



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB1051

Introduced 2/8/2007, by Rep. Annazette Collins

#### SYNOPSIS AS INTRODUCED:

New Act

30 ILCS 105/5.675 new

30 ILCS 105/5.676 new

30 ILCS 105/5.677 new

30 ILCS 105/5.678 new

30 ILCS 105/5.679 new

105 ILCS 5/34A-501

from Ch. 122, par. 34A-501

Creates the School District Income Tax Act. Authorizes a school district located within a municipality with 1,000,000 or more inhabitants to impose an income tax of 0.9% on individuals and 1.44% for a period of 2 years. Requires the Department of Revenue to collect the tax and enforce the Act. Provides that 67% of the taxes collected shall be used for educational purposes, 26.4% shall be used for property tax relief, 3.2% shall be used for health and safety programs, 3.2% shall be given to the municipality in which the school district is located to be used in the discretion of the municipality, and 0.2% may be retained by the Department for administrative expenses. Amends the State Finance Act to create the various funds from which distributions of the tax money shall be made. Amends the School Code to authorize the School Finance Authority to issue and additional \$200,000,000 in bonds for educational purposes. Effective immediately.

LRB095 07918 BDD 28080 b

1 AN ACT concerning revenue.

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

4 Section 1. Short title. This Act may be cited as the  
5 School District Income Tax Act.

6 Section 5. Definitions. In this Act:

7 "Net income" means the net income of the taxpayer as  
8 defined and as determined and computed for the taxable year  
9 under the provisions of the Illinois Income Tax Act.

10 "Taxable year" means the calendar year, or the fiscal year  
11 ending in such calendar year, upon the basis of which taxable  
12 income is computed under this Act, and also includes a  
13 fractional part of a year for which income is earned.

14 "Resident" means: An individual or corporation who is in  
15 the school district for other than a temporary transitory  
16 purpose during the taxable year, or who is domiciled in that  
17 school district but is absent therefrom for a temporary or  
18 transitory purpose during the taxable year.

19 Section 10. Imposition of tax; limitations. For the period  
20 beginning January 1, 2008, and ending December 31, 2010, the  
21 school board of each school district located within a  
22 municipality with 1,000,000 or more inhabitants may by proper

1 resolution impose a tax measured by net income on every  
2 individual and corporation residing or located within the  
3 boundaries of the school district for each taxable year ending  
4 on or after January 1, 2008, at a rate not to exceed 0.9% for  
5 individuals and 1.44% for corporations. The school district  
6 which levies a tax authorized by this Section shall transmit to  
7 the Department of Revenue a certified copy of the ordinance or  
8 resolution imposing such tax whereupon the Department of  
9 Revenue shall proceed to administer and enforce this Section on  
10 behalf of the school district as of the effective date of the  
11 resolution. Upon a change in rate of a tax levied hereunder, or  
12 upon the discontinuance of the tax, the school district shall  
13 transmit to the Department of Revenue the verified results of a  
14 referendum effecting such change or discontinuance.

15 Section 15. Referenda. The school board of a school  
16 district that has imposed a tax under Section 10 may by  
17 resolution, or shall upon the petition of 5% of the voters who  
18 voted in the school district in the last gubernatorial  
19 election, cause to be submitted to the voters of that district  
20 at an election in accordance with the general election law a  
21 proposition:

22 (i) to decrease the annual rate for the school district  
23 income tax imposed under Section 10, or

24 (ii) to repeal that school district income tax.

25 The election called for such purposes shall be governed by

1 the general election law. If a majority of the votes cast on  
2 the proposition to decrease the rate of the school district  
3 income tax is in favor thereof, the school board shall  
4 thereafter, until such authority is revoked in like manner,  
5 impose the annual tax as authorized; and if a majority of the  
6 votes cast on the proposition to repeal the local income tax  
7 for schools is in favor thereof, that tax shall not thereafter  
8 be imposed unless again authorized as provided in this Act.

9 Section 20. Collection.

10 (a) Any tax imposed under this Act shall be collected by  
11 and paid to the Department of Revenue at the same time and in  
12 the same manner, with the same withholding and estimated  
13 payment requirements and subject to the same assessment and  
14 refund procedures, penalties, and interest as the tax imposed  
15 by the Illinois Income Tax Act. Except as provided in  
16 subsection (b) of this Section, the Department of Revenue shall  
17 forthwith pay over to the State Treasurer, ex officio, as  
18 trustee, all moneys received by it under this Section to be  
19 deposited in a special accounts which the State Treasurer and  
20 State Comptroller shall establish and maintain as provided in  
21 Section 25.

22 (b) The School District Income Tax Refund Fund is hereby  
23 created in the State Treasury. The Department of Revenue shall  
24 deposit a percentage of the amounts collected from the tax  
25 imposed under this Act by any school district into a special

1 account that the State Treasurer and State Comptroller shall  
2 establish and maintain within the School District Income Tax  
3 Refund Fund for the purpose of paying refunds resulting from  
4 overpayment of tax liability under this Act with respect to  
5 that school district. The Department of Revenue shall determine  
6 the percentage of the amounts collected from the tax imposed  
7 under this Act by any school district that is to be deposited  
8 into the special account maintained in the School District  
9 Income Tax Refund Fund to pay refunds resulting from  
10 overpayment of tax liability under this Act with respect to  
11 that school district and shall certify that percentage to the  
12 Comptroller, all in accordance with rules adopted by the  
13 Department of Revenue for purposes of this Section. Money in  
14 the special account maintained in the School District Income  
15 Tax Refund Fund with respect to any school district shall be  
16 expended exclusively for the purpose of paying refunds  
17 resulting from overpayment of tax liability with respect to  
18 that school district under this Act. The Director of Revenue  
19 shall order payment of refunds resulting from overpayment of  
20 tax liability under this Act from the special account  
21 maintained with respect to a school district in the School  
22 District Income Tax Refund Fund only to the extent that amounts  
23 collected pursuant to this Act for that school district have  
24 been deposited to and retained in that special account. This  
25 Section shall constitute an irrevocable and continuing  
26 appropriation from the School District Income Tax Refund Fund

1 and the special accounts established and maintained therein for  
2 the purpose of paying refunds upon the order of the Director of  
3 the Department of Revenue in accordance with the provisions of  
4 this Section.

5 (c) The Department of Revenue shall promulgate such rules  
6 and regulations as may be necessary to implement the provisions  
7 of this Act.

8 Section 25. Proceeds from school district income tax;  
9 distribution. The Department of Revenue shall immediately pay  
10 over to the State Treasurer, ex officio, as trustee, all moneys  
11 collected under this Act to be deposited into the following  
12 funds and distributed as follows:

13 (1) 67% of all moneys collected under this Act shall be  
14 deposited into the School District Income Tax Educational  
15 Assistance Fund, which is created in the State treasury. On  
16 or before the 25th day of each calendar month, the  
17 Department of Revenue shall prepare and certify to the  
18 Comptroller the disbursement of stated sums of money to  
19 named school districts, the school districts to be those  
20 from which the Department has collected taxes under this  
21 Act during the second preceding calendar month. The amount  
22 to be paid to each school district shall be the amount  
23 collected from that school district during the second  
24 preceding calendar month and deposited into the School  
25 District Income Tax Educational Assistance Fund. Moneys

1 distributed to a school district from the School District  
2 Income Tax Education Assistance Fund shall be used, subject  
3 to the approval of the School Finance Authority, solely for  
4 instructional purposes.

5 (2) 26.4% of all moneys collected under this Act shall  
6 be deposited into the Property Tax Relief Fund, which is  
7 created in the State treasury. On or before March 1 of each  
8 year, the Department of Revenue shall prepare and certify  
9 to the Comptroller the disbursement of stated sums of money  
10 to persons who qualify for the general homestead exemption  
11 or the alternative general homestead exemption under  
12 Sections 15-175 and 15-176 of the Property Tax Code who  
13 reside in school districts from which the Department has  
14 collected taxes under this Act during the preceding  
15 calendar year. The amount to be paid to each such  
16 individual shall be determined by dividing the amount  
17 collected from that school district during the preceding  
18 calendar year and deposited into the Property Tax Relief  
19 Fund by the number of persons who qualify for the general  
20 homestead exemption or the alternative general homestead  
21 exemption under Sections 15-175 and 15-176 of the Property  
22 Tax Code who reside in that school district.

23 (3) 3.2% of all moneys collected under this Act shall  
24 be deposited into the Local School Education Improvement  
25 Fund, which is created in the State treasury. On or before  
26 the 25th day of each calendar month, the Department of

1 Revenue shall prepare and certify to the Comptroller the  
2 disbursement of stated sums of money to named school  
3 districts, the school districts to be those from which the  
4 Department has collected taxes under this Act during the  
5 second preceding calendar month. The amount to be paid to  
6 each school district shall be the amount collected from  
7 that school district during the second preceding calendar  
8 month and deposited into the Local School Education  
9 Improvement Fund. Moneys distributed to a school district  
10 from the Local School Education Improvement Fund shall be  
11 used solely for educational improvement purposes not  
12 directly related to classroom instruction and  
13 cooperatively administered by appropriate agencies of the  
14 municipality in which the school district is located and  
15 local school councils.

16 (4) 3.2% of all moneys collected under this Act shall  
17 be deposited into the School District Tax Municipal Fund,  
18 which is created in the State treasury. On or before the  
19 25th day of each calendar month, the Department of Revenue  
20 shall prepare and certify to the Comptroller the  
21 disbursement of stated sums of money to named  
22 municipalities, the municipalities to be those that  
23 contain a school district from which the Department has  
24 collected taxes under this Act during the second preceding  
25 calendar month. The amount to be paid to each municipality  
26 shall be the amount collected from that school district



1 during the second preceding calendar month and deposited  
2 into the School District Tax Municipal Fund. Moneys  
3 distributed to a municipality from the School District Tax  
4 Municipal Fund shall be used in the discretion of the  
5 corporate authority of the municipality.

6 (5) Up to 0.2% of the moneys collected under this Act  
7 may be retained by the Department of Revenue for the costs  
8 of collection, administration, and enforcement under this  
9 Act.

10 Section 30. Intent. Any moneys received by a school  
11 district as a result of this Act are intended to be in addition  
12 to, and not in lieu of any other source of funding and shall  
13 not be used the supplant or replace any other source of funding  
14 Assistance Fund.

15 Section 900. The State Finance Act is amended by adding  
16 Sections 5.675, 5.676, 5.677, 5.678, and 5.679 as follows:

17 (30 ILCS 105/5.675 new)

18 Sec. 5.675. The School District Income Tax Educational  
19 Assistance Fund.

20 (30 ILCS 105/5.676 new)

21 Sec. 5.676. The School District Income Tax Refund Fund.

1 (30 ILCS 105/5.677 new)

2 Sec. 5.677. The Property Tax Relief Fund.

3 (30 ILCS 105/5.678 new)

4 Sec. 5.678. The Local School Education Improvement Fund.

5 (30 ILCS 105/5.679 new)

6 Sec. 5.679. The School District Tax Municipal Fund.

7 Section 905. The School Code is amended by changing Section  
8 34A-501 as follows:

9 (105 ILCS 5/34A-501) (from Ch. 122, par. 34A-501)

10 Sec. 34A-501. Power to issue Bonds.

11 (a) The Authority may incur indebtedness by the issuance of  
12 its negotiable full faith and credit general obligation bonds  
13 (the "Bonds") in an amount not to exceed at any time the sum of  
14 \$895,000,000 ~~\$695,000,000~~ (excluding Bonds to be issued to  
15 refund outstanding Bonds) for the purpose of providing the  
16 Board with moneys for ordinary and necessary expenditures for  
17 educational purposes, maintenance of school facilities, and  
18 other operational needs of the Board; payment of outstanding  
19 debt obligations of the Board and of the City, the proceeds of  
20 which were used to provide financing for the Board; providing  
21 or increasing a working cash fund as provided by paragraph (d)  
22 of this Section 34A-501; providing the Board with moneys for

1 school construction and rehabilitation purposes as provided by  
2 paragraph (e) of this Section; payment of fees for arrangements  
3 as provided by paragraph (c) of Section 34A-502; payment of  
4 interest on Bonds; establishment of reserves to secure Bonds;  
5 the payment of costs of issuance of Bonds; payment of principal  
6 of or interest or redemption premium on any Bonds or notes of  
7 the Authority; and all other expenditures of the Authority  
8 incidental to and necessary or convenient for carrying out its  
9 corporate purposes and powers, and in an additional amount not  
10 to exceed at any time the sum of \$427,000,000 (excluding Bonds  
11 to be issued to refund outstanding Bonds) for the purpose of  
12 providing the Board with moneys for ordinary and necessary  
13 expenditures for educational purposes, maintenance of school  
14 facilities, and other operational needs of the Board; payment  
15 of fees for arrangements as provided by paragraph (c) of  
16 Section 34A-502; payment in connection with agreements or  
17 contracts entered into as provided for in Section 7 of the Bond  
18 Authorization Act; payment of interest on Bonds; establishment  
19 of reserves to secure Bonds; the payment of costs of issuance  
20 of Bonds; payment of principal of or interest or redemption  
21 premium on any Bonds or notes of the Authority; and all other  
22 expenditures of the Authority incidental to and necessary or  
23 convenient for carrying out its corporate purposes and powers.  
24 No more than \$40,000,000 of proceeds of Bonds of the Authority  
25 shall be deposited in a working cash fund as provided by  
26 paragraph (d) of this Section 34A-501. No more than \$95,000,000

1 of proceeds of Bonds of the Authority shall be provided to the  
2 Board for school construction and rehabilitation purposes;  
3 provided that not less than \$32,000,000 nor more than  
4 \$37,000,000 of such proceeds shall be used by the Board for  
5 constructing new school buildings or providing additions to  
6 school buildings.

7 (b) The Authority may from time to time (i) issue Bonds to  
8 refund any outstanding Bonds or notes of the Authority whether  
9 the Bonds or notes to be refunded have or have not matured or  
10 become redeemable and (ii) issue Bonds partly to refund Bonds  
11 or notes then outstanding and partly for any other purpose  
12 hereinabove set forth.

13 (c) Bonds issued in accordance with paragraph (a) of this  
14 Section may be issued in excess of any statutory limitation as  
15 to debt, and may be issued without referendum.

16 (d) The Authority may create a working cash fund to provide  
17 working cash for the Board. Amounts in the working cash fund  
18 shall be used by the Authority to make loans from time to time  
19 to the Board to enable the Board to cover anticipated cash flow  
20 deficiencies which it may experience within the fiscal year of  
21 the Board in which the loan is made, all as and to the extent  
22 determined by the Authority. The loans shall be made in such  
23 amounts and upon such terms as the Board and the Authority  
24 shall agree. The Authority shall not under any circumstance be  
25 obligated to make any such loan. No interest need be charged on  
26 any such loan. The Board may pledge and assign to the repayment

1 of such loans and may apply to that repayment any particular  
2 receipts of the Board which have not been pledged to the  
3 payment of any of the Board's bonds, notes, tax anticipation  
4 warrants or state aid anticipation certificates. Each loan  
5 shall be required to be repaid in full by the Board within the  
6 fiscal year of the Board in which the loan was made and, in any  
7 event, within 11 months from the date on which it was made.  
8 Interest and other investment earnings on the working cash fund  
9 shall be deposited in and shall be part of that fund. Whenever  
10 the Authority shall determine that all or part of the working  
11 cash fund is no longer needed for making loans to the Board as  
12 provided in this paragraph, the Authority shall reduce the  
13 amount of the fund so that the amount in the fund does not  
14 exceed the amount which the Authority determines is necessary  
15 for use for making future loans to the Board as provided in  
16 this paragraph. Upon any such reduction in the amount of the  
17 working cash fund and upon its abolition, all amounts in excess  
18 of the amounts to remain in the fund shall be deposited in the  
19 debt service fund established by the Authority for the Bonds  
20 for use for paying principal of Bonds at their maturity or on  
21 earlier redemption dates, redemption premium and any interest  
22 accruing on those Bonds, all as the Authority shall determine  
23 and direct.

24 (e) For purposes of this Section, "school construction and  
25 rehabilitation purposes" means constructing new school  
26 buildings and rehabilitating and accomplishing the deferred

1 maintenance existing as of August 31, 1984, of school  
2 buildings, including, without limitation, repairing,  
3 modernizing, providing additions to and facilities in,  
4 altering and reconstructing school buildings and equipment.

5 Any interest or other investment earnings on proceeds of  
6 Bonds issued for the purpose of providing the Board with moneys  
7 for school construction and rehabilitation purposes shall be  
8 applied as provided in the resolution authorizing such Bonds,  
9 which resolution shall require those earnings to be used for  
10 the same purpose as the proceeds of those Bonds or for the  
11 payment of principal of or interest or redemption premium on  
12 any Bonds, either at maturity or an earlier redemption date.  
13 Application by the Authority of any proceeds of Bonds issued  
14 for the purpose of providing the Board with moneys for school  
15 construction and rehabilitation purposes, or interest or other  
16 investment earnings thereon, shall be in the sole judgment and  
17 discretion of the Authority, but no such moneys shall be so  
18 provided unless the Authority shall have found and determined,  
19 in its sole judgment and discretion, that such moneys are to be  
20 used for those purposes and not for providing the Board with  
21 moneys for its ordinary and necessary expenditures for  
22 educational purposes, maintenance of school facilities or  
23 other operational needs. Application by the Authority of any  
24 proceeds of bonds issued for educational purposes shall be in  
25 the sole judgment and discretion of the Authority, but no such  
26 moneys shall be provided unless the Authority shall have found

1 and determined, in its sole judgment and discretion, that the  
2 moneys are to be used for educational purposes. The Authority  
3 may, in making its findings and determinations, rely upon  
4 information provided by or on behalf of the Board. The  
5 Authority may from time to time make and amend regulations and  
6 issue directives with respect to the use and application of  
7 such moneys.

8 The Authority may, at any time, in its sole judgment and  
9 discretion, deposit unexpended proceeds of Bonds issued for the  
10 purpose of providing the Board with moneys for school  
11 construction and rehabilitation purposes or interest or other  
12 investment earnings thereon solely in a debt service fund for  
13 any Bonds and shall apply such moneys to the payment of  
14 principal of or interest or redemption premium on Bonds, at  
15 maturity or an earlier redemption date. In the resolution  
16 authorizing Bonds, the Authority may make commitments or  
17 covenants to holders of Bonds with respect to such use of such  
18 unexpended proceeds and interest or other investment earnings.

19 (Source: P.A. 88-511.)

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