

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 201 as follows:

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

7 Sec. 201. Tax Imposed.

8 (a) In general. A tax measured by net income is hereby
9 imposed on every individual, corporation, trust and estate for
10 each taxable year ending after July 31, 1969 on the privilege
11 of earning or receiving income in or as a resident of this
12 State. Such tax shall be in addition to all other occupation or
13 privilege taxes imposed by this State or by any municipal
14 corporation or political subdivision thereof.

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

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

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

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

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

10 (4) (Blank).

11 (5) (Blank).

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

15 (7) In the case of a corporation, for taxable years
16 beginning prior to July 1, 1989 and ending after June 30,
17 1989, an amount equal to the sum of (i) 4% of the
18 taxpayer's net income for the period prior to July 1, 1989,
19 as calculated under Section 202.3, and (ii) 4.8% of the
20 taxpayer's net income for the period after June 30, 1989,
21 as calculated under Section 202.3.

22 (8) In the case of a corporation, for taxable years
23 beginning after June 30, 1989, an amount equal to 4.8% of
24 the taxpayer's net income for the taxable year.

25 (c) Personal Property Tax Replacement Income Tax.
26 Beginning on July 1, 1979 and thereafter, in addition to such

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

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

24 (d-1) Rate reduction for certain foreign insurers. In the
25 case of a foreign insurer, as defined by Section 35A-5 of the
26 Illinois Insurance Code, whose state or country of domicile

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

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

25 (A) the total amount of tax imposed on such foreign
26 insurer under this Act for a taxable year, net of all

1 credits allowed under this Act, plus

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

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

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

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

26 (1) A taxpayer shall be allowed a credit equal to .5%

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

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

1 years following the excess credit years. The credit shall
2 be applied to the earliest year for which there is a
3 liability. If there is credit from more than one tax year
4 that is available to offset a liability, earlier credit
5 shall be applied first.

6 (2) The term "qualified property" means property
7 which:

8 (A) is tangible, whether new or used, including
9 buildings and structural components of buildings and
10 signs that are real property, but not including land or
11 improvements to real property that are not a structural
12 component of a building such as landscaping, sewer
13 lines, local access roads, fencing, parking lots, and
14 other appurtenances;

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

20 (C) is acquired by purchase as defined in Section
21 179(d) of the Internal Revenue Code;

22 (D) is used in Illinois by a taxpayer who is
23 primarily engaged in manufacturing, or in mining coal
24 or fluorite, or in retailing, or was placed in service
25 on or after July 1, 2006 in a River Edge Redevelopment
26 Zone established pursuant to the River Edge

1 Redevelopment Zone Act; and

2 (E) has not previously been used in Illinois in
3 such a manner and by such a person as would qualify for
4 the credit provided by this subsection (e) or
5 subsection (f).

6 (3) For purposes of this subsection (e),
7 "manufacturing" means the material staging and production
8 of tangible personal property by procedures commonly
9 regarded as manufacturing, processing, fabrication, or
10 assembling which changes some existing material into new
11 shapes, new qualities, or new combinations. For purposes of
12 this subsection (e) the term "mining" shall have the same
13 meaning as the term "mining" in Section 613(c) of the
14 Internal Revenue Code. For purposes of this subsection (e),
15 the term "retailing" means the sale of tangible personal
16 property for use or consumption and not for resale, or
17 services rendered in conjunction with the sale of tangible
18 personal property for use or consumption and not for
19 resale. For purposes of this subsection (e), "tangible
20 personal property" has the same meaning as when that term
21 is used in the Retailers' Occupation Tax Act, and, for
22 taxable years ending after December 31, 2008, does not
23 include the generation, transmission, or distribution of
24 electricity.

25 (4) The basis of qualified property shall be the basis
26 used to compute the depreciation deduction for federal

1 income tax purposes.

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

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

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

25 (8) Unless the investment credit is extended by law,
26 the basis of qualified property shall not include costs

1 incurred after December 31, 2013, except for costs incurred
2 pursuant to a binding contract entered into on or before
3 December 31, 2013.

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

20 For taxable years ending on or after December 31, 2000,
21 a partner that qualifies its partnership for a subtraction
22 under subparagraph (I) of paragraph (2) of subsection (d)
23 of Section 203 or a shareholder that qualifies a Subchapter
24 S corporation for a subtraction under subparagraph (S) of
25 paragraph (2) of subsection (b) of Section 203 shall be
26 allowed a credit under this subsection (e) equal to its

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

8 (f) Investment credit; Enterprise Zone; River Edge
9 Redevelopment Zone.

10 (1) A taxpayer shall be allowed a credit against the
11 tax imposed by subsections (a) and (b) of this Section for
12 investment in qualified property which is placed in service
13 in an Enterprise Zone created pursuant to the Illinois
14 Enterprise Zone Act or, for property placed in service on
15 or after July 1, 2006, a River Edge Redevelopment Zone
16 established pursuant to the River Edge Redevelopment Zone
17 Act. For partners, shareholders of Subchapter S
18 corporations, and owners of limited liability companies,
19 if the liability company is treated as a partnership for
20 purposes of federal and State income taxation, there shall
21 be allowed a credit under this subsection (f) to be
22 determined in accordance with the determination of income
23 and distributive share of income under Sections 702 and 704
24 and Subchapter S of the Internal Revenue Code. The credit
25 shall be .5% of the basis for such property. The credit
26 shall be available only in the taxable year in which the

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

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

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

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

25 (C) is acquired by purchase as defined in Section
26 179(d) of the Internal Revenue Code;

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

3 (E) has not been previously used in Illinois in
4 such a manner and by such a person as would qualify for
5 the credit provided by this subsection (f) or
6 subsection (e).

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

10 (4) If the basis of the property for federal income tax
11 depreciation purposes is increased after it has been placed
12 in service in the Enterprise Zone or River Edge
13 Redevelopment Zone by the taxpayer, the amount of such
14 increase shall be deemed property placed in service on the
15 date of such increase in basis.

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

18 (6) If during any taxable year, any property ceases to
19 be qualified property in the hands of the taxpayer within
20 48 months after being placed in service, or the situs of
21 any qualified property is moved outside the Enterprise Zone
22 or River Edge Redevelopment Zone within 48 months after
23 being placed in service, the tax imposed under subsections
24 (a) and (b) of this Section for such taxable year shall be
25 increased. Such increase shall be determined by (i)
26 recomputing the investment credit which would have been

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

9 (7) There shall be allowed an additional credit equal
10 to 0.5% of the basis of qualified property placed in
11 service during the taxable year in a River Edge
12 Redevelopment Zone, provided such property is placed in
13 service on or after July 1, 2006, and the taxpayer's base
14 employment within Illinois has increased by 1% or more over
15 the preceding year as determined by the taxpayer's
16 employment records filed with the Illinois Department of
17 Employment Security. Taxpayers who are new to Illinois
18 shall be deemed to have met the 1% growth in base
19 employment for the first year in which they file employment
20 records with the Illinois Department of Employment
21 Security. If, in any year, the increase in base employment
22 within Illinois over the preceding year is less than 1%,
23 the additional credit shall be limited to that percentage
24 times a fraction, the numerator of which is 0.5% and the
25 denominator of which is 1%, but shall not exceed 0.5%.

26 (g) Jobs Tax Credit; Enterprise Zone, River Edge

1 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

2 (1) A taxpayer conducting a trade or business in an
3 enterprise zone or a High Impact Business designated by the
4 Department of Commerce and Economic Opportunity or for
5 taxable years ending on or after December 31, 2006, in a
6 River Edge Redevelopment Zone conducting a trade or
7 business in a federally designated Foreign Trade Zone or
8 Sub-Zone shall be allowed a credit against the tax imposed
9 by subsections (a) and (b) of this Section in the amount of
10 (i) \$500 per eligible employee hired to work in the zone
11 during the taxable year for taxable years ending on or
12 before December 31, 2009, (ii) \$1,000 per eligible employee
13 hired to work in the zone during the taxable year for
14 taxable years ending after December 31, 2009 and ending on
15 or before December 31, 2012, and (iii) \$500 per eligible
16 employee hired to work in the zone during the taxable year
17 for taxable years ending after December 31, 2012.

18 (2) To qualify for the credit:

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

23 (B) the taxpayer's total employment within the
24 enterprise zone, River Edge Redevelopment Zone, or
25 federally designated Foreign Trade Zone or Sub-Zone
26 must increase by 5 or more full-time employees beyond

1 the total employed in that zone at the end of the
2 previous tax year for which a jobs tax credit under
3 this Section was taken, or beyond the total employed by
4 the taxpayer as of December 31, 1985, whichever is
5 later; and

6 (C) the eligible employees must be employed 180
7 consecutive days in order to be deemed hired for
8 purposes of this subsection.

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

10 (A) Certified as eligible for services pursuant to
11 the regulations promulgated in accordance with Title I
12 of the Workforce Investment Act by (i) the Department
13 of Commerce and Economic Opportunity or (ii) a
14 Workforce Investment Program Services Administrator ~~as~~
15 ~~"eligible for services" pursuant to regulations~~
16 ~~promulgated in accordance with Title II of the Job~~
17 ~~Training Partnership Act, Training Services for the~~
18 ~~Disadvantaged or Title III of the Job Training~~
19 ~~Partnership Act, Employment and Training Assistance~~
20 ~~for Dislocated Workers Program.~~

21 (B) Hired after the enterprise zone, River Edge
22 Redevelopment Zone, or federally designated Foreign
23 Trade Zone or Sub-Zone was designated or the trade or
24 business was located in that zone, whichever is later.

25 (C) Employed in the enterprise zone, River Edge
26 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.

1 An employee is employed in an enterprise zone or
2 federally designated Foreign Trade Zone or Sub-Zone if
3 his services are rendered there or it is the base of
4 operations for the services performed.

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

7 (4) For tax years ending on or after December 31, 1985
8 and prior to December 31, 1988, the credit shall be allowed
9 for the tax year in which the eligible employees are hired.
10 For tax years ending on or after December 31, 1988, the
11 credit shall be allowed for the tax year immediately
12 following the tax year in which the eligible employees are
13 hired. If the amount of the credit exceeds the tax
14 liability for that year, whether it exceeds the original
15 liability or the liability as later amended, such excess
16 may be carried forward and applied to the tax liability of
17 the 5 taxable years following the excess credit year. The
18 credit shall be applied to the earliest year for which
19 there is a liability. If there is credit from more than one
20 tax year that is available to offset a liability, earlier
21 credit shall be applied first.

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

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

1 (h) Investment credit; High Impact Business.

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

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

15 Changes made in this subdivision (h) (1) by Public Act
16 88-670 restore changes made by Public Act 85-1182 and
17 reflect existing law.

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

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

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

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code; and

2 (D) is not eligible for the Enterprise Zone
3 Investment Credit provided by subsection (f) of this
4 Section.

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

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

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

16 (6) If during any taxable year ending on or before
17 December 31, 1996, any property ceases to be qualified
18 property in the hands of the taxpayer within 48 months
19 after being placed in service, or the situs of any
20 qualified property is moved outside Illinois within 48
21 months after being placed in service, the tax imposed under
22 subsections (a) and (b) of this Section for such taxable
23 year shall be increased. Such increase shall be determined
24 by (i) recomputing the investment credit which would have
25 been allowed for the year in which credit for such property
26 was originally allowed by eliminating such property from

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

8 (7) Beginning with tax years ending after December 31,
9 1996, if a taxpayer qualifies for the credit under this
10 subsection (h) and thereby is granted a tax abatement and
11 the taxpayer relocates its entire facility in violation of
12 the explicit terms and length of the contract under Section
13 18-183 of the Property Tax Code, the tax imposed under
14 subsections (a) and (b) of this Section shall be increased
15 for the taxable year in which the taxpayer relocated its
16 facility by an amount equal to the amount of credit
17 received by the taxpayer under this subsection (h).

18 (i) Credit for Personal Property Tax Replacement Income
19 Tax. For tax years ending prior to December 31, 2003, a credit
20 shall be allowed against the tax imposed by subsections (a) and
21 (b) of this Section for the tax imposed by subsections (c) and
22 (d) of this Section. This credit shall be computed by
23 multiplying the tax imposed by subsections (c) and (d) of this
24 Section by a fraction, the numerator of which is base income
25 allocable to Illinois and the denominator of which is Illinois
26 base income, and further multiplying the product by the tax

1 rate imposed by subsections (a) and (b) of this Section.

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

16 If, during any taxable year ending on or after December 31,
17 1986, the tax imposed by subsections (c) and (d) of this
18 Section for which a taxpayer has claimed a credit under this
19 subsection (i) is reduced, the amount of credit for such tax
20 shall also be reduced. Such reduction shall be determined by
21 recomputing the credit to take into account the reduced tax
22 imposed by subsections (c) and (d). If any portion of the
23 reduced amount of credit has been carried to a different
24 taxable year, an amended return shall be filed for such taxable
25 year to reduce the amount of credit claimed.

26 (j) Training expense credit. Beginning with tax years

1 ending on or after December 31, 1986 and prior to December 31,
2 2003, a taxpayer shall be allowed a credit against the tax
3 imposed by subsections (a) and (b) under this Section for all
4 amounts paid or accrued, on behalf of all persons employed by
5 the taxpayer in Illinois or Illinois residents employed outside
6 of Illinois by a taxpayer, for educational or vocational
7 training in semi-technical or technical fields or semi-skilled
8 or skilled fields, which were deducted from gross income in the
9 computation of taxable income. The credit against the tax
10 imposed by subsections (a) and (b) shall be 1.6% of such
11 training expenses. For partners, shareholders of subchapter S
12 corporations, and owners of limited liability companies, if the
13 liability company is treated as a partnership for purposes of
14 federal and State income taxation, there shall be allowed a
15 credit under this subsection (j) to be determined in accordance
16 with the determination of income and distributive share of
17 income under Sections 702 and 704 and subchapter S of the
18 Internal Revenue Code.

19 Any credit allowed under this subsection which is unused in
20 the year the credit is earned may be carried forward to each of
21 the 5 taxable years following the year for which the credit is
22 first computed until it is used. This credit shall be applied
23 first to the earliest year for which there is a liability. If
24 there is a credit under this subsection from more than one tax
25 year that is available to offset a liability the earliest
26 credit arising under this subsection shall be applied first. No

1 carryforward credit may be claimed in any tax year ending on or
2 after December 31, 2003.

3 (k) Research and development credit.

4 For tax years ending after July 1, 1990 and prior to
5 December 31, 2003, and beginning again for tax years ending on
6 or after December 31, 2004, a taxpayer shall be allowed a
7 credit against the tax imposed by subsections (a) and (b) of
8 this Section for increasing research activities in this State.
9 The credit allowed against the tax imposed by subsections (a)
10 and (b) shall be equal to 6 1/2% of the qualifying expenditures
11 for increasing research activities in this State. For partners,
12 shareholders of subchapter S corporations, and owners of
13 limited liability companies, if the liability company is
14 treated as a partnership for purposes of federal and State
15 income taxation, there shall be allowed a credit under this
16 subsection to be determined in accordance with the
17 determination of income and distributive share of income under
18 Sections 702 and 704 and subchapter S of the Internal Revenue
19 Code.

20 For purposes of this subsection, "qualifying expenditures"
21 means the qualifying expenditures as defined for the federal
22 credit for increasing research activities which would be
23 allowable under Section 41 of the Internal Revenue Code and
24 which are conducted in this State, "qualifying expenditures for
25 increasing research activities in this State" means the excess
26 of qualifying expenditures for the taxable year in which

1 incurred over qualifying expenditures for the base period,
2 "qualifying expenditures for the base period" means the average
3 of the qualifying expenditures for each year in the base
4 period, and "base period" means the 3 taxable years immediately
5 preceding the taxable year for which the determination is being
6 made.

7 Any credit in excess of the tax liability for the taxable
8 year may be carried forward. A taxpayer may elect to have the
9 unused credit shown on its final completed return carried over
10 as a credit against the tax liability for the following 5
11 taxable years or until it has been fully used, whichever occurs
12 first; provided that no credit earned in a tax year ending
13 prior to December 31, 2003 may be carried forward to any year
14 ending on or after December 31, 2003.

15 If an unused credit is carried forward to a given year from
16 2 or more earlier years, that credit arising in the earliest
17 year will be applied first against the tax liability for the
18 given year. If a tax liability for the given year still
19 remains, the credit from the next earliest year will then be
20 applied, and so on, until all credits have been used or no tax
21 liability for the given year remains. Any remaining unused
22 credit or credits then will be carried forward to the next
23 following year in which a tax liability is incurred, except
24 that no credit can be carried forward to a year which is more
25 than 5 years after the year in which the expense for which the
26 credit is given was incurred.

1 No inference shall be drawn from this amendatory Act of the
2 91st General Assembly in construing this Section for taxable
3 years beginning before January 1, 1999.

4 (1) Environmental Remediation Tax Credit.

5 (i) For tax years ending after December 31, 1997 and on
6 or before December 31, 2001, a taxpayer shall be allowed a
7 credit against the tax imposed by subsections (a) and (b)
8 of this Section for certain amounts paid for unreimbursed
9 eligible remediation costs, as specified in this
10 subsection. For purposes of this Section, "unreimbursed
11 eligible remediation costs" means costs approved by the
12 Illinois Environmental Protection Agency ("Agency") under
13 Section 58.14 of the Environmental Protection Act that were
14 paid in performing environmental remediation at a site for
15 which a No Further Remediation Letter was issued by the
16 Agency and recorded under Section 58.10 of the
17 Environmental Protection Act. The credit must be claimed
18 for the taxable year in which Agency approval of the
19 eligible remediation costs is granted. The credit is not
20 available to any taxpayer if the taxpayer or any related
21 party caused or contributed to, in any material respect, a
22 release of regulated substances on, in, or under the site
23 that was identified and addressed by the remedial action
24 pursuant to the Site Remediation Program of the
25 Environmental Protection Act. After the Pollution Control
26 Board rules are adopted pursuant to the Illinois

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

26 (ii) A credit allowed under this subsection that is

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

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

1 Environmental Protection Act.

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

14 For purposes of this subsection:

15 "Qualifying pupils" means individuals who (i) are
16 residents of the State of Illinois, (ii) are under the age of
17 21 at the close of the school year for which a credit is
18 sought, and (iii) during the school year for which a credit is
19 sought were full-time pupils enrolled in a kindergarten through
20 twelfth grade education program at any school, as defined in
21 this subsection.

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

26 "School" means any public or nonpublic elementary or

1 secondary school in Illinois that is in compliance with Title
2 VI of the Civil Rights Act of 1964 and attendance at which
3 satisfies the requirements of Section 26-1 of the School Code,
4 except that nothing shall be construed to require a child to
5 attend any particular public or nonpublic school to qualify for
6 the credit under this Section.

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

10 (n) River Edge Redevelopment Zone site remediation tax
11 credit.

12 (i) For tax years ending on or after December 31, 2006,
13 a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) of this Section for
15 certain amounts paid for unreimbursed eligible remediation
16 costs, as specified in this subsection. For purposes of
17 this Section, "unreimbursed eligible remediation costs"
18 means costs approved by the Illinois Environmental
19 Protection Agency ("Agency") under Section 58.14a of the
20 Environmental Protection Act that were paid in performing
21 environmental remediation at a site within a River Edge
22 Redevelopment Zone for which a No Further Remediation
23 Letter was issued by the Agency and recorded under Section
24 58.10 of the Environmental Protection Act. The credit must
25 be claimed for the taxable year in which Agency approval of
26 the eligible remediation costs is granted. The credit is

1 not available to any taxpayer if the taxpayer or any
2 related party caused or contributed to, in any material
3 respect, a release of regulated substances on, in, or under
4 the site that was identified and addressed by the remedial
5 action pursuant to the Site Remediation Program of the
6 Environmental Protection Act. Determinations as to credit
7 availability for purposes of this Section shall be made
8 consistent with rules adopted by the Pollution Control
9 Board pursuant to the Illinois Administrative Procedure
10 Act for the administration and enforcement of Section 58.9
11 of the Environmental Protection Act. For purposes of this
12 Section, "taxpayer" includes a person whose tax attributes
13 the taxpayer has succeeded to under Section 381 of the
14 Internal Revenue Code and "related party" includes the
15 persons disallowed a deduction for losses by paragraphs
16 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
17 Code by virtue of being a related taxpayer, as well as any
18 of its partners. The credit allowed against the tax imposed
19 by subsections (a) and (b) shall be equal to 25% of the
20 unreimbursed eligible remediation costs in excess of
21 \$100,000 per site.

22 (ii) A credit allowed under this subsection that is
23 unused in the year the credit is earned may be carried
24 forward to each of the 5 taxable years following the year
25 for which the credit is first earned until it is used. This
26 credit shall be applied first to the earliest year for

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

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

21 (iv) This subsection is exempt from the provisions of
22 Section 250.

23 (Source: P.A. 95-454, eff. 8-27-07; 96-115, eff. 7-31-09;
24 96-116, eff. 7-31-09; revised 8-20-09.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.