



Rep. Kevin Joyce

Adopted in House on Apr 30, 2010

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LRB096 15388 NHT 40932 a

1 AMENDMENT TO SENATE BILL 2494

2 AMENDMENT NO. _____. Amend Senate Bill 2494 by replacing
3 everything after the enacting clause with the following:

4 "Section 1. Short title. This Act may be cited as the
5 School Choice Act.

6 Section 5. Findings and declaration of policy. The General
7 Assembly finds and declares the following:

8 (1) There is a crisis in the elementary and secondary
9 education programs in Chicago and elsewhere in Illinois.
10 Many schools and their pupils are performing significantly
11 below relevant national standards and are unable to access
12 functions of federal and State law designed to improve
13 their performance. Consequently, many pupils are dropping
14 out of school before completing the ordinary course of
15 secondary education or are leaving school without the basic
16 skills and knowledge that will enable them to find and hold

1 a job or otherwise become functioning, productive members
2 of our society.

3 (2) Within Chicago and elsewhere in Illinois there are
4 many public and nonpublic schools and independent
5 education services competently and efficiently educating
6 or contributing to the education of children. Most pupils
7 in those schools or receiving those services perform at or
8 above relevant national standards, complete their
9 secondary education, and matriculate to institutions of
10 higher education at an extremely high rate. These services
11 and schools should be accessible to all and should enjoy a
12 cooperative relationship with public school districts,
13 schools, and employees of this State.

14 (3) Custodians of school age children in Chicago and
15 elsewhere in Illinois are frequently unable to enroll their
16 children in schools that will provide them a quality
17 education due to a lack of funds.

18 (4) Adopting a pilot school choice program for students
19 enrolled in the lowest performing schools in Chicago, with
20 the potential to expand elsewhere in Illinois, would enable
21 parents to select schools or services they believe will
22 provide a quality education for their children, empower
23 them to influence the educational policies and procedures
24 in the schools their children attend, and provide them with
25 at least a portion of the funds necessary to pay for a
26 quality education. Such a program would help alleviate the

1 crisis in the Chicago school system, assist Chicago
2 children in becoming productive members of society, and
3 test a new approach to education that could be expanded to
4 the rest of the State.

5 (5) The provisions of this Act are in the public
6 interest, for the public benefit, and serve a secular
7 public purpose.

8 Section 10. Definitions. As used in this Act:

9 "Base year" means the 2010-2011 school year.

10 "Custodian" means, with respect to a qualifying pupil, a
11 parent or legal guardian who is a resident of the City of
12 Chicago.

13 "Low-performing school" means a school in City of Chicago
14 School District 299 that enrolls students in any of grades
15 kindergarten through 8 and that is ranked within the lowest 10%
16 of schools in that district in terms of the percentage of
17 students meeting or exceeding standards on the Illinois
18 Standards Achievement Test.

19 "Nonpublic school" means any State-recognized, nonpublic
20 elementary school in the City of Chicago that elects to
21 participate in the school choice program established under this
22 Act and does not discriminate on the basis of race, color, or
23 national origin under Title VI of the Civil Rights Act of 1964
24 and attendance at which satisfies the requirements of Section
25 26-1 of the School Code, except that nothing in Section 26-1

1 shall be construed to require a child to attend any particular
2 nonpublic school.

3 "Overcrowded school" means a school in City of Chicago
4 School District 299 that (i) enrolls students in any of grades
5 kindergarten through 8, (ii) has a percentage of low-income
6 students of 70% or more, as identified in the most recently
7 available School Report Card published by the State Board of
8 Education, and (iii) is determined by the Chicago Board of
9 Education to be in the most severely overcrowded 5% of schools
10 in the district. On or before November 1 of each year, the
11 Chicago Board of Education shall file a report with the State
12 Board of Education on which schools in the district meet the
13 definition of "overcrowded school".

14 "Qualified education expenses" means costs reasonably
15 incurred on behalf of a qualifying pupil for the services of a
16 participating nonpublic school in which the qualifying pupil is
17 enrolled during the regular school year. Qualified education
18 expenses does not include costs incurred for supplies or
19 extra-curricular activities.

20 "Qualifying pupil" means an individual who:

21 (1) is a resident of the City of Chicago;

22 (2) is enrolled in any of grades kindergarten through 8
23 in a low-performing school or an overcrowded school or has
24 received a School Choice Voucher in the previous school
25 year or would enter kindergarten in a low-performing school
26 or overcrowded school during the school year for which a

1 voucher is sought; and

2 (3) during the school year for which a voucher is
3 sought, is a full-time pupil enrolled in a kindergarten
4 through 8th grade education program.

5 "School Choice Voucher" means a written instrument issued
6 by the State Board of Education directly to the custodian of a
7 qualifying pupil. The instrument shall be for a sum certain,
8 which must not exceed an amount equal to:

9 (1) the amount of the portion of the foundation level
10 of support, on a per pupil basis, funded by the State
11 pursuant to subsection (B) of Section 18-18.05 of the
12 School Code for the previous fiscal year; plus

13 (2) the amount equal to the total supplemental general
14 State aid grant awarded to City of Chicago School District
15 299 pursuant to subsection (H) of Section 18-18.05 of the
16 School Code for the previous fiscal year divided by the
17 total average daily attendance of City of Chicago School
18 District 299 for the previous fiscal year.

19 The custodian may present the instrument only to a
20 participating nonpublic school as payment for qualified
21 education expenses incurred on behalf of the qualifying pupil.

22 Section 15. Establishment of program. There is established
23 the School Choice Program. Under the program, after the base
24 year, a custodian of a qualifying pupil shall be entitled to a
25 School Choice Voucher for payment incurred on behalf of the

1 qualifying pupil at any participating nonpublic school in which
2 the qualifying pupil is enrolled. A qualifying pupil shall be
3 entitled to enroll at and attend any participating nonpublic
4 school of his or her choice.

5 Section 20. Notification of vouchers. The principal of each
6 low-performing school and of each overcrowded school in City of
7 Chicago School District 299 shall notify custodians of
8 qualifying pupils that vouchers under this Act are available
9 for the next school year. Notification shall occur in January
10 of each school year beginning with the base year.

11 Section 25. Request for voucher. A custodian who applies in
12 accordance with procedures established by the State Board of
13 Education shall receive a voucher under this Act within the
14 dollar limits set out in this Act. The procedure shall require
15 application for the voucher, with documentation as to
16 eligibility, between March 1 and May 1 prior to the school year
17 in which the voucher is to be used.

18 Section 30. Issuance and payment of voucher. A voucher may
19 only be issued to a custodian who has made proper application
20 pursuant to Section 25 of this Act. The custodian shall present
21 the voucher to a participating nonpublic school of his or her
22 choice as payment for qualified education expenses. Upon
23 presentment, the State Board of Education shall honor the

1 voucher and, as issuer of the instrument, pay the participating
2 nonpublic school in accordance with procedures established by
3 the State Board of Education. The procedures shall require all
4 of the following:

5 (1) that the applying custodian be notified of the
6 voucher award by August 1 of the school year in which the
7 voucher is to be used;

8 (2) that the voucher instrument be issued to the
9 custodian no later than September 15 of the school year in
10 which the voucher is to be used;

11 (3) that the custodian present the voucher instrument
12 to the participating school no later than October 1 of the
13 school year in which the voucher is to be used;

14 (4) that the participating school present the voucher
15 instrument, with proof of service to the custodian of the
16 qualifying pupil, to the State Board of Education no later
17 than October 31 of the school year in which the voucher is
18 to be used;

19 (5) that the State Board of Education shall honor the
20 voucher instrument and as issuer pay the participating
21 school no later than December 31 of the school year in
22 which the voucher is to be used;

23 (6) that participating schools must not be required to
24 accept vouchers as full payment for services but neither
25 shall they charge voucher pupils tuition or any other
26 educational expenses at a higher rate than other pupils;

1 and

2 (7) that if a student attending a nonpublic school
3 under the School Choice Program is expelled or withdraws
4 from the nonpublic school or moves out of the boundaries of
5 City of Chicago School District 299 before the State Board
6 of Education has honored the voucher of the school, then
7 the State Board of Education shall pay the corresponding
8 prorated portion of the voucher amount to the nonpublic
9 school; and that if the State Board of Education has paid
10 the voucher amount to the nonpublic school and the pupil is
11 expelled, withdraws, or moves out of the boundaries of City
12 of Chicago School District 299, then the nonpublic school
13 shall refund the corresponding prorated portion of the
14 voucher to the State Board of Education. Any funds returned
15 to the State Board of Education must be distributed via the
16 general State aid claim to City of Chicago School District
17 299.

18 Section 35. Amount of voucher. A School Choice Voucher for
19 qualified education expenses incurred through participating
20 schools during any school year after the base year shall be for
21 the lesser of (i) the amount of the portion of the foundation
22 level of support, on a per pupil basis, funded by the State
23 pursuant to subsection (B) of Section 18-18.05 of the School
24 Code for the previous fiscal year, plus the amount equal to the
25 total supplemental general State aid grant awarded to City of

1 Chicago School District 299 pursuant to subsection (H) of
2 Section 18-18.05 of the School Code for the previous fiscal
3 year divided by the total average daily attendance of City of
4 Chicago School District 299 for the previous fiscal year or
5 (ii) the actual qualified education expenses related to the
6 qualifying pupil's enrollment.

7 Section 40. Renewal of voucher. School Choice Vouchers
8 shall be renewable every year through grade 8 so long as the
9 pupil continues to reside in the City of Chicago and the
10 recognized nonpublic school elects to continue participating
11 in the School Choice Program.

12 Section 45. Assessment. All pupils receiving services
13 obtained through School Choice Vouchers shall be assessed
14 annually in the same manner as Illinois' public school
15 students. The State Board of Education may adopt rules with
16 respect to the assessment of such pupils, which may include,
17 but is not limited to, rules pertaining to test security, test
18 administration and location, and reporting procedures.

19 Section 50. Longitudinal Data System. The State Board of
20 Education may adopt rules to ensure that all pupils receiving
21 services obtained through School Choice Vouchers shall
22 continue to be included in the Longitudinal Data System.

1 Section 51. Funding. The total cost of the School Choice
2 Vouchers issued under this Act shall come from the portion of
3 general State aid City of Chicago School District 299 receives
4 under Section 18-8.05 of the School Code for that fiscal year.

5 Section 52. Nonpublic school student. For the purposes of
6 this Act, students receiving a School Choice Voucher are
7 considered nonpublic school students who have been voluntarily
8 placed in a private setting by the parent or guardian.

9 Section 55. Not base income. The amount of any voucher
10 redeemed under this Act shall not be considered base income
11 under subsection (a) of Section 203 of the Illinois Income Tax
12 Act and shall not be taxable for Illinois income tax purposes.

13 Section 60. Report and expansion. On or before December 31,
14 2015, the State Board of Education shall submit a report to the
15 General Assembly reviewing the current status of the program
16 operating under this Act. This report shall include, but not be
17 limited to, the numbers of qualifying pupils receiving each
18 School Choice Voucher, the names of the schools from which and
19 to which pupils transferred, the financial ramifications of the
20 program, and the results of pupil assessments. In its report,
21 the State Board of Education shall assess whether the program
22 has been financially and academically beneficial and shall make
23 a recommendation on whether the program should be expanded to

1 other schools in the City of Chicago or to other areas of this
2 State.

3 Section 65. Penalties. It shall be a Class 3 felony to use
4 or attempt to use a voucher under this Act for any purpose
5 other than those permitted by this Act. It shall also be a
6 Class 3 felony for any person, with intent to defraud, to
7 knowingly forge, alter, or misrepresent information on a
8 voucher application or on any documents submitted in
9 application for a voucher, to deliver any such document knowing
10 it to have been thus forged, altered, or based on
11 misrepresentation, or to possess, with intent to issue or
12 deliver, any such document knowing it to have been thus forged,
13 altered, or based on misrepresentation.

14 Section 70. Rules. The State Board of Education shall adopt
15 rules to implement this Act. The creation of the School Choice
16 Program does not expand the regulatory authority of the State,
17 its officers, or any school district to impose any additional
18 regulation of nonpublic schools beyond those reasonably
19 necessary to enforce the requirements of the program.

20 Section 900. The Illinois Income Tax Act is amended by
21 changing Section 203 as follows:

22 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

1 Sec. 203. Base income defined.

2 (a) Individuals.

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

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

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

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

21 (C) An amount equal to the amount received during
22 the taxable year as a recovery or refund of real
23 property taxes paid with respect to the taxpayer's
24 principal residence under the Revenue Act of 1939 and
25 for which a deduction was previously taken under
26 subparagraph (L) of this paragraph (2) prior to July 1,

1 1991, the retrospective application date of Article 4
2 of Public Act 87-17. In the case of multi-unit or
3 multi-use structures and farm dwellings, the taxes on
4 the taxpayer's principal residence shall be that
5 portion of the total taxes for the entire property
6 which is attributable to such principal residence;

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

11 (D-5) An amount, to the extent not included in
12 adjusted gross income, equal to the amount of money
13 withdrawn by the taxpayer in the taxable year from a
14 medical care savings account and the interest earned on
15 the account in the taxable year of a withdrawal
16 pursuant to subsection (b) of Section 20 of the Medical
17 Care Savings Account Act or subsection (b) of Section
18 20 of the Medical Care Savings Account Act of 2000;

19 (D-10) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation costs
21 that the individual deducted in computing adjusted
22 gross income and for which the individual claims a
23 credit under subsection (1) of Section 201;

24 (D-15) For taxable years 2001 and thereafter, an
25 amount equal to the bonus depreciation deduction taken
26 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the
2 Internal Revenue Code;

3 (D-16) If the taxpayer sells, transfers, abandons,
4 or otherwise disposes of property for which the
5 taxpayer was required in any taxable year to make an
6 addition modification under subparagraph (D-15), then
7 an amount equal to the aggregate amount of the
8 deductions taken in all taxable years under
9 subparagraph (Z) with respect to that property.

10 If the taxpayer continues to own property through
11 the last day of the last tax year for which the
12 taxpayer may claim a depreciation deduction for
13 federal income tax purposes and for which the taxpayer
14 was allowed in any taxable year to make a subtraction
15 modification under subparagraph (Z), then an amount
16 equal to that subtraction modification.

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

20 (D-17) An amount equal to the amount otherwise
21 allowed as a deduction in computing base income for
22 interest paid, accrued, or incurred, directly or
23 indirectly, (i) for taxable years ending on or after
24 December 31, 2004, to a foreign person who would be a
25 member of the same unitary business group but for the
26 fact that foreign person's business activity outside

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

6 (a) the person, during the same taxable
7 year, paid, accrued, or incurred, the interest
8 to a person that is not a related member, and

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

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

22 (iv) an item of interest paid, accrued, or
23 incurred, directly or indirectly, to a person if
24 the taxpayer establishes by clear and convincing
25 evidence that the adjustments are unreasonable; or
26 if the taxpayer and the Director agree in writing

1 to the application or use of an alternative method
2 of apportionment under Section 304(f).

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

12 (D-18) An amount equal to the amount of intangible
13 expenses and costs otherwise allowed as a deduction in
14 computing base income, and that were paid, accrued, or
15 incurred, directly or indirectly, (i) for taxable
16 years ending on or after December 31, 2004, to a
17 foreign person who would be a member of the same
18 unitary business group but for the fact that the
19 foreign person's business activity outside the United
20 States is 80% or more of that person's total business
21 activity and (ii) for taxable years ending on or after
22 December 31, 2008, to a person who would be a member of
23 the same unitary business group but for the fact that
24 the person is prohibited under Section 1501(a)(27)
25 from being included in the unitary business group
26 because he or she is ordinarily required to apportion

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

1 property" includes patents, patent applications, trade
2 names, trademarks, service marks, copyrights, mask
3 works, trade secrets, and similar types of intangible
4 assets.

5 This paragraph shall not apply to the following:

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

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

18 (a) the person during the same taxable
19 year paid, accrued, or incurred, the
20 intangible expense or cost to a person that is
21 not a related member, and

22 (b) the transaction giving rise to the
23 intangible expense or cost between the
24 taxpayer and the person did not have as a
25 principal purpose the avoidance of Illinois
26 income tax, and is paid pursuant to a contract

1 or agreement that reflects arm's-length terms;

2 or

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

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

20 (D-19) For taxable years ending on or after
21 December 31, 2008, an amount equal to the amount of
22 insurance premium expenses and costs otherwise allowed
23 as a deduction in computing base income, and that were
24 paid, accrued, or incurred, directly or indirectly, to
25 a person who would be a member of the same unitary
26 business group but for the fact that the person is

1 prohibited under Section 1501(a)(27) from being
2 included in the unitary business group because he or
3 she is ordinarily required to apportion business
4 income under different subsections of Section 304. The
5 addition modification required by this subparagraph
6 shall be reduced to the extent that dividends were
7 included in base income of the unitary group for the
8 same taxable year and received by the taxpayer or by a
9 member of the taxpayer's unitary business group
10 (including amounts included in gross income under
11 Sections 951 through 964 of the Internal Revenue Code
12 and amounts included in gross income under Section 78
13 of the Internal Revenue Code) with respect to the stock
14 of the same person to whom the premiums and costs were
15 directly or indirectly paid, incurred, or accrued. The
16 preceding sentence does not apply to the extent that
17 the same dividends caused a reduction to the addition
18 modification required under Section 203(a)(2)(D-17) or
19 Section 203(a)(2)(D-18) of this Act.

20 (D-20) For taxable years beginning on or after
21 January 1, 2002 and ending on or before December 31,
22 2006, in the case of a distribution from a qualified
23 tuition program under Section 529 of the Internal
24 Revenue Code, other than (i) a distribution from a
25 College Savings Pool created under Section 16.5 of the
26 State Treasurer Act or (ii) a distribution from the

1 Illinois Prepaid Tuition Trust Fund, an amount equal to
2 the amount excluded from gross income under Section
3 529(c)(3)(B). For taxable years beginning on or after
4 January 1, 2007, in the case of a distribution from a
5 qualified tuition program under Section 529 of the
6 Internal Revenue Code, other than (i) a distribution
7 from a College Savings Pool created under Section 16.5
8 of the State Treasurer Act, (ii) a distribution from
9 the Illinois Prepaid Tuition Trust Fund, or (iii) a
10 distribution from a qualified tuition program under
11 Section 529 of the Internal Revenue Code that (I)
12 adopts and determines that its offering materials
13 comply with the College Savings Plans Network's
14 disclosure principles and (II) has made reasonable
15 efforts to inform in-state residents of the existence
16 of in-state qualified tuition programs by informing
17 Illinois residents directly and, where applicable, to
18 inform financial intermediaries distributing the
19 program to inform in-state residents of the existence
20 of in-state qualified tuition programs at least
21 annually, an amount equal to the amount excluded from
22 gross income under Section 529(c)(3)(B).

23 For the purposes of this subparagraph (D-20), a
24 qualified tuition program has made reasonable efforts
25 if it makes disclosures (which may use the term
26 "in-state program" or "in-state plan" and need not

1 specifically refer to Illinois or its qualified
2 programs by name) (i) directly to prospective
3 participants in its offering materials or makes a
4 public disclosure, such as a website posting; and (ii)
5 where applicable, to intermediaries selling the
6 out-of-state program in the same manner that the
7 out-of-state program distributes its offering
8 materials;

9 (D-21) For taxable years beginning on or after
10 January 1, 2007, in the case of transfer of moneys from
11 a qualified tuition program under Section 529 of the
12 Internal Revenue Code that is administered by the State
13 to an out-of-state program, an amount equal to the
14 amount of moneys previously deducted from base income
15 under subsection (a) (2) (Y) of this Section;

16 (D-22) For taxable years beginning on or after
17 January 1, 2009, in the case of a nonqualified
18 withdrawal or refund of moneys from a qualified tuition
19 program under Section 529 of the Internal Revenue Code
20 administered by the State that is not used for
21 qualified expenses at an eligible education
22 institution, an amount equal to the contribution
23 component of the nonqualified withdrawal or refund
24 that was previously deducted from base income under
25 subsection (a) (2) (y) of this Section, provided that
26 the withdrawal or refund did not result from the

1 beneficiary's death or disability;

2 (D-23) An amount equal to the credit allowable to
3 the taxpayer under Section 218(a) of this Act,
4 determined without regard to Section 218(c) of this
5 Act;

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

8 (E) For taxable years ending before December 31,
9 2001, any amount included in such total in respect of
10 any compensation (including but not limited to any
11 compensation paid or accrued to a serviceman while a
12 prisoner of war or missing in action) paid to a
13 resident by reason of being on active duty in the Armed
14 Forces of the United States and in respect of any
15 compensation paid or accrued to a resident who as a
16 governmental employee was a prisoner of war or missing
17 in action, and in respect of any compensation paid to a
18 resident in 1971 or thereafter for annual training
19 performed pursuant to Sections 502 and 503, Title 32,
20 United States Code as a member of the Illinois National
21 Guard or, beginning with taxable years ending on or
22 after December 31, 2007, the National Guard of any
23 other state. For taxable years ending on or after
24 December 31, 2001, any amount included in such total in
25 respect of any compensation (including but not limited
26 to any compensation paid or accrued to a serviceman

1 while a prisoner of war or missing in action) paid to a
2 resident by reason of being a member of any component
3 of the Armed Forces of the United States and in respect
4 of any compensation paid or accrued to a resident who
5 as a governmental employee was a prisoner of war or
6 missing in action, and in respect of any compensation
7 paid to a resident in 2001 or thereafter by reason of
8 being a member of the Illinois National Guard or,
9 beginning with taxable years ending on or after
10 December 31, 2007, the National Guard of any other
11 state. The provisions of this amendatory Act of the
12 92nd General Assembly are exempt from the provisions of
13 Section 250;

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

25 (G) The valuation limitation amount;

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

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

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

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

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

1 (L) For taxable years ending after December 31,
2 1983, an amount equal to all social security benefits
3 and railroad retirement benefits included in such
4 total pursuant to Sections 72(r) and 86 of the Internal
5 Revenue Code;

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

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

1 of bond premium amortization;

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

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

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

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

17 (S) An amount, to the extent included in adjusted
18 gross income, equal to the amount of a contribution
19 made in the taxable year on behalf of the taxpayer to a
20 medical care savings account established under the
21 Medical Care Savings Account Act or the Medical Care
22 Savings Account Act of 2000 to the extent the
23 contribution is accepted by the account administrator
24 as provided in that Act;

25 (T) An amount, to the extent included in adjusted
26 gross income, equal to the amount of interest earned in

1 the taxable year on a medical care savings account
2 established under the Medical Care Savings Account Act
3 or the Medical Care Savings Account Act of 2000 on
4 behalf of the taxpayer, other than interest added
5 pursuant to item (D-5) of this paragraph (2);

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

12 (V) Beginning with tax years ending on or after
13 December 31, 1995 and ending with tax years ending on
14 or before December 31, 2004, an amount equal to the
15 amount paid by a taxpayer who is a self-employed
16 taxpayer, a partner of a partnership, or a shareholder
17 in a Subchapter S corporation for health insurance or
18 long-term care insurance for that taxpayer or that
19 taxpayer's spouse or dependents, to the extent that the
20 amount paid for that health insurance or long-term care
21 insurance may be deducted under Section 213 of the
22 Internal Revenue Code of 1986, has not been deducted on
23 the federal income tax return of the taxpayer, and does
24 not exceed the taxable income attributable to that
25 taxpayer's income, self-employment income, or
26 Subchapter S corporation income; except that no

1 deduction shall be allowed under this item (V) if the
2 taxpayer is eligible to participate in any health
3 insurance or long-term care insurance plan of an
4 employer of the taxpayer or the taxpayer's spouse. The
5 amount of the health insurance and long-term care
6 insurance subtracted under this item (V) shall be
7 determined by multiplying total health insurance and
8 long-term care insurance premiums paid by the taxpayer
9 times a number that represents the fractional
10 percentage of eligible medical expenses under Section
11 213 of the Internal Revenue Code of 1986 not actually
12 deducted on the taxpayer's federal income tax return;

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

18 (X) For taxable year 1999 and thereafter, an amount
19 equal to the amount of any (i) distributions, to the
20 extent includible in gross income for federal income
21 tax purposes, made to the taxpayer because of his or
22 her status as a victim of persecution for racial or
23 religious reasons by Nazi Germany or any other Axis
24 regime or as an heir of the victim and (ii) items of
25 income, to the extent includible in gross income for
26 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,

1 moneys contributed in the taxable year to a College
2 Savings Pool account under Section 16.5 of the State
3 Treasurer Act, except that amounts excluded from gross
4 income under Section 529(c)(3)(C)(i) of the Internal
5 Revenue Code shall not be considered moneys
6 contributed under this subparagraph (Y). For taxable
7 years beginning on or after January 1, 2005, a maximum
8 of \$10,000 contributed in the taxable year to (i) a
9 College Savings Pool account under Section 16.5 of the
10 State Treasurer Act or (ii) the Illinois Prepaid
11 Tuition Trust Fund, except that amounts excluded from
12 gross income under Section 529(c)(3)(C)(i) of the
13 Internal Revenue Code shall not be considered moneys
14 contributed under this subparagraph (Y). For purposes
15 of this subparagraph, contributions made by an
16 employer on behalf of an employee, or matching
17 contributions made by an employee, shall be treated as
18 made by the employee. This subparagraph (Y) is exempt
19 from the provisions of Section 250;

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

26 (1) "y" equals the amount of the depreciation

1 deduction taken for the taxable year on the
2 taxpayer's federal income tax return on property
3 for which the bonus depreciation deduction was
4 taken in any year under subsection (k) of Section
5 168 of the Internal Revenue Code, but not including
6 the bonus depreciation deduction;

7 (2) for taxable years ending on or before
8 December 31, 2005, "x" equals "y" multiplied by 30
9 and then divided by 70 (or "y" multiplied by
10 0.429); and

11 (3) for taxable years ending after December
12 31, 2005:

13 (i) for property on which a bonus
14 depreciation deduction of 30% of the adjusted
15 basis was taken, "x" equals "y" multiplied by
16 30 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (ii) for property on which a bonus
19 depreciation deduction of 50% of the adjusted
20 basis was taken, "x" equals "y" multiplied by
21 1.0.

22 The aggregate amount deducted under this
23 subparagraph in all taxable years for any one piece of
24 property may not exceed the amount of the bonus
25 depreciation deduction taken on that property on the
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This
2 subparagraph (Z) is exempt from the provisions of
3 Section 250;

4 (AA) If the taxpayer sells, transfers, abandons,
5 or otherwise disposes of property for which the
6 taxpayer was required in any taxable year to make an
7 addition modification under subparagraph (D-15), then
8 an amount equal to that addition modification.

9 If the taxpayer continues to own property through
10 the last day of the last tax year for which the
11 taxpayer may claim a depreciation deduction for
12 federal income tax purposes and for which the taxpayer
13 was required in any taxable year to make an addition
14 modification under subparagraph (D-15), then an amount
15 equal to that addition modification.

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

19 This subparagraph (AA) is exempt from the
20 provisions of Section 250;

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

24 (CC) The amount of (i) any interest income (net of
25 the deductions allocable thereto) taken into account
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition
2 modification with respect to such transaction under
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
5 the amount of that addition modification, and (ii) any
6 income from intangible property (net of the deductions
7 allocable thereto) taken into account for the taxable
8 year with respect to a transaction with a taxpayer that
9 is required to make an addition modification with
10 respect to such transaction under Section
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
12 203(d)(2)(D-8), but not to exceed the amount of that
13 addition modification. This subparagraph (CC) is
14 exempt from the provisions of Section 250;

15 (DD) An amount equal to the interest income taken
16 into account for the taxable year (net of the
17 deductions allocable thereto) with respect to
18 transactions with (i) a foreign person who would be a
19 member of the taxpayer's unitary business group but for
20 the fact that the foreign person's business activity
21 outside the United States is 80% or more of that
22 person's total business activity and (ii) for taxable
23 years ending on or after December 31, 2008, to a person
24 who would be a member of the same unitary business
25 group but for the fact that the person is prohibited
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily
2 required to apportion business income under different
3 subsections of Section 304, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(a)(2)(D-17) for
6 interest paid, accrued, or incurred, directly or
7 indirectly, to the same person. This subparagraph (DD)
8 is exempt from the provisions of Section 250; and

9 (EE) An amount equal to the income from intangible
10 property taken into account for the taxable year (net
11 of the deductions allocable thereto) with respect to
12 transactions with (i) a foreign person who would be a
13 member of the taxpayer's unitary business group but for
14 the fact that the foreign person's business activity
15 outside the United States is 80% or more of that
16 person's total business activity and (ii) for taxable
17 years ending on or after December 31, 2008, to a person
18 who would be a member of the same unitary business
19 group but for the fact that the person is prohibited
20 under Section 1501(a)(27) from being included in the
21 unitary business group because he or she is ordinarily
22 required to apportion business income under different
23 subsections of Section 304, but not to exceed the
24 addition modification required to be made for the same
25 taxable year under Section 203(a)(2)(D-18) for
26 intangible expenses and costs paid, accrued, or

1 incurred, directly or indirectly, to the same foreign
2 person. This subparagraph (EE) is exempt from the
3 provisions of Section 250.

4 (FF) For taxable years ending on or after December
5 31, 2010, an amount, to the extent that it is included
6 in adjusted gross income, equal to any voucher redeemed
7 under the School Choice Act. This subparagraph is
8 exempt from the provisions of Section 250.

9 (b) Corporations.

10 (1) In general. In the case of a corporation, 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 and all distributions
18 received from regulated investment companies during
19 the taxable year to the extent excluded from gross
20 income in the computation of taxable income;

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

24 (C) In the case of a regulated investment company,
25 an amount equal to the excess of (i) the net long-term

1 capital gain for the taxable year, over (ii) the amount
2 of the capital gain dividends designated as such in
3 accordance with Section 852(b)(3)(C) of the Internal
4 Revenue Code and any amount designated under Section
5 852(b)(3)(D) of the Internal Revenue Code,
6 attributable to the taxable year (this amendatory Act
7 of 1995 (Public Act 89-89) is declarative of existing
8 law and is not a new enactment);

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 earlier taxable
21 year, with the following limitations applied in the
22 order that 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

1 addition modification under this subparagraph (E)
2 which related to that net operating loss and which
3 was taken into account in calculating the base
4 income of an earlier taxable year, and

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

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

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

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

1 (E-11) If the taxpayer sells, transfers, abandons,
2 or otherwise disposes of property for which the
3 taxpayer was required in any taxable year to make an
4 addition modification under subparagraph (E-10), then
5 an amount equal to the aggregate amount of the
6 deductions taken in all taxable years under
7 subparagraph (T) with respect to that property.

8 If the taxpayer continues to own property through
9 the last day of the last tax year for which the
10 taxpayer may claim a depreciation deduction for
11 federal income tax purposes and for which the taxpayer
12 was allowed in any taxable year to make a subtraction
13 modification under subparagraph (T), then an amount
14 equal to that subtraction modification.

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

18 (E-12) An amount equal to the amount otherwise
19 allowed as a deduction in computing base income for
20 interest paid, accrued, or incurred, directly or
21 indirectly, (i) for taxable years ending on or after
22 December 31, 2004, to a foreign person who would be a
23 member of the same unitary business group but for the
24 fact the foreign person's business activity outside
25 the United States is 80% or more of the foreign
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304. The addition modification
8 required by this subparagraph shall be reduced to the
9 extent that dividends were included in base income of
10 the unitary group for the same taxable year and
11 received by the taxpayer or by a member of the
12 taxpayer's unitary business group (including amounts
13 included in gross income pursuant to Sections 951
14 through 964 of the Internal Revenue Code and amounts
15 included in gross income under Section 78 of the
16 Internal Revenue Code) with respect to the stock of the
17 same person to whom the interest was paid, accrued, or
18 incurred.

19 This paragraph shall not apply to the following:

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

26 (ii) an item of interest paid, accrued, or

1 incurred, directly or indirectly, to a person if
2 the taxpayer can establish, based on a
3 preponderance of the evidence, both of the
4 following:

5 (a) the person, during the same taxable
6 year, paid, accrued, or incurred, the interest
7 to a person that is not a related member, and

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

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

21 (iv) an item of interest paid, accrued, or
22 incurred, directly or indirectly, to a person if
23 the taxpayer establishes by clear and convincing
24 evidence that the adjustments are unreasonable; or
25 if the taxpayer and the Director agree in writing
26 to the application or use of an alternative method

1 of apportionment under Section 304(f).

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

11 (E-13) An amount equal to the amount of intangible
12 expenses and costs otherwise allowed as a deduction in
13 computing base income, and that were paid, accrued, or
14 incurred, directly or indirectly, (i) for taxable
15 years ending on or after December 31, 2004, to a
16 foreign person who would be a member of the same
17 unitary business group but for the fact that the
18 foreign person's business activity outside the United
19 States is 80% or more of that person's total business
20 activity and (ii) for taxable years ending on or after
21 December 31, 2008, to a person who would be a member of
22 the same unitary business group but for the fact that
23 the person is prohibited under Section 1501(a)(27)
24 from being included in the unitary business group
25 because he or she is ordinarily required to apportion
26 business income under different subsections of Section

1 304. 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 pursuant to Sections 951 through 964 of the
8 Internal Revenue Code and amounts included in gross
9 income under Section 78 of the Internal Revenue Code)
10 with respect to the stock of the same person to whom
11 the intangible expenses and costs were directly or
12 indirectly paid, incurred, or accrued. The preceding
13 sentence shall not apply to the extent that the same
14 dividends caused a reduction to the addition
15 modification required under Section 203(b)(2)(E-12) of
16 this Act. As used in this subparagraph, the term
17 "intangible expenses and costs" includes (1) expenses,
18 losses, and costs for, or related to, the direct or
19 indirect acquisition, use, maintenance or management,
20 ownership, sale, exchange, or any other disposition of
21 intangible property; (2) losses incurred, directly or
22 indirectly, from factoring transactions or discounting
23 transactions; (3) royalty, patent, technical, and
24 copyright fees; (4) licensing fees; and (5) other
25 similar expenses and costs. For purposes of this
26 subparagraph, "intangible property" includes patents,

1 patent applications, trade names, trademarks, service
2 marks, copyrights, mask works, trade secrets, and
3 similar types of intangible assets.

4 This paragraph shall not apply to the following:

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

12 (ii) any item of intangible expense or cost
13 paid, accrued, or incurred, directly or
14 indirectly, if the taxpayer can establish, based
15 on a preponderance of the evidence, both of the
16 following:

17 (a) the person during the same taxable
18 year paid, accrued, or incurred, the
19 intangible expense or cost to a person that is
20 not a related member, and

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

1 or

2 (iii) any item of intangible expense or cost
3 paid, accrued, or incurred, directly or
4 indirectly, from a transaction with a person if the
5 taxpayer establishes by clear and convincing
6 evidence, that the adjustments are unreasonable;
7 or if the taxpayer and the Director agree in
8 writing to the application or use of an alternative
9 method of apportionment under Section 304(f);

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

19 (E-14) For taxable years ending on or after
20 December 31, 2008, an amount equal to the amount of
21 insurance premium expenses and costs otherwise allowed
22 as a deduction in computing base income, and that were
23 paid, accrued, or incurred, directly or indirectly, to
24 a person who would be a member of the same unitary
25 business group but for the fact that the person is
26 prohibited under Section 1501(a)(27) from being

1 included in the unitary business group because he or
2 she is ordinarily required to apportion business
3 income under different subsections of Section 304. The
4 addition modification required by this subparagraph
5 shall be reduced to the extent that dividends were
6 included in base income of the unitary group for the
7 same taxable year and received by the taxpayer or by a
8 member of the taxpayer's unitary business group
9 (including amounts included in gross income under
10 Sections 951 through 964 of the Internal Revenue Code
11 and amounts included in gross income under Section 78
12 of the Internal Revenue Code) with respect to the stock
13 of the same person to whom the premiums and costs were
14 directly or indirectly paid, incurred, or accrued. The
15 preceding sentence does not apply to the extent that
16 the same dividends caused a reduction to the addition
17 modification required under Section 203(b)(2)(E-12) or
18 Section 203(b)(2)(E-13) of this Act;

19 (E-15) For taxable years beginning after December
20 31, 2008, any deduction for dividends paid by a captive
21 real estate investment trust that is allowed to a real
22 estate investment trust under Section 857(b)(2)(B) of
23 the Internal Revenue Code for dividends paid;

24 (E-16) An amount equal to the credit allowable to
25 the taxpayer under Section 218(a) of this Act,
26 determined without regard to Section 218(c) of this

1 Act;

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

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

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

9 (H) In the case of a regulated investment company,
10 an amount equal to the amount of exempt interest
11 dividends as defined in subsection (b) (5) of Section
12 852 of the Internal Revenue Code, paid to shareholders
13 for the taxable year;

14 (I) With the exception of any amounts subtracted
15 under subparagraph (J), an amount equal to the sum of
16 all amounts disallowed as deductions by (i) Sections
17 171(a) (2), and 265(a) (2) and amounts disallowed as
18 interest expense by Section 291(a) (3) of the Internal
19 Revenue Code, as now or hereafter amended, and all
20 amounts of expenses allocable to interest and
21 disallowed as deductions by Section 265(a) (1) of the
22 Internal Revenue Code, as now or hereafter amended; and
23 (ii) for taxable years ending on or after August 13,
24 1999, Sections 171(a) (2), 265, 280C, 291(a) (3), and
25 832(b) (5) (B) (i) of the Internal Revenue Code; the
26 provisions of this subparagraph are exempt from the

1 provisions of Section 250;

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

11 (K) 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 or
15 a River Edge Redevelopment Zone or zones created under
16 the River Edge Redevelopment Zone Act and conducts
17 substantially all of its operations in an Enterprise
18 Zone or zones or a River Edge Redevelopment Zone or
19 zones. This subparagraph (K) is exempt from the
20 provisions of Section 250;

21 (L) An amount equal to those dividends included in
22 such total that were paid by a corporation that
23 conducts business operations in a federally designated
24 Foreign Trade Zone or Sub-Zone and that is designated a
25 High Impact Business located in Illinois; provided
26 that dividends eligible for the deduction provided in

1 subparagraph (K) of paragraph 2 of this subsection
2 shall not be eligible for the deduction provided under
3 this subparagraph (L);

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

1 Section 250;

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

1 (N) Two times any contribution made during the
2 taxable year to a designated zone organization to the
3 extent that the contribution (i) qualifies as a
4 charitable contribution under subsection (c) of
5 Section 170 of the Internal Revenue Code and (ii) must,
6 by its terms, be used for a project approved by the
7 Department of Commerce and Economic Opportunity under
8 Section 11 of the Illinois Enterprise Zone Act or under
9 Section 10-10 of the River Edge Redevelopment Zone Act.
10 This subparagraph (N) is exempt from the provisions of
11 Section 250;

12 (O) An amount equal to: (i) 85% for taxable years
13 ending on or before December 31, 1992, or, a percentage
14 equal to the percentage allowable under Section
15 243(a)(1) of the Internal Revenue Code of 1986 for
16 taxable years ending after December 31, 1992, of the
17 amount by which dividends included in taxable income
18 and received from a corporation that is not created or
19 organized under the laws of the United States or any
20 state or political subdivision thereof, including, for
21 taxable years ending on or after December 31, 1988,
22 dividends received or deemed received or paid or deemed
23 paid under Sections 951 through 964 of the Internal
24 Revenue Code, exceed the amount of the modification
25 provided under subparagraph (G) of paragraph (2) of
26 this subsection (b) which is related to such dividends,

1 and including, for taxable years ending on or after
2 December 31, 2008, dividends received from a captive
3 real estate investment trust; plus (ii) 100% of the
4 amount by which dividends, included in taxable income
5 and received, including, for taxable years ending on or
6 after December 31, 1988, dividends received or deemed
7 received or paid or deemed paid under Sections 951
8 through 964 of the Internal Revenue Code and including,
9 for taxable years ending on or after December 31, 2008,
10 dividends received from a captive real estate
11 investment trust, from any such corporation specified
12 in clause (i) that would but for the provisions of
13 Section 1504 (b) (3) of the Internal Revenue Code be
14 treated as a member of the affiliated group which
15 includes the dividend recipient, exceed the amount of
16 the modification provided under subparagraph (G) of
17 paragraph (2) of this subsection (b) which is related
18 to such dividends. This subparagraph (O) is exempt from
19 the provisions of Section 250 of this Act;

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

23 (Q) An amount equal to the amount of the deduction
24 used to compute the federal income tax credit for
25 restoration of substantial amounts held under claim of
26 right for the taxable year pursuant to Section 1341 of

1 the Internal Revenue Code of 1986;

2 (R) On and after July 20, 1999, in the case of an
3 attorney-in-fact with respect to whom an interinsurer
4 or a reciprocal insurer has made the election under
5 Section 835 of the Internal Revenue Code, 26 U.S.C.
6 835, an amount equal to the excess, if any, of the
7 amounts paid or incurred by that interinsurer or
8 reciprocal insurer in the taxable year to the
9 attorney-in-fact over the deduction allowed to that
10 interinsurer or reciprocal insurer with respect to the
11 attorney-in-fact under Section 835(b) of the Internal
12 Revenue Code for the taxable year; the provisions of
13 this subparagraph are exempt from the provisions of
14 Section 250;

15 (S) For taxable years ending on or after December
16 31, 1997, in the case of a Subchapter S corporation, an
17 amount equal to all amounts of income allocable to a
18 shareholder subject to the Personal Property Tax
19 Replacement Income Tax imposed by subsections (c) and
20 (d) of Section 201 of this Act, including amounts
21 allocable to organizations exempt from federal income
22 tax by reason of Section 501(a) of the Internal Revenue
23 Code. This subparagraph (S) is exempt from the
24 provisions of Section 250;

25 (T) For taxable years 2001 and thereafter, for the
26 taxable year in which the bonus depreciation deduction

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

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

12 (2) for taxable years ending on or before
13 December 31, 2005, "x" equals "y" multiplied by 30
14 and then divided by 70 (or "y" multiplied by
15 0.429); and

16 (3) for taxable years ending after December
17 31, 2005:

18 (i) for property on which a bonus
19 depreciation deduction of 30% of the adjusted
20 basis was taken, "x" equals "y" multiplied by
21 30 and then divided by 70 (or "y" multiplied by
22 0.429); and

23 (ii) for property on which a bonus
24 depreciation deduction of 50% of the adjusted
25 basis was taken, "x" equals "y" multiplied by
26 1.0.

1 The aggregate amount deducted under this
2 subparagraph in all taxable years for any one piece of
3 property may not exceed the amount of the bonus
4 depreciation deduction taken on that property on the
5 taxpayer's federal income tax return under subsection
6 (k) of Section 168 of the Internal Revenue Code. This
7 subparagraph (T) is exempt from the provisions of
8 Section 250;

9 (U) If the taxpayer sells, transfers, abandons, or
10 otherwise disposes of property for which the taxpayer
11 was required in any taxable year to make an addition
12 modification under subparagraph (E-10), then an amount
13 equal to that addition modification.

14 If the taxpayer continues to own property through
15 the last day of the last tax year for which the
16 taxpayer may claim a depreciation deduction for
17 federal income tax purposes and for which the taxpayer
18 was required in any taxable year to make an addition
19 modification under subparagraph (E-10), then an amount
20 equal to that addition modification.

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

24 This subparagraph (U) is exempt from the
25 provisions of Section 250;

26 (V) The amount of: (i) any interest income (net of

1 the deductions allocable thereto) taken into account
2 for the taxable year with respect to a transaction with
3 a taxpayer that is required to make an addition
4 modification with respect to such transaction under
5 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
6 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
7 the amount of such addition modification, (ii) any
8 income from intangible property (net of the deductions
9 allocable thereto) taken into account for the taxable
10 year with respect to a transaction with a taxpayer that
11 is required to make an addition modification with
12 respect to such transaction under Section
13 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
14 203(d)(2)(D-8), but not to exceed the amount of such
15 addition modification, and (iii) any insurance premium
16 income (net of deductions allocable thereto) taken
17 into account for the taxable year with respect to a
18 transaction with a taxpayer that is required to make an
19 addition modification with respect to such transaction
20 under Section 203(a)(2)(D-19), Section
21 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
22 203(d)(2)(D-9), but not to exceed the amount of that
23 addition modification. This subparagraph (V) is exempt
24 from the provisions of Section 250;

25 (W) An amount equal to the interest income taken
26 into account for the taxable year (net of the

1 deductions allocable thereto) with respect to
2 transactions with (i) a foreign person who would be a
3 member of the taxpayer's unitary business group but for
4 the fact that the foreign person's business activity
5 outside the United States is 80% or more of that
6 person's total business activity and (ii) for taxable
7 years ending on or after December 31, 2008, to a person
8 who would be a member of the same unitary business
9 group but for the fact that the person is prohibited
10 under Section 1501(a)(27) from being included in the
11 unitary business group because he or she is ordinarily
12 required to apportion business income under different
13 subsections of Section 304, but not to exceed the
14 addition modification required to be made for the same
15 taxable year under Section 203(b)(2)(E-12) for
16 interest paid, accrued, or incurred, directly or
17 indirectly, to the same person. This subparagraph (W)
18 is exempt from the provisions of Section 250; and

19 (X) An amount equal to the income from intangible
20 property taken into account for the taxable year (net
21 of the deductions allocable thereto) with respect to
22 transactions with (i) a foreign person who would be a
23 member of the taxpayer's unitary business group but for
24 the fact that the foreign person's business activity
25 outside the United States is 80% or more of that
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304, but not to exceed the
8 addition modification required to be made for the same
9 taxable year under Section 203(b)(2)(E-13) for
10 intangible expenses and costs paid, accrued, or
11 incurred, directly or indirectly, to the same foreign
12 person. This subparagraph (X) is exempt from the
13 provisions of Section 250.

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

18 (c) Trusts and estates.

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

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

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

5 (B) In the case of (i) an estate, \$600; (ii) a
6 trust which, under its governing instrument, is
7 required to distribute all of its income currently,
8 \$300; and (iii) any other trust, \$100, but in each such
9 case, only to the extent such amount was deducted in
10 the computation of taxable income;

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

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

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

1 they are listed:

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

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

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

22 (F) For taxable years ending on or after January 1,
23 1989, an amount equal to the tax deducted pursuant to
24 Section 164 of the Internal Revenue Code if the trust
25 or estate is claiming the same tax for purposes of the
26 Illinois foreign tax credit under Section 601 of this

1 Act;

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

6 (G-5) For taxable years ending after December 31,
7 1997, an amount equal to any eligible remediation costs
8 that the trust or estate deducted in computing adjusted
9 gross income and for which the trust or estate claims a
10 credit under subsection (l) of Section 201;

11 (G-10) For taxable years 2001 and thereafter, an
12 amount equal to the bonus depreciation deduction taken
13 on the taxpayer's federal income tax return for the
14 taxable year under subsection (k) of Section 168 of the
15 Internal Revenue Code; and

16 (G-11) If the taxpayer sells, transfers, abandons,
17 or otherwise disposes of property for which the
18 taxpayer was required in any taxable year to make an
19 addition modification under subparagraph (G-10), then
20 an amount equal to the aggregate amount of the
21 deductions taken in all taxable years under
22 subparagraph (R) with respect to that property.

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which the
25 taxpayer may claim a depreciation deduction for
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction
2 modification under subparagraph (R), then an amount
3 equal to that subtraction modification.

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

7 (G-12) An amount equal to the amount otherwise
8 allowed as a deduction in computing base income for
9 interest paid, accrued, or incurred, directly or
10 indirectly, (i) for taxable years ending on or after
11 December 31, 2004, to a foreign person who would be a
12 member of the same unitary business group but for the
13 fact that the foreign person's business activity
14 outside the United States is 80% or more of the foreign
15 person's total business activity and (ii) for taxable
16 years ending on or after December 31, 2008, to a person
17 who would be a member of the same unitary business
18 group but for the fact that the person is prohibited
19 under Section 1501(a)(27) from being included in the
20 unitary business group because he or she is ordinarily
21 required to apportion business income under different
22 subsections of Section 304. The addition modification
23 required by this subparagraph shall be reduced to the
24 extent that dividends were included in base income of
25 the unitary group for the same taxable year and
26 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 person who
11 is subject in a foreign country or state, other
12 than a state which requires mandatory unitary
13 reporting, to a tax on or measured by net income
14 with respect to such interest; or

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

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

23 (b) the transaction giving rise to the
24 interest expense between the taxpayer and the
25 person did not have as a principal purpose the
26 avoidance of Illinois income tax, and is paid

1 pursuant to a contract or agreement that
2 reflects an arm's-length interest rate and
3 terms; or

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

10 (iv) an item of interest paid, accrued, or
11 incurred, directly or indirectly, to a person if
12 the taxpayer establishes by clear and convincing
13 evidence that the adjustments are unreasonable; or
14 if the taxpayer and the Director agree in writing
15 to the application or use of an alternative method
16 of apportionment under Section 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 (G-13) An amount equal to the amount of intangible

1 expenses and costs otherwise allowed as a deduction in
2 computing base income, and that were paid, accrued, or
3 incurred, directly or indirectly, (i) for taxable
4 years ending on or after December 31, 2004, to a
5 foreign person who would be a member of the same
6 unitary business group but for the fact that the
7 foreign person's business activity outside the United
8 States is 80% or more of that person's total business
9 activity and (ii) for taxable years ending on or after
10 December 31, 2008, to a person who would be a member of
11 the same unitary business group but for the fact that
12 the person is prohibited under Section 1501(a)(27)
13 from being included in the unitary business group
14 because he or she is ordinarily required to apportion
15 business income under different subsections of Section
16 304. The addition modification required by this
17 subparagraph shall be reduced to the extent that
18 dividends were included in base income of the unitary
19 group for the same taxable year and received by the
20 taxpayer or by a member of the taxpayer's unitary
21 business group (including amounts included in gross
22 income pursuant to Sections 951 through 964 of the
23 Internal Revenue Code and amounts included in gross
24 income under Section 78 of the Internal Revenue Code)
25 with respect to the stock of the same person to whom
26 the intangible expenses and costs were directly or

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

1 otherwise allowed under Section 404 of this Act for
2 any tax year beginning after the effective date of
3 this amendment provided such adjustment is made
4 pursuant to regulation adopted by the Department
5 and such regulations provide methods and standards
6 by which the Department will utilize its authority
7 under Section 404 of this Act;

8 (G-14) For taxable years ending on or after
9 December 31, 2008, an amount equal to the amount of
10 insurance premium expenses and costs otherwise allowed
11 as a deduction in computing base income, and that were
12 paid, accrued, or incurred, directly or indirectly, to
13 a person who would be a member of the same unitary
14 business group but for the fact that the person is
15 prohibited under Section 1501(a)(27) from being
16 included in the unitary business group because he or
17 she is ordinarily required to apportion business
18 income under different subsections of Section 304. The
19 addition modification required by this subparagraph
20 shall be reduced to the extent that dividends were
21 included in base income of the unitary group for the
22 same taxable year and received by the taxpayer or by a
23 member of the taxpayer's unitary business group
24 (including amounts included in gross income under
25 Sections 951 through 964 of the Internal Revenue Code
26 and amounts included in gross income under Section 78

1 of the Internal Revenue Code) with respect to the stock
2 of the same person to whom the premiums and costs were
3 directly or indirectly paid, incurred, or accrued. The
4 preceding sentence does not apply to the extent that
5 the same dividends caused a reduction to the addition
6 modification required under Section 203(c) (2) (G-12) or
7 Section 203(c) (2) (G-13) of this Act;

8 (G-15) An amount equal to the credit allowable to
9 the taxpayer under Section 218(a) of this Act,
10 determined without regard to Section 218(c) of this
11 Act;

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

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

25 (I) The valuation limitation amount;

26 (J) An amount equal to the amount of any tax

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

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

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

1 (M) An amount equal to those dividends included in
2 such total which were paid by a corporation which
3 conducts business operations in an Enterprise Zone or
4 zones created under the Illinois Enterprise Zone Act or
5 a River Edge Redevelopment Zone or zones created under
6 the River Edge Redevelopment Zone Act and conducts
7 substantially all of its operations in an Enterprise
8 Zone or Zones or a River Edge Redevelopment Zone or
9 zones. This subparagraph (M) is exempt from the
10 provisions of Section 250;

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

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

23 (P) An amount equal to the amount of the deduction
24 used to compute the federal income tax credit for
25 restoration of substantial amounts held under claim of
26 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

1 persecution for racial or religious reasons by Nazi
2 Germany or any other Axis regime or as an heir of the
3 victim. The amount of and the eligibility for any
4 public assistance, benefit, or similar entitlement is
5 not affected by the inclusion of items (i) and (ii) of
6 this paragraph in gross income for federal income tax
7 purposes. This paragraph is exempt from the provisions
8 of Section 250;

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

15 (1) "y" equals the amount of the depreciation
16 deduction taken for the taxable year on the
17 taxpayer's federal income tax return on property
18 for which the bonus depreciation deduction 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;

22 (2) for taxable years ending on or before
23 December 31, 2005, "x" equals "y" multiplied by 30
24 and then divided by 70 (or "y" multiplied by
25 0.429); and

26 (3) for taxable years ending after December

1 31, 2005:

2 (i) for property on which a bonus
3 depreciation deduction of 30% of the adjusted
4 basis was taken, "x" equals "y" multiplied by
5 30 and then divided by 70 (or "y" multiplied by
6 0.429); and

7 (ii) for property on which a bonus
8 depreciation deduction of 50% of the adjusted
9 basis was taken, "x" equals "y" multiplied by
10 1.0.

11 The aggregate amount deducted under this
12 subparagraph in all taxable years for any one piece of
13 property may not exceed the amount of the bonus
14 depreciation deduction taken on that property on the
15 taxpayer's federal income tax return under subsection
16 (k) of Section 168 of the Internal Revenue Code. This
17 subparagraph (R) is exempt from the provisions of
18 Section 250;

19 (S) If the taxpayer sells, transfers, abandons, or
20 otherwise disposes of property for which the taxpayer
21 was required in any taxable year to make an addition
22 modification under subparagraph (G-10), then an amount
23 equal to that addition modification.

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which the
26 taxpayer may claim a depreciation deduction for

1 federal income tax purposes and for which the taxpayer
2 was required in any taxable year to make an addition
3 modification under subparagraph (G-10), then an amount
4 equal to that addition modification.

5 The taxpayer is allowed to take the deduction under
6 this subparagraph only once with respect to any one
7 piece of property.

8 This subparagraph (S) is exempt from the
9 provisions of Section 250;

10 (T) 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. This subparagraph (T) is exempt
26 from the provisions of Section 250;

1 (U) An amount equal to the interest income taken
2 into account for the taxable year (net of the
3 deductions allocable thereto) with respect to
4 transactions with (i) a foreign person who would be a
5 member of the taxpayer's unitary business group but for
6 the fact the foreign person's business activity
7 outside the United States is 80% or more of that
8 person's total business activity and (ii) for taxable
9 years ending on or after December 31, 2008, to a person
10 who would be a member of the same unitary business
11 group but for the fact that the person is prohibited
12 under Section 1501(a)(27) from being included in the
13 unitary business group because he or she is ordinarily
14 required to apportion business income under different
15 subsections of Section 304, but not to exceed the
16 addition modification required to be made for the same
17 taxable year under Section 203(c)(2)(G-12) for
18 interest paid, accrued, or incurred, directly or
19 indirectly, to the same person. This subparagraph (U)
20 is exempt from the provisions of Section 250; and

21 (V) An amount equal to the income from intangible
22 property taken into account for the taxable year (net
23 of the deductions allocable thereto) with respect to
24 transactions with (i) a foreign person who would be a
25 member of the taxpayer's unitary business group but for
26 the fact that the foreign person's business activity

1 outside the United States is 80% or more of that
2 person's total business activity and (ii) for taxable
3 years ending on or after December 31, 2008, to a person
4 who would be a member of the same unitary business
5 group but for the fact that the person is prohibited
6 under Section 1501(a)(27) from being included in the
7 unitary business group because he or she is ordinarily
8 required to apportion business income under different
9 subsections of Section 304, but not to exceed the
10 addition modification required to be made for the same
11 taxable year under Section 203(c)(2)(G-13) for
12 intangible expenses and costs paid, accrued, or
13 incurred, directly or indirectly, to the same foreign
14 person. This subparagraph (V) is exempt from the
15 provisions of Section 250.

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

23 (d) Partnerships.

24 (1) In general. In the case of a partnership, base
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

19 (D-5) For taxable years 2001 and thereafter, an
20 amount equal to the bonus depreciation deduction taken
21 on the taxpayer's federal income tax return for the
22 taxable year under subsection (k) of Section 168 of the
23 Internal Revenue Code;

24 (D-6) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (D-5), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (O) with respect to that property.

5 If the taxpayer continues to own property through
6 the last day of the last tax year for which the
7 taxpayer may claim a depreciation deduction for
8 federal income tax purposes and for which the taxpayer
9 was allowed in any taxable year to make a subtraction
10 modification under subparagraph (O), then an amount
11 equal to that subtraction modification.

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

15 (D-7) An amount equal to the amount otherwise
16 allowed as a deduction in computing base income for
17 interest paid, accrued, or incurred, directly or
18 indirectly, (i) for taxable years ending on or after
19 December 31, 2004, to a foreign person who would be a
20 member of the same unitary business group but for the
21 fact the foreign person's business activity outside
22 the United States is 80% or more of the foreign
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304. The addition modification
5 required by this subparagraph shall be reduced to the
6 extent that dividends were included in base income of
7 the unitary group for the same taxable year and
8 received by the taxpayer or by a member of the
9 taxpayer's unitary business group (including amounts
10 included in gross income pursuant to Sections 951
11 through 964 of the Internal Revenue Code and amounts
12 included in gross income under Section 78 of the
13 Internal Revenue Code) with respect to the stock of the
14 same person to whom the interest was paid, accrued, or
15 incurred.

16 This paragraph shall not apply to the following:

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

23 (ii) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a person if
25 the taxpayer can establish, based on a
26 preponderance of the evidence, both of the

1 following:

2 (a) the person, during the same taxable
3 year, paid, accrued, or incurred, the interest
4 to a person that is not a related member, and

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

1 otherwise allowed under Section 404 of this Act for
2 any tax year beginning after the effective date of
3 this amendment provided such adjustment is made
4 pursuant to regulation adopted by the Department
5 and such regulations provide methods and standards
6 by which the Department will utilize its authority
7 under Section 404 of this Act; and

8 (D-8) An amount equal to the amount of intangible
9 expenses and costs otherwise allowed as a deduction in
10 computing base income, and that were paid, accrued, or
11 incurred, directly or indirectly, (i) for taxable
12 years ending on or after December 31, 2004, to a
13 foreign person who would be a member of the same
14 unitary business group but for the fact that the
15 foreign person's business activity outside the United
16 States is 80% or more of that person's total business
17 activity and (ii) for taxable years ending on or after
18 December 31, 2008, to a person who would be a member of
19 the same unitary business group but for the fact that
20 the person is prohibited under Section 1501(a)(27)
21 from being included in the unitary business group
22 because he or she is ordinarily required to apportion
23 business income under different subsections of Section
24 304. The addition modification required by this
25 subparagraph shall be reduced to the extent that
26 dividends were included in base income of the unitary

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

1 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) any item of intangible expense or cost
26 paid, accrued, or incurred, directly or

1 indirectly, from a transaction with a person if the
2 taxpayer establishes by clear and convincing
3 evidence, that the adjustments are unreasonable;
4 or if the taxpayer and the Director agree in
5 writing to the application or use of an alternative
6 method of apportionment under Section 304(f);

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

16 (D-9) For taxable years ending on or after December
17 31, 2008, an amount equal to the amount of insurance
18 premium expenses and costs otherwise allowed as a
19 deduction in computing base income, and that were paid,
20 accrued, or incurred, directly or indirectly, to a
21 person who would be a member of the same unitary
22 business group but for the fact that the person is
23 prohibited under Section 1501(a)(27) from being
24 included in the unitary business group because he or
25 she is ordinarily required to apportion business
26 income under different subsections of Section 304. The

1 addition modification required by this subparagraph
2 shall be reduced to the extent that dividends were
3 included in base income of the unitary group for the
4 same taxable year and received by the taxpayer or by a
5 member of the taxpayer's unitary business group
6 (including amounts included in gross income under
7 Sections 951 through 964 of the Internal Revenue Code
8 and amounts included in gross income under Section 78
9 of the Internal Revenue Code) with respect to the stock
10 of the same person to whom the premiums and costs were
11 directly or indirectly paid, incurred, or accrued. The
12 preceding sentence does not apply to the extent that
13 the same dividends caused a reduction to the addition
14 modification required under Section 203(d)(2)(D-7) or
15 Section 203(d)(2)(D-8) of this Act;

16 (D-10) An amount equal to the credit allowable to
17 the taxpayer under Section 218(a) of this Act,
18 determined without regard to Section 218(c) of this
19 Act;

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

22 (E) The valuation limitation amount;

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

26 (G) An amount equal to all amounts included in

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

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

16 (I) An amount equal to all amounts of income
17 distributable to an entity subject to the Personal
18 Property Tax Replacement Income Tax imposed by
19 subsections (c) and (d) of Section 201 of this Act
20 including amounts distributable to organizations
21 exempt from federal income tax by reason of Section
22 501(a) of the Internal Revenue Code, provided that the
23 deduction under this subparagraph (I) shall not be
24 allowed to a publicly traded partnership under Section
25 7704 of the Internal Revenue Code for any taxable year
26 ending on or after December 31, 2009;

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

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

25 (L) An amount equal to any contribution made to a
26 job training project established pursuant to the Real

1 Property Tax Increment Allocation Redevelopment Act;

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

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

16 (O) For taxable years 2001 and thereafter, for the
17 taxable year in which the bonus depreciation deduction
18 is taken on the taxpayer's federal income tax return
19 under subsection (k) of Section 168 of the Internal
20 Revenue Code and for each applicable taxable year
21 thereafter, an amount equal to "x", where:

22 (1) "y" equals the amount of the depreciation
23 deduction taken for the taxable year on the
24 taxpayer's federal income tax return on property
25 for which the bonus depreciation deduction was
26 taken in any year under subsection (k) of Section

1 168 of the Internal Revenue Code, but not including
2 the bonus depreciation deduction;

3 (2) for taxable years ending on or before
4 December 31, 2005, "x" equals "y" multiplied by 30
5 and then divided by 70 (or "y" multiplied by
6 0.429); and

7 (3) for taxable years ending after December
8 31, 2005:

9 (i) for property on which a bonus
10 depreciation deduction of 30% of the adjusted
11 basis was taken, "x" equals "y" multiplied by
12 30 and then divided by 70 (or "y" multiplied by
13 0.429); and

14 (ii) for property on which a bonus
15 depreciation deduction of 50% of the adjusted
16 basis was taken, "x" equals "y" multiplied by
17 1.0.

18 The aggregate amount deducted under this
19 subparagraph in all taxable years for any one piece of
20 property may not exceed the amount of the bonus
21 depreciation deduction taken on that property on the
22 taxpayer's federal income tax return under subsection
23 (k) of Section 168 of the Internal Revenue Code. This
24 subparagraph (O) is exempt from the provisions of
25 Section 250;

26 (P) If the taxpayer sells, transfers, abandons, or

1 otherwise disposes of property for which the taxpayer
2 was required in any taxable year to make an addition
3 modification under subparagraph (D-5), then an amount
4 equal to that addition modification.

5 If the taxpayer continues to own property through
6 the last day of the last tax year for which the
7 taxpayer may claim a depreciation deduction for
8 federal income tax purposes and for which the taxpayer
9 was required in any taxable year to make an addition
10 modification under subparagraph (D-5), then an amount
11 equal to that addition modification.

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

15 This subparagraph (P) is exempt from the
16 provisions of Section 250;

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

1 year with respect to a transaction with a taxpayer that
2 is required to make an addition modification with
3 respect to such transaction under Section
4 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
5 203(d)(2)(D-8), but not to exceed the amount of such
6 addition modification. This subparagraph (Q) is exempt
7 from Section 250;

8 (R) An amount equal to the interest income taken
9 into account for the taxable year (net of the
10 deductions allocable thereto) with respect to
11 transactions with (i) a foreign person who would be a
12 member of the taxpayer's unitary business group but for
13 the fact that the foreign person's business activity
14 outside the United States is 80% or more of that
15 person's total business activity and (ii) for taxable
16 years ending on or after December 31, 2008, to a person
17 who would be a member of the same unitary business
18 group but for the fact that the person is prohibited
19 under Section 1501(a)(27) from being included in the
20 unitary business group because he or she is ordinarily
21 required to apportion business income under different
22 subsections of Section 304, but not to exceed the
23 addition modification required to be made for the same
24 taxable year under Section 203(d)(2)(D-7) for interest
25 paid, accrued, or incurred, directly or indirectly, to
26 the same person. This subparagraph (R) is exempt from

1 Section 250; 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 (i) 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 and (ii) for taxable
10 years ending on or after December 31, 2008, to a person
11 who would be a member of the same unitary business
12 group but for the fact that the person is prohibited
13 under Section 1501(a)(27) from being included in the
14 unitary business group because he or she is ordinarily
15 required to apportion business income under different
16 subsections of Section 304, but not to exceed the
17 addition modification required to be made for the same
18 taxable year under Section 203(d)(2)(D-8) for
19 intangible expenses and costs paid, accrued, or
20 incurred, directly or indirectly, to the same person.
21 This subparagraph (S) is exempt from Section 250.

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

23 (1) In general. Subject to the provisions of paragraph
24 (2) and subsection (b) (3), for purposes of this Section
25 and Section 803(e), a taxpayer's gross income, adjusted

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

1 under subparagraph (E) of paragraph (2) of this subsection
2 (e) applied in conjunction with Section 172 of the Internal
3 Revenue Code.

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

7 (A) Certain life insurance companies. In the case
8 of a life insurance company subject to the tax imposed
9 by Section 801 of the Internal Revenue Code, life
10 insurance company taxable income, plus the amount of
11 distribution from pre-1984 policyholder surplus
12 accounts as calculated under Section 815a of the
13 Internal Revenue Code;

14 (B) Certain other insurance companies. In the case
15 of mutual insurance companies subject to the tax
16 imposed by Section 831 of the Internal Revenue Code,
17 insurance company taxable income;

18 (C) Regulated investment companies. In the case of
19 a regulated investment company subject to the tax
20 imposed by Section 852 of the Internal Revenue Code,
21 investment company taxable income;

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

26 (E) Consolidated corporations. In the case of a

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

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

17 (G) Subchapter S corporations. In the case of: (i)
18 a Subchapter S corporation for which there is in effect
19 an election for the taxable year under Section 1362 of
20 the Internal Revenue Code, the taxable income of such
21 corporation determined in accordance with Section
22 1363(b) of the Internal Revenue Code, except that
23 taxable income shall take into account those items
24 which are required by Section 1363(b)(1) of the
25 Internal Revenue Code to be separately stated; and (ii)
26 a Subchapter S corporation for which there is in effect

1 a federal election to opt out of the provisions of the
2 Subchapter S Revision Act of 1982 and have applied
3 instead the prior federal Subchapter S rules as in
4 effect on July 1, 1982, the taxable income of such
5 corporation determined in accordance with the federal
6 Subchapter S rules as in effect on July 1, 1982; and

7 (H) Partnerships. In the case of a partnership,
8 taxable income determined in accordance with Section
9 703 of the Internal Revenue Code, except that taxable
10 income shall take into account those items which are
11 required by Section 703(a)(1) to be separately stated
12 but which would be taken into account by an individual
13 in calculating his taxable income.

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

1 taxable year or the average of the apportionment fractions
2 computed for the business under Section 304 of this Act for
3 the taxable year and for the 2 immediately preceding
4 taxable years.

5 (f) Valuation limitation amount.

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

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

14 (B) The lesser of (i) the sum of the pre-August 1,
15 1969 appreciation amounts (to the extent consisting of
16 capital gain) for all property in respect of which such
17 gain was reported for federal income tax purposes for
18 the taxable year, or (ii) the net capital gain for the
19 taxable year, reduced in either case by any amount of
20 such gain included in the amount determined under
21 subsection (a) (2) (F) or (c) (2) (H).

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

23 (A) If the fair market value of property referred
24 to in paragraph (1) was readily ascertainable on August
25 1, 1969, the pre-August 1, 1969 appreciation amount for

1 such property is the lesser of (i) the excess of such
2 fair market value over the taxpayer's basis (for
3 determining gain) for such property on that date
4 (determined under the Internal Revenue Code as in
5 effect on that date), or (ii) the total gain realized
6 and reportable for federal income tax purposes in
7 respect of the sale, exchange or other disposition of
8 such property.

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

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

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

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

10 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,
11 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;
12 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;
13 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.
14 8-14-09; 96-835, eff. 12-16-09.)

15 Section 905. The School Code is amended by changing Section
16 18-8.05 as follows:

17 (105 ILCS 5/18-8.05)

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

21 (A) General Provisions.

22 (1) The provisions of this Section apply to the 1998-1999

1 and subsequent school years. The system of general State
2 financial aid provided for in this Section is designed to
3 assure that, through a combination of State financial aid and
4 required local resources, the financial support provided each
5 pupil in Average Daily Attendance equals or exceeds a
6 prescribed per pupil Foundation Level. This formula approach
7 imputes a level of per pupil Available Local Resources and
8 provides for the basis to calculate a per pupil level of
9 general State financial aid that, when added to Available Local
10 Resources, equals or exceeds the Foundation Level. The amount
11 of per pupil general State financial aid for school districts,
12 in general, varies in inverse relation to Available Local
13 Resources. Per pupil amounts are based upon each school
14 district's Average Daily Attendance as that term is defined in
15 this Section.

16 (2) In addition to general State financial aid, school
17 districts with specified levels or concentrations of pupils
18 from low income households are eligible to receive supplemental
19 general State financial aid grants as provided pursuant to
20 subsection (H). The supplemental State aid grants provided for
21 school districts under subsection (H) shall be appropriated for
22 distribution to school districts as part of the same line item
23 in which the general State financial aid of school districts is
24 appropriated under this Section.

25 (3) To receive financial assistance under this Section,
26 school districts are required to file claims with the State

1 Board of Education, subject to the following requirements:

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

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

21 (c) If a school district operates a full year school
22 under Section 10-19.1, the general State aid to the school
23 district shall be determined by the State Board of
24 Education in accordance with this Section as near as may be
25 applicable.

26 (d) (Blank).

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

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

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

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

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

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

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

1 (e) "Operating Tax Rate": All school district property
2 taxes extended for all purposes, except Bond and Interest,
3 Summer School, Rent, Capital Improvement, and Vocational
4 Education Building purposes.

5 (B) Foundation Level.

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

16 (2) For the 1998-1999 school year, the Foundation Level of
17 support is \$4,225. For the 1999-2000 school year, the
18 Foundation Level of support is \$4,325. For the 2000-2001 school
19 year, the Foundation Level of support is \$4,425. For the
20 2001-2002 school year and 2002-2003 school year, the Foundation
21 Level of support is \$4,560. For the 2003-2004 school year, the
22 Foundation Level of support is \$4,810. For the 2004-2005 school
23 year, the Foundation Level of support is \$4,964. For the
24 2005-2006 school year, the Foundation Level of support is
25 \$5,164. For the 2006-2007 school year, the Foundation Level of

1 support is \$5,334. For the 2007-2008 school year, the
2 Foundation Level of support is \$5,734. For the 2008-2009 school
3 year, the Foundation Level of support is \$5,959.

4 (3) For the 2009-2010 school year and each school year
5 thereafter, the Foundation Level of support is \$6,119 or such
6 greater amount as may be established by law by the General
7 Assembly.

8 (C) Average Daily Attendance.

9 (1) For purposes of calculating general State aid pursuant
10 to subsection (E), an Average Daily Attendance figure shall be
11 utilized. The Average Daily Attendance figure for formula
12 calculation purposes shall be the monthly average of the actual
13 number of pupils in attendance of each school district, as
14 further averaged for the best 3 months of pupil attendance for
15 each school district. In compiling the figures for the number
16 of pupils in attendance, school districts and the State Board
17 of Education shall, for purposes of general State aid funding,
18 conform attendance figures to the requirements of subsection
19 (F).

20 (2) The Average Daily Attendance figures utilized in
21 subsection (E) shall be the requisite attendance data for the
22 school year immediately preceding the school year for which
23 general State aid is being calculated or the average of the
24 attendance data for the 3 preceding school years, whichever is
25 greater. The Average Daily Attendance figures utilized in

1 subsection (H) shall be the requisite attendance data for the
2 school year immediately preceding the school year for which
3 general State aid is being calculated.

4 (D) Available Local Resources.

5 (1) For purposes of calculating general State aid pursuant
6 to subsection (E), a representation of Available Local
7 Resources per pupil, as that term is defined and determined in
8 this subsection, shall be utilized. Available Local Resources
9 per pupil shall include a calculated dollar amount representing
10 local school district revenues from local property taxes and
11 from Corporate Personal Property Replacement Taxes, expressed
12 on the basis of pupils in Average Daily Attendance. Calculation
13 of Available Local Resources shall exclude any tax amnesty
14 funds received as a result of Public Act 93-26.

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

21 (3) For school districts maintaining grades kindergarten
22 through 12, local property tax revenues per pupil shall be
23 calculated as the product of the applicable equalized assessed
24 valuation for the district multiplied by 3.00%, and divided by
25 the district's Average Daily Attendance figure. For school

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

10 For partial elementary unit districts created pursuant to
11 Article 11E of this Code, local property tax revenues per pupil
12 shall be calculated as the product of the equalized assessed
13 valuation for property within the partial elementary unit
14 district for elementary purposes, as defined in Article 11E of
15 this Code, multiplied by 2.06% and divided by the district's
16 Average Daily Attendance figure, plus the product of the
17 equalized assessed valuation for property within the partial
18 elementary unit district for high school purposes, as defined
19 in Article 11E of this Code, multiplied by 0.94% and divided by
20 the district's Average Daily Attendance figure.

21 (4) The Corporate Personal Property Replacement Taxes paid
22 to each school district during the calendar year one year
23 before the calendar year in which a school year begins, divided
24 by the Average Daily Attendance figure for that district, shall
25 be added to the local property tax revenues per pupil as
26 derived by the application of the immediately preceding

1 paragraph (3). The sum of these per pupil figures for each
2 school district shall constitute Available Local Resources as
3 that term is utilized in subsection (E) in the calculation of
4 general State aid.

5 (E) Computation of General State Aid.

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

9 (2) For any school district for which Available Local
10 Resources per pupil is less than the product of 0.93 times the
11 Foundation Level, general State aid for that district shall be
12 calculated as an amount equal to the Foundation Level minus
13 Available Local Resources, multiplied by the Average Daily
14 Attendance of the school district.

15 (3) For any school district for which Available Local
16 Resources per pupil is equal to or greater than the product of
17 0.93 times the Foundation Level and less than the product of
18 1.75 times the Foundation Level, the general State aid per
19 pupil shall be a decimal proportion of the Foundation Level
20 derived using a linear algorithm. Under this linear algorithm,
21 the calculated general State aid per pupil shall decline in
22 direct linear fashion from 0.07 times the Foundation Level for
23 a school district with Available Local Resources equal to the
24 product of 0.93 times the Foundation Level, to 0.05 times the
25 Foundation Level for a school district with Available Local

1 Resources equal to the product of 1.75 times the Foundation
2 Level. The allocation of general State aid for school districts
3 subject to this paragraph 3 shall be the calculated general
4 State aid per pupil figure multiplied by the Average Daily
5 Attendance of the school district.

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

11 (5) The amount of general State aid allocated to a school
12 district for the 1999-2000 school year meeting the requirements
13 set forth in paragraph (4) of subsection (G) shall be increased
14 by an amount equal to the general State aid that would have
15 been received by the district for the 1998-1999 school year by
16 utilizing the Extension Limitation Equalized Assessed
17 Valuation as calculated in paragraph (4) of subsection (G) less
18 the general State aid allotted for the 1998-1999 school year.
19 This amount shall be deemed a one time increase, and shall not
20 affect any future general State aid allocations.

21 (F) Compilation of Average Daily Attendance.

22 (1) Each school district shall, by July 1 of each year,
23 submit to the State Board of Education, on forms prescribed by
24 the State Board of Education, attendance figures for the school
25 year that began in the preceding calendar year. The attendance

1 information so transmitted shall identify the average daily
2 attendance figures for each month of the school year. Beginning
3 with the general State aid claim form for the 2002-2003 school
4 year, districts shall calculate Average Daily Attendance as
5 provided in subdivisions (a), (b), and (c) of this paragraph
6 (1).

7 (a) In districts that do not hold year-round classes,
8 days of attendance in August shall be added to the month of
9 September and any days of attendance in June shall be added
10 to the month of May.

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

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

1 Except as otherwise provided in this Section, days of
2 attendance by pupils shall be counted only for sessions of not
3 less than 5 clock hours of school work per day under direct
4 supervision of: (i) teachers, or (ii) non-teaching personnel or
5 volunteer personnel when engaging in non-teaching duties and
6 supervising in those instances specified in subsection (a) of
7 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils
8 of legal school age and in kindergarten and grades 1 through
9 12.

10 Days of attendance by tuition pupils shall be accredited
11 only to the districts that pay the tuition to a recognized
12 school.

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

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

25 (b) Days of attendance may be less than 5 clock hours
26 on the opening and closing of the school term, and upon the

1 first day of pupil attendance, if preceded by a day or days
2 utilized as an institute or teachers' workshop.

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

8 (d) A session of 3 or more clock hours may be counted
9 as a day of attendance (1) when the remainder of the school
10 day or at least 2 hours in the evening of that day is
11 utilized for an in-service training program for teachers,
12 up to a maximum of 5 days per school year, provided a
13 district conducts an in-service training program for
14 teachers in accordance with Section 10-22.39 of this Code;
15 or, in lieu of 4 such days, 2 full days may be used, in
16 which event each such day may be counted as a day required
17 for a legal school calendar pursuant to Section 10-19 of
18 this Code; (1.5) when, of the 5 days allowed under item
19 (1), a maximum of 4 days are used for parent-teacher
20 conferences, or, in lieu of 4 such days, 2 full days are
21 used, in which case each such day may be counted as a
22 calendar day required under Section 10-19 of this Code,
23 provided that the full-day, parent-teacher conference
24 consists of (i) a minimum of 5 clock hours of
25 parent-teacher conferences, (ii) both a minimum of 2 clock
26 hours of parent-teacher conferences held in the evening

1 following a full day of student attendance, as specified in
2 subsection (F)(1)(c), and a minimum of 3 clock hours of
3 parent-teacher conferences held on the day immediately
4 following evening parent-teacher conferences, or (iii)
5 multiple parent-teacher conferences held in the evenings
6 following full days of student attendance, as specified in
7 subsection (F)(1)(c), in which the time used for the
8 parent-teacher conferences is equivalent to a minimum of 5
9 clock hours; and (2) when days in addition to those
10 provided in items (1) and (1.5) are scheduled by a school
11 pursuant to its school improvement plan adopted under
12 Article 34 or its revised or amended school improvement
13 plan adopted under Article 2, provided that (i) such
14 sessions of 3 or more clock hours are scheduled to occur at
15 regular intervals, (ii) the remainder of the school days in
16 which such sessions occur are utilized for in-service
17 training programs or other staff development activities
18 for teachers, and (iii) a sufficient number of minutes of
19 school work under the direct supervision of teachers are
20 added to the school days between such regularly scheduled
21 sessions to accumulate not less than the number of minutes
22 by which such sessions of 3 or more clock hours fall short
23 of 5 clock hours. Any full days used for the purposes of
24 this paragraph shall not be considered for computing
25 average daily attendance. Days scheduled for in-service
26 training programs, staff development activities, or

1 parent-teacher conferences may be scheduled separately for
2 different grade levels and different attendance centers of
3 the district.

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

10 (f) A session of at least 4 clock hours may be counted
11 as a day of attendance for first grade pupils, and pupils
12 in full day kindergartens, and a session of 2 or more hours
13 may be counted as 1/2 day of attendance by pupils in
14 kindergartens which provide only 1/2 day of attendance.

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

22 (h) A recognized kindergarten which provides for only
23 1/2 day of attendance by each pupil shall not have more
24 than 1/2 day of attendance counted in any one day. However,
25 kindergartens may count 2 1/2 days of attendance in any 5
26 consecutive school days. When a pupil attends such a

1 kindergarten for 2 half days on any one school day, the
2 pupil shall have the following day as a day absent from
3 school, unless the school district obtains permission in
4 writing from the State Superintendent of Education.
5 Attendance at kindergartens which provide for a full day of
6 attendance by each pupil shall be counted the same as
7 attendance by first grade pupils. Only the first year of
8 attendance in one kindergarten shall be counted, except in
9 case of children who entered the kindergarten in their
10 fifth year whose educational development requires a second
11 year of kindergarten as determined under the rules and
12 regulations of the State Board of Education.

13 (i) On the days when the Prairie State Achievement
14 Examination is administered under subsection (c) of
15 Section 2-3.64 of this Code, the day of attendance for a
16 pupil whose school day must be shortened to accommodate
17 required testing procedures may be less than 5 clock hours
18 and shall be counted towards the 176 days of actual pupil
19 attendance required under Section 10-19 of this Code,
20 provided that a sufficient number of minutes of school work
21 in excess of 5 clock hours are first completed on other
22 school days to compensate for the loss of school work on
23 the examination days.

24 (G) Equalized Assessed Valuation Data.

25 (1) For purposes of the calculation of Available Local

1 Resources required pursuant to subsection (D), the State Board
2 of Education shall secure from the Department of Revenue the
3 value as equalized or assessed by the Department of Revenue of
4 all taxable property of every school district, together with
5 (i) the applicable tax rate used in extending taxes for the
6 funds of the district as of September 30 of the previous year
7 and (ii) the limiting rate for all school districts subject to
8 property tax extension limitations as imposed under the
9 Property Tax Extension Limitation Law.

10 The Department of Revenue shall add to the equalized
11 assessed value of all taxable property of each school district
12 situated entirely or partially within a county that is or was
13 subject to the provisions of Section 15-176 or 15-177 of the
14 Property Tax Code (a) an amount equal to the total amount by
15 which the homestead exemption allowed under Section 15-176 or
16 15-177 of the Property Tax Code for real property situated in
17 that school district exceeds the total amount that would have
18 been allowed in that school district if the maximum reduction
19 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in
20 all other counties in tax year 2003 or (ii) \$5,000 in all
21 counties in tax year 2004 and thereafter and (b) an amount
22 equal to the aggregate amount for the taxable year of all
23 additional exemptions under Section 15-175 of the Property Tax
24 Code for owners with a household income of \$30,000 or less. The
25 county clerk of any county that is or was subject to the
26 provisions of Section 15-176 or 15-177 of the Property Tax Code

1 shall annually calculate and certify to the Department of
2 Revenue for each school district all homestead exemption
3 amounts under Section 15-176 or 15-177 of the Property Tax Code
4 and all amounts of additional exemptions under Section 15-175
5 of the Property Tax Code for owners with a household income of
6 \$30,000 or less. It is the intent of this paragraph that if the
7 general homestead exemption for a parcel of property is
8 determined under Section 15-176 or 15-177 of the Property Tax
9 Code rather than Section 15-175, then the calculation of
10 Available Local Resources shall not be affected by the
11 difference, if any, between the amount of the general homestead
12 exemption allowed for that parcel of property under Section
13 15-176 or 15-177 of the Property Tax Code and the amount that
14 would have been allowed had the general homestead exemption for
15 that parcel of property been determined under Section 15-175 of
16 the Property Tax Code. It is further the intent of this
17 paragraph that if additional exemptions are allowed under
18 Section 15-175 of the Property Tax Code for owners with a
19 household income of less than \$30,000, then the calculation of
20 Available Local Resources shall not be affected by the
21 difference, if any, because of those additional exemptions.

22 This equalized assessed valuation, as adjusted further by
23 the requirements of this subsection, shall be utilized in the
24 calculation of Available Local Resources.

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

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

24 (b) The real property equalized assessed valuation for
25 a school district shall be adjusted by subtracting from the
26 real property value as equalized or assessed by the

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

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

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

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

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

24 "Preceding Tax Year": The property tax levy year
25 immediately preceding the Base Tax Year.

26 "Base Tax Year's Tax Extension": The product of the

1 equalized assessed valuation utilized by the County Clerk
2 in the Base Tax Year multiplied by the limiting rate as
3 calculated by the County Clerk and defined in the Property
4 Tax Extension Limitation Law.

5 "Preceding Tax Year's Tax Extension": The product of
6 the equalized assessed valuation utilized by the County
7 Clerk in the Preceding Tax Year multiplied by the Operating
8 Tax Rate as defined in subsection (A).

9 "Extension Limitation Ratio": A numerical ratio,
10 certified by the County Clerk, in which the numerator is
11 the Base Tax Year's Tax Extension and the denominator is
12 the Preceding Tax Year's Tax Extension.

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

15 If a school district is subject to property tax extension
16 limitations as imposed under the Property Tax Extension
17 Limitation Law, the State Board of Education shall calculate
18 the Extension Limitation Equalized Assessed Valuation of that
19 district. For the 1999-2000 school year, the Extension
20 Limitation Equalized Assessed Valuation of a school district as
21 calculated by the State Board of Education shall be equal to
22 the product of the district's 1996 Equalized Assessed Valuation
23 and the district's Extension Limitation Ratio. Except as
24 otherwise provided in this paragraph for a school district that
25 has approved or does approve an increase in its limiting rate,
26 for the 2000-2001 school year and each school year thereafter,

1 the Extension Limitation Equalized Assessed Valuation of a
2 school district as calculated by the State Board of Education
3 shall be equal to the product of the Equalized Assessed
4 Valuation last used in the calculation of general State aid and
5 the district's Extension Limitation Ratio. If the Extension
6 Limitation Equalized Assessed Valuation of a school district as
7 calculated under this subsection (G)(3) is less than the
8 district's equalized assessed valuation as calculated pursuant
9 to subsections (G)(1) and (G)(2), then for purposes of
10 calculating the district's general State aid for the Budget
11 Year pursuant to subsection (E), that Extension Limitation
12 Equalized Assessed Valuation shall be utilized to calculate the
13 district's Available Local Resources under subsection (D). For
14 the 2009-2010 school year and each school year thereafter, if a
15 school district has approved or does approve an increase in its
16 limiting rate, pursuant to Section 18-190 of the Property Tax
17 Code, affecting the Base Tax Year, the Extension Limitation
18 Equalized Assessed Valuation of the school district, as
19 calculated by the State Board of Education, shall be equal to
20 the product of the Equalized Assessed Valuation last used in
21 the calculation of general State aid times an amount equal to
22 one plus the percentage increase, if any, in the Consumer Price
23 Index for all Urban Consumers for all items published by the
24 United States Department of Labor for the 12-month calendar
25 year preceding the Base Tax Year, plus the Equalized Assessed
26 Valuation of new property, annexed property, and recovered tax

1 increment value and minus the Equalized Assessed Valuation of
2 disconnected property. New property and recovered tax
3 increment value shall have the meanings set forth in the
4 Property Tax Extension Limitation Law.

5 Partial elementary unit districts created in accordance
6 with Article 11E of this Code shall not be eligible for the
7 adjustment in this subsection (G)(3) until the fifth year
8 following the effective date of the reorganization.

9 (4) For the purposes of calculating general State aid for
10 the 1999-2000 school year only, if a school district
11 experienced a triennial reassessment on the equalized assessed
12 valuation used in calculating its general State financial aid
13 apportionment for the 1998-1999 school year, the State Board of
14 Education shall calculate the Extension Limitation Equalized
15 Assessed Valuation that would have been used to calculate the
16 district's 1998-1999 general State aid. This amount shall equal
17 the product of the equalized assessed valuation used to
18 calculate general State aid for the 1997-1998 school year and
19 the district's Extension Limitation Ratio. If the Extension
20 Limitation Equalized Assessed Valuation of the school district
21 as calculated under this paragraph (4) is less than the
22 district's equalized assessed valuation utilized in
23 calculating the district's 1998-1999 general State aid
24 allocation, then for purposes of calculating the district's
25 general State aid pursuant to paragraph (5) of subsection (E),
26 that Extension Limitation Equalized Assessed Valuation shall

1 be utilized to calculate the district's Available Local
2 Resources.

3 (5) For school districts having a majority of their
4 equalized assessed valuation in any county except Cook, DuPage,
5 Kane, Lake, McHenry, or Will, if the amount of general State
6 aid allocated to the school district for the 1999-2000 school
7 year under the provisions of subsection (E), (H), and (J) of
8 this Section is less than the amount of general State aid
9 allocated to the district for the 1998-1999 school year under
10 these subsections, then the general State aid of the district
11 for the 1999-2000 school year only shall be increased by the
12 difference between these amounts. The total payments made under
13 this paragraph (5) shall not exceed \$14,000,000. Claims shall
14 be prorated if they exceed \$14,000,000.

15 (H) Supplemental General State Aid.

16 (1) In addition to the general State aid a school district
17 is allotted pursuant to subsection (E), qualifying school
18 districts shall receive a grant, paid in conjunction with a
19 district's payments of general State aid, for supplemental
20 general State aid based upon the concentration level of
21 children from low-income households within the school
22 district. Supplemental State aid grants provided for school
23 districts under this subsection shall be appropriated for
24 distribution to school districts as part of the same line item
25 in which the general State financial aid of school districts is

1 appropriated under this Section. If the appropriation in any
2 fiscal year for general State aid and supplemental general
3 State aid is insufficient to pay the amounts required under the
4 general State aid and supplemental general State aid
5 calculations, then the State Board of Education shall ensure
6 that each school district receives the full amount due for
7 general State aid and the remainder of the appropriation shall
8 be used for supplemental general State aid, which the State
9 Board of Education shall calculate and pay to eligible
10 districts on a prorated basis.

11 (1.5) This paragraph (1.5) applies only to those school
12 years preceding the 2003-2004 school year. For purposes of this
13 subsection (H), the term "Low-Income Concentration Level"
14 shall be the low-income eligible pupil count from the most
15 recently available federal census divided by the Average Daily
16 Attendance of the school district. If, however, (i) the
17 percentage decrease from the 2 most recent federal censuses in
18 the low-income eligible pupil count of a high school district
19 with fewer than 400 students exceeds by 75% or more the
20 percentage change in the total low-income eligible pupil count
21 of contiguous elementary school districts, whose boundaries
22 are coterminous with the high school district, or (ii) a high
23 school district within 2 counties and serving 5 elementary
24 school districts, whose boundaries are coterminous with the
25 high school district, has a percentage decrease from the 2 most
26 recent federal censuses in the low-income eligible pupil count

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

19 (1.10) This paragraph (1.10) applies to the 2003-2004
20 school year and each school year thereafter. For purposes of
21 this subsection (H), the term "Low-Income Concentration Level"
22 shall, for each fiscal year, be the low-income eligible pupil
23 count as of July 1 of the immediately preceding fiscal year (as
24 determined by the Department of Human Services based on the
25 number of pupils who are eligible for at least one of the
26 following low income programs: Medicaid, the Children's Health

1 Insurance Program, TANF, or Food Stamps, excluding pupils who
2 are eligible for services provided by the Department of
3 Children and Family Services, averaged over the 2 immediately
4 preceding fiscal years for fiscal year 2004 and over the 3
5 immediately preceding fiscal years for each fiscal year
6 thereafter) divided by the Average Daily Attendance of the
7 school district.

8 (2) Supplemental general State aid pursuant to this
9 subsection (H) shall be provided as follows for the 1998-1999,
10 1999-2000, and 2000-2001 school years only:

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

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

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

23 (d) For any school district with a Low Income
24 Concentration Level of 60% or more, the grant for the
25 1998-99 school year shall be \$1,900 multiplied by the low
26 income eligible pupil count.

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

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

9 (2.5) Supplemental general State aid pursuant to this
10 subsection (H) shall be provided as follows for the 2002-2003
11 school year:

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

16 (b) For any school district with a Low Income
17 Concentration Level of at least 10% and less than 20%, the
18 grant for each school year shall be \$675 multiplied by the
19 low income eligible pupil count.

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

24 (d) For any school district with a Low Income
25 Concentration Level of at least 35% and less than 50%, the
26 grant for each school year shall be \$1,362 multiplied by

1 the low income eligible pupil count.

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

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

10 (2.10) Except as otherwise provided, supplemental general
11 State aid pursuant to this subsection (H) shall be provided as
12 follows for the 2003-2004 school year and each school year
13 thereafter:

14 (a) For any school district with a Low Income
15 Concentration Level of 15% or less, the grant for each
16 school year shall be \$355 multiplied by the low income
17 eligible pupil count.

18 (b) For any school district with a Low Income
19 Concentration Level greater than 15%, the grant for each
20 school year shall be \$294.25 added to the product of \$2,700
21 and the square of the Low Income Concentration Level, all
22 multiplied by the low income eligible pupil count.

23 For the 2003-2004 school year and each school year
24 thereafter through the 2008-2009 school year only, the grant
25 shall be no less than the grant for the 2002-2003 school year.
26 For the 2009-2010 school year only, the grant shall be no less

1 than the grant for the 2002-2003 school year multiplied by
2 0.66. For the 2010-2011 school year only, the grant shall be no
3 less than the grant for the 2002-2003 school year multiplied by
4 0.33. Notwithstanding the provisions of this paragraph to the
5 contrary, if for any school year supplemental general State aid
6 grants are prorated as provided in paragraph (1) of this
7 subsection (H), then the grants under this paragraph shall be
8 prorated.

9 For the 2003-2004 school year only, the grant shall be no
10 greater than the grant received during the 2002-2003 school
11 year added to the product of 0.25 multiplied by the difference
12 between the grant amount calculated under subsection (a) or (b)
13 of this paragraph (2.10), whichever is applicable, and the
14 grant received during the 2002-2003 school year. For the
15 2004-2005 school year only, the grant shall be no greater than
16 the grant received during the 2002-2003 school year added to
17 the product of 0.50 multiplied by the difference between the
18 grant amount calculated under subsection (a) or (b) of this
19 paragraph (2.10), whichever is applicable, and the grant
20 received during the 2002-2003 school year. For the 2005-2006
21 school year only, the grant shall be no greater than the grant
22 received during the 2002-2003 school year added to the product
23 of 0.75 multiplied by the difference between the grant amount
24 calculated under subsection (a) or (b) of this paragraph
25 (2.10), whichever is applicable, and the grant received during
26 the 2002-2003 school year.

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

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

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

23 (b) The distribution of these portions of supplemental
24 and general State aid among attendance centers according to
25 these requirements shall not be compensated for or
26 contravened by adjustments of the total of other funds

1 appropriated to any attendance centers, and the Board of
2 Education shall utilize funding from one or several sources
3 in order to fully implement this provision annually prior
4 to the opening of school.

5 (c) Each attendance center shall be provided by the
6 school district a distribution of noncategorical funds and
7 other categorical funds to which an attendance center is
8 entitled under law in order that the general State aid and
9 supplemental general State aid provided by application of
10 this subsection supplements rather than supplants the
11 noncategorical funds and other categorical funds provided
12 by the school district to the attendance centers.

13 (d) Any funds made available under this subsection that
14 by reason of the provisions of this subsection are not
15 required to be allocated and provided to attendance centers
16 may be used and appropriated by the board of the district
17 for any lawful school purpose.

18 (e) Funds received by an attendance center pursuant to
19 this subsection shall be used by the attendance center at
20 the discretion of the principal and local school council
21 for programs to improve educational opportunities at
22 qualifying schools through the following programs and
23 services: early childhood education, reduced class size or
24 improved adult to student classroom ratio, enrichment
25 programs, remedial assistance, attendance improvement, and
26 other educationally beneficial expenditures which

1 supplement the regular and basic programs as determined by
2 the State Board of Education. Funds provided shall not be
3 expended for any political or lobbying purposes as defined
4 by board rule.

5 (f) Each district subject to the provisions of this
6 subdivision (H) (4) shall submit an acceptable plan to meet
7 the educational needs of disadvantaged children, in
8 compliance with the requirements of this paragraph, to the
9 State Board of Education prior to July 15 of each year.
10 This plan shall be consistent with the decisions of local
11 school councils concerning the school expenditure plans
12 developed in accordance with part 4 of Section 34-2.3. The
13 State Board shall approve or reject the plan within 60 days
14 after its submission. If the plan is rejected, the district
15 shall give written notice of intent to modify the plan
16 within 15 days of the notification of rejection and then
17 submit a modified plan within 30 days after the date of the
18 written notice of intent to modify. Districts may amend
19 approved plans pursuant to rules promulgated by the State
20 Board of Education.

21 Upon notification by the State Board of Education that
22 the district has not submitted a plan prior to July 15 or a
23 modified plan within the time period specified herein, the
24 State aid funds affected by that plan or modified plan
25 shall be withheld by the State Board of Education until a
26 plan or modified plan is submitted.

1 If the district fails to distribute State aid to
2 attendance centers in accordance with an approved plan, the
3 plan for the following year shall allocate funds, in
4 addition to the funds otherwise required by this
5 subsection, to those attendance centers which were
6 underfunded during the previous year in amounts equal to
7 such underfunding.

8 For purposes of determining compliance with this
9 subsection in relation to the requirements of attendance
10 center funding, each district subject to the provisions of
11 this subsection shall submit as a separate document by
12 December 1 of each year a report of expenditure data for
13 the prior year in addition to any modification of its
14 current plan. If it is determined that there has been a
15 failure to comply with the expenditure provisions of this
16 subsection regarding contravention or supplanting, the
17 State Superintendent of Education shall, within 60 days of
18 receipt of the report, notify the district and any affected
19 local school council. The district shall within 45 days of
20 receipt of that notification inform the State
21 Superintendent of Education of the remedial or corrective
22 action to be taken, whether by amendment of the current
23 plan, if feasible, or by adjustment in the plan for the
24 following year. Failure to provide the expenditure report
25 or the notification of remedial or corrective action in a
26 timely manner shall result in a withholding of the affected

1 funds.

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

8 (5) Beginning in fiscal year 2012, the State Board of
9 Education shall annually calculate the amount of funding
10 required for voucher reimbursement under the School Choice
11 Program for school districts with an Average Daily Attendance
12 of 50,000 or more that qualify for supplemental general State
13 aid under this Section. That amount shall be withheld from the
14 district and distributed by the State Board of Education to
15 reimburse eligible claims submitted by nonpublic schools.

16 (I) (Blank).

17 (J) Supplementary Grants in Aid.

18 (1) Notwithstanding any other provisions of this Section,
19 the amount of the aggregate general State aid in combination
20 with supplemental general State aid under this Section for
21 which each school district is eligible shall be no less than
22 the amount of the aggregate general State aid entitlement that
23 was received by the district under Section 18-8 (exclusive of
24 amounts received under subsections 5(p) and 5(p-5) of that

1 Section) for the 1997-98 school year, pursuant to the
2 provisions of that Section as it was then in effect. If a
3 school district qualifies to receive a supplementary payment
4 made under this subsection (J), the amount of the aggregate
5 general State aid in combination with supplemental general
6 State aid under this Section which that district is eligible to
7 receive for each school year shall be no less than the amount
8 of the aggregate general State aid entitlement that was
9 received by the district under Section 18-8 (exclusive of
10 amounts received under subsections 5(p) and 5(p-5) of that
11 Section) for the 1997-1998 school year, pursuant to the
12 provisions of that Section as it was then in effect.

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

24 (3) (Blank).

25 (K) Grants to Laboratory and Alternative Schools.

1 In calculating the amount to be paid to the governing board
2 of a public university that operates a laboratory school under
3 this Section or to any alternative school that is operated by a
4 regional superintendent of schools, the State Board of
5 Education shall require by rule such reporting requirements as
6 it deems necessary.

7 As used in this Section, "laboratory school" means a public
8 school which is created and operated by a public university and
9 approved by the State Board of Education. The governing board
10 of a public university which receives funds from the State
11 Board under this subsection (K) may not increase the number of
12 students enrolled in its laboratory school from a single
13 district, if that district is already sending 50 or more
14 students, except under a mutual agreement between the school
15 board of a student's district of residence and the university
16 which operates the laboratory school. A laboratory school may
17 not have more than 1,000 students, excluding students with
18 disabilities in a special education program.

19 As used in this Section, "alternative school" means a
20 public school which is created and operated by a Regional
21 Superintendent of Schools and approved by the State Board of
22 Education. Such alternative schools may offer courses of
23 instruction for which credit is given in regular school
24 programs, courses to prepare students for the high school
25 equivalency testing program or vocational and occupational
26 training. A regional superintendent of schools may contract

1 with a school district or a public community college district
2 to operate an alternative school. An alternative school serving
3 more than one educational service region may be established by
4 the regional superintendents of schools of the affected
5 educational service regions. An alternative school serving
6 more than one educational service region may be operated under
7 such terms as the regional superintendents of schools of those
8 educational service regions may agree.

9 Each laboratory and alternative school shall file, on forms
10 provided by the State Superintendent of Education, an annual
11 State aid claim which states the Average Daily Attendance of
12 the school's students by month. The best 3 months' Average
13 Daily Attendance shall be computed for each school. The general
14 State aid entitlement shall be computed by multiplying the
15 applicable Average Daily Attendance by the Foundation Level as
16 determined under this Section.

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

18 (1) For a school district operating under the financial
19 supervision of an Authority created under Article 34A, the
20 general State aid otherwise payable to that district under this
21 Section, but not the supplemental general State aid, shall be
22 reduced by an amount equal to the budget for the operations of
23 the Authority as certified by the Authority to the State Board
24 of Education, and an amount equal to such reduction shall be
25 paid to the Authority created for such district for its

1 operating expenses in the manner provided in Section 18-11. The
2 remainder of general State school aid for any such district
3 shall be paid in accordance with Article 34A when that Article
4 provides for a disposition other than that provided by this
5 Article.

6 (2) (Blank).

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

9 (M) Education Funding Advisory Board.

10 The Education Funding Advisory Board, hereinafter in this
11 subsection (M) referred to as the "Board", is hereby created.
12 The Board shall consist of 5 members who are appointed by the
13 Governor, by and with the advice and consent of the Senate. The
14 members appointed shall include representatives of education,
15 business, and the general public. One of the members so
16 appointed shall be designated by the Governor at the time the
17 appointment is made as the chairperson of the Board. The
18 initial members of the Board may be appointed any time after
19 the effective date of this amendatory Act of 1997. The regular
20 term of each member of the Board shall be for 4 years from the
21 third Monday of January of the year in which the term of the
22 member's appointment is to commence, except that of the 5
23 initial members appointed to serve on the Board, the member who
24 is appointed as the chairperson shall serve for a term that
25 commences on the date of his or her appointment and expires on

1 the third Monday of January, 2002, and the remaining 4 members,
2 by lots drawn at the first meeting of the Board that is held
3 after all 5 members are appointed, shall determine 2 of their
4 number to serve for terms that commence on the date of their
5 respective appointments and expire on the third Monday of
6 January, 2001, and 2 of their number to serve for terms that
7 commence on the date of their respective appointments and
8 expire on the third Monday of January, 2000. All members
9 appointed to serve on the Board shall serve until their
10 respective successors are appointed and confirmed. Vacancies
11 shall be filled in the same manner as original appointments. If
12 a vacancy in membership occurs at a time when the Senate is not
13 in session, the Governor shall make a temporary appointment
14 until the next meeting of the Senate, when he or she shall
15 appoint, by and with the advice and consent of the Senate, a
16 person to fill that membership for the unexpired term. If the
17 Senate is not in session when the initial appointments are
18 made, those appointments shall be made as in the case of
19 vacancies.

20 The Education Funding Advisory Board shall be deemed
21 established, and the initial members appointed by the Governor
22 to serve as members of the Board shall take office, on the date
23 that the Governor makes his or her appointment of the fifth
24 initial member of the Board, whether those initial members are
25 then serving pursuant to appointment and confirmation or
26 pursuant to temporary appointments that are made by the

1 Governor as in the case of vacancies.

2 The State Board of Education shall provide such staff
3 assistance to the Education Funding Advisory Board as is
4 reasonably required for the proper performance by the Board of
5 its responsibilities.

6 For school years after the 2000-2001 school year, the
7 Education Funding Advisory Board, in consultation with the
8 State Board of Education, shall make recommendations as
9 provided in this subsection (M) to the General Assembly for the
10 foundation level under subdivision (B)(3) of this Section and
11 for the supplemental general State aid grant level under
12 subsection (H) of this Section for districts with high
13 concentrations of children from poverty. The recommended
14 foundation level shall be determined based on a methodology
15 which incorporates the basic education expenditures of
16 low-spending schools exhibiting high academic performance. The
17 Education Funding Advisory Board shall make such
18 recommendations to the General Assembly on January 1 of odd
19 numbered years, beginning January 1, 2001.

20 (N) (Blank).

21 (O) References.

22 (1) References in other laws to the various subdivisions of
23 Section 18-8 as that Section existed before its repeal and
24 replacement by this Section 18-8.05 shall be deemed to refer to

1 the corresponding provisions of this Section 18-8.05, to the
2 extent that those references remain applicable.

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

6 (P) Public Act 93-838 and Public Act 93-808 make inconsistent
7 changes to this Section. Under Section 6 of the Statute on
8 Statutes there is an irreconcilable conflict between Public Act
9 93-808 and Public Act 93-838. Public Act 93-838, being the last
10 acted upon, is controlling. The text of Public Act 93-838 is
11 the law regardless of the text of Public Act 93-808.

12 (Source: P.A. 95-331, eff. 8-21-07; 95-644, eff. 10-12-07;
13 95-707, eff. 1-11-08; 95-744, eff. 7-18-08; 95-903, eff.
14 8-25-08; 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300, eff.
15 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09; revised
16 10-23-09.)".