

**94TH GENERAL ASSEMBLY****State of Illinois****2005 and 2006****SB3183**

Introduced 5/3/2006, by Sen. Chris Lauzen

**SYNOPSIS AS INTRODUCED:**

See Index

Creates the River Edge Redevelopment Zone Act. Sets forth procedures for the creation of 2 pilot zones, one in the City of East St. Louis and one in the City of Aurora, to be designated and certified as a River Edge Redevelopment Zone. Sets forth procedures for amendments to and decertifications of zones. Sets forth procedures for the adoption of tax increment financing within a zone. Contains other provisions concerning zone administration. Amends the Department of Commerce and Economic Opportunity Law of the Illinois Civil Administrative Code. Authorized the Department of Commerce and Economic Opportunity to establish and maintain a program to provide grants and assistance with respect to River Edge Redevelopment Zones. Amends the Corporate Accountability For Tax Expenditures Act. Includes, within the definition of "developmental assistance", tax credits, exemptions, grants, and loans concerning River Edge Redevelopment Zones. Amends the Illinois Income Tax Act. Provides that certain existing credits apply to business enterprises within a River Edge Redevelopment Zone. Creates a River Edge Redevelopment Zone site remediation tax credit. Creates a deduction for dividends paid by a corporation that operates within a River Edge Redevelopment Zone. Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Creates an exemption for building materials to be incorporated into real estate within a River Edge Redevelopment Zone. In various Acts, exempts the tax credits and deductions for River Edge Redevelopment Zones from tax sunset provisions. Amends the Property Tax Code. Authorizes taxing districts to abate property taxes for property within River Edge Redevelopment Zones. Amends the Environmental Protection Act. Provides that sites within River Edge Redevelopment Zones are included as brownfield sites under the Municipal Brownfields Redevelopment Grant Program. Requires the Environmental Protection Agency to jointly review, with the Department of Commerce and Economic Opportunity, applications for the Environmental Remediation Tax Credit and sets the fee for review at \$250 for each site. Increases the maximum brownfield grant from \$240,000 to \$2,000,000 for River Edge Development Zone sites. Makes other changes. Effective immediately.

LRB094 20509 BDD 58799 b

FISCAL NOTE ACT  
MAY APPLYHOUSING  
AFFORDABILITY  
IMPACT NOTE ACT  
MAY APPLY

1 AN ACT concerning State government.

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

4 ARTICLE 10. RIVER EDGE REDEVELOPMENT ZONE ACT

5 Section 10-1. This Article may be cited as the River Edge  
6 Redevelopment Zone Act, and references in this Article to "this  
7 Act" mean this Article.

8 Section 10-2. Findings. The General Assembly finds and  
9 declares that those municipalities adjacent to or surrounding  
10 river areas often lack critical tools to safely revive and  
11 redevelop environmentally-challenged properties that will  
12 stimulate economic revitalization and create jobs in Illinois.  
13 Environmentally-challenged properties adjacent to or  
14 surrounding Illinois rivers are a threat to the health, safety,  
15 and welfare of the people of this State. Many of these  
16 environmentally-challenged properties adjacent to or  
17 surrounding rivers were former industrial areas that now,  
18 subject to appropriate environmental clean-up and remediation,  
19 would be ideal for office, residential, retail, hospitality,  
20 commercial, recreational, warehouse and distribution, and  
21 other economically productive uses. The cost of the cleaning  
22 and remediation of these environmentally-challenged properties  
23 is often the primary obstacle to returning these properties to  
24 a safe and economically productive use.

25 Cooperative and continuous partnership among the State,  
26 through the Department of Commerce and Economic Opportunity and  
27 the Environmental Protection Agency, municipalities adjacent  
28 to or surrounding rivers, and the private sector is necessary  
29 to appropriately encourage the cost-effective cleaning and  
30 remediation of these environmentally-challenged properties in  
31 order to bring about a safe and economically productive use of

1 the properties.

2 Therefore, it is declared to be the purpose of this Act to  
3 identify and initiate 2 pilot River Edge Redevelopment Zones to  
4 stimulate the safe and cost-effective re-use of  
5 environmentally-challenged properties adjacent to or  
6 surrounding rivers by means of tax incentives or grants.

7 Section 10-3. Definitions. As used in this Act:

8 "Department" means the Department of Commerce and Economic  
9 Opportunity.

10 "River Edge Redevelopment Zone" means an area of the State  
11 certified by the Department as a River Edge Redevelopment Zone  
12 pursuant to this Act.

13 "Designated zone organization" means an association or  
14 entity: (1) the members of which are substantially all  
15 residents of the River Edge Redevelopment Zone or of the  
16 municipality in which the River Edge Redevelopment Zone is  
17 located; (2) the board of directors of which is elected by the  
18 members of the organization; (3) that satisfies the criteria  
19 set forth in Section 501(c) (3) or 501(c) (4) of the Internal  
20 Revenue Code; and (4) that exists primarily for the purpose of  
21 performing within the zone, for the benefit of the residents  
22 and businesses thereof, any of the functions set forth in  
23 Section 8 of this Act.

24 "Agency" means: each officer, board, commission, and  
25 agency created by the Constitution, in the executive branch of  
26 State government, other than the State Board of Elections; each  
27 officer, department, board, commission, agency, institution,  
28 authority, university, and body politic and corporate of the  
29 State; each administrative unit or corporate outgrowth of the  
30 State government that is created by or pursuant to statute,  
31 other than units of local government and their officers, school  
32 districts, and boards of election commissioners; and each  
33 administrative unit or corporate outgrowth of the above and as  
34 may be created by executive order of the Governor. No entity is  
35 an "agency" for the purposes of this Act unless the entity is

1 authorized by law to make rules or regulations.

2 "Rule" means each agency statement of general  
3 applicability that implements, applies, interprets, or  
4 prescribes law or policy, but does not include (i) statements  
5 concerning only the internal management of an agency and not  
6 affecting private rights or procedures available to persons or  
7 entities outside the agency, (ii) intra agency memoranda, or  
8 (iii) the prescription of standardized forms.

9 Section 10-4. Qualifications for River Edge Redevelopment  
10 Zones. An area is qualified to become a zone if it:

11 (1) is a contiguous area adjacent to or surrounding a  
12 river;

13 (2) comprises a minimum of one half square mile and not  
14 more than 12 square miles, exclusive of lakes and  
15 waterways;

16 (3) satisfies any additional criteria established by  
17 the Department consistent with the purposes of this Act;

18 (4) is entirely within a single home rule municipality;  
19 and

20 (5) has at least 100 acres of environmentally  
21 challenged land within 1500 yards of the riverfront.

22 Section 10-5. Initiation of River Edge Redevelopment Zones  
23 by Municipality.

24 (a) No area may be designated as a river edge redevelopment  
25 zone except pursuant to an initiating ordinance adopted in  
26 accordance with this Section.

27 (b) A municipality may by ordinance designate an area  
28 within its jurisdiction as a river edge redevelopment zone,  
29 subject to the certification of the Department in accordance  
30 with this Act, if:

31 (i) the area is qualified in accordance with Section  
32 10-4; and

33 (ii) the municipality has conducted at least one public  
34 hearing within the proposed zone area on the question of

1           whether to create the zone, what local plans, tax  
2           incentives and other programs should be established in  
3           connection with the zone, and what the boundaries of the  
4           zone should be; public notice of such hearing shall be  
5           published in at least one newspaper of general circulation  
6           within the zone area, not more than 20 days nor less than 5  
7           days before the hearing.

8           (c) An ordinance designating an area as a river edge  
9           redevelopment zone shall set forth:

10           (i) a precise description of the area comprising the  
11           zone, either in the form of a legal description or by  
12           reference to roadways, lakes and waterways, and  
13           municipality boundaries;

14           (ii) a finding that the zone area meets the  
15           qualifications of Section 10-4;

16           (iii) provisions for any tax incentives or  
17           reimbursement for taxes, which pursuant to State and  
18           federal law apply to business enterprises within the zone  
19           at the election of the designating municipality, and which  
20           are not applicable throughout the municipality;

21           (iv) a designation of the area as a river edge  
22           redevelopment zone, subject to the approval of the  
23           Department in accordance with this Act; and

24           (v) the duration or term of the river edge  
25           redevelopment zone.

26           (d) This Section does not prohibit a municipality from  
27           extending additional tax incentives or reimbursement for  
28           business enterprises in river edge redevelopment zones or  
29           throughout their territory by separate ordinance.

30           Section 10-5.1. Application to Department. A municipality  
31           that has adopted an ordinance designating an area as a river  
32           edge redevelopment zone shall make written application to the  
33           Department to have the proposed zone certified. The application  
34           shall include:

35           (1) a certified copy of the ordinance designating the

1 proposed zone;

2 (2) a map of the proposed zone;

3 (3) an analysis, and any appropriate supporting  
4 documents, demonstrating that the proposed zone area is  
5 qualified in accordance with Section 10-4;

6 (4) a statement detailing any tax, grant, and other  
7 financial incentives or benefits, and any programs, to be  
8 provided by the municipality to business enterprises or  
9 organizations within the zone, other than those provided in  
10 the designating ordinance, which are not to be provided  
11 throughout the municipality;

12 (5) a statement setting forth the economic development  
13 and planning objectives for the zone;

14 (6) an estimate of the economic impact of the zone,  
15 considering all of the tax incentives, financial benefits  
16 and programs contemplated, upon the revenues of the  
17 municipality;

18 (7) a transcript of all public hearings on the zone;

19 (8) a statement describing the functions, programs,  
20 and services to be performed by designated zone  
21 organizations within the zone; and

22 (9) such additional information as the Department by  
23 rule may require.

24 Section 10-5.2. Department Review of River Edge  
25 Redevelopment Zone Applications.

26 (a) All applications must be considered and acted upon by  
27 the Department no later than 180 days after being received by  
28 the Department.

29 (b) Upon receipt of an application from a municipality the  
30 Department shall review the application to determine whether  
31 the designated area qualifies as a River Edge Redevelopment  
32 Zone under Section 10-4 of this Act.

33 (c) If any such designated area is found to be qualified to  
34 be a River Edge Redevelopment Zone, the Department shall  
35 publish a notice in at least one newspaper of general

1 circulation within the municipality in which the proposed zone  
2 is located to notify the general public of the application and  
3 their opportunity to comment. Such notice shall include a  
4 description of the area and a brief summary of the application  
5 and shall indicate locations where the applicant has provided  
6 copies of the application for public inspection. The notice  
7 shall also indicate appropriate procedures for the filing of  
8 written comments from zone residents, business, civic, and  
9 other organizations and property owners to the Department.

10 (d) Within 180 days after receiving an application, the  
11 Department shall either approve or deny that application. If an  
12 approval of an application is not received within 180 days  
13 after the Department's receipt of the application, then the  
14 application is considered to be denied. If an application is  
15 denied, the Department shall inform the municipality of the  
16 specific reasons for the denial.

17 (e) In determining which designated areas shall be approved  
18 and certified as River Edge Redevelopment Zones, the Department  
19 shall give preference to:

20 (1) areas with high levels of environmentally  
21 challenged areas;

22 (2) areas that have evidenced the widest support from  
23 the municipality seeking to have such areas designated as  
24 River Edge Redevelopment Zones;

25 (3) areas for which a specific plan has been submitted  
26 to effect economic growth and expansion;

27 (4) areas for which there is evidence of prior  
28 consultation between the municipality seeking designation  
29 of an area as an River Edge Redevelopment Zone and  
30 business, labor, and neighborhood organizations within the  
31 proposed Zone;

32 (5) areas for which a specific plan has been submitted  
33 which will or may be expected to benefit zone residents and  
34 workers by increasing their ownership opportunities and  
35 participation in a River Edge Redevelopment Zone  
36 development.

1 (f) The Department's determination of whether to certify a  
2 River Edge Redevelopment Zone shall be based on the purposes of  
3 this Act, the criteria set forth in Section 10-4 and subsection  
4 (e) of this Section, and any additional criteria adopted by  
5 regulation of the Department under paragraph (d) of Section  
6 10-4.

7 Section 10-5.3. Certification of River Edge Redevelopment  
8 Zones.

9 (a) Approval of designated River Edge Redevelopment Zones  
10 shall be made by the Department by certification of the  
11 designating ordinance. The Department shall promptly issue a  
12 certificate for each zone upon its approval. The certificate  
13 shall be signed by the Director of the Department, shall make  
14 specific reference to the designating ordinance, which shall be  
15 attached thereto, and shall be filed in the office of the  
16 Secretary of State. A certified copy of the River Edge  
17 Redevelopment Zone Certificate, or a duplicate original  
18 thereof, shall be recorded in the office of the recorder of  
19 deeds of the county in which the River Edge Redevelopment Zone  
20 lies.

21 (b) A River Edge Redevelopment Zone shall be effective upon  
22 its certification. The Department shall transmit a copy of the  
23 certification to the Department of Revenue, and to the  
24 designating municipality. Upon certification of a River Edge  
25 Redevelopment Zone, the terms and provisions of the designating  
26 ordinance shall be in effect, and may not be amended or  
27 repealed except in accordance with Section 10-5.4.

28 (c) A River Edge Redevelopment Zone shall be in effect for  
29 the period stated in the certificate, which shall in no event  
30 exceed 30 calendar years. Zones shall terminate at midnight of  
31 December 31 of the final calendar year of the certified term,  
32 except as provided in Section 10-5.4.

33 (d) In calendar years 2006 and 2007, the Department may  
34 certify one pilot River Edge Redevelopment Zone in the City of  
35 East St. Louis and one pilot River Edge Redevelopment Zone in



1 the City of Aurora.

2 Thereafter the Department may not certify any additional  
3 River Edge Redevelopment Zones, but may amend and rescind  
4 certifications of existing River Edge Redevelopment Zones in  
5 accordance with Section 10-5.4.

6 (e) A municipality in which a River Edge Redevelopment Zone  
7 has been certified must submit to the Department, within 60  
8 days after the certification, a plan for encouraging the  
9 participation by minority persons, females, persons with  
10 disabilities, and veterans in the zone. The Department may  
11 assist the municipality in developing and implementing the  
12 plan. The terms "minority person", "female", and "person with a  
13 disability" have the meanings set forth under Section 2 of the  
14 Business Enterprise for Minorities, Females, and Persons with  
15 Disabilities Act. "Veteran" means an Illinois resident who is a  
16 veteran as defined in subsection (h) of Section 1491 of Title  
17 10 of the United States Code.

18 Section 10-5.4. Amendment and decertification of River  
19 Edge Redevelopment Zones.

20 (a) The terms of a certified zone designating ordinance may  
21 be amended to:

- 22 (1) alter the boundaries of the Zone;
- 23 (2) expand, limit or repeal tax incentives or benefits  
24 provided in the ordinance;
- 25 (3) alter the termination date of the zone; or
- 26 (4) make technical corrections in the river edge  
27 redevelopment zone designating ordinance.

28 An amendment shall not be effective unless the Department  
29 issues an amended certificate for the River Edge Redevelopment  
30 Zone, approving the amended designating ordinance. Upon the  
31 adoption of any ordinance amending or repealing the terms of a  
32 certified river edge redevelopment zone designating ordinance,  
33 the municipality shall promptly file with the Department an  
34 application for approval thereof, containing substantially the  
35 same information as required for an application under Section

1 10-5.1 insofar as material to the proposed changes. The  
2 municipality must hold a public hearing on the proposed changes  
3 as specified in Section 10-5 and, if the amendment is to  
4 effectuate the limitation of tax abatements under Section  
5 10-5.4.1, then the public notice of the hearing shall state  
6 that property that is in both the zone and a redevelopment  
7 project area may not receive tax abatements unless within 60  
8 days after the adoption of the amendment to the designating  
9 ordinance the municipality has determined that eligibility for  
10 tax abatements has been established.

11 (b) The Department shall approve or disapprove a proposed  
12 amendment to a certified zone within 90 days after its receipt  
13 of the application from the municipality. The Department may  
14 not approve changes in a Zone that are not in conformity with  
15 this Act, as now or hereafter amended, or with other applicable  
16 laws. If the Department issues an amended certificate for a  
17 Zone, the amended certificate, together with the amended zone  
18 designating ordinance, shall be filed, recorded, and  
19 transmitted as provided in Section 10-5.3.

20 (c) A River Edge Redevelopment Zone may be decertified by  
21 joint action of the Department and by the municipality in which  
22 the River Edge Development Zone is located. The designating  
23 municipality shall conduct at least one public hearing within  
24 the zone prior to its adoption of an ordinance of  
25 decertification. The mayor of the designating municipality  
26 shall execute a joint decertification agreement with the  
27 Department. A decertification of a River Edge Redevelopment  
28 Zone that was initiated by the joint action of the Department  
29 and one or more of the municipalities in which the zone is  
30 located shall not become effective until at least 6 months  
31 after the execution of the decertification agreement, which  
32 shall be filed in the office of the Secretary of State.

33 (d) A River Edge Redevelopment Zone may be decertified for  
34 cause by the Department in accordance with this Section. Prior  
35 to decertification:

36 (1) the Department shall notify the chief elected

1 official of the designating municipality in writing of the  
2 specific deficiencies that provide cause for  
3 decertification;

4 (2) the Department shall place the designating  
5 municipality on probationary status for at least 6 months  
6 during which time corrective action may be achieved in the  
7 zone by the designating municipality; and

8 (3) the Department shall conduct at least one public  
9 hearing within the zone.

10 If such corrective action is not achieved during the  
11 probationary period, the Department shall issue an amended  
12 certificate signed by the Director of the Department  
13 decertifying the zone, which certificate shall be filed in the  
14 office of the Secretary of State. A certified copy of the  
15 amended certificate, or a duplicate original thereof, shall be  
16 recorded in the office of recorder of the county in which the  
17 River Edge Redevelopment Zone lies, and shall be provided to  
18 the chief elected official of the designating municipality.  
19 Decertification of a River Edge Redevelopment Zone for cause  
20 shall not become effective until 60 days after the date of  
21 filing.

22 (e) In the event of a decertification, an amendment  
23 reducing the length of the term or the area of a River Edge  
24 Redevelopment Zone, or the adoption of an ordinance reducing or  
25 eliminating tax benefits in a zone, all benefits previously  
26 extended within the zone pursuant to this Act or pursuant to  
27 any other Illinois law providing benefits specifically to or  
28 within River Edge Redevelopment Zones shall remain in effect  
29 for the original stated term of the zone, with respect to  
30 business enterprises within the zone on the effective date of  
31 such decertification or amendment.

32 (f) With respect to a business enterprise (or expansion  
33 thereof) that is proposed or under development within a zone at  
34 the time of a decertification or an amendment reducing the  
35 length of the term of the zone, or excluding from the zone area  
36 the site of the proposed enterprise, or an ordinance reducing

1 or eliminating tax benefits in a zone, such business enterprise  
2 is entitled to the benefits previously applicable within the  
3 zone for the original stated term of the zone, if the business  
4 enterprise establishes:

5 (i) that the proposed business enterprise or expansion  
6 has been committed to be located within the zone;

7 (ii) that substantial and binding financial  
8 obligations have been made towards the development of such  
9 enterprise; and

10 (iii) that such commitments have been made in  
11 reasonable reliance on the benefits and programs which were  
12 to have been applicable to the enterprise by reason of the  
13 zone, including in the case of a reduction in term of a  
14 zone, the original length of the term.

15 In declaratory judgment actions under this subsection, the  
16 Department and the designating municipality shall be necessary  
17 parties defendant.

18 Section 10-5.4.1. Adoption of tax increment financing.

19 (a) If (i) a redevelopment project area is, will be, or has  
20 been created by a municipality under Division 74.4 of Article  
21 11 of the Illinois Municipal Code, (ii) the redevelopment  
22 project area contains property that is located in a River Edge  
23 Redevelopment Zone, (iii) the municipality adopts an amendment  
24 to the River Edge Redevelopment Zone designating ordinance  
25 pursuant to Section 10-4 of this Act specifically concerning  
26 the abatement of taxes on property located within a  
27 redevelopment project area created pursuant to Division 74.4 of  
28 Article 11 of the Illinois Municipal Code, and (iv) the  
29 Department certifies the ordinance amendment, then the  
30 property that is located in both the River Edge Redevelopment  
31 Zone and the redevelopment project area shall not be eligible  
32 for the abatement of taxes under Section 18-170 of the Property  
33 Tax Code.

34 No business enterprise or expansion or individual,  
35 however, that has constructed a new improvement or renovated or

1 rehabilitated an existing improvement and has received an  
2 abatement on the improvement under Section 18-170 of the  
3 Property Tax Code shall be denied any benefit previously  
4 extended within the zone pursuant to this Act or pursuant to  
5 any other Illinois law providing benefits specifically to or  
6 within River Edge Redevelopment Zones. Moreover, if the  
7 business enterprise or individual presents evidence to the  
8 municipality within 30 days after the adoption by the  
9 municipality of an amendment to the designating ordinance the  
10 sufficiency of which shall be determined by findings of the  
11 corporate authorities made within 30 days of the receipt of  
12 such evidence by the municipality, that before the date of the  
13 notice of the public hearing provided by the municipality  
14 regarding the amendment to the designating ordinance (i) the  
15 business enterprise or expansion or individual was committed to  
16 locate within the River Edge Redevelopment Zone, (ii)  
17 substantial and binding financial obligations were made  
18 towards the development of the enterprise, and (iii) those  
19 commitments were made in reasonable reliance on the benefits  
20 and programs that were applicable to the enterprise or  
21 individual by reason of River Edge Redevelopment Zone, then the  
22 enterprise or expansion or individual shall not be denied any  
23 benefit previously extended within the zone pursuant to this  
24 Act or pursuant to any other Illinois law providing benefits  
25 specifically to or within River Edge Redevelopment Zones.

26 (b) This Section applies to all property located within  
27 both a redevelopment project area adopted under Division 74.4  
28 of Article 11 of the Illinois Municipal Code and a River Edge  
29 Redevelopment Zone even if the redevelopment project area was  
30 adopted before the effective date of this Act.

31 (c) After the effective date of this Act, if (i) a  
32 redevelopment project area is created by a municipality under  
33 Division 74.4 of Article 11 of the Illinois Municipal Code and  
34 (ii) the redevelopment project area contains property that is  
35 located in a River Edge Redevelopment Zone, the municipality  
36 must adopt an amendment to the certified River Edge

1 Redevelopment Zone designating ordinance under Section 10-5.4  
2 specifying that property that is located in both the River Edge  
3 Redevelopment Zone and the redevelopment project area shall not  
4 be eligible for any abatement of taxes under Section 18-170 of  
5 the Property Tax Code for new improvements or the renovation or  
6 rehabilitation of existing improvements.

7 (d) In declaratory judgment actions under this Section, the  
8 Department and the designating municipality shall be necessary  
9 parties defendant.

10 Section 10-6. Powers and duties of Department.

11 (a) The Department shall administer this Act and shall have  
12 the following powers and duties:

13 (1) To monitor the implementation of this Act and  
14 submit reports evaluating the effectiveness of the program  
15 and setting forth any suggestions for legislation to the  
16 Governor and General Assembly by October 1 of each year  
17 preceding a regular Session of the General Assembly.

18 (2) To adopt all necessary rules and regulations to  
19 carry out the purposes of this Act in accordance with The  
20 Illinois Administrative Procedure Act.

21 (b) The Department shall provide information and  
22 appropriate assistance to persons desiring to locate and engage  
23 in business in a River Edge Redevelopment Zone and to persons  
24 engaged in business in a zone.

25 (c) The Department shall publicize existing tax incentives  
26 and economic development programs within the Zone and upon  
27 request, offer technical assistance in abatement and  
28 alternative revenue source development to local units of  
29 government which have River Edge Redevelopment Zones within  
30 their jurisdiction.

31 (d) In addition to the reports authorized under subsection  
32 (a), no later than December 31, 2009, the Department must  
33 submit a report to the General Assembly evaluating the  
34 effectiveness of this Act in stimulating economic  
35 revitalization in the pilot River Edge Redevelopment Zones

1 authorized by this Act.

2 Section 10-8. Zone Administration. The administration of a  
3 River Edge Redevelopment Zone shall be under the jurisdiction  
4 of the designating municipality. Each designating municipality  
5 shall, by ordinance, designate a Zone Administrator for the  
6 certified zones within its jurisdiction. A Zone Administrator  
7 must be an officer or employee of the municipality. The Zone  
8 Administrator shall be the liaison between the designating  
9 municipality, the Department, and any designated zone  
10 organizations within zones under his or her jurisdiction.

11 A designating municipality may designate one or more  
12 organizations to be a designated zone organization, as defined  
13 under Section 10-3. The municipality, may, by ordinance,  
14 delegate functions within a River Edge Redevelopment Zone to  
15 one or more designated zone organizations in such zones.

16 Subject to the necessary governmental authorizations,  
17 designated zone organizations may, in coordination with the  
18 municipality, provide or contract for provision of public  
19 services including, but not limited to:

- 20 (1) crime-watch patrols within zone neighborhoods;
- 21 (2) volunteer day-care centers;
- 22 (3) recreational activities for zone-area youth;
- 23 (4) garbage collection;
- 24 (5) street maintenance and improvements;
- 25 (6) bridge maintenance and improvements;
- 26 (7) maintenance and improvement of water and sewer  
27 lines;
- 28 (8) energy conservation projects;
- 29 (9) health and clinic services;
- 30 (10) drug abuse programs;
- 31 (11) senior citizen assistance programs;
- 32 (12) park maintenance;
- 33 (13) rehabilitation, renovation, and operation and  
34 maintenance of low and moderate income housing; and
- 35 (14) other types of public services as provided by law

1 or regulation.

2 Section 10-9. Notice of cessation of business operations.  
3 Any business located within the River Edge Redevelopment Zone  
4 that has received tax credits or exemptions, regulatory relief  
5 or any other benefits under this Act shall notify the  
6 Department and the municipal officials in which the Zone is  
7 located within 60 days after the cessation of any business  
8 operations conducted within the Zone. The Department shall  
9 adopt rules to implement and administer this Section.

10 Section 10-10. Income tax deduction.

11 (a) A business entity may receive a deduction against  
12 income subject to State taxes for a contribution to a  
13 designated zone organization if the project for which the  
14 contribution is made has been specifically approved by the  
15 designating municipality and by the Department.

16 (b) Any designated zone organization seeking to have a  
17 project approved for contribution must submit an application to  
18 the Department describing the nature and benefit of the project  
19 and its potential contributors. The application must address  
20 how the following criteria will be met:

21 (1) The project must contribute to the self-help  
22 efforts of the residents of the area involved.

23 (2) The project must involve the residents of the area  
24 in planning and implementing the project.

25 (3) The project must lack sufficient resources.

26 (4) The designated zone organization must be fiscally  
27 responsible for the project.

28 (c) The project must enhance the River Edge Redevelopment  
29 Zone in one of the following ways:

30 (1) by creating permanent jobs;

31 (2) by physically improving the housing stock;

32 (3) by stimulating neighborhood business activity; or

33 (4) by preventing crime.

34 (d) If the designated zone organization demonstrates its



1 ability to meet the criteria in subsection (b), and the project  
2 will enhance the neighborhood in one of the ways listed in  
3 subsection (c), the Department shall approve the  
4 organization's proposed project and specify the amount of  
5 contributions it is eligible to receive for such project.  
6 Comments from State elected officials and municipal officials  
7 of the units of local government in which all or part of the  
8 river edge redevelopment zone is located, or in which the  
9 project is proposed to be located, shall be solicited by the  
10 Department in making such decision.

11 (e) Within 45 days of the receipt of an application, the  
12 Department shall give notice to the applicant as to whether the  
13 application has been approved or disapproved. If the Department  
14 disapproves the application, it shall specify the reasons for  
15 this decision and allow 60 days for the applicant to amend and  
16 resubmit its application. The Department shall provide  
17 assistance upon request to applicants. Resubmitted  
18 applications shall receive the Department's approval or  
19 disapproval within 30 days of resubmission. Those resubmitted  
20 applications satisfying initial Department objectives shall be  
21 approved unless reasonable circumstances warrant disapproval.

22 (f) On an annual basis, the designated zone organization  
23 shall furnish a statement to the Department on the programmatic  
24 and financial status of any approved project and an audited  
25 financial statement of the project.

26 (g) For any project which is approved and for which there  
27 is a specified amount of contributions which the designated  
28 zone organization may receive as provided in subsection (d) of  
29 this Section, the designated zone organization shall provide to  
30 the Department any information necessary to determine the  
31 eligibility of a contribution to the project for a deduction  
32 pursuant to subsection (b) (2) (N) of Section 203 of the Illinois  
33 Income Tax Act. The Department shall certify to the Department  
34 of Revenue the taxpayers eligible for and the amounts of  
35 contributions which those taxpayers may claim as a deduction  
36 pursuant to subsection (b) (2) (N) of Section 203 of the Illinois

1 Income Tax Act. The total of all actual contributions approved  
2 by the Department for deductions pursuant to subsection  
3 (b)(2)(N) of Section 203 of the Illinois Income Tax Act shall  
4 not exceed \$15,400,000 in any one calendar year.

5 ARTICLE 90.

6 AMENDATORY PROVISIONS

7 Section 90-5. The Department of Commerce and Economic  
8 Opportunity Law of the Civil Administrative Code of Illinois is  
9 amended by adding Section 605-907 as follows:

10 (20 ILCS 605/605-907 new)

11 Sec. 605-907. River Edge Redevelopment Zone assistance  
12 program. The Department may establish and maintain a program to  
13 provide, subject to appropriation, grants and assistance in  
14 connection River Edge Redevelopment Zones that are established  
15 under the River Edge Redevelopment Zone Act. The Department may  
16 adopt any rules necessary for the administration of the program  
17 under this Section.

18 Section 90-10. The Corporate Accountability for Tax  
19 Expenditures Act is amended by changing Section 5 as follows:

20 (20 ILCS 715/5)

21 Sec. 5. Definitions. As used in this Act:

22 "Base years" means the first 2 complete calendar years  
23 following the effective date of a recipient receiving  
24 development assistance.

25 "Date of assistance" means the commencement date of the  
26 assistance agreement, which date triggers the period during  
27 which the recipient is obligated to create or retain jobs and  
28 continue operations at the specific project site.

29 "Default" means that a recipient has not achieved its job  
30 creation, job retention, or wage or benefit goals, as  
31 applicable, during the prescribed period therefor.

1 "Department" means, unless otherwise noted, the Department  
2 of Commerce and Economic Opportunity ~~Community Affairs~~ or any  
3 successor agency.

4 "Development assistance" means (1) tax credits and tax  
5 exemptions (other than given under tax increment financing)  
6 given as an incentive to a recipient business organization  
7 pursuant to an initial certification or an initial designation  
8 made by the Department under the Economic Development for a  
9 Growing Economy Tax Credit Act, River Edge Redevelopment Zone  
10 Act, and the Illinois Enterprise Zone Act, including the High  
11 Impact Business program, (2) grants or loans given to a  
12 recipient as an incentive to a business organization pursuant  
13 to the River Edge Redevelopment Zone Act, Large Business  
14 Development Program, the Business Development Public  
15 Infrastructure Program, or the Industrial Training Program,  
16 (3) the State Treasurer's Economic Program Loans, (4) the  
17 Illinois Department of Transportation Economic Development  
18 Program, and (5) all successor and subsequent programs and tax  
19 credits designed to promote large business relocations and  
20 expansions. "Development assistance" does not include tax  
21 increment financing, assistance provided under the Illinois  
22 Enterprise Zone Act and River Edge Redevelopment Zone Act  
23 pursuant to local ordinance, participation loans, or financial  
24 transactions through statutorily authorized financial  
25 intermediaries in support of small business loans and  
26 investments or given in connection with the development of  
27 affordable housing.

28 "Development assistance agreement" means any agreement  
29 executed by the State granting body and the recipient setting  
30 forth the terms and conditions of development assistance to be  
31 provided to the recipient consistent with the final application  
32 for development assistance, including but not limited to the  
33 date of assistance, submitted to and approved by the State  
34 granting body.

35 "Full-time, permanent job" means either: (1) the  
36 definition therefor in the legislation authorizing the

1 programs described in the definition of development assistance  
2 in the Act or (2) if there is no such definition, then as  
3 defined in administrative rules implementing such legislation,  
4 provided the administrative rules were in place prior to the  
5 effective date of this Act. On and after the effective date of  
6 this Act, if there is no definition of "full-time, permanent  
7 job" in either the legislation authorizing a program that  
8 constitutes economic development assistance under this Act or  
9 in any administrative rule implementing such legislation that  
10 was in place prior to the effective date of this Act, then  
11 "full-time, permanent job" means a job in which the new  
12 employee works for the recipient at a rate of at least 35 hours  
13 per week.

14 "New employee" means either: (1) the definition therefor in  
15 the legislation authorizing the programs described in the  
16 definition of development assistance in the Act or (2) if there  
17 is no such definition, then as defined in administrative rules  
18 implementing such legislation, provided the administrative  
19 rules were in place prior to the effective date of this Act. On  
20 and after the effective date of this Act, if there is no  
21 definition of "new employee" in either the legislation  
22 authorizing a program that constitutes economic development  
23 assistance under this Act nor in any administrative rule  
24 implementing such legislation that was in place prior to the  
25 effective date of this Act, then "new employee" means a  
26 full-time, permanent employee who represents a net increase in  
27 the number of the recipient's employees statewide. "New  
28 employee" includes an employee who previously filled a new  
29 employee position with the recipient who was rehired or called  
30 back from a layoff that occurs during or following the base  
31 years.

32 The term "New Employee" does not include any of the  
33 following:

- 34 (1) An employee of the recipient who performs a job  
35 that was previously performed by another employee in this  
36 State, if that job existed in this State for at least 6

1 months before hiring the employee.

2 (2) A child, grandchild, parent, or spouse, other than  
3 a spouse who is legally separated from the individual, of  
4 any individual who has a direct or indirect ownership  
5 interest of at least 5% in the profits, capital, or value  
6 of any member of the recipient.

7 "Part-time job" means either: (1) the definition therefor  
8 in the legislation authorizing the programs described in the  
9 definition of development assistance in the Act or (2) if there  
10 is no such definition, then as defined in administrative rules  
11 implementing such legislation, provided the administrative  
12 rules were in place prior to the effective date of this Act. On  
13 and after the effective date of this Act, if there is no  
14 definition of "part-time job" in either the legislation  
15 authorizing a program that constitutes economic development  
16 assistance under this Act or in any administrative rule  
17 implementing such legislation that was in place prior to the  
18 effective date of this Act, then "part-time job" means a job in  
19 which the new employee works for the recipient at a rate of  
20 less than 35 hours per week.

21 "Recipient" means any business that receives economic  
22 development assistance. A business is any corporation, limited  
23 liability company, partnership, joint venture, association,  
24 sole proprietorship, or other legally recognized entity.

25 "Retained employee" means either: (1) the definition  
26 therefor in the legislation authorizing the programs described  
27 in the definition of development assistance in the Act or (2)  
28 if there is no such definition, then as defined in  
29 administrative rules implementing such legislation, provided  
30 the administrative rules were in place prior to the effective  
31 date of this Act. On and after the effective date of this Act,  
32 if there is no definition of "retained employee" in either the  
33 legislation authorizing a program that constitutes economic  
34 development assistance under this Act or in any administrative  
35 rule implementing such legislation that was in place prior to  
36 the effective date of this Act, then "retained employee" means

1 any employee defined as having a full-time or full-time  
2 equivalent job preserved at a specific facility or site, the  
3 continuance of which is threatened by a specific and  
4 demonstrable threat, which shall be specified in the  
5 application for development assistance.

6 "Specific project site" means that distinct operational  
7 unit to which any development assistance is applied.

8 "State granting body" means the Department, any State  
9 department or State agency that provides development  
10 assistance that has reporting requirements under this Act, and  
11 any successor agencies to any of the preceding.

12 "Temporary job" means either: (1) the definition therefor  
13 in the legislation authorizing the programs described in the  
14 definition of development assistance in the Act or (2) if there  
15 is no such definition, then as defined in administrative rules  
16 implementing such legislation, provided the administrative  
17 rules were in place prior to the effective date of this Act. On  
18 and after the effective date of this Act, if there is no  
19 definition of "temporary job" in either the legislation  
20 authorizing a program that constitutes economic development  
21 assistance under this Act or in any administrative rule  
22 implementing such legislation that was in place prior to the  
23 effective date of this Act, then "temporary job" means a job in  
24 which the new employee is hired for a specific duration of time  
25 or season.

26 "Value of assistance" means the face value of any form of  
27 development assistance.

28 (Source: P.A. 93-552, eff. 8-20-03; revised 12-6-03.)

29 Section 90-15. The Illinois Income Tax Act is amended by  
30 changing Sections 201 and 203 as follows:

31 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

32 Sec. 201. Tax Imposed.

33 (a) In general. A tax measured by net income is hereby  
34 imposed on every individual, corporation, trust and estate for

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

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

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

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

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

24 (4) (Blank).

25 (5) (Blank).

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

29 (7) In the case of a corporation, for taxable years  
30 beginning prior to July 1, 1989 and ending after June 30,  
31 1989, an amount equal to the sum of (i) 4% of the  
32 taxpayer's net income for the period prior to July 1, 1989,  
33 as calculated under Section 202.3, and (ii) 4.8% of the  
34 taxpayer's net income for the period after June 30, 1989,  
35 as calculated under Section 202.3.

36 (8) In the case of a corporation, for taxable years

1 beginning after June 30, 1989, an amount equal to 4.8% of  
2 the taxpayer's net income for the taxable year.

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

16 (d) Additional Personal Property Tax Replacement Income  
17 Tax Rates. The personal property tax replacement income tax  
18 imposed by this subsection and subsection (c) of this Section  
19 in the case of a corporation, other than a Subchapter S  
20 corporation and except as adjusted by subsection (d-1), shall  
21 be an additional amount equal to 2.85% of such taxpayer's net  
22 income for the taxable year, except that beginning on January  
23 1, 1981, and thereafter, the rate of 2.85% specified in this  
24 subsection shall be reduced to 2.5%, and in the case of a  
25 partnership, trust or a Subchapter S corporation shall be an  
26 additional amount equal to 1.5% of such taxpayer's net income  
27 for the taxable year.

28 (d-1) Rate reduction for certain foreign insurers. In the  
29 case of a foreign insurer, as defined by Section 35A-5 of the  
30 Illinois Insurance Code, whose state or country of domicile  
31 imposes on insurers domiciled in Illinois a retaliatory tax  
32 (excluding any insurer whose premiums from reinsurance assumed  
33 are 50% or more of its total insurance premiums as determined  
34 under paragraph (2) of subsection (b) of Section 304, except  
35 that for purposes of this determination premiums from  
36 reinsurance do not include premiums from inter-affiliate



1 reinsurance arrangements), beginning with taxable years ending  
2 on or after December 31, 1999, the sum of the rates of tax  
3 imposed by subsections (b) and (d) shall be reduced (but not  
4 increased) to the rate at which the total amount of tax imposed  
5 under this Act, net of all credits allowed under this Act,  
6 shall equal (i) the total amount of tax that would be imposed  
7 on the foreign insurer's net income allocable to Illinois for  
8 the taxable year by such foreign insurer's state or country of  
9 domicile if that net income were subject to all income taxes  
10 and taxes measured by net income imposed by such foreign  
11 insurer's state or country of domicile, net of all credits  
12 allowed or (ii) a rate of zero if no such tax is imposed on such  
13 income by the foreign insurer's state of domicile. For the  
14 purposes of this subsection (d-1), an inter-affiliate includes  
15 a mutual insurer under common management.

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

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

22 (B) the privilege tax imposed by Section 409 of the  
23 Illinois Insurance Code, the fire insurance company  
24 tax imposed by Section 12 of the Fire Investigation  
25 Act, and the fire department taxes imposed under  
26 Section 11-10-1 of the Illinois Municipal Code,  
27 equals 1.25% for taxable years ending prior to December 31,  
28 2003, or 1.75% for taxable years ending on or after  
29 December 31, 2003, of the net taxable premiums written for  
30 the taxable year, as described by subsection (1) of Section  
31 409 of the Illinois Insurance Code. This paragraph will in  
32 no event increase the rates imposed under subsections (b)  
33 and (d).

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

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

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

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

10 (1) A taxpayer shall be allowed a credit equal to .5%  
11 of the basis of qualified property placed in service during  
12 the taxable year, provided such property is placed in  
13 service on or after July 1, 1984. There shall be allowed an  
14 additional credit equal to .5% of the basis of qualified  
15 property placed in service during the taxable year,  
16 provided such property is placed in service on or after  
17 July 1, 1986, and the taxpayer's base employment within  
18 Illinois has increased by 1% or more over the preceding  
19 year as determined by the taxpayer's employment records  
20 filed with the Illinois Department of Employment Security.  
21 Taxpayers who are new to Illinois shall be deemed to have  
22 met the 1% growth in base employment for the first year in  
23 which they file employment records with the Illinois  
24 Department of Employment Security. The provisions added to  
25 this Section by Public Act 85-1200 (and restored by Public  
26 Act 87-895) shall be construed as declaratory of existing  
27 law and not as a new enactment. If, in any year, the  
28 increase in base employment within Illinois over the  
29 preceding year is less than 1%, the additional credit shall  
30 be limited to that percentage times a fraction, the  
31 numerator of which is .5% and the denominator of which is  
32 1%, but shall not exceed .5%. The investment credit shall  
33 not be allowed to the extent that it would reduce a  
34 taxpayer's liability in any tax year below zero, nor may  
35 any credit for qualified property be allowed for any year  
36 other than the year in which the property was placed in

1 service in Illinois. For tax years ending on or after  
2 December 31, 1987, and on or before December 31, 1988, the  
3 credit shall be allowed for the tax year in which the  
4 property is placed in service, or, if the amount of the  
5 credit exceeds the tax liability for that year, whether it  
6 exceeds the original liability or the liability as later  
7 amended, such excess may be carried forward and applied to  
8 the tax liability of the 5 taxable years following the  
9 excess credit years if the taxpayer (i) makes investments  
10 which cause the creation of a minimum of 2,000 full-time  
11 equivalent jobs in Illinois, (ii) is located in an  
12 enterprise zone established pursuant to the Illinois  
13 Enterprise Zone Act and (iii) is certified by the  
14 Department of Commerce and Community Affairs (now  
15 Department of Commerce and Economic Opportunity) as  
16 complying with the requirements specified in clause (i) and  
17 (ii) by July 1, 1986. The Department of Commerce and  
18 Community Affairs (now Department of Commerce and Economic  
19 Opportunity) shall notify the Department of Revenue of all  
20 such certifications immediately. For tax years ending  
21 after December 31, 1988, the credit shall be allowed for  
22 the tax year in which the property is placed in service,  
23 or, if the amount of the credit exceeds the tax liability  
24 for that year, whether it exceeds the original liability or  
25 the liability as later amended, such excess may be carried  
26 forward and applied to the tax liability of the 5 taxable  
27 years following the excess credit years. The credit shall  
28 be applied to the earliest year for which there is a  
29 liability. If there is credit from more than one tax year  
30 that is available to offset a liability, earlier credit  
31 shall be applied first.

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

34 (A) is tangible, whether new or used, including  
35 buildings and structural components of buildings and  
36 signs that are real property, but not including land or

1 improvements to real property that are not a structural  
2 component of a building such as landscaping, sewer  
3 lines, local access roads, fencing, parking lots, and  
4 other appurtenances;

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

10 (C) is acquired by purchase as defined in Section  
11 179(d) of the Internal Revenue Code;

12 (D) is used in Illinois by a taxpayer who is  
13 primarily engaged in manufacturing, or in mining coal  
14 or fluorite, or in retailing, or was placed in service  
15 on or after July 1, 2006 in a River Edge Redevelopment  
16 Zone established pursuant to the River Edge  
17 Redevelopment Zone Act; and

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

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

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

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

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

8           (7) If during any taxable year, any property ceases to  
9 be qualified property in the hands of the taxpayer within  
10 48 months after being placed in service, or the situs of  
11 any qualified property is moved outside Illinois within 48  
12 months after being placed in service, the Personal Property  
13 Tax Replacement Income Tax for such taxable year shall be  
14 increased. Such increase shall be determined by (i)  
15 recomputing the investment credit which would have been  
16 allowed for the year in which credit for such property was  
17 originally allowed by eliminating such property from such  
18 computation and, (ii) subtracting such recomputed credit  
19 from the amount of credit previously allowed. For the  
20 purposes of this paragraph (7), a reduction of the basis of  
21 qualified property resulting from a redetermination of the  
22 purchase price shall be deemed a disposition of qualified  
23 property to the extent of such reduction.

24           (8) Unless the investment credit is extended by law,  
25 the basis of qualified property shall not include costs  
26 incurred after December 31, 2008, except for costs incurred  
27 pursuant to a binding contract entered into on or before  
28 December 31, 2008.

29           (9) Each taxable year ending before December 31, 2000,  
30 a partnership may elect to pass through to its partners the  
31 credits to which the partnership is entitled under this  
32 subsection (e) for the taxable year. A partner may use the  
33 credit allocated to him or her under this paragraph only  
34 against the tax imposed in subsections (c) and (d) of this  
35 Section. If the partnership makes that election, those  
36 credits shall be allocated among the partners in the

1 partnership in accordance with the rules set forth in  
2 Section 704(b) of the Internal Revenue Code, and the rules  
3 promulgated under that Section, and the allocated amount of  
4 the credits shall be allowed to the partners for that  
5 taxable year. The partnership shall make this election on  
6 its Personal Property Tax Replacement Income Tax return for  
7 that taxable year. The election to pass through the credits  
8 shall be irrevocable.

9 For taxable years ending on or after December 31, 2000,  
10 a partner that qualifies its partnership for a subtraction  
11 under subparagraph (I) of paragraph (2) of subsection (d)  
12 of Section 203 or a shareholder that qualifies a Subchapter  
13 S corporation for a subtraction under subparagraph (S) of  
14 paragraph (2) of subsection (b) of Section 203 shall be  
15 allowed a credit under this subsection (e) equal to its  
16 share of the credit earned under this subsection (e) during  
17 the taxable year by the partnership or Subchapter S  
18 corporation, 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. This paragraph is exempt from the provisions  
22 of Section 250.

23 (f) Investment credit; Enterprise Zone; River Edge  
24 Redevelopment Zone.

25 (1) A taxpayer shall be allowed a credit against the  
26 tax imposed by subsections (a) and (b) of this Section for  
27 investment in qualified property which is placed in service  
28 in an Enterprise Zone created pursuant to the Illinois  
29 Enterprise Zone Act or, for property placed in service on  
30 or after July 1, 2006, a River Edge Redevelopment Zone  
31 established pursuant to the River Edge Redevelopment Zone  
32 Act. For partners, shareholders of Subchapter S  
33 corporations, and owners of limited liability companies,  
34 if the liability company is treated as a partnership for  
35 purposes of federal and State income taxation, there shall  
36 be allowed a credit under this subsection (f) to be

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

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

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

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

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

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

34 (E) has not been previously used in Illinois in  
35 such a manner and by such a person as would qualify for  
36 the credit provided by this subsection (f) or

1 subsection (e).

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

30 (7) There shall be allowed an additional credit equal  
31 to 0.5% of the basis of qualified property placed in  
32 service during the taxable year in a River Edge  
33 Redevelopment Zone, provided such property is placed in  
34 service on or after July 1, 2006, and the taxpayer's base  
35 employment within Illinois has increased by 1% or more over  
36 the preceding year as determined by the taxpayer's



1 employment records filed with the Illinois Department of  
2 Employment Security. Taxpayers who are new to Illinois  
3 shall be deemed to have met the 1% growth in base  
4 employment for the first year in which they file employment  
5 records with the Illinois Department of Employment  
6 Security. If, in any year, the increase in base employment  
7 within Illinois over the preceding year is less than 1%,  
8 the additional credit shall be limited to that percentage  
9 times a fraction, the numerator of which is 0.5% and the  
10 denominator of which is 1%, but shall not exceed 0.5%.

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

13 (1) A taxpayer conducting a trade or business in an  
14 enterprise zone or a High Impact Business designated by the  
15 Department of Commerce and Economic Opportunity or for  
16 taxable years ending on or after December 31, 2006, in a  
17 River Edge Redevelopment Zone conducting a trade or  
18 business in a federally designated Foreign Trade Zone or  
19 Sub-Zone shall be allowed a credit against the tax imposed  
20 by subsections (a) and (b) of this Section in the amount of  
21 \$500 per eligible employee hired to work in the zone during  
22 the taxable year.

23 (2) To qualify for the credit:

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

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

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

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

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

12 (B) Hired after the enterprise zone, River Edge  
13 Redevelopment Zone, or federally designated Foreign  
14 Trade Zone or Sub-Zone was designated or the trade or  
15 business was located in that zone, whichever is later.

16 (C) Employed in the enterprise zone, River Edge  
17 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.  
18 An employee is employed in an enterprise zone or  
19 federally designated Foreign Trade Zone or Sub-Zone if  
20 his services are rendered there or it is the base of  
21 operations for the services performed.

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

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

1 tax year that is available to offset a liability, earlier  
2 credit shall be applied first.

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

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

8 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

23 (C) is acquired by purchase as defined in Section  
24 179(d) of the Internal Revenue Code; and

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

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

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

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

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

21           (7) Beginning with tax years ending after December 31,  
22 1996, if a taxpayer qualifies for the credit under this  
23 subsection (h) and thereby is granted a tax abatement and  
24 the taxpayer relocates its entire facility in violation of  
25 the explicit terms and length of the contract under Section  
26 18-183 of the Property Tax Code, the tax imposed under  
27 subsections (a) and (b) of this Section shall be increased  
28 for the taxable year in which the taxpayer relocated its  
29 facility by an amount equal to the amount of credit  
30 received by the taxpayer under this subsection (h).

31           (i) Credit for Personal Property Tax Replacement Income  
32 Tax. For tax years ending prior to December 31, 2003, a credit  
33 shall be allowed against the tax imposed by subsections (a) and  
34 (b) of this Section for the tax imposed by subsections (c) and  
35 (d) of this Section. This credit shall be computed by  
36 multiplying the tax imposed by subsections (c) and (d) of this

1 Section by a fraction, the numerator of which is base income  
2 allocable to Illinois and the denominator of which is Illinois  
3 base income, and further multiplying the product by the tax  
4 rate imposed by subsections (a) and (b) of this Section.

5 Any credit earned on or after December 31, 1986 under this  
6 subsection which is unused in the year the credit is computed  
7 because it exceeds the tax liability imposed by subsections (a)  
8 and (b) for that year (whether it exceeds the original  
9 liability or the liability as later amended) may be carried  
10 forward and applied to the tax liability imposed by subsections  
11 (a) and (b) of the 5 taxable years following the excess credit  
12 year, provided that no credit may be carried forward to any  
13 year ending on or after December 31, 2003. This credit shall be  
14 applied first to the earliest year for which there is a  
15 liability. If there is a credit under this subsection from more  
16 than one tax year that is available to offset a liability the  
17 earliest credit arising under this subsection shall be applied  
18 first.

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

29 (j) Training expense credit. Beginning with tax years  
30 ending on or after December 31, 1986 and prior to December 31,  
31 2003, a taxpayer shall be allowed a credit against the tax  
32 imposed by subsections (a) and (b) under this Section for all  
33 amounts paid or accrued, on behalf of all persons employed by  
34 the taxpayer in Illinois or Illinois residents employed outside  
35 of Illinois by a taxpayer, for educational or vocational  
36 training in semi-technical or technical fields or semi-skilled

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

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

22 (k) Research and development credit.

23 For tax years ending after July 1, 1990 and prior to  
24 December 31, 2003, and beginning again for tax years ending on  
25 or after December 31, 2004, a taxpayer shall be allowed a  
26 credit against the tax imposed by subsections (a) and (b) of  
27 this Section for increasing research activities in this State.  
28 The credit allowed against the tax imposed by subsections (a)  
29 and (b) shall be equal to 6 1/2% of the qualifying expenditures  
30 for increasing research activities in this State. For partners,  
31 shareholders of subchapter S corporations, and owners of  
32 limited liability companies, if the liability company is  
33 treated as a partnership for purposes of federal and State  
34 income taxation, there shall be allowed a credit under this  
35 subsection to be determined in accordance with the  
36 determination of income and distributive share of income under

1 Sections 702 and 704 and subchapter S of the Internal Revenue  
2 Code.

3 For purposes of this subsection, "qualifying expenditures"  
4 means the qualifying expenditures as defined for the federal  
5 credit for increasing research activities which would be  
6 allowable under Section 41 of the Internal Revenue Code and  
7 which are conducted in this State, "qualifying expenditures for  
8 increasing research activities in this State" means the excess  
9 of qualifying expenditures for the taxable year in which  
10 incurred over qualifying expenditures for the base period,  
11 "qualifying expenditures for the base period" means the average  
12 of the qualifying expenditures for each year in the base  
13 period, and "base period" means the 3 taxable years immediately  
14 preceding the taxable year for which the determination is being  
15 made.

16 Any credit in excess of the tax liability for the taxable  
17 year may be carried forward. A taxpayer may elect to have the  
18 unused credit shown on its final completed return carried over  
19 as a credit against the tax liability for the following 5  
20 taxable years or until it has been fully used, whichever occurs  
21 first; provided that no credit earned in a tax year ending  
22 prior to December 31, 2003 may be carried forward to any year  
23 ending on or after December 31, 2003.

24 If an unused credit is carried forward to a given year from  
25 2 or more earlier years, that credit arising in the earliest  
26 year will be applied first against the tax liability for the  
27 given year. If a tax liability for the given year still  
28 remains, the credit from the next earliest year will then be  
29 applied, and so on, until all credits have been used or no tax  
30 liability for the given year remains. Any remaining unused  
31 credit or credits then will be carried forward to the next  
32 following year in which a tax liability is incurred, except  
33 that no credit can be carried forward to a year which is more  
34 than 5 years after the year in which the expense for which the  
35 credit is given was incurred.

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



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

3 (1) Environmental Remediation Tax Credit.

4 (i) For tax years ending after December 31, 1997 and on  
5 or before December 31, 2001, a taxpayer shall be allowed a  
6 credit against the tax imposed by subsections (a) and (b)  
7 of this Section for certain amounts paid for unreimbursed  
8 eligible remediation costs, as specified in this  
9 subsection. For purposes of this Section, "unreimbursed  
10 eligible remediation costs" means costs approved by the  
11 Illinois Environmental Protection Agency ("Agency") under  
12 Section 58.14 of the Environmental Protection Act that were  
13 paid in performing environmental remediation at a site for  
14 which a No Further Remediation Letter was issued by the  
15 Agency and recorded under Section 58.10 of the  
16 Environmental Protection Act. The credit must be claimed  
17 for the taxable year in which Agency approval of the  
18 eligible remediation costs is granted. The credit is not  
19 available to any taxpayer if the taxpayer or any related  
20 party caused or contributed to, in any material respect, a  
21 release of regulated substances on, in, or under the site  
22 that was identified and addressed by the remedial action  
23 pursuant to the Site Remediation Program of the  
24 Environmental Protection Act. After the Pollution Control  
25 Board rules are adopted pursuant to the Illinois  
26 Administrative Procedure Act for the administration and  
27 enforcement of Section 58.9 of the Environmental  
28 Protection Act, determinations as to credit availability  
29 for purposes of this Section shall be made consistent with  
30 those rules. For purposes of this Section, "taxpayer"  
31 includes a person whose tax attributes the taxpayer has  
32 succeeded to under Section 381 of the Internal Revenue Code  
33 and "related party" includes the persons disallowed a  
34 deduction for losses by paragraphs (b), (c), and (f)(1) of  
35 Section 267 of the Internal Revenue Code by virtue of being  
36 a related taxpayer, as well as any of its partners. The

1 credit allowed against the tax imposed by subsections (a)  
2 and (b) shall be equal to 25% of the unreimbursed eligible  
3 remediation costs in excess of \$100,000 per site, except  
4 that the \$100,000 threshold shall not apply to any site  
5 contained in an enterprise zone as determined by the  
6 Department of Commerce and Community Affairs (now  
7 Department of Commerce and Economic Opportunity). The  
8 total credit allowed shall not exceed \$40,000 per year with  
9 a maximum total of \$150,000 per site. For partners and  
10 shareholders of subchapter S corporations, there shall be  
11 allowed a credit under this subsection to be determined in  
12 accordance with the determination of income and  
13 distributive share of income under Sections 702 and 704 and  
14 subchapter S of the Internal Revenue Code.

15 (ii) A credit allowed under this subsection that is  
16 unused in the year the credit is earned may be carried  
17 forward to each of the 5 taxable years following the year  
18 for which the credit is first earned until it is used. The  
19 term "unused credit" does not include any amounts of  
20 unreimbursed eligible remediation costs in excess of the  
21 maximum credit per site authorized under paragraph (i).  
22 This credit shall be applied first to the earliest year for  
23 which there is a liability. If there is a credit under this  
24 subsection from more than one tax year that is available to  
25 offset a liability, the earliest credit arising under this  
26 subsection shall be applied first. A credit allowed under  
27 this subsection may be sold to a buyer as part of a sale of  
28 all or part of the remediation site for which the credit  
29 was granted. The purchaser of a remediation site and the  
30 tax credit shall succeed to the unused credit and remaining  
31 carry-forward period of the seller. To perfect the  
32 transfer, the assignor shall record the transfer in the  
33 chain of title for the site and provide written notice to  
34 the Director of the Illinois Department of Revenue of the  
35 assignor's intent to sell the remediation site and the  
36 amount of the tax credit to be transferred as a portion of

1 the sale. In no event may a credit be transferred to any  
2 taxpayer if the taxpayer or a related party would not be  
3 eligible under the provisions of subsection (i).

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

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

19 For purposes of this subsection:

20 "Qualifying pupils" means individuals who (i) are  
21 residents of the State of Illinois, (ii) are under the age of  
22 21 at the close of the school year for which a credit is  
23 sought, and (iii) during the school year for which a credit is  
24 sought were full-time pupils enrolled in a kindergarten through  
25 twelfth grade education program at any school, as defined in  
26 this subsection.

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

31 "School" means any public or nonpublic elementary or  
32 secondary school in Illinois that is in compliance with Title  
33 VI of the Civil Rights Act of 1964 and attendance at which  
34 satisfies the requirements of Section 26-1 of the School Code,  
35 except that nothing shall be construed to require a child to  
36 attend any particular public or nonpublic school to qualify for

1 the credit under this Section.

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

5 (n) River Edge Redevelopment Zone site remediation tax  
6 credit.

7 (i) For tax years ending on or after December 31, 2006,  
8 a taxpayer shall be allowed a credit against the tax  
9 imposed by subsections (a) and (b) of this Section for  
10 certain amounts paid for unreimbursed eligible remediation  
11 costs, as specified in this subsection. For purposes of  
12 this Section, "unreimbursed eligible remediation costs"  
13 means costs approved by the Illinois Environmental  
14 Protection Agency ("Agency") under Section 58.14 of the  
15 Environmental Protection Act that were paid in performing  
16 environmental remediation at a site within a River Edge  
17 Redevelopment Zone for which a No Further Remediation  
18 Letter was issued by the Agency and recorded under Section  
19 58.10 of the Environmental Protection Act. The credit must  
20 be claimed for the taxable year in which Agency approval of  
21 the eligible remediation costs is granted. The credit is  
22 not available to any taxpayer if the taxpayer or any  
23 related party caused or contributed to, in any material  
24 respect, a release of regulated substances on, in, or under  
25 the site that was identified and addressed by the remedial  
26 action pursuant to the Site Remediation Program of the  
27 Environmental Protection Act. Determinations as to credit  
28 availability for purposes of this Section shall be made  
29 consistent with rules adopted by the Pollution Control  
30 Board pursuant to the Illinois Administrative Procedure  
31 Act for the administration and enforcement of Section 58.9  
32 of the Environmental Protection Act. For purposes of this  
33 Section, "taxpayer" includes a person whose tax attributes  
34 the taxpayer has succeeded to under Section 381 of the  
35 Internal Revenue Code and "related party" includes the  
36 persons disallowed a deduction for losses by paragraphs

1 (b), (c), and (f)(1) of Section 267 of the Internal Revenue  
2 Code by virtue of being a related taxpayer, as well as any  
3 of its partners. The credit allowed against the tax imposed  
4 by subsections (a) and (b) shall be equal to 25% of the  
5 unreimbursed eligible remediation costs in excess of  
6 \$100,000 per site.

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

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

32 (iv) This subsection is exempt from the provisions of  
33 Section 250.

34 (Source: P.A. 92-12, eff. 7-1-01; 92-16, eff. 6-28-01; 92-651,  
35 eff. 7-11-02; 93-840, eff. 7-30-04; 92-846, eff. 8-23-02;  
36 93-29, eff. 6-20-03; 93-840, eff. 7-30-04; 93-871, eff. 8-6-04;

1 revised 10-25-04.)

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

3 Sec. 203. Base income defined.

4 (a) Individuals.

5 (1) In general. In the case of an individual, base  
6 income means an amount equal to the taxpayer's adjusted  
7 gross income for the taxable year as modified by paragraph  
8 (2).

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

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

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

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

35 (D) An amount equal to the amount of the capital

1 gain deduction allowable under the Internal Revenue  
2 Code, to the extent deducted from gross income in the  
3 computation of adjusted gross income;

4 (D-5) An amount, to the extent not included in  
5 adjusted gross income, equal to the amount of money  
6 withdrawn by the taxpayer in the taxable year from a  
7 medical care savings account and the interest earned on  
8 the account in the taxable year of a withdrawal  
9 pursuant to subsection (b) of Section 20 of the Medical  
10 Care Savings Account Act or subsection (b) of Section  
11 20 of the Medical Care Savings Account Act of 2000;

12 (D-10) For taxable years ending after December 31,  
13 1997, an amount equal to any eligible remediation costs  
14 that the individual deducted in computing adjusted  
15 gross income and for which the individual claims a  
16 credit under subsection (l) of Section 201;

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

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

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

35 (D-17) For taxable years ending on or after  
36 December 31, 2004, an amount equal to the amount

1 otherwise allowed as a deduction in computing base  
2 income for interest paid, accrued, or incurred,  
3 directly or indirectly, to a foreign person who would  
4 be a member of the same unitary business group but for  
5 the fact that foreign person's business activity  
6 outside the United States is 80% or more of the foreign  
7 person's total business activity. The addition  
8 modification required by this subparagraph shall be  
9 reduced to the extent that dividends were included in  
10 base income of the unitary group for the same taxable  
11 year and received by the taxpayer or by a member of the  
12 taxpayer's unitary business group (including amounts  
13 included in gross income under Sections 951 through 964  
14 of the Internal Revenue Code and amounts included in  
15 gross income under Section 78 of the Internal Revenue  
16 Code) with respect to the stock of the same person to  
17 whom the interest was paid, accrued, or incurred.

18 This paragraph shall not apply to the following:

19 (i) an item of interest paid, accrued, or  
20 incurred, directly or indirectly, to a foreign  
21 person who is subject in a foreign country or  
22 state, other than a state which requires mandatory  
23 unitary reporting, to a tax on or measured by net  
24 income with respect to such interest; or

25 (ii) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a foreign  
27 person if the taxpayer can establish, based on a  
28 preponderance of the evidence, both of the  
29 following:

30 (a) the foreign person, during the same  
31 taxable year, paid, accrued, or incurred, the  
32 interest to a person that is not a related  
33 member, and

34 (b) the transaction giving rise to the  
35 interest expense between the taxpayer and the  
36 foreign person did not have as a principal



1           purpose the avoidance of Illinois income tax,  
2           and is paid pursuant to a contract or agreement  
3           that reflects an arm's-length interest rate  
4           and terms; or

5           (iii) the taxpayer can establish, based on  
6           clear and convincing evidence, that the interest  
7           paid, accrued, or incurred relates to a contract or  
8           agreement entered into at arm's-length rates and  
9           terms and the principal purpose for the payment is  
10          not federal or Illinois tax avoidance; or

11          (iv) an item of interest paid, accrued, or  
12          incurred, directly or indirectly, to a foreign  
13          person if the taxpayer establishes by clear and  
14          convincing evidence that the adjustments are  
15          unreasonable; or if the taxpayer and the Director  
16          agree in writing to the application or use of an  
17          alternative method of apportionment under Section  
18          304(f).

19          Nothing in this subsection shall preclude the  
20          Director from making any other adjustment  
21          otherwise allowed under Section 404 of this Act for  
22          any tax year beginning after the effective date of  
23          this amendment provided such adjustment is made  
24          pursuant to regulation adopted by the Department  
25          and such regulations provide methods and standards  
26          by which the Department will utilize its authority  
27          under Section 404 of this Act;

28          (D-18) For taxable years ending on or after  
29          December 31, 2004, an amount equal to the amount of  
30          intangible expenses and costs otherwise allowed as a  
31          deduction in computing base income, and that were paid,  
32          accrued, or incurred, directly or indirectly, to a  
33          foreign person who would be a member of the same  
34          unitary business group but for the fact that the  
35          foreign person's business activity outside the United  
36          States is 80% or more of that person's total business

1 activity. The addition modification required by this  
2 subparagraph shall be reduced to the extent that  
3 dividends were included in base income of the unitary  
4 group for the same taxable year and received by the  
5 taxpayer or by a member of the taxpayer's unitary  
6 business group (including amounts included in gross  
7 income under Sections 951 through 964 of the Internal  
8 Revenue Code and amounts included in gross income under  
9 Section 78 of the Internal Revenue Code) with respect  
10 to the stock of the same person to whom the intangible  
11 expenses and costs were directly or indirectly paid,  
12 incurred, or accrued. The preceding sentence does not  
13 apply to the extent that the same dividends caused a  
14 reduction to the addition modification required under  
15 Section 203(a)(2)(D-17) of this Act. As used in this  
16 subparagraph, the term "intangible expenses and costs"  
17 includes (1) expenses, losses, and costs for, or  
18 related to, the direct or indirect acquisition, use,  
19 maintenance or management, ownership, sale, exchange,  
20 or any other disposition of intangible property; (2)  
21 losses incurred, directly or indirectly, from  
22 factoring transactions or discounting transactions;  
23 (3) royalty, patent, technical, and copyright fees;  
24 (4) licensing fees; and (5) other similar expenses and  
25 costs. For purposes of this subparagraph, "intangible  
26 property" includes patents, patent applications, trade  
27 names, trademarks, service marks, copyrights, mask  
28 works, trade secrets, and similar types of intangible  
29 assets.

30 This paragraph shall not apply to the following:

31 (i) any item of intangible expenses or costs  
32 paid, accrued, or incurred, directly or  
33 indirectly, from a transaction with a foreign  
34 person who is subject in a foreign country or  
35 state, other than a state which requires mandatory  
36 unitary reporting, to a tax on or measured by net

1 income with respect to such item; or

2 (ii) any item of intangible expense or cost  
3 paid, accrued, or incurred, directly or  
4 indirectly, if the taxpayer can establish, based  
5 on a preponderance of the evidence, both of the  
6 following:

7 (a) the foreign person during the same  
8 taxable year paid, accrued, or incurred, the  
9 intangible expense or cost to a person that is  
10 not a related member, and

11 (b) the transaction giving rise to the  
12 intangible expense or cost between the  
13 taxpayer and the foreign person did not have as  
14 a principal purpose the avoidance of Illinois  
15 income tax, and is paid pursuant to a contract  
16 or agreement that reflects arm's-length terms;  
17 or

18 (iii) any item of intangible expense or cost  
19 paid, accrued, or incurred, directly or  
20 indirectly, from a transaction with a foreign  
21 person if the taxpayer establishes by clear and  
22 convincing evidence, that the adjustments are  
23 unreasonable; or if the taxpayer and the Director  
24 agree in writing to the application or use of an  
25 alternative method of apportionment under Section  
26 304(f);

27 Nothing in this subsection shall preclude the  
28 Director from making any other adjustment  
29 otherwise allowed under Section 404 of this Act for  
30 any tax year beginning after the effective date of  
31 this amendment provided such adjustment is made  
32 pursuant to regulation adopted by the Department  
33 and such regulations provide methods and standards  
34 by which the Department will utilize its authority  
35 under Section 404 of this Act;

36 (D-20) For taxable years beginning on or after

1 January 1, 2002, in the case of a distribution from a  
2 qualified tuition program under Section 529 of the  
3 Internal Revenue Code, other than (i) a distribution  
4 from a College Savings Pool created under Section 16.5  
5 of the State Treasurer Act or (ii) a distribution from  
6 the Illinois Prepaid Tuition Trust Fund, an amount  
7 equal to the amount excluded from gross income under  
8 Section 529(c)(3)(B);

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

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

1 Assembly are exempt from the provisions of Section 250;

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

13 (G) The valuation limitation amount;

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

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

22 (J) An amount equal to those dividends included in  
23 such total which were paid by a corporation which  
24 conducts business operations in an Enterprise Zone or  
25 zones created under the Illinois Enterprise Zone Act or  
26 a River Edge Redevelopment Zone or zones created under  
27 the River Edge Redevelopment Zone Act, and conducts  
28 substantially all of its operations in an Enterprise  
29 Zone or zones or a River Edge Redevelopment Zone or  
30 zones. This subparagraph (J) is exempt from the  
31 provisions of Section 250;

32 (K) An amount equal to those dividends included in  
33 such total that were paid by a corporation that  
34 conducts business operations in a federally designated  
35 Foreign Trade Zone or Sub-Zone and that is designated a  
36 High Impact Business located in Illinois; provided

1 that dividends eligible for the deduction provided in  
2 subparagraph (J) of paragraph (2) of this subsection  
3 shall not be eligible for the deduction provided under  
4 this subparagraph (K);

5 (L) For taxable years ending after December 31,  
6 1983, an amount equal to all social security benefits  
7 and railroad retirement benefits included in such  
8 total pursuant to Sections 72(r) and 86 of the Internal  
9 Revenue Code;

10 (M) With the exception of any amounts subtracted  
11 under subparagraph (N), an amount equal to the sum of  
12 all amounts disallowed as deductions by (i) Sections  
13 171(a) (2), and 265(2) of the Internal Revenue Code of  
14 1954, as now or hereafter amended, and all amounts of  
15 expenses allocable to interest and disallowed as  
16 deductions by Section 265(1) of the Internal Revenue  
17 Code of 1954, as now or hereafter amended; and (ii) for  
18 taxable years ending on or after August 13, 1999,  
19 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
20 the Internal Revenue Code; the provisions of this  
21 subparagraph are exempt from the provisions of Section  
22 250;

23 (N) An amount equal to all amounts included in such  
24 total which are exempt from taxation by this State  
25 either by reason of its statutes or Constitution or by  
26 reason of the Constitution, treaties or statutes of the  
27 United States; provided that, in the case of any  
28 statute of this State that exempts income derived from  
29 bonds or other obligations from the tax imposed under  
30 this Act, the amount exempted shall be the interest net  
31 of bond premium amortization;

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

35 (P) An amount equal to the amount of the deduction  
36 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code of 1986;

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

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

11 (S) An amount, to the extent included in adjusted  
12 gross income, equal to the amount of a contribution  
13 made in the taxable year on behalf of the taxpayer to a  
14 medical care savings account established under the  
15 Medical Care Savings Account Act or the Medical Care  
16 Savings Account Act of 2000 to the extent the  
17 contribution is accepted by the account administrator  
18 as provided in that Act;

19 (T) An amount, to the extent included in adjusted  
20 gross income, equal to the amount of interest earned in  
21 the taxable year on a medical care savings account  
22 established under the Medical Care Savings Account Act  
23 or the Medical Care Savings Account Act of 2000 on  
24 behalf of the taxpayer, other than interest added  
25 pursuant to item (D-5) of this paragraph (2);

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

32 (V) Beginning with tax years ending on or after  
33 December 31, 1995 and ending with tax years ending on  
34 or before December 31, 2004, an amount equal to the  
35 amount paid by a taxpayer who is a self-employed  
36 taxpayer, a partner of a partnership, or a shareholder

1 in a Subchapter S corporation for health insurance or  
2 long-term care insurance for that taxpayer or that  
3 taxpayer's spouse or dependents, to the extent that the  
4 amount paid for that health insurance or long-term care  
5 insurance may be deducted under Section 213 of the  
6 Internal Revenue Code of 1986, has not been deducted on  
7 the federal income tax return of the taxpayer, and does  
8 not exceed the taxable income attributable to that  
9 taxpayer's income, self-employment income, or  
10 Subchapter S corporation income; except that no  
11 deduction shall be allowed under this item (V) if the  
12 taxpayer is eligible to participate in any health  
13 insurance or long-term care insurance plan of an  
14 employer of the taxpayer or the taxpayer's spouse. The  
15 amount of the health insurance and long-term care  
16 insurance subtracted under this item (V) shall be  
17 determined by multiplying total health insurance and  
18 long-term care insurance premiums paid by the taxpayer  
19 times a number that represents the fractional  
20 percentage of eligible medical expenses under Section  
21 213 of the Internal Revenue Code of 1986 not actually  
22 deducted on the taxpayer's federal income tax return;

23 (W) For taxable years beginning on or after January  
24 1, 1998, all amounts included in the taxpayer's federal  
25 gross income in the taxable year from amounts converted  
26 from a regular IRA to a Roth IRA. This paragraph is  
27 exempt from the provisions of Section 250;

28 (X) For taxable year 1999 and thereafter, an amount  
29 equal to the amount of any (i) distributions, to the  
30 extent includible in gross income for federal income  
31 tax purposes, made to the taxpayer because of his or  
32 her status as a victim of persecution for racial or  
33 religious reasons by Nazi Germany or any other Axis  
34 regime or as an heir of the victim and (ii) items of  
35 income, to the extent includible in gross income for  
36 federal income tax purposes, attributable to, derived



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

25 (Y) For taxable years beginning on or after January  
26 1, 2002 and ending on or before December 31, 2004,  
27 moneys contributed in the taxable year to a College  
28 Savings Pool account under Section 16.5 of the State  
29 Treasurer Act, except that amounts excluded from gross  
30 income under Section 529(c)(3)(C)(i) of the Internal  
31 Revenue Code shall not be considered moneys  
32 contributed under this subparagraph (Y). For taxable  
33 years beginning on or after January 1, 2005, a maximum  
34 of \$10,000 contributed in the taxable year to (i) a  
35 College Savings Pool account under Section 16.5 of the  
36 State Treasurer Act or (ii) the Illinois Prepaid

1 Tuition Trust Fund, except that amounts excluded from  
2 gross income under Section 529(c)(3)(C)(i) of the  
3 Internal Revenue Code shall not be considered moneys  
4 contributed under this subparagraph (Y). This  
5 subparagraph (Y) is exempt from the provisions of  
6 Section 250;

7 (Z) For taxable years 2001 and thereafter, for the  
8 taxable year in which the bonus depreciation deduction  
9 (30% of the adjusted basis of the qualified property)  
10 is taken on the taxpayer's federal income tax return  
11 under subsection (k) of Section 168 of the Internal  
12 Revenue Code and for each applicable taxable year  
13 thereafter, an amount equal to "x", where:

14 (1) "y" equals the amount of the depreciation  
15 deduction taken for the taxable year on the  
16 taxpayer's federal income tax return on property  
17 for which the bonus depreciation deduction (30% of  
18 the adjusted basis of the qualified property) was  
19 taken in any year under subsection (k) of Section  
20 168 of the Internal Revenue Code, but not including  
21 the bonus depreciation deduction; and

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

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

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

1 modification.

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

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

8 (CC) The amount of (i) any interest income (net of  
9 the deductions allocable thereto) taken into account  
10 for the taxable year with respect to a transaction with  
11 a taxpayer that is required to make an addition  
12 modification with respect to such transaction under  
13 Section 203(a)(2)(D-17), 203(b)(2)(E-13),  
14 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
15 the amount of that addition modification, and (ii) any  
16 income from intangible property (net of the deductions  
17 allocable thereto) taken into account for the taxable  
18 year with respect to a transaction with a taxpayer that  
19 is required to make an addition modification with  
20 respect to such transaction under Section  
21 203(a)(2)(D-18), 203(b)(2)(E-14), 203(c)(2)(G-13), or  
22 203(d)(2)(D-8), but not to exceed the amount of that  
23 addition modification;

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

36 (EE) An amount equal to the income from intangible

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

13 (b) Corporations.

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

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

20 (A) An amount equal to all amounts paid or accrued  
21 to the taxpayer as interest and all distributions  
22 received from regulated investment companies during  
23 the taxable year to the extent excluded from gross  
24 income in the computation of taxable income;

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

28 (C) In the case of a regulated investment company,  
29 an amount equal to the excess of (i) the net long-term  
30 capital gain for the taxable year, over (ii) the amount  
31 of the capital gain dividends designated as such in  
32 accordance with Section 852(b)(3)(C) of the Internal  
33 Revenue Code and any amount designated under Section  
34 852(b)(3)(D) of the Internal Revenue Code,  
35 attributable to the taxable year (this amendatory Act

1 of 1995 (Public Act 89-89) is declarative of existing  
2 law and is not a new enactment);

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

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

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

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

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

1 (E-5) For taxable years ending after December 31,  
2 1997, an amount equal to any eligible remediation costs  
3 that the corporation deducted in computing adjusted  
4 gross income and for which the corporation claims a  
5 credit under subsection (l) of Section 201;

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

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

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

24 (E-12) For taxable years ending on or after  
25 December 31, 2004, an amount equal to the amount  
26 otherwise allowed as a deduction in computing base  
27 income for interest paid, accrued, or incurred,  
28 directly or indirectly, to a foreign person who would  
29 be a member of the same unitary business group but for  
30 the fact the foreign person's business activity  
31 outside the United States is 80% or more of the foreign  
32 person's total business activity. The addition  
33 modification required by this subparagraph shall be  
34 reduced to the extent that dividends were included in  
35 base income of the unitary group for the same taxable  
36 year and received by the taxpayer or by a member of the

1 taxpayer's unitary business group (including amounts  
2 included in gross income pursuant to Sections 951  
3 through 964 of the Internal Revenue Code and amounts  
4 included in gross income under Section 78 of the  
5 Internal Revenue Code) with respect to the stock of the  
6 same person to whom the interest was paid, accrued, or  
7 incurred.

8 This paragraph shall not apply to the following:

9 (i) an item of interest paid, accrued, or  
10 incurred, directly or indirectly, to a foreign  
11 person who is subject in a foreign country or  
12 state, other than a state which requires mandatory  
13 unitary reporting, to a tax on or measured by net  
14 income with respect to such interest; or

15 (ii) an item of interest paid, accrued, or  
16 incurred, directly or indirectly, to a foreign  
17 person if the taxpayer can establish, based on a  
18 preponderance of the evidence, both of the  
19 following:

20 (a) the foreign person, during the same  
21 taxable year, paid, accrued, or incurred, the  
22 interest to a person that is not a related  
23 member, and

24 (b) the transaction giving rise to the  
25 interest expense between the taxpayer and the  
26 foreign person did not have as a principal  
27 purpose the avoidance of Illinois income tax,  
28 and is paid pursuant to a contract or agreement  
29 that reflects an arm's-length interest rate  
30 and terms; or

31 (iii) the taxpayer can establish, based on  
32 clear and convincing evidence, that the interest  
33 paid, accrued, or incurred relates to a contract or  
34 agreement entered into at arm's-length rates and  
35 terms and the principal purpose for the payment is  
36 not federal or Illinois tax avoidance; or

1 (iv) an item of interest paid, accrued, or  
2 incurred, directly or indirectly, to a foreign  
3 person if the taxpayer establishes by clear and  
4 convincing evidence that the adjustments are  
5 unreasonable; or if the taxpayer and the Director  
6 agree in writing to the application or use of an  
7 alternative method of apportionment under Section  
8 304(f).

9 Nothing in this subsection shall preclude the  
10 Director from making any other adjustment  
11 otherwise allowed under Section 404 of this Act for  
12 any tax year beginning after the effective date of  
13 this amendment provided such adjustment is made  
14 pursuant to regulation adopted by the Department  
15 and such regulations provide methods and standards  
16 by which the Department will utilize its authority  
17 under Section 404 of this Act;

18 (E-13) For taxable years ending on or after  
19 December 31, 2004, an amount equal to the amount of  
20 intangible expenses and costs otherwise allowed as a  
21 deduction in computing base income, and that were paid,  
22 accrued, or incurred, directly or indirectly, to a  
23 foreign person who would be a member of the same  
24 unitary business group but for the fact that the  
25 foreign person's business activity outside the United  
26 States is 80% or more of that person's total business  
27 activity. The addition modification required by this  
28 subparagraph shall be reduced to the extent that  
29 dividends were included in base income of the unitary  
30 group for the same taxable year and received by the  
31 taxpayer or by a member of the taxpayer's unitary  
32 business group (including amounts included in gross  
33 income pursuant to Sections 951 through 964 of the  
34 Internal Revenue Code and amounts included in gross  
35 income under Section 78 of the Internal Revenue Code)  
36 with respect to the stock of the same person to whom



1 the intangible expenses and costs were directly or  
2 indirectly paid, incurred, or accrued. The preceding  
3 sentence shall not apply to the extent that the same  
4 dividends caused a reduction to the addition  
5 modification required under Section 203(b)(2)(E-12) of  
6 this Act. As used in this subparagraph, the term  
7 "intangible expenses and costs" includes (1) expenses,  
8 losses, and costs for, or related to, the direct or  
9 indirect acquisition, use, maintenance or management,  
10 ownership, sale, exchange, or any other disposition of  
11 intangible property; (2) losses incurred, directly or  
12 indirectly, from factoring transactions or discounting  
13 transactions; (3) royalty, patent, technical, and  
14 copyright fees; (4) licensing fees; and (5) other  
15 similar expenses and costs. For purposes of this  
16 subparagraph, "intangible property" includes patents,  
17 patent applications, trade names, trademarks, service  
18 marks, copyrights, mask works, trade secrets, and  
19 similar types of intangible assets.

20 This paragraph shall not apply to the following:

21 (i) any item of intangible expenses or costs  
22 paid, accrued, or incurred, directly or  
23 indirectly, from a transaction with a foreign  
24 person who is subject in a foreign country or  
25 state, other than a state which requires mandatory  
26 unitary reporting, to a tax on or measured by net  
27 income with respect to such item; or

28 (ii) any item of intangible expense or cost  
29 paid, accrued, or incurred, directly or  
30 indirectly, if the taxpayer can establish, based  
31 on a preponderance of the evidence, both of the  
32 following:

33 (a) the foreign person during the same  
34 taxable year paid, accrued, or incurred, the  
35 intangible expense or cost to a person that is  
36 not a related member, and

1 (b) the transaction giving rise to the  
2 intangible expense or cost between the  
3 taxpayer and the foreign person did not have as  
4 a principal purpose the avoidance of Illinois  
5 income tax, and is paid pursuant to a contract  
6 or agreement that reflects arm's-length terms;  
7 or

8 (iii) any item of intangible expense or cost  
9 paid, accrued, or incurred, directly or  
10 indirectly, from a transaction with a foreign  
11 person if the taxpayer establishes by clear and  
12 convincing evidence, that the adjustments are  
13 unreasonable; or if the taxpayer and the Director  
14 agree in writing to the application or use of an  
15 alternative method of apportionment under Section  
16 304(f);

17 Nothing in this subsection shall preclude the  
18 Director from making any other adjustment  
19 otherwise allowed under Section 404 of this Act for  
20 any tax year beginning after the effective date of  
21 this amendment provided such adjustment is made  
22 pursuant to regulation adopted by the Department  
23 and such regulations provide methods and standards  
24 by which the Department will utilize its authority  
25 under Section 404 of this Act;

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

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

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

33 (H) In the case of a regulated investment company,  
34 an amount equal to the amount of exempt interest  
35 dividends as defined in subsection (b) (5) of Section  
36 852 of the Internal Revenue Code, paid to shareholders

1 for the taxable year;

2 (I) With the exception of any amounts subtracted  
3 under subparagraph (J), an amount equal to the sum of  
4 all amounts disallowed as deductions by (i) Sections  
5 171(a) (2), and 265(a)(2) and amounts disallowed as  
6 interest expense by Section 291(a)(3) of the Internal  
7 Revenue Code, as now or hereafter amended, and all  
8 amounts of expenses allocable to interest and  
9 disallowed as deductions by Section 265(a)(1) of the  
10 Internal Revenue Code, as now or hereafter amended; and  
11 (ii) for taxable years ending on or after August 13,  
12 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
13 832(b)(5)(B)(i) of the Internal Revenue Code; the  
14 provisions of this subparagraph are exempt from the  
15 provisions of Section 250;

16 (J) An amount equal to all amounts included in such  
17 total which are exempt from taxation by this State  
18 either by reason of its statutes or Constitution or by  
19 reason of the Constitution, treaties or statutes of the  
20 United States; provided that, in the case of any  
21 statute of this State that exempts income derived from  
22 bonds or other obligations from the tax imposed under  
23 this Act, the amount exempted shall be the interest net  
24 of bond premium amortization;

25 (K) An amount equal to those dividends included in  
26 such total which were paid by a corporation which  
27 conducts business operations in an Enterprise Zone or  
28 zones created under the Illinois Enterprise Zone Act or  
29 a River Edge Redevelopment Zone or zones created under  
30 the River Edge Redevelopment Zone Act and conducts  
31 substantially all of its operations in an Enterprise  
32 Zone or zones or a River Edge Redevelopment Zone or  
33 zones. This subparagraph (K) is exempt from the  
34 provisions of Section 250;

35 (L) An amount equal to those dividends included in  
36 such total that were paid by a corporation that

1 conducts business operations in a federally designated  
2 Foreign Trade Zone or Sub-Zone and that is designated a  
3 High Impact Business located in Illinois; provided  
4 that dividends eligible for the deduction provided in  
5 subparagraph (K) of paragraph 2 of this subsection  
6 shall not be eligible for the deduction provided under  
7 this subparagraph (L);

8 (M) For any taxpayer that is a financial  
9 organization within the meaning of Section 304(c) of  
10 this Act, an amount included in such total as interest  
11 income from a loan or loans made by such taxpayer to a  
12 borrower, to the extent that such a loan is secured by  
13 property which is eligible for the Enterprise Zone  
14 Investment Credit or the River Edge Redevelopment Zone  
15 Investment Credit. To determine the portion of a loan  
16 or loans that is secured by property eligible for a  
17 Section 201(f) investment credit to the borrower, the  
18 entire principal amount of the loan or loans between  
19 the taxpayer and the borrower should be divided into  
20 the basis of the Section 201(f) investment credit  
21 property which secures the loan or loans, using for  
22 this purpose the original basis of such property on the  
23 date that it was placed in service in the Enterprise  
24 Zone or the River Edge Redevelopment Zone. The  
25 subtraction modification available to taxpayer in any  
26 year under this subsection shall be that portion of the  
27 total interest paid by the borrower with respect to  
28 such loan attributable to the eligible property as  
29 calculated under the previous sentence. This  
30 subparagraph (M) is exempt from the provisions of  
31 Section 250;

32 (M-1) For any taxpayer that is a financial  
33 organization within the meaning of Section 304(c) of  
34 this Act, an amount included in such total as interest  
35 income from a loan or loans made by such taxpayer to a  
36 borrower, to the extent that such a loan is secured by

1 property which is eligible for the High Impact Business  
2 Investment Credit. To determine the portion of a loan  
3 or loans that is secured by property eligible for a  
4 Section 201(h) investment credit to the borrower, the  
5 entire principal amount of the loan or loans between  
6 the taxpayer and the borrower should be divided into  
7 the basis of the Section 201(h) investment credit  
8 property which secures the loan or loans, using for  
9 this purpose the original basis of such property on the  
10 date that it was placed in service in a federally  
11 designated Foreign Trade Zone or Sub-Zone located in  
12 Illinois. No taxpayer that is eligible for the  
13 deduction provided in subparagraph (M) of paragraph  
14 (2) of this subsection shall be eligible for the  
15 deduction provided under this subparagraph (M-1). The  
16 subtraction modification available to taxpayers in any  
17 year under this subsection shall be that portion of the  
18 total interest paid by the borrower with respect to  
19 such loan attributable to the eligible property as  
20 calculated under the previous sentence;

21 (N) Two times any contribution made during the  
22 taxable year to a designated zone organization to the  
23 extent that the contribution (i) qualifies as a  
24 charitable contribution under subsection (c) of  
25 Section 170 of the Internal Revenue Code and (ii) must,  
26 by its terms, be used for a project approved by the  
27 Department of Commerce and Economic Opportunity under  
28 Section 11 of the Illinois Enterprise Zone Act or under  
29 Section 10-10 of the Illinois River Edge Redevelopment  
30 Zone Act. This subparagraph (N) is exempt from the  
31 provisions of Section 250;

32 (O) An amount equal to: (i) 85% for taxable years  
33 ending on or before December 31, 1992, or, a percentage  
34 equal to the percentage allowable under Section  
35 243(a)(1) of the Internal Revenue Code of 1986 for  
36 taxable years ending after December 31, 1992, of the

1 amount by which dividends included in taxable income  
2 and received from a corporation that is not created or  
3 organized under the laws of the United States or any  
4 state or political subdivision thereof, including, for  
5 taxable years ending on or after December 31, 1988,  
6 dividends received or deemed received or paid or deemed  
7 paid under Sections 951 through 964 of the Internal  
8 Revenue Code, exceed the amount of the modification  
9 provided under subparagraph (G) of paragraph (2) of  
10 this subsection (b) which is related to such dividends;  
11 plus (ii) 100% of the amount by which dividends,  
12 included in taxable income and received, including,  
13 for taxable years ending on or after December 31, 1988,  
14 dividends received or deemed received or paid or deemed  
15 paid under Sections 951 through 964 of the Internal  
16 Revenue Code, from any such corporation specified in  
17 clause (i) that would but for the provisions of Section  
18 1504 (b) (3) of the Internal Revenue Code be treated as  
19 a member of the affiliated group which includes the  
20 dividend recipient, exceed the amount of the  
21 modification provided under subparagraph (G) of  
22 paragraph (2) of this subsection (b) which is related  
23 to such dividends;

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

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

32 (R) In the case of an attorney-in-fact with respect  
33 to whom an interinsurer or a reciprocal insurer has  
34 made the election under Section 835 of the Internal  
35 Revenue Code, 26 U.S.C. 835, an amount equal to the  
36 excess, if any, of the amounts paid or incurred by that

1 interinsurer or reciprocal insurer in the taxable year  
2 to the attorney-in-fact over the deduction allowed to  
3 that interinsurer or reciprocal insurer with respect  
4 to the attorney-in-fact under Section 835(b) of the  
5 Internal Revenue Code for the taxable year;

6 (S) For taxable years ending on or after December  
7 31, 1997, in the case of a Subchapter S corporation, an  
8 amount equal to all amounts of income allocable to a  
9 shareholder subject to the Personal Property Tax  
10 Replacement Income Tax imposed by subsections (c) and  
11 (d) of Section 201 of this Act, including amounts  
12 allocable to organizations exempt from federal income  
13 tax by reason of Section 501(a) of the Internal Revenue  
14 Code. This subparagraph (S) is exempt from the  
15 provisions of Section 250;

16 (T) For taxable years 2001 and thereafter, for the  
17 taxable year in which the bonus depreciation deduction  
18 (30% of the adjusted basis of the qualified property)  
19 is taken on the taxpayer's federal income tax return  
20 under subsection (k) of Section 168 of the Internal  
21 Revenue Code and for each applicable taxable year  
22 thereafter, an amount equal to "x", where:

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

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

33 The aggregate amount deducted under this  
34 subparagraph in all taxable years for any one piece of  
35 property may not exceed the amount of the bonus  
36 depreciation deduction (30% of the adjusted basis of

1 the qualified property) taken on that property on the  
2 taxpayer's federal income tax return under subsection  
3 (k) of Section 168 of the Internal Revenue Code;

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

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

14 (V) The amount of: (i) any interest income (net of  
15 the deductions allocable thereto) taken into account  
16 for the taxable year with respect to a transaction with  
17 a taxpayer that is required to make an addition  
18 modification with respect to such transaction under  
19 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
20 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
21 the amount of such addition modification and (ii) any  
22 income from intangible property (net of the deductions  
23 allocable thereto) taken into account for the taxable  
24 year with respect to a transaction with a taxpayer that  
25 is required to make an addition modification with  
26 respect to such transaction under Section  
27 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
28 203(d)(2)(D-8), but not to exceed the amount of such  
29 addition modification;

30 (W) An amount equal to the interest income taken  
31 into account for the taxable year (net of the  
32 deductions allocable thereto) with respect to  
33 transactions with a foreign person who would be a  
34 member of the taxpayer's unitary business group but for  
35 the fact that the foreign person's business activity  
36 outside the United States is 80% or more of that



1 person's total business activity, but not to exceed the  
2 addition modification required to be made for the same  
3 taxable year under Section 203(b)(2)(E-12) for  
4 interest paid, accrued, or incurred, directly or  
5 indirectly, to the same foreign person; and

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

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

23 (c) Trusts and estates.

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

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

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

35 (B) In the case of (i) an estate, \$600; (ii) a

1 trust which, under its governing instrument, is  
2 required to distribute all of its income currently,  
3 \$300; and (iii) any other trust, \$100, but in each such  
4 case, only to the extent such amount was deducted in  
5 the computation of taxable income;

6 (C) 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 (D) The amount of any net operating loss deduction  
10 taken in arriving at taxable income, other than a net  
11 operating loss carried forward from a taxable year  
12 ending prior to December 31, 1986;

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

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

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

36 For taxable years in which there is a net operating

1 loss carryback or carryforward from more than one other  
2 taxable year ending prior to December 31, 1986, the  
3 addition modification provided in this subparagraph  
4 (E) shall be the sum of the amounts computed  
5 independently under the preceding provisions of this  
6 subparagraph (E) for each such taxable year;

7 (F) For taxable years ending on or after January 1,  
8 1989, an amount equal to the tax deducted pursuant to  
9 Section 164 of the Internal Revenue Code if the trust  
10 or estate is claiming the same tax for purposes of the  
11 Illinois foreign tax credit under Section 601 of this  
12 Act;

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

17 (G-5) For taxable years ending after December 31,  
18 1997, an amount equal to any eligible remediation costs  
19 that the trust or estate deducted in computing adjusted  
20 gross income and for which the trust or estate claims a  
21 credit under subsection (l) of Section 201;

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

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

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

4           (G-12) For taxable years ending on or after  
5 December 31, 2004, an amount equal to the amount  
6 otherwise allowed as a deduction in computing base  
7 income for interest paid, accrued, or incurred,  
8 directly or indirectly, to a foreign person who would  
9 be a member of the same unitary business group but for  
10 the fact that the foreign person's business activity  
11 outside the United States is 80% or more of the foreign  
12 person's total business activity. The addition  
13 modification required by this subparagraph shall be  
14 reduced to the extent that dividends were included in  
15 base income of the unitary group for the same taxable  
16 year and received by the taxpayer or by a member of the  
17 taxpayer's unitary business group (including amounts  
18 included in gross income pursuant to Sections 951  
19 through 964 of the Internal Revenue Code and amounts  
20 included in gross income under Section 78 of the  
21 Internal Revenue Code) with respect to the stock of the  
22 same person to whom the interest was paid, accrued, or  
23 incurred.

24           This paragraph shall not apply to the following:

25           (i) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a foreign  
27 person who is subject in a foreign country or  
28 state, other than a state which requires mandatory  
29 unitary reporting, to a tax on or measured by net  
30 income with respect to such interest; or

31           (ii) an item of interest paid, accrued, or  
32 incurred, directly or indirectly, to a foreign  
33 person if the taxpayer can establish, based on a  
34 preponderance of the evidence, both of the  
35 following:

36           (a) the foreign person, during the same

1 taxable year, paid, accrued, or incurred, the  
2 interest to a person that is not a related  
3 member, and

4 (b) the transaction giving rise to the  
5 interest expense between the taxpayer and the  
6 foreign person did not have as a principal  
7 purpose the avoidance of Illinois income tax,  
8 and is paid pursuant to a contract or agreement  
9 that reflects an arm's-length interest rate  
10 and terms; or

11 (iii) the taxpayer can establish, based on  
12 clear and convincing evidence, that the interest  
13 paid, accrued, or incurred relates to a contract or  
14 agreement entered into at arm's-length rates and  
15 terms and the principal purpose for the payment is  
16 not federal or Illinois tax avoidance; or

17 (iv) an item of interest paid, accrued, or  
18 incurred, directly or indirectly, to a foreign  
19 person if the taxpayer establishes by clear and  
20 convincing evidence that the adjustments are  
21 unreasonable; or if the taxpayer and the Director  
22 agree in writing to the application or use of an  
23 alternative method of apportionment under Section  
24 304(f).

25 Nothing in this subsection shall preclude the  
26 Director from making any other adjustment  
27 otherwise allowed under Section 404 of this Act for  
28 any tax year beginning after the effective date of  
29 this amendment provided such adjustment is made  
30 pursuant to regulation adopted by the Department  
31 and such regulations provide methods and standards  
32 by which the Department will utilize its authority  
33 under Section 404 of this Act;

34 (G-13) For taxable years ending on or after  
35 December 31, 2004, an amount equal to the amount of  
36 intangible expenses and costs otherwise allowed as a

1 deduction in computing base income, and that were paid,  
2 accrued, or incurred, directly or indirectly, to a  
3 foreign person who would be a member of the same  
4 unitary business group but for the fact that the  
5 foreign person's business activity outside the United  
6 States is 80% or more of that person's total business  
7 activity. The addition modification required by this  
8 subparagraph shall be reduced to the extent that  
9 dividends were included in base income of the unitary  
10 group for the same taxable year and received by the  
11 taxpayer or by a member of the taxpayer's unitary  
12 business group (including amounts included in gross  
13 income pursuant to Sections 951 through 964 of the  
14 Internal Revenue Code and amounts included in gross  
15 income under Section 78 of the Internal Revenue Code)  
16 with respect to the stock of the same person to whom  
17 the intangible expenses and costs were directly or  
18 indirectly paid, incurred, or accrued. The preceding  
19 sentence shall not apply to the extent that the same  
20 dividends caused a reduction to the addition  
21 modification required under Section 203(c)(2)(G-12) of  
22 this Act. As used in this subparagraph, the term  
23 "intangible expenses and costs" includes: (1)  
24 expenses, losses, and costs for or related to the  
25 direct or indirect acquisition, use, maintenance or  
26 management, ownership, sale, exchange, or any other  
27 disposition of intangible property; (2) losses  
28 incurred, directly or indirectly, from factoring  
29 transactions or discounting transactions; (3) royalty,  
30 patent, technical, and copyright fees; (4) licensing  
31 fees; and (5) other similar expenses and costs. For  
32 purposes of this subparagraph, "intangible property"  
33 includes patents, patent applications, trade names,  
34 trademarks, service marks, copyrights, mask works,  
35 trade secrets, and similar types of intangible assets.

36 This paragraph shall not apply to the following:

1 (i) any item of intangible expenses or costs  
2 paid, accrued, or incurred, directly or  
3 indirectly, from a transaction with a foreign  
4 person who is subject in a foreign country or  
5 state, other than a state which requires mandatory  
6 unitary reporting, to a tax on or measured by net  
7 income with respect to such item; or

8 (ii) any item of intangible expense or cost  
9 paid, accrued, or incurred, directly or  
10 indirectly, if the taxpayer can establish, based  
11 on a preponderance of the evidence, both of the  
12 following:

13 (a) the foreign person during the same  
14 taxable year paid, accrued, or incurred, the  
15 intangible expense or cost to a person that is  
16 not a related member, and

17 (b) the transaction giving rise to the  
18 intangible expense or cost between the  
19 taxpayer and the foreign person did not have as  
20 a principal purpose the avoidance of Illinois  
21 income tax, and is paid pursuant to a contract  
22 or agreement that reflects arm's-length terms;  
23 or

24 (iii) any item of intangible expense or cost  
25 paid, accrued, or incurred, directly or  
26 indirectly, from a transaction with a foreign  
27 person if the taxpayer establishes by clear and  
28 convincing evidence, that the adjustments are  
29 unreasonable; or if the taxpayer and the Director  
30 agree in writing to the application or use of an  
31 alternative method of apportionment under Section  
32 304(f);

33 Nothing in this subsection shall preclude the  
34 Director from making any other adjustment  
35 otherwise allowed under Section 404 of this Act for  
36 any tax year beginning after the effective date of

1           this amendment provided such adjustment is made  
2           pursuant to regulation adopted by the Department  
3           and such regulations provide methods and standards  
4           by which the Department will utilize its authority  
5           under Section 404 of this Act;

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

8           (H) An amount equal to all amounts included in such  
9           total pursuant to the provisions of Sections 402(a),  
10          402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
11          Internal Revenue Code or included in such total as  
12          distributions under the provisions of any retirement  
13          or disability plan for employees of any governmental  
14          agency or unit, or retirement payments to retired  
15          partners, which payments are excluded in computing net  
16          earnings from self employment by Section 1402 of the  
17          Internal Revenue Code and regulations adopted pursuant  
18          thereto;

19          (I) The valuation limitation amount;

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

23          (K) An amount equal to all amounts included in  
24          taxable income as modified by subparagraphs (A), (B),  
25          (C), (D), (E), (F) and (G) which are exempt from  
26          taxation by this State either by reason of its statutes  
27          or Constitution or by reason of the Constitution,  
28          treaties or statutes of the United States; provided  
29          that, in the case of any statute of this State that  
30          exempts income derived from bonds or other obligations  
31          from the tax imposed under this Act, the amount  
32          exempted shall be the interest net of bond premium  
33          amortization;

34          (L) With the exception of any amounts subtracted  
35          under subparagraph (K), an amount equal to the sum of  
36          all amounts disallowed as deductions by (i) Sections



1 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
2 as now or hereafter amended, and all amounts of  
3 expenses allocable to interest and disallowed as  
4 deductions by Section 265(1) of the Internal Revenue  
5 Code of 1954, as now or hereafter amended; and (ii) for  
6 taxable years ending on or after August 13, 1999,  
7 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
8 the Internal Revenue Code; the provisions of this  
9 subparagraph are exempt from the provisions of Section  
10 250;

11 (M) An amount equal to those dividends included in  
12 such total which were paid by a corporation which  
13 conducts business operations in an Enterprise Zone or  
14 zones created under the Illinois Enterprise Zone Act  
15 or a River Edge Redevelopment Zone or zones created  
16 under the River Edge Redevelopment Zone Act and  
17 conducts substantially all of its operations in an  
18 Enterprise Zone or Zones or a River Edge Redevelopment  
19 Zone or zones. This subparagraph (M) is exempt from the  
20 provisions of Section 250;

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

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

33 (P) An amount equal to the amount of the deduction  
34 used to compute the federal income tax credit for  
35 restoration of substantial amounts held under claim of  
36 right for the taxable year pursuant to Section 1341 of

1 the Internal Revenue Code of 1986;

2 (Q) For taxable year 1999 and thereafter, an amount  
3 equal to the amount of any (i) distributions, to the  
4 extent includible in gross income for federal income  
5 tax purposes, made to the taxpayer because of his or  
6 her status as a victim of persecution for racial or  
7 religious reasons by Nazi Germany or any other Axis  
8 regime or as an heir of the victim and (ii) items of  
9 income, to the extent includible in gross income for  
10 federal income tax purposes, attributable to, derived  
11 from or in any way related to assets stolen from,  
12 hidden from, or otherwise lost to a victim of  
13 persecution for racial or religious reasons by Nazi  
14 Germany or any other Axis regime immediately prior to,  
15 during, and immediately after World War II, including,  
16 but not limited to, interest on the proceeds receivable  
17 as insurance under policies issued to a victim of  
18 persecution for racial or religious reasons by Nazi  
19 Germany or any other Axis regime by European insurance  
20 companies immediately prior to and during World War II;  
21 provided, however, this subtraction from federal  
22 adjusted gross income does not apply to assets acquired  
23 with such assets or with the proceeds from the sale of  
24 such assets; provided, further, this paragraph shall  
25 only apply to a taxpayer who was the first recipient of  
26 such assets after their recovery and who is a victim of  
27 persecution for racial or religious reasons by Nazi  
28 Germany or any other Axis regime or as an heir of the  
29 victim. The amount of and the eligibility for any  
30 public assistance, benefit, or similar entitlement is  
31 not affected by the inclusion of items (i) and (ii) of  
32 this paragraph in gross income for federal income tax  
33 purposes. This paragraph is exempt from the provisions  
34 of Section 250;

35 (R) For taxable years 2001 and thereafter, for the  
36 taxable year in which the bonus depreciation deduction

1 (30% of the adjusted basis of the qualified property)  
2 is taken on the taxpayer's federal income tax return  
3 under subsection (k) of Section 168 of the Internal  
4 Revenue Code and for each applicable taxable year  
5 thereafter, an amount equal to "x", where:

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

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

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

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

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

33 (T) The amount of (i) any interest income (net of  
34 the deductions allocable thereto) taken into account  
35 for the taxable year with respect to a transaction with  
36 a taxpayer that is required to make an addition

1 modification with respect to such transaction under  
2 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
3 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
4 the amount of such addition modification and (ii) any  
5 income from intangible property (net of the deductions  
6 allocable thereto) taken into account for the taxable  
7 year with respect to a transaction with a taxpayer that  
8 is required to make an addition modification with  
9 respect to such transaction under Section  
10 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
11 203(d)(2)(D-8), but not to exceed the amount of such  
12 addition modification;

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

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

1 person.

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

9 (d) Partnerships.

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

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

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

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

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

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

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

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

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

13 (D-7) For taxable years ending on or after December  
14 31, 2004, an amount equal to the amount otherwise  
15 allowed as a deduction in computing base income for  
16 interest paid, accrued, or incurred, directly or  
17 indirectly, to a foreign person who would be a member  
18 of the same unitary business group but for the fact the  
19 foreign person's business activity outside the United  
20 States is 80% or more of the foreign person's total  
21 business activity. The addition modification required  
22 by this subparagraph shall be reduced to the extent  
23 that dividends were included in base income of the  
24 unitary group for the same taxable year and received by  
25 the taxpayer or by a member of the taxpayer's unitary  
26 business group (including amounts included in gross  
27 income pursuant to Sections 951 through 964 of the  
28 Internal Revenue Code and amounts included in gross  
29 income under Section 78 of the Internal Revenue Code)  
30 with respect to the stock of the same person to whom  
31 the interest was paid, accrued, or incurred.

32 This paragraph shall not apply to the following:

33 (i) an item of interest paid, accrued, or  
34 incurred, directly or indirectly, to a foreign  
35 person who is subject in a foreign country or  
36 state, other than a state which requires mandatory

1 unitary reporting, to a tax on or measured by net  
2 income with respect to such interest; or

3 (ii) an item of interest paid, accrued, or  
4 incurred, directly or indirectly, to a foreign  
5 person if the taxpayer can establish, based on a  
6 preponderance of the evidence, both of the  
7 following:

8 (a) the foreign person, during the same  
9 taxable year, paid, accrued, or incurred, the  
10 interest to a person that is not a related  
11 member, and

12 (b) the transaction giving rise to the  
13 interest expense between the taxpayer and the  
14 foreign person did not have as a principal  
15 purpose the avoidance of Illinois income tax,  
16 and is paid pursuant to a contract or agreement  
17 that reflects an arm's-length interest rate  
18 and terms; or

19 (iii) the taxpayer can establish, based on  
20 clear and convincing evidence, that the interest  
21 paid, accrued, or incurred relates to a contract or  
22 agreement entered into at arm's-length rates and  
23 terms and the principal purpose for the payment is  
24 not federal or Illinois tax avoidance; or

25 (iv) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a foreign  
27 person if the taxpayer establishes by clear and  
28 convincing evidence that the adjustments are  
29 unreasonable; or if the taxpayer and the Director  
30 agree in writing to the application or use of an  
31 alternative method of apportionment under Section  
32 304(f).

33 Nothing in this subsection shall preclude the  
34 Director from making any other adjustment  
35 otherwise allowed under Section 404 of this Act for  
36 any tax year beginning after the effective date of

1           this amendment provided such adjustment is made  
2           pursuant to regulation adopted by the Department  
3           and such regulations provide methods and standards  
4           by which the Department will utilize its authority  
5           under Section 404 of this Act; and

6           (D-8) For taxable years ending on or after December  
7           31, 2004, an amount equal to the amount of intangible  
8           expenses and costs otherwise allowed as a deduction in  
9           computing base income, and that were paid, accrued, or  
10          incurred, directly or indirectly, to a foreign person  
11          who would be a member of the same unitary business  
12          group but for the fact that the foreign person's  
13          business activity outside the United States is 80% or  
14          more of that person's total business activity. The  
15          addition modification required by this subparagraph  
16          shall be reduced to the extent that dividends were  
17          included in base income of the unitary group for the  
18          same taxable year and received by the taxpayer or by a  
19          member of the taxpayer's unitary business group  
20          (including amounts included in gross income pursuant  
21          to Sections 951 through 964 of the Internal Revenue  
22          Code and amounts included in gross income under Section  
23          78 of the Internal Revenue Code) with respect to the  
24          stock of the same person to whom the intangible  
25          expenses and costs were directly or indirectly paid,  
26          incurred or accrued. The preceding sentence shall not  
27          apply to the extent that the same dividends caused a  
28          reduction to the addition modification required under  
29          Section 203(d)(2)(D-7) of this Act. As used in this  
30          subparagraph, the term "intangible expenses and costs"  
31          includes (1) expenses, losses, and costs for, or  
32          related to, the direct or indirect acquisition, use,  
33          maintenance or management, ownership, sale, exchange,  
34          or any other disposition of intangible property; (2)  
35          losses incurred, directly or indirectly, from  
36          factoring transactions or discounting transactions;



1 (3) royalty, patent, technical, and copyright fees;  
2 (4) licensing fees; and (5) other similar expenses and  
3 costs. For purposes of this subparagraph, "intangible  
4 property" includes patents, patent applications, trade  
5 names, trademarks, service marks, copyrights, mask  
6 works, trade secrets, and similar types of intangible  
7 assets;

8 This paragraph shall not apply to the following:

9 (i) any item of intangible expenses or costs  
10 paid, accrued, or incurred, directly or  
11 indirectly, from a transaction with a foreign  
12 person who is subject in a foreign country or  
13 state, other than a state which requires mandatory  
14 unitary reporting, to a tax on or measured by net  
15 income with respect to such item; or

16 (ii) any item of intangible expense or cost  
17 paid, accrued, or incurred, directly or  
18 indirectly, if the taxpayer can establish, based  
19 on a preponderance of the evidence, both of the  
20 following:

21 (a) the foreign person during the same  
22 taxable year paid, accrued, or incurred, the  
23 intangible expense or cost to a person that is  
24 not a related member, and

25 (b) the transaction giving rise to the  
26 intangible expense or cost between the  
27 taxpayer and the foreign person did not have as  
28 a principal purpose the avoidance of Illinois  
29 income tax, and is paid pursuant to a contract  
30 or agreement that reflects arm's-length terms;  
31 or

32 (iii) any item of intangible expense or cost  
33 paid, accrued, or incurred, directly or  
34 indirectly, from a transaction with a foreign  
35 person if the taxpayer establishes by clear and  
36 convincing evidence, that the adjustments are

1           unreasonable; or if the taxpayer and the Director  
2           agree in writing to the application or use of an  
3           alternative method of apportionment under Section  
4           304(f);

5           Nothing in this subsection shall preclude the  
6           Director from making any other adjustment  
7           otherwise allowed under Section 404 of this Act for  
8           any tax year beginning after the effective date of  
9           this amendment provided such adjustment is made  
10          pursuant to regulation adopted by the Department  
11          and such regulations provide methods and standards  
12          by which the Department will utilize its authority  
13          under Section 404 of this Act;

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

16                 (E) The valuation limitation amount;

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

20                 (G) An amount equal to all amounts included in  
21                 taxable income as modified by subparagraphs (A), (B),  
22                 (C) and (D) which are exempt from taxation by this  
23                 State either by reason of its statutes or Constitution  
24                 or by reason of the Constitution, treaties or statutes  
25                 of the United States; provided that, in the case of any  
26                 statute of this State that exempts income derived from  
27                 bonds or other obligations from the tax imposed under  
28                 this Act, the amount exempted shall be the interest net  
29                 of bond premium amortization;

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

36                 (I) An amount equal to all amounts of income

1 distributable to an entity subject to the Personal  
2 Property Tax Replacement Income Tax imposed by  
3 subsections (c) and (d) of Section 201 of this Act  
4 including amounts distributable to organizations  
5 exempt from federal income tax by reason of Section  
6 501(a) of the Internal Revenue Code;

7 (J) With the exception of any amounts subtracted  
8 under subparagraph (G), an amount equal to the sum of  
9 all amounts disallowed as deductions by (i) Sections  
10 171(a) (2), and 265(2) of the Internal Revenue Code of  
11 1954, as now or hereafter amended, and all amounts of  
12 expenses allocable to interest and disallowed as  
13 deductions by Section 265(1) of the Internal Revenue  
14 Code, as now or hereafter amended; and (ii) for taxable  
15 years ending on or after August 13, 1999, Sections  
16 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the  
17 Internal Revenue Code; the provisions of this  
18 subparagraph are exempt from the provisions of Section  
19 250;

20 (K) An amount equal to those dividends included in  
21 such total which were paid by a corporation which  
22 conducts business operations in an Enterprise Zone or  
23 zones created under the Illinois Enterprise Zone Act,  
24 enacted by the 82nd General Assembly, or a River Edge  
25 Redevelopment Zone or zones created under the Rive Edge  
26 Redevelopment Zone Act and conducts substantially all  
27 of its operations in an Enterprise Zone or Zones or  
28 from a River Edge Redevelopment Zone or zones. This  
29 subparagraph (K) is exempt from the provisions of  
30 Section 250;

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

34 (M) An amount equal to those dividends included in  
35 such total that were paid by a corporation that  
36 conducts business operations in a federally designated

1 Foreign Trade Zone or Sub-Zone and that is designated a  
2 High Impact Business located in Illinois; provided  
3 that dividends eligible for the deduction provided in  
4 subparagraph (K) of paragraph (2) of this subsection  
5 shall not be eligible for the deduction provided under  
6 this subparagraph (M);

7 (N) 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 (O) For taxable years 2001 and thereafter, for the  
13 taxable year in which the bonus depreciation deduction  
14 (30% of the adjusted basis of the qualified property)  
15 is taken on the taxpayer's federal income tax return  
16 under subsection (k) of Section 168 of the Internal  
17 Revenue Code and for each applicable taxable year  
18 thereafter, an amount equal to "x", where:

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

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

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

36 (P) If the taxpayer reports a capital gain or loss

1 on the taxpayer's federal income tax return for the  
2 taxable year based on a sale or transfer of property  
3 for which the taxpayer was required in any taxable year  
4 to make an addition modification under subparagraph  
5 (D-5), then an amount equal to that addition  
6 modification.

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

10 (Q) The amount of (i) any interest income (net of  
11 the deductions allocable thereto) taken into account  
12 for the taxable year with respect to a transaction with  
13 a taxpayer that is required to make an addition  
14 modification with respect to such transaction under  
15 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
16 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
17 the amount of such addition modification and (ii) any  
18 income from intangible property (net of the deductions  
19 allocable thereto) taken into account for the taxable  
20 year with respect to a transaction with a taxpayer that  
21 is required to make an addition modification with  
22 respect to such transaction under Section  
23 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
24 203(d)(2)(D-8), but not to exceed the amount of such  
25 addition modification;

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

1 the same foreign person; and

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

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

16 (1) In general. Subject to the provisions of paragraph  
17 (2) and subsection (b) (3), for purposes of this Section  
18 and Section 803(e), a taxpayer's gross income, adjusted  
19 gross income, or taxable income for the taxable year shall  
20 mean the amount of gross income, adjusted gross income or  
21 taxable income properly reportable for federal income tax  
22 purposes for the taxable year under the provisions of the  
23 Internal Revenue Code. Taxable income may be less than  
24 zero. However, for taxable years ending on or after  
25 December 31, 1986, net operating loss carryforwards from  
26 taxable years ending prior to December 31, 1986, may not  
27 exceed the sum of federal taxable income for the taxable  
28 year before net operating loss deduction, plus the excess  
29 of addition modifications over subtraction modifications  
30 for the taxable year. For taxable years ending prior to  
31 December 31, 1986, taxable income may never be an amount in  
32 excess of the net operating loss for the taxable year as  
33 defined in subsections (c) and (d) of Section 172 of the  
34 Internal Revenue Code, provided that when taxable income of  
35 a corporation (other than a Subchapter S corporation),

1 trust, or estate is less than zero and addition  
2 modifications, other than those provided by subparagraph  
3 (E) of paragraph (2) of subsection (b) for corporations or  
4 subparagraph (E) of paragraph (2) of subsection (c) for  
5 trusts and estates, exceed subtraction modifications, an  
6 addition modification must be made under those  
7 subparagraphs for any other taxable year to which the  
8 taxable income less than zero (net operating loss) is  
9 applied under Section 172 of the Internal Revenue Code or  
10 under subparagraph (E) of paragraph (2) of this subsection  
11 (e) applied in conjunction with Section 172 of the Internal  
12 Revenue Code.

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

16 (A) Certain life insurance companies. In the case  
17 of a life insurance company subject to the tax imposed  
18 by Section 801 of the Internal Revenue Code, life  
19 insurance company taxable income, plus the amount of  
20 distribution from pre-1984 policyholder surplus  
21 accounts as calculated under Section 815a of the  
22 Internal Revenue Code;

23 (B) Certain other insurance companies. In the case  
24 of mutual insurance companies subject to the tax  
25 imposed by Section 831 of the Internal Revenue Code,  
26 insurance company taxable income;

27 (C) Regulated investment companies. In the case of  
28 a regulated investment company subject to the tax  
29 imposed by Section 852 of the Internal Revenue Code,  
30 investment company taxable income;

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

35 (E) Consolidated corporations. In the case of a  
36 corporation which is a member of an affiliated group of

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

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

16 (G) Subchapter S corporations. In the case of: (i)  
17 a Subchapter S corporation for which there is in effect  
18 an election for the taxable year under Section 1362 of  
19 the Internal Revenue Code, the taxable income of such  
20 corporation determined in accordance with Section  
21 1363(b) of the Internal Revenue Code, except that  
22 taxable income shall take into account those items  
23 which are required by Section 1363(b)(1) of the  
24 Internal Revenue Code to be separately stated; and (ii)  
25 a Subchapter S corporation for which there is in effect  
26 a federal election to opt out of the provisions of the  
27 Subchapter S Revision Act of 1982 and have applied  
28 instead the prior federal Subchapter S rules as in  
29 effect on July 1, 1982, the taxable income of such  
30 corporation determined in accordance with the federal  
31 Subchapter S rules as in effect on July 1, 1982; and

32 (H) Partnerships. In the case of a partnership,  
33 taxable income determined in accordance with Section  
34 703 of the Internal Revenue Code, except that taxable  
35 income shall take into account those items which are  
36 required by Section 703(a)(1) to be separately stated



1 but which would be taken into account by an individual  
2 in calculating his taxable income.

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

20 (f) Valuation limitation amount.

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

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

29 (B) The lesser of (i) the sum of the pre-August 1,  
30 1969 appreciation amounts (to the extent consisting of  
31 capital gain) for all property in respect of which such  
32 gain was reported for federal income tax purposes for  
33 the taxable year, or (ii) the net capital gain for the  
34 taxable year, reduced in either case by any amount of  
35 such gain included in the amount determined under  
36 subsection (a) (2) (F) or (c) (2) (H).

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

2 (A) If the fair market value of property referred  
3 to in paragraph (1) was readily ascertainable on August  
4 1, 1969, the pre-August 1, 1969 appreciation amount for  
5 such property is the lesser of (i) the excess of such  
6 fair market value over the taxpayer's basis (for  
7 determining gain) for such property on that date  
8 (determined under the Internal Revenue Code as in  
9 effect on that date), or (ii) the total gain realized  
10 and reportable for federal income tax purposes in  
11 respect of the sale, exchange or other disposition of  
12 such property.

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

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

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

30 (h) Legislative intention. Except as expressly provided by  
31 this Section there shall be no modifications or limitations on  
32 the amounts of income, gain, loss or deduction taken into  
33 account in determining gross income, adjusted gross income or  
34 taxable income for federal income tax purposes for the taxable

1 year, or in the amount of such items entering into the  
2 computation of base income and net income under this Act for  
3 such taxable year, whether in respect of property values as of  
4 August 1, 1969 or otherwise.

5 (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439,  
6 eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02;  
7 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff.  
8 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)

9 Section 90-20. The Use Tax Act is amended by changing  
10 Section 12 as follows:

11 (35 ILCS 105/12) (from Ch. 120, par. 439.12)

12 Sec. 12. Applicability of Retailers' Occupation Tax Act and  
13 Uniform Penalty and Interest Act. All of the provisions of  
14 Sections 1d, 1e, 1f, 1i, 1j, 1j.1, 1k, 1m, 1n, 1o, 2-54, 2a,  
15 2b, 2c, 3, 4 (except that the time limitation provisions shall  
16 run from the date when the tax is due rather than from the date  
17 when gross receipts are received), 5 (except that the time  
18 limitation provisions on the issuance of notices of tax  
19 liability shall run from the date when the tax is due rather  
20 than from the date when gross receipts are received and except  
21 that in the case of a failure to file a return required by this  
22 Act, no notice of tax liability shall be issued on and after  
23 each July 1 and January 1 covering tax due with that return  
24 during any month or period more than 6 years before that July 1  
25 or January 1, respectively), 5a, 5b, 5c, 5d, 5e, 5f, 5g, 5h,  
26 5j, 5k, 5l, 7, 8, 9, 10, 11 and 12 of the Retailers' Occupation  
27 Tax Act and Section 3-7 of the Uniform Penalty and Interest  
28 Act, which are not inconsistent with this Act, shall apply, as  
29 far as practicable, to the subject matter of this Act to the  
30 same extent as if such provisions were included herein.

31 (Source: P.A. 90-42, eff. 1-1-98; 90-792, eff. 1-1-99.)

32 Section 90-25. The Service Use Tax Act is amended by  
33 changing Section 12 as follows:

1 (35 ILCS 110/12) (from Ch. 120, par. 439.42)

2 Sec. 12. Applicability of Retailers' Occupation Tax Act and  
3 Uniform Penalty and Interest Act. All of the provisions of  
4 Sections 1d, 1e, 1f, 1i, 1j, 1j.1, 1k, 1m, 1n, 1o, 2-54, 2a,  
5 2b, 2c, 3 (except as to the disposition by the Department of  
6 the money collected under this Act), 4 (except that the time  
7 limitation provisions shall run from the date when gross  
8 receipts are received), 5 (except that the time limitation  
9 provisions on the issuance of notices of tax liability shall  
10 run from the date when the tax is due rather than from the date  
11 when gross receipts are received and except that in the case of  
12 a failure to file a return required by this Act, no notice of  
13 tax liability shall be issued on and after July 1 and January 1  
14 covering tax due with that return during any month or period  
15 more than 6 years before that July 1 or January 1,  
16 respectively), 5a, 5b, 5c, 5d, 5e, 5f, 5g, 5j, 5k, 5l, 7, 8, 9,  
17 10, 11 and 12 of the Retailers' Occupation Tax Act which are  
18 not inconsistent with this Act, and Section 3-7 of the Uniform  
19 Penalty and Interest Act, shall apply, as far as practicable,  
20 to the subject matter of this Act to the same extent as if such  
21 provisions were included herein.

22 (Source: P.A. 90-42, eff. 1-1-98; 90-792, eff. 1-1-99.)

23 Section 90-30. The Service Occupation Tax Act is amended by  
24 changing Section 12 as follows:

25 (35 ILCS 115/12) (from Ch. 120, par. 439.112)

26 Sec. 12. All of the provisions of Sections 1d, 1e, 1f, 1i,  
27 1j, 1j.1, 1k, 1m, 1n, 1o, 2-54, 2a, 2b, 2c, 3 (except as to the  
28 disposition by the Department of the tax collected under this  
29 Act), 4 (except that the time limitation provisions shall run  
30 from the date when the tax is due rather than from the date  
31 when gross receipts are received), 5 (except that the time  
32 limitation provisions on the issuance of notices of tax  
33 liability shall run from the date when the tax is due rather

1 than from the date when gross receipts are received), 5a, 5b,  
2 5c, 5d, 5e, 5f, 5g, 5j, 5k, 5l, 7, 8, 9, 10, 11 and 12 of the  
3 "Retailers' Occupation Tax Act" which are not inconsistent with  
4 this Act, and Section 3-7 of the Uniform Penalty and Interest  
5 Act shall apply, as far as practicable, to the subject matter  
6 of this Act to the same extent as if such provisions were  
7 included herein.

8 (Source: P.A. 90-42, eff. 1-1-98; 90-792, eff. 1-1-99.)

9 Section 90-35. The Retailers' Occupation Tax Act is amended  
10 by adding Section 2-54 as follows:

11 (35 ILCS 120/2-54 new)

12 Sec. 2-54. Building materials exemption; River Edge  
13 Redevelopment Zones. Each retailer that makes a qualified sale  
14 of building materials to be incorporated into real estate  
15 within a River Edge Redevelopment Zone in accordance with the  
16 River Edge Redevelopment Zone Act by remodeling,  
17 rehabilitating, or new construction may deduct receipts from  
18 those sales when calculating the tax imposed by this Act. For  
19 purposes of this Section, "qualified sale" means a sale of  
20 building materials that will be incorporated into real estate  
21 as part of an industrial or commercial project for which a  
22 Certificate of Eligibility for Sales Tax Exemption has been  
23 issued by the corporate authorities of the municipality in  
24 which the building project is located. To document the  
25 exemption allowed under this Section, the retailer must obtain  
26 from the purchaser a copy of the Certificate of Eligibility for  
27 Sales Tax Exemption issued by the corporate authorities of the  
28 municipality in which the real estate into which the building  
29 materials will be incorporated is located. The Certificate of  
30 Eligibility for Sales Tax Exemption must contain all of the  
31 following:

32 (1) A statement that the commercial or industrial  
33 project identified in the Certificate meets all the  
34 requirements of the jurisdiction in which the project is

1 located.

2 (2) The location or address of the building project.

3 (3) The signature of the chief executive officer of the  
4 municipality in which the building project is located, or  
5 the chief executive officer's delegate.

6 In addition, the retailer must obtain a certificate from  
7 the purchaser that contains all of the following:

8 (1) A statement that the building materials are being  
9 purchased for incorporation into real estate located in a  
10 River Edge Redevelopment Zone included in a redevelopment  
11 project area in accordance with River Edge Redevelopment  
12 Zone Act.

13 (2) The location or address of the real estate into  
14 which the building materials will be incorporated.

15 (3) The name of the River Edge Redevelopment Zone in  
16 which that real estate is located.

17 (4) A description of the building materials being  
18 purchased.

19 (5) The purchaser's signature and date of purchase.

20 The provisions of this Section are exempt from Section  
21 2-70.

22 Section 90-40. The Property Tax Code is amended by changing  
23 Section 18-170 as follows:

24 (35 ILCS 200/18-170)

25 Sec. 18-170. Enterprise zone and River Edge Redevelopment  
26 Zone abatement. In addition to the authority to abate taxes  
27 under Section 18-165, any taxing district, upon a majority vote  
28 of its governing authority, may order the county clerk to abate  
29 any portion of its taxes on property, or any class thereof,  
30 located within an Enterprise Zone created under the Illinois  
31 Enterprise Zone Act or a River Edge Redevelopment Zone created  
32 under the River Edge Redevelopment Zone Act, and upon which  
33 either new improvements have been constructed or existing  
34 improvements have been renovated or rehabilitated after

1 December 7, 1982. However, any abatement of taxes on any parcel  
2 shall not exceed the amount attributable to the construction of  
3 the improvements and the renovation or rehabilitation of  
4 existing improvements on the parcel. In the case of property  
5 within a redevelopment area created under the Tax Increment  
6 Allocation Redevelopment Act, the abatement shall not apply  
7 unless a business enterprise or individual with regard to new  
8 improvements or renovated or rehabilitated improvements has  
9 met the requirements of Section 5.4.1 of the Illinois  
10 Enterprise Zone Act or under Section 10-5.4.1 of the River Edge  
11 Redevelopment Zone Act. If an abatement is discontinued under  
12 this Section, a municipality shall notify the county clerk and  
13 the board of review or board of appeals of the change in  
14 writing not later than July 1 of the assessment year to be  
15 first affected by the change. However, within a county economic  
16 development project area created under the County Economic  
17 Development Project Area Property Tax Allocation Act, any  
18 municipality or county which has adopted tax increment  
19 allocation financing under the Tax Increment Allocation  
20 Redevelopment Act or the County Economic Development Project  
21 Area Tax Increment Allocation Act may abate any portion of its  
22 taxes as provided in this Section. Any other taxing district  
23 within the county economic development project area may order  
24 any portion or all of its taxes abated as provided above if the  
25 county or municipality which created the tax increment district  
26 has agreed, in writing, to the abatement.

27 A copy of an abatement order adopted under this Section  
28 shall be delivered to the county clerk and to the board of  
29 review or board of appeals not later than July 1 of the  
30 assessment year to be first affected by the order. If it is  
31 delivered on or after that date, it will first affect the taxes  
32 extended on the assessment of the following year. The board of  
33 review or board of appeals shall, each time the assessment  
34 books are delivered to the county clerk, also deliver a list of  
35 parcels affected by an abatement and the assessed value  
36 attributable to new improvements or to the renovation or

1 rehabilitation of existing improvements.

2 (Source: P.A. 89-126, eff. 7-11-95; 89-671, eff. 8-14-96;  
3 90-258, eff. 7-30-97.)

4 Section 90-45. The Environmental Protection Act is amended  
5 by changing Sections 58.13 and 58.14 as follows:

6 (415 ILCS 5/58.13)

7 Sec. 58.13. Municipal Brownfields Redevelopment Grant  
8 Program.

9 (a) (1) The Agency shall establish and administer a program  
10 of grants, to be known as the Municipal Brownfields  
11 Redevelopment Grant Program, to provide municipalities in  
12 Illinois with financial assistance to be used for  
13 coordination of activities related to brownfields  
14 redevelopment, including but not limited to identification  
15 of brownfields sites, including those sites within River  
16 Edge Redevelopment Zones, site investigation and  
17 determination of remediation objectives and related plans  
18 and reports, development of remedial action plans, and  
19 implementation of remedial action plans and remedial  
20 action completion reports. The plans and reports shall be  
21 developed in accordance with Title XVII of this Act.

22 (2) Grants shall be awarded on a competitive basis  
23 subject to availability of funding. Criteria for awarding  
24 grants shall include, but shall not be limited to the  
25 following:

- 26 (A) problem statement and needs assessment;  
27 (B) community-based planning and involvement;  
28 (C) implementation planning; and  
29 (D) long-term benefits and sustainability.

30 (3) The Agency may give weight to geographic location  
31 to enhance geographic distribution of grants across this  
32 State.

33 (4) Except for grants to municipalities with  
34 designated River Edge Redevelopment Zones, grants ~~Grants~~



1 shall be limited to a maximum of \$240,000, and no  
2 municipality shall receive more than this amount under this  
3 Section. For grants to municipalities with designated  
4 River Edge Redevelopment Zones, grants shall be limited to  
5 a maximum of \$2,000,000 and no municipality shall receive  
6 more than this amount under this Section.

7 (5) Grant amounts shall not exceed 70% of the project  
8 amount, with the remainder to be provided by the  
9 municipality as local matching funds.

10 (b) The Agency shall have the authority to enter into any  
11 contracts or agreements that may be necessary to carry out its  
12 duties or responsibilities under this Section. The Agency shall  
13 have the authority to adopt rules setting forth procedures and  
14 criteria for administering the Municipal Brownfields  
15 Redevelopment Grant Program. The rules adopted by the Agency  
16 may include but shall not be limited to the following:

17 (1) purposes for which grants are available;

18 (2) application periods and content of applications;

19 (3) procedures and criteria for Agency review of grant  
20 applications, grant approvals and denials, and grantee  
21 acceptance;

22 (4) grant payment schedules;

23 (5) grantee responsibilities for work schedules, work  
24 plans, reports, and record keeping;

25 (6) evaluation of grantee performance, including but  
26 not limited to auditing and access to sites and records;

27 (7) requirements applicable to contracting and  
28 subcontracting by the grantee;

29 (8) penalties for noncompliance with grant  
30 requirements and conditions, including stop-work orders,  
31 termination of grants, and recovery of grant funds;

32 (9) indemnification of this State and the Agency by the  
33 grantee; and

34 (10) manner of compliance with the Local Government  
35 Professional Services Selection Act.

36 (Source: P.A. 92-486, eff. 1-1-02; 92-715, eff. 7-23-02.)

1 (415 ILCS 5/58.14)

2 Sec. 58.14. Environmental Remediation Tax Credit review.

3 (a) Prior to applying for the Environmental Remediation Tax  
4 Credit under Section 201 of the Illinois Income Tax Act,  
5 Remediation Applicants shall first submit to the Agency an  
6 application for review of remediation costs. The Agency shall  
7 review the application jointly with the Department of Commerce  
8 and Economic Opportunity. The application and review process  
9 shall be conducted in accordance with the requirements of this  
10 Section and the rules adopted under subsection (g). A  
11 preliminary review of the estimated remediation costs for  
12 development and implementation of the Remedial Action Plan may  
13 be obtained in accordance with subsection (d).

14 (b) No application for review shall be submitted until a No  
15 Further Remediation Letter has been issued by the Agency and  
16 recorded in the chain of title for the site in accordance with  
17 Section 58.10. The Agency shall review the application to  
18 determine whether the costs submitted are remediation costs,  
19 and whether the costs incurred are reasonable. The application  
20 shall be on forms prescribed and provided by the Agency. At a  
21 minimum, the application shall include the following:

22 (1) information identifying the Remediation Applicant  
23 and the site for which the tax credit is being sought and  
24 the date of acceptance of the site into the Site  
25 Remediation Program;

26 (2) a copy of the No Further Remediation Letter with  
27 official verification that the letter has been recorded in  
28 the chain of title for the site and a demonstration that  
29 the site for which the application is submitted is the same  
30 site as the one for which the No Further Remediation Letter  
31 is issued;

32 (3) a demonstration that the release of the regulated  
33 substances of concern for which the No Further Remediation  
34 Letter was issued were not caused or contributed to in any  
35 material respect by the Remediation Applicant. After the

1 Pollution Control Board rules are adopted pursuant to the  
2 Illinois Administrative Procedure Act for the  
3 administration and enforcement of Section 58.9 of the  
4 Environmental Protection Act, determinations as to credit  
5 availability shall be made consistent with those rules;

6 (4) an itemization and documentation, including  
7 receipts, of the remediation costs incurred;

8 (5) a demonstration that the costs incurred are  
9 remediation costs as defined in this Act and its rules;

10 (6) a demonstration that the costs submitted for review  
11 were incurred by the Remediation Applicant who received the  
12 No Further Remediation Letter;

13 (7) an application fee in the amount set forth in  
14 subsection (e) for each site for which review of  
15 remediation costs is requested and, if applicable,  
16 certification from the Department of Commerce and Economic  
17 Opportunity ~~Community Affairs~~ that the site is located in  
18 an enterprise zone;

19 (8) any other information deemed appropriate by the  
20 Agency.

21 (c) Within 60 days after receipt by the Agency of an  
22 application meeting the requirements of subsection (b), the  
23 Agency shall issue a letter to the applicant approving,  
24 disapproving, or modifying the remediation costs submitted in  
25 the application. If the remediation costs are approved as  
26 submitted, the Agency's letter shall state the amount of the  
27 remediation costs to be applied toward the Environmental  
28 Remediation Tax Credit. If an application is disapproved or  
29 approved with modification of remediation costs, the Agency's  
30 letter shall set forth the reasons for the disapproval or  
31 modification and state the amount of the remediation costs, if  
32 any, to be applied toward the Environmental Remediation Tax  
33 Credit.

34 If a preliminary review of a budget plan has been obtained  
35 under subsection (d), the Remediation Applicant may submit,  
36 with the application and supporting documentation under

1 subsection (b), a copy of the Agency's final determination  
2 accompanied by a certification that the actual remediation  
3 costs incurred for the development and implementation of the  
4 Remedial Action Plan are equal to or less than the costs  
5 approved in the Agency's final determination on the budget  
6 plan. The certification shall be signed by the Remediation  
7 Applicant and notarized. Based on that submission, the Agency  
8 shall not be required to conduct further review of the costs  
9 incurred for development and implementation of the Remedial  
10 Action Plan and may approve costs as submitted.

11 Within 35 days after receipt of an Agency letter  
12 disapproving or modifying an application for approval of  
13 remediation costs, the Remediation Applicant may appeal the  
14 Agency's decision to the Board in the manner provided for the  
15 review of permits in Section 40 of this Act.

16 (d) (1) A Remediation Applicant may obtain a preliminary  
17 review of estimated remediation costs for the development  
18 and implementation of the Remedial Action Plan by  
19 submitting a budget plan along with the Remedial Action  
20 Plan. The budget plan shall be set forth on forms  
21 prescribed and provided by the Agency and shall include but  
22 shall not be limited to line item estimates of the costs  
23 associated with each line item (such as personnel,  
24 equipment, and materials) that the Remediation Applicant  
25 anticipates will be incurred for the development and  
26 implementation of the Remedial Action Plan. The Agency  
27 shall review the budget plan along with the Remedial Action  
28 Plan to determine whether the estimated costs submitted are  
29 remediation costs and whether the costs estimated for the  
30 activities are reasonable.

31 (2) If the Remedial Action Plan is amended by the  
32 Remediation Applicant or as a result of Agency action, the  
33 corresponding budget plan shall be revised accordingly and  
34 resubmitted for Agency review.

35 (3) The budget plan shall be accompanied by the  
36 applicable fee as set forth in subsection (e).

1           (4) Submittal of a budget plan shall be deemed an  
2 automatic 60-day waiver of the Remedial Action Plan review  
3 deadlines set forth in this Section and its rules.

4           (5) Within the applicable period of review, the Agency  
5 shall issue a letter to the Remediation Applicant  
6 approving, disapproving, or modifying the estimated  
7 remediation costs submitted in the budget plan. If a budget  
8 plan is disapproved or approved with modification of  
9 estimated remediation costs, the Agency's letter shall set  
10 forth the reasons for the disapproval or modification.

11           (6) Within 35 days after receipt of an Agency letter  
12 disapproving or modifying a budget plan, the Remediation  
13 Applicant may appeal the Agency's decision to the Board in  
14 the manner provided for the review of permits in Section 40  
15 of this Act.

16           (e) The fees for reviews conducted under this Section are  
17 in addition to any other fees or payments for Agency services  
18 rendered pursuant to the Site Remediation Program and shall be  
19 as follows:

20           (1) The fee for an application for review of  
21 remediation costs shall be \$1,000 for each site reviewed.

22           (2) The fee for the review of the budget plan submitted  
23 under subsection (d) shall be \$500 for each site reviewed.

24           (3) In the case of a Remediation Applicant submitting  
25 for review total remediation costs ~~of \$100,000 or less~~ for  
26 a site located within a River Edge Redevelopment Zone ~~an~~  
27 ~~enterprise zone~~ (as set forth in paragraph (i) of  
28 subsection (n) ~~(1)~~ of Section 201 of the Illinois Income  
29 Tax Act), the fee for an application for review of  
30 remediation costs shall be \$250 for each site reviewed. For  
31 those sites, there shall be no fee for review of a budget  
32 plan under subsection (d).

33           The application fee shall be made payable to the State of  
34 Illinois, for deposit into the Hazardous Waste Fund.

35           Pursuant to appropriation, the Agency shall use the fees  
36 collected under this subsection for development and

1 administration of the review program.

2 (f) The Agency shall have the authority to enter into any  
3 contracts or agreements that may be necessary to carry out its  
4 duties and responsibilities under this Section.

5 (g) Within 6 months after July 21, 1997, the Agency shall  
6 propose rules prescribing procedures and standards for its  
7 administration of this Section. Within 6 months after receipt  
8 of the Agency's proposed rules, the Board shall adopt on second  
9 notice, pursuant to Sections 27 and 28 of this Act and the  
10 Illinois Administrative Procedure Act, rules that are  
11 consistent with this Section. Prior to the effective date of  
12 rules adopted under this Section, the Agency may conduct  
13 reviews of applications under this Section and the Agency is  
14 further authorized to distribute guidance documents on costs  
15 that are eligible or ineligible as remediation costs.

16 (Source: P.A. 92-574, eff. 6-26-02; revised 12-6-03.)

17 ARTICLE 900.

18 SEVERABILITY; EFFECTIVE DATE

19 Section 900-5. Severability. The provisions of this Act are  
20 severable under Section 1.31 of the Statute on Statutes.

21 Section 900-10. Effective date. This Act takes effect upon  
22 becoming law.

1 INDEX  
2 Statutes amended in order of appearance

3 New Act

4 20 ILCS 605/605-907 new

5 20 ILCS 715/5

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

7 35 ILCS 5/203 from Ch. 120, par. 2-203

8 35 ILCS 105/12 from Ch. 120, par. 439.12

9 35 ILCS 110/12 from Ch. 120, par. 439.42

10 35 ILCS 115/12 from Ch. 120, par. 439.112

11 35 ILCS 120/2-54 new

12 35 ILCS 200/18-170

13 415 ILCS 5/58.13

14 415 ILCS 5/58.14