15 the regional superintendents of schools of the affected
16 educational service regions. An alternative school serving
17 more than one educational service region may be operated under
18 such terms as the regional superintendents of schools of those
19 educational service regions may agree.

20 Each laboratory and alternative school shall file, on forms
21 provided by the State Superintendent of Education, an annual
22 State aid claim which states the Average Daily Attendance of
23 the school's students by month. The best 3 months' Average
24 Daily Attendance shall be computed for each school. The general
25 State aid entitlement shall be computed by multiplying the
26 applicable Average Daily Attendance by the Foundation Level as
27 determined under this Section.

28 (L) Payments, Additional Grants in Aid and Other Requirements.

29 (1) For a school district operating under the financial
30 supervision of an Authority created under Article 34A, the
31 general State aid otherwise payable to that district under this
32 Section, but not the supplemental general State aid, shall be
33 reduced by an amount equal to the budget for the operations of

1 the Authority as certified by the Authority to the State Board
2 of Education, and an amount equal to such reduction shall be
3 paid to the Authority created for such district for its
4 operating expenses in the manner provided in Section 18-11. The
5 remainder of general State school aid for any such district
6 shall be paid in accordance with Article 34A when that Article
7 provides for a disposition other than that provided by this
8 Article.

9 (2) (Blank).

10 (3) Summer school. Summer school payments shall be made as
11 provided in Section 18-4.3.

12 (M) Education Funding Advisory Board.

13 The Education Funding Advisory Board, hereinafter in this
14 subsection (M) referred to as the "Board", is hereby created.
15 The Board shall consist of 5 members who are appointed by the
16 Governor, by and with the advice and consent of the Senate. The
17 members appointed shall include representatives of education,
18 business, and the general public. One of the members so
19 appointed shall be designated by the Governor at the time the
20 appointment is made as the chairperson of the Board. The
21 initial members of the Board may be appointed any time after
22 the effective date of this amendatory Act of 1997. The regular
23 term of each member of the Board shall be for 4 years from the
24 third Monday of January of the year in which the term of the
25 member's appointment is to commence, except that of the 5
26 initial members appointed to serve on the Board, the member who
27 is appointed as the chairperson shall serve for a term that
28 commences on the date of his or her appointment and expires on
29 the third Monday of January, 2002, and the remaining 4 members,
30 by lots drawn at the first meeting of the Board that is held
31 after all 5 members are appointed, shall determine 2 of their
32 number to serve for terms that commence on the date of their
33 respective appointments and expire on the third Monday of

1 January, 2001, and 2 of their number to serve for terms that
2 commence on the date of their respective appointments and
3 expire on the third Monday of January, 2000. All members
4 appointed to serve on the Board shall serve until their
5 respective successors are appointed and confirmed. Vacancies
6 shall be filled in the same manner as original appointments. If
7 a vacancy in membership occurs at a time when the Senate is not
8 in session, the Governor shall make a temporary appointment
9 until the next meeting of the Senate, when he or she shall
10 appoint, by and with the advice and consent of the Senate, a
11 person to fill that membership for the unexpired term. If the
12 Senate is not in session when the initial appointments are
13 made, those appointments shall be made as in the case of
14 vacancies.

15 The Education Funding Advisory Board shall be deemed
16 established, and the initial members appointed by the Governor
17 to serve as members of the Board shall take office, on the date
18 that the Governor makes his or her appointment of the fifth
19 initial member of the Board, whether those initial members are
20 then serving pursuant to appointment and confirmation or
21 pursuant to temporary appointments that are made by the
22 Governor as in the case of vacancies.

23 The State Board of Education shall provide such staff
24 assistance to the Education Funding Advisory Board as is
25 reasonably required for the proper performance by the Board of
26 its responsibilities.

27 For school years after the 2000-2001 school year, the
28 Education Funding Advisory Board, in consultation with the
29 State Board of Education, shall make recommendations as
30 provided in this subsection (M) to the General Assembly for the
31 foundation level under subsection (B) ~~subdivision (B)(3)~~ of
32 this Section and for the supplemental general State aid grant
33 level under subsection (H) of this Section for districts with
34 high concentrations of children from poverty. The recommended

1 foundation level shall be determined based on a methodology
2 which incorporates the basic education expenditures of
3 low-spending schools exhibiting high academic performance. The
4 Education Funding Advisory Board shall make such
5 recommendations to the General Assembly on January 1 of odd
6 numbered years, beginning January 1, 2001.

7 (N) (Blank).

8 (O) References.

9 (1) References in other laws to the various subdivisions of
10 Section 18-8 as that Section existed before its repeal and
11 replacement by this Section 18-8.05 shall be deemed to refer to
12 the corresponding provisions of this Section 18-8.05, to the
13 extent that those references remain applicable.

14 (2) References in other laws to State Chapter 1 funds shall
15 be deemed to refer to the supplemental general State aid
16 provided under subsection (H) of this Section.

17 (Source: P.A. 92-16, eff. 6-28-01; 92-28, eff. 7-1-01; 92-29,
18 eff. 7-1-01; 92-269, eff. 8-7-01; 92-604, eff. 7-1-02; 92-636,
19 eff. 7-11-02; 92-651, eff. 7-11-02; 93-21, eff. 7-1-03.)

20 (105 ILCS 5/18-8.10 new)

21 Sec. 18-8.10. Supplemental State aid for rapidly expanding
22 school districts.

23 (a) If there has been an increase in a school district's
24 student population over any 2 consecutive school years of (i)
25 over 1.5% in a district with 10,000 or more pupils in average
26 daily attendance, as defined in Section 18-8.05 of this Code,
27 or (ii) over 10% in any other district, then, subject to
28 appropriation, the district is eligible for a grant under this
29 Section.

30 (b) The State Board of Education shall determine a per
31 pupil grant amount for each school district based on the needs

1 of each district. The total grant amount for a district for any
2 given school year shall equal the per pupil grant amount
3 multiplied by the difference between the number of pupils in
4 average daily attendance for the first 3 months of the school
5 year and the number of pupils in average daily attendance for
6 the immediately preceding school year.

7 (c) Each fiscal year, the General Assembly shall
8 appropriate at least \$40 million of the aggregate Common School
9 Fund appropriation to funding supplemental grants under this
10 Section. Funds for grants under this Section must be
11 appropriated to the State Board of Education in a separate line
12 item for this purpose. As soon as possible after funds have
13 been appropriated to the State Board of Education, the State
14 Board of Education shall distribute the grants to eligible
15 districts.

16 (d) If a school district intentionally reports incorrect
17 average daily attendance numbers to receive a grant under this
18 Section, then the district shall be denied State aid for
19 intentional incorrect reporting of average daily attendance
20 numbers under Section 18-8.05 of this Code.

21 (e) The State Board of Education may adopt any rules
22 necessary to implement this Section.

23 (105 ILCS 5/18-25 new)

24 Sec. 18-25. Education appropriation minimum. At a minimum,
25 the General Assembly shall appropriate to the Common School
26 Fund for fiscal year 2006 and each fiscal year thereafter, an
27 amount equal to the following (the "Education Appropriation
28 Minimum"):

29 (1) For fiscal year 2006, a total appropriation equal
30 to the sum of (A) all amounts appropriated to the Common
31 School Fund for fiscal year 2005, plus (B) the amount
32 necessary to increase the Foundation Level of support per
33 student to \$5,952 under Section 18-8.05 of this Code, plus

1 (C) \$2.4 billion to fund the School District Property Tax
2 Relief Fund described in Section 6z-65 of the State Finance
3 Act.

4 (2) For each fiscal year thereafter, a total
5 appropriation equal to (A) the Education Appropriation
6 Minimum for the immediately preceding fiscal year,
7 increased by the percentage increase, if any, in the
8 Employment Cost Index published by the U.S. Bureau of Labor
9 Statistics for the immediately preceding fiscal year, or
10 (B) such greater amount as the General Assembly may
11 appropriate."