



Sen. Toi W. Hutchinson

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1 AMENDMENT TO HOUSE BILL 1883

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 1883 by replacing  
3 everything after the enacting clause with the following:

4 "Article 1. Findings

5 Section 1-1. Legislative findings.

6 (1) The House of Representatives adopted House Resolution  
7 110 on March 8, 2011, setting forth the estimates of general  
8 funds the House expects to be available during State fiscal  
9 year 2012.

10 (2) In determining the estimates of general funds expected  
11 to be available during State fiscal year 2012, the House  
12 Revenue & Finance Committee assumed that the State would not  
13 collect approximately \$600,000,000 of income tax revenues due  
14 to the allowance of special bonus depreciation rules approved  
15 by the federal government.

16 (3) The House of Representatives adopted House Resolution

1 158 on March 30, 2011, which provides that if the actual amount  
2 of funds from State sources that become available during State  
3 fiscal year 2012 exceeds the House's estimates set forth in  
4 House Resolution 110, then that excess shall first be used to  
5 reduce the backlog of unpaid State obligations to the extent  
6 authorized by law.

7 (4) These concepts are prudent and should be continued for  
8 State fiscal year 2013 and beyond.

9 (5) As the House Revenue & Finance Committee develops the  
10 estimates of general funds expected to be available during  
11 State fiscal year 2013, an estimated \$250,000,000 of income tax  
12 revenues in excess of the State fiscal year 2012 budgeted  
13 amount will become available due to the phasing out of the  
14 allowance of special bonus depreciation rules approved by the  
15 federal government.

16 (6) Therefore, the General Assembly finds that a tax  
17 incentive package that does not exceed \$250,000,000 in State  
18 fiscal year 2013 can be approved without any negative impact to  
19 the State budget in State fiscal years 2012 and 2013 while  
20 providing tax relief to a large number of Illinois individual  
21 and business taxpayers.

22 Article 5. Illinois Independent Tax Tribunal Act

23 Section 5-1. Short title. This Article may be cited as the  
24 Illinois Independent Tax Tribunal Act.

1           Section 5-5. Independent Tax Tribunal Board; Department of  
2 Revenue.

3           (a) On and after July 1, 2013, the Department of Revenue,  
4 or any successor agency, shall no longer hear and act upon (i)  
5 any protests of notices of tax liability or deficiencies for  
6 all taxes administered by the Department or (ii) revocations of  
7 licenses issued by the Department of Revenue.

8           (b) Beginning July 1, 2013, an Independent Tax Tribunal  
9 Board shall assume, exercise, and administer all rights,  
10 powers, duties, and responsibilities pertaining to (i) any  
11 protests of notices of tax liability or deficiencies for all  
12 taxes administered by the Department of Revenue or (ii)  
13 revocations of licenses issued by the Department of Revenue.  
14 The Independent Tax Tribunal Board shall be created by law and  
15 no State agency shall assume the functions of the Board.

16           Article 10. Live Theater Production Tax Credit Act

17           Section 10-1. Short title. This Article may be cited as the  
18 Live Theater Production Tax Credit Act. References in this  
19 Article to "this Act" mean this Article.

20           Section 10-5. Purpose. The Illinois economy depends  
21 heavily on the commercial for-profit live theater industry and  
22 the pre-Broadway and long-run shows that are presented in

1 Illinois. As a result of intense competition from other  
2 prominent theater cities in the United States and abroad in  
3 attracting pre-Broadway and long-run shows, Illinois must move  
4 aggressively with new business development investment tools so  
5 that Illinois is more competitive in site location decision  
6 making for show producers. In an increasingly global economy,  
7 Illinois' long term development will benefit from the rational,  
8 strategic use of State resources in support of pre-Broadway  
9 live theater and long run show development and growth. It is  
10 the purpose of this Act to preserve and expand the existing  
11 work force used in live theater and enhance the marketing of  
12 the presentation of live theater in Illinois. It shall be the  
13 policy of this State to promote and encourage the training and  
14 hiring of Illinois residents who represent the diversity of the  
15 Illinois population through the creation and implementation of  
16 training, education, and recruitment programs organized in  
17 cooperation with Illinois colleges and universities, labor  
18 organizations, and the commercial for-profit live theater  
19 industry.

20 Section 10-10. Definitions. As used in this Act:

21 "Accredited theater production" means a for-profit live  
22 stage presentation in a qualified production facility, as  
23 defined in this Section, that is either (i) a pre-Broadway  
24 production or (ii) a long-run production for which the  
25 aggregate Illinois labor and marketing expenditures exceed

1 \$100,000.

2 "Pre-Broadway production" means a live stage production  
3 that, in its original or adaptive version, is performed in a  
4 qualified production facility having a presentation scheduled  
5 for Broadway's Theater District in New York City within 12  
6 months after its Illinois presentation.

7 "Long-run production" means a live stage production that is  
8 performed in a qualified production facility for longer than 8  
9 weeks, with at least 6 performances per week, and includes a  
10 production that spans the end of one tax year and the  
11 commencement of a new tax year that, in combination, meets the  
12 criteria set forth in this definition making it a long-run  
13 production eligible for a theater tax credit award in each tax  
14 year or portion thereof.

15 "Accredited theater production certificate" means a  
16 certificate issued by the Department certifying that the  
17 production is an accredited theater production that meets the  
18 guidelines of this Act.

19 "Applicant" means a taxpayer that is a theater producer,  
20 owner, licensee, operator, or presenter that is presenting or  
21 has presented a live stage presentation located within the  
22 State of Illinois who:

23 (1) owns or licenses the theatrical rights of the stage  
24 presentation for the Illinois production period; or

25 (2) has contracted or will contract directly with the  
26 owner or licensee of the theatrical rights or a person

1 acting on behalf of the owner or licensee to provide live  
2 performances of the production.

3 An applicant that directly or indirectly owns, controls, or  
4 operates multiple qualified production facilities shall be  
5 presumed to be and considered for the purposes of this Act to  
6 be a single applicant; provided, however, that as to each of  
7 the applicant's qualified production facilities, the applicant  
8 shall be eligible to separately and contemporaneously (i) apply  
9 for and obtain accredited theater production certificates,  
10 (ii) stage accredited theater productions, and (iii) apply for  
11 and receive a tax credit award certificate for each of  
12 applicant's accredited theater productions performed at each  
13 of the applicant's qualified production facilities.

14 "Department" means the Department of Commerce and Economic  
15 Opportunity.

16 "Director" means the Director of the Department.

17 "Illinois labor expenditure" means gross salary or wages  
18 including, but not limited to, taxes, benefits, and any other  
19 consideration incurred or paid to non-talent employees of the  
20 applicant for services rendered to and on behalf of the  
21 accredited theater production. To qualify as an Illinois labor  
22 expenditure, the expenditure must be:

23 (1) incurred or paid by the applicant on or after the  
24 effective date of the Act for services related to any  
25 portion of an accredited theater production from its  
26 pre-production stages, including, but not limited to, the

1 writing of the script, casting, hiring of service  
2 providers, purchases from vendors, marketing, advertising,  
3 public relations, load in, rehearsals, performances, other  
4 accredited theater production related activities, and load  
5 out;

6 (2) directly attributable to the accredited theater  
7 production;

8 (3) limited to the first \$100,000 of wages incurred or  
9 paid to each employee of an accredited theater production  
10 in each tax year;

11 (4) included in the federal income tax basis of the  
12 property;

13 (5) paid in the tax year for which the applicant is  
14 claiming the tax credit award, or no later than 60 days  
15 after the end of the tax year;

16 (6) paid to persons residing in Illinois at the time  
17 payments were made; and

18 (7) reasonable in the circumstances.

19 "Illinois production spending" means any and all expenses  
20 directly or indirectly incurred relating to an accredited  
21 theater production presented in any qualified production  
22 facility of the applicant, including, but not limited to,  
23 expenditures for:

24 (1) national marketing, public relations, and the  
25 creation and placement of print, electronic, television,  
26 billboard, and other forms of advertising; and

1           (2) the construction and fabrication of scenic  
2 materials and elements; provided, however, that the  
3 maximum amount of expenditures attributable to the  
4 construction and fabrication of scenic materials and  
5 elements eligible for a tax credit award shall not exceed  
6 \$500,000 per applicant per production in any single tax  
7 year.

8           "Qualified production facility" means a facility located  
9 in the State in which live theatrical productions are, or are  
10 intended to be, exclusively presented that contains at least  
11 one stage, a seating capacity of 1,200 or more seats, and  
12 dressing rooms, storage areas, and other ancillary amenities  
13 necessary for the accredited theater production.

14           "Tax credit award" means the issuance to a taxpayer by the  
15 Department of a tax credit award in conformance with Sections  
16 10-40 and 10-45 of this Act.

17           "Tax year" means a calendar year for the period January 1  
18 to and including December 31.

19           Section 10-15. Powers of the Department. The Department, in  
20 addition to those powers granted under the Civil Administrative  
21 Code of Illinois, is granted and has all the powers necessary  
22 or convenient to carry out and effectuate the purposes and  
23 provisions of this Act, including, but not limited to, the  
24 power and authority to:

25           (1) adopt rules deemed necessary and appropriate for



1 the administration of the Tax Credit Award program;  
2 establish forms for applications, notifications,  
3 contracts, or any other agreements; and accept  
4 applications at any time during the year;

5 (2) assist applicants pursuant to the provisions of  
6 this Act to promote, foster, and support live theater  
7 development and production and its related job creation or  
8 retention within the State;

9 (3) gather information and conduct inquiries, in the  
10 manner and by the methods set forth in this Act, required  
11 for the Department to comply with Section 10-40 and,  
12 without limitation, obtain information with respect to  
13 applicants for the purpose of making any designations or  
14 certifications necessary or desirable to assist the  
15 Department with any recommendation or guidance in the  
16 furtherance of the purposes of this Act and relating to  
17 applicants' participation in training, education, and  
18 recruitment programs that are organized in cooperation  
19 with Illinois colleges and universities or labor  
20 organizations designed to promote and encourage the  
21 training and hiring of Illinois residents who represent the  
22 diversity of the Illinois population;

23 (4) provide for sufficient personnel to permit  
24 administrative, staffing, operating, and related support  
25 required to adequately discharge its duties and  
26 responsibilities described in this Act from funds as may be

1           appropriated by the General Assembly for the  
2           administration of this Act; and

3           (5) require that the applicant at all times keep proper  
4           books and records of accounts relating to the tax credit  
5           award, in accordance with generally accepted accounting  
6           principles consistently applied, and make, upon reasonable  
7           written request by the Department, those books and records  
8           available for reasonable Department inspection and audit  
9           during the applicant's normal business hours. Any  
10          documents or data made available to or received from the  
11          applicant by any agent, employee, officer, or service  
12          provider to the Department shall be deemed confidential and  
13          shall not constitute public records to the extent that the  
14          documents or data consist of commercial or financial  
15          information regarding the operation by the applicant of any  
16          theater or any accredited theater production, or any  
17          recipient of any tax credit award under this Act.

18          Section 10-20. Tax credit award. Subject to the conditions  
19          set forth in this Act, an applicant is entitled to a tax credit  
20          award as approved by the Department for qualifying Illinois  
21          labor expenditures and Illinois production spending for each  
22          tax year in which the applicant is awarded an accredited  
23          theater production certificate issued by the Department. The  
24          amount of tax credits awarded pursuant to this Act shall not  
25          exceed \$2,000,000 in any fiscal year. Credits shall be awarded

1 on a first-come, first-served basis. Notwithstanding the  
2 foregoing, if the amount of credits applied for in any fiscal  
3 year exceeds the amount authorized to be awarded under this  
4 Section, the excess credit amount shall be awarded in the next  
5 fiscal year in which credits remain available for award and  
6 shall be treated as having been applied for on the first day of  
7 that fiscal year.

8 Section 10-25. Application for certification of accredited  
9 theater production. Any applicant proposing an accredited  
10 theater production located or planned to be located in Illinois  
11 may request an accredited theater production certificate by  
12 application to the Department.

13 Section 10-30. Review of application for accredited  
14 theater production certificate.

15 (a) The Department shall issue an accredited theater  
16 production certificate to an applicant if it finds that by a  
17 preponderance the following conditions exist:

18 (1) the applicant intends to make the expenditure in  
19 the State required for certification of the accredited  
20 theater production;

21 (2) the applicant's accredited theater production is  
22 economically sound and will benefit the people of the State  
23 of Illinois by increasing opportunities for employment and  
24 will strengthen the economy of Illinois;

1           (3) the following requirements related to the  
2 implementation of a diversity plan have been met: (i) the  
3 applicant has filed with the Department a diversity plan  
4 outlining specific goals for hiring Illinois labor  
5 expenditure eligible minority persons and females, as  
6 defined in the Business Enterprise for Minorities,  
7 Females, and Persons with Disabilities Act, and for using  
8 vendors receiving certification under the Business  
9 Enterprise for Minorities, Females, and Persons with  
10 Disabilities Act; (ii) the Department has approved the plan  
11 as meeting the requirements established by the Department  
12 and verified that the applicant has met or made good faith  
13 efforts in achieving those goals; and (iii) the Department  
14 has adopted any rules that are necessary to ensure  
15 compliance with the provisions set forth in this paragraph  
16 and necessary to require that the applicant's plan reflects  
17 the diversity of the population of this State;

18           (4) the applicant's accredited theater production  
19 application indicates whether the applicant intends to  
20 participate in training, education, and recruitment  
21 programs that are organized in cooperation with Illinois  
22 colleges and universities, labor organizations, and the  
23 holders of accredited theater production certificates and  
24 are designed to promote and encourage the training and  
25 hiring of Illinois residents who represent the diversity of  
26 Illinois;

1           (5) if not for the tax credit award, the applicant's  
2           accredited theater production would not occur in Illinois,  
3           which may be demonstrated by any means, including, but not  
4           limited to, evidence that: (i) the applicant, presenter,  
5           owner, or licensee of the production rights has other state  
6           or international location options at which to present the  
7           production and could reasonably and efficiently locate  
8           outside of the State, (ii) at least one other state or  
9           nation could be considered for the production, (iii) the  
10          receipt of the tax award credit is a major factor in the  
11          decision of the applicant, presenter, production owner or  
12          licensee as to where the production will be presented and  
13          that without the tax credit award the applicant likely  
14          would not create or retain jobs in Illinois, or (iv)  
15          receipt of the tax credit award is essential to the  
16          applicant's decision to create or retain new jobs in the  
17          State; and

18          (6) the tax credit award will result in an overall  
19          positive impact to the State, as determined by the  
20          Department using the best available data.

21          (b) If any of the provisions in this Section conflict with  
22          any existing collective bargaining agreements, the terms and  
23          conditions of those collective bargaining agreements shall  
24          control.

25          (c) The Department shall act expeditiously regarding  
26          approval of applications for accredited theater production

1 certificates so as to accommodate the pre-production work,  
2 booking, commencement of ticket sales, determination of  
3 performance dates, load in, and other matters relating to the  
4 live theater productions for which approval is sought.

5 Section 10-35. Training programs for skills in critical  
6 demand. To accomplish the purposes of this Act, the Department  
7 may use the training programs provided under Section 605-800 of  
8 the Department of Commerce and Economic Opportunity Law of the  
9 Civil Administrative Code of Illinois.

10 Section 10-40. Issuance of Tax Credit Award Certificate.

11 (a) In order to qualify for a tax credit award under this  
12 Act, an applicant must file an application for each accredited  
13 theater production at each of the applicant's qualified  
14 production facilities, on forms prescribed by the Department,  
15 providing information necessary to calculate the tax credit  
16 award and any additional information as reasonably required by  
17 the Department.

18 (b) Upon satisfactory review of the application, the  
19 Department shall issue a tax credit award certificate stating  
20 the amount of the tax credit award to which the applicant is  
21 entitled for that tax year and shall contemporaneously notify  
22 the applicant and Illinois Department of Revenue in accordance  
23 with Section 222 of the Illinois Income Tax Act.

1           Section 10-45. Amount and payment of the tax credit award.  
2           The tax credit award shall be calculated each tax year based  
3           upon the filing by the applicant on forms prescribed by the  
4           Department containing information regarding qualifying and  
5           quantified Illinois labor expenditures, as defined in Section  
6           10-10, net of the limitation in that Section, and Illinois  
7           production spending, as defined in Section 10-10, net of the  
8           limitation in that Section. From the amount calculated, the  
9           applicant shall be entitled to receive a tax credit award of up  
10          to:

11                   (1) 20% of the Illinois labor expenditures for each tax  
12                   year; plus

13                   (2) 20% of the Illinois production spending for each  
14                   tax year; plus

15                   (3) 15% of the Illinois labor expenditures generated by  
16                   the employment of Illinois residents in geographic areas of  
17                   high poverty or high unemployment in each tax year, as  
18                   determined by the Department.

19          Following the Department's determination of the tax credit  
20          award, the Department shall issue the tax credit award to the  
21          applicant.

22          Section 10-50. Live theater tax credit award program  
23          evaluation and reports.

24                   (a) The Department's live theater tax credit award  
25          evaluation must include:

1           (i) an assessment of the effectiveness of the program  
2 in creating and retaining new jobs in Illinois;

3           (ii) an assessment of the revenue impact of the  
4 program;

5           (iii) in the discretion of the Department, a review of  
6 the practices and experiences of other states or nations  
7 with similar programs; and

8           (iv) an assessment of the overall success of the  
9 program. The Department may make a recommendation to  
10 extend, modify, or not extend the program based on the  
11 evaluation.

12           (b) At the end of each fiscal quarter, the Department shall  
13 submit to the General Assembly a report that includes, without  
14 limitation:

15           (i) an assessment of the economic impact of the  
16 program, including the number of jobs created and retained,  
17 and whether the job positions are entry level, management,  
18 vendor, or production related;

19           (ii) the amount of accredited theater production  
20 spending brought to Illinois, including the amount of  
21 spending and type of Illinois vendors hired in connection  
22 with an accredited theater production; and

23           (iii) a determination of whether those receiving  
24 qualifying Illinois labor expenditure salaries or wages  
25 reflect the geographical, racial and ethnic, gender, and  
26 income level diversity of the State of Illinois.



1 (c) At the end of each fiscal year, the Department shall  
2 submit to the General Assembly a report that includes, without  
3 limitation:

4 (i) the identification of each vendor that provided  
5 goods or services that were included in an accredited  
6 theater production's Illinois production spending;

7 (ii) a statement of the amount paid to each identified  
8 vendor by the accredited theater production and whether the  
9 vendor is a minority or female owned business as defined in  
10 Section 2 of the Business Enterprise for Minorities,  
11 Females, and Persons with Disabilities Act; and

12 (iii) a description of the steps taken by the  
13 Department to encourage accredited theater productions to  
14 use vendors who are minority or female owned businesses.

15 Section 10-55. Program terms and conditions. Any  
16 documentary materials or data made available or received from  
17 an applicant by any agent or employee of the Department are  
18 confidential and are not public records to the extent that the  
19 materials or data consist of commercial or financial  
20 information regarding the operation of or the production of the  
21 applicant or recipient of any tax credit award under this Act.

22 Section 10-80. The Illinois Income Tax Act is amended by  
23 adding Section 222 as follows:

1 (35 ILCS 5/222 new)

2 Sec. 222. Live theater production credit.

3 (a) For tax years beginning on or after January 1, 2012, a  
4 taxpayer who has received a tax credit award under the Live  
5 Theater Production Tax Credit Act is entitled to a credit  
6 against the taxes imposed under subsections (a) and (b) of  
7 Section 201 of this Act in an amount determined under that Act  
8 by the Department of Commerce and Economic Opportunity.

9 (b) If the taxpayer is a partnership, limited liability  
10 partnership, limited liability company, or Subchapter S  
11 corporation, the tax credit award is allowed to the partners,  
12 unit holders, or shareholders in accordance with the  
13 determination of income and distributive share of income under  
14 Sections 702 and 704 and Subchapter S of the Internal Revenue  
15 Code.

16 (c) A sale, assignment, or transfer of the tax credit award  
17 may be made by the taxpayer earning the credit within one year  
18 after the credit is awarded in accordance with rules adopted by  
19 the Department of Commerce and Economic Opportunity.

20 (d) The Department of Revenue, in cooperation with the  
21 Department of Commerce and Economic Opportunity, shall adopt  
22 rules to enforce and administer the provisions of this Section.

23 (e) The tax credit award may not be carried back. If the  
24 amount of the credit exceeds the tax liability for the year,  
25 the excess may be carried forward and applied to the tax  
26 liability of the 5 tax years following the excess credit year.

1 The tax credit award shall be applied to the earliest year for  
2 which there is a tax liability. If there are credits from more  
3 than one tax year that are available to offset liability, the  
4 earlier credit shall be applied first. In no event may a credit  
5 under this Section reduce the taxpayer's liability to less than  
6 zero.

7 Article 15. Amendatory Provisions

8 Section 15-5. The Economic Development Area Tax Increment  
9 Allocation Act is amended by changing Sections 3, 4, 5, 8, 9,  
10 and 11 and by adding Sections 4.5 and 4.7 as follows:

11 (20 ILCS 620/3) (from Ch. 67 1/2, par. 1003)

12 Sec. 3. Definitions. In this Act, words or terms shall have  
13 the following meanings unless the context or usage clearly  
14 indicates that another meaning is intended.

15 (a) "Department" means the Department of Commerce and  
16 Economic Opportunity.

17 (b) "Economic development plan" means the written plan of a  
18 municipality which sets forth an economic development program  
19 for an economic development project area. Each economic  
20 development plan shall include but not be limited to (1)  
21 estimated economic development project costs, (2) the sources  
22 of funds to pay such costs, (3) the nature and term of any  
23 obligations to be issued by the municipality to pay such costs,

1 (4) the most recent equalized assessed valuation of the  
2 economic development project area, (5) an estimate of the  
3 equalized assessed valuation of the economic development  
4 project area after completion of an economic development  
5 project, (6) the estimated date of completion of any economic  
6 development project proposed to be undertaken, (7) a general  
7 description of any proposed developer, user, or tenant of any  
8 property to be located or improved within the economic  
9 development project area, (8) a description of the type,  
10 structure and general character of the facilities to be  
11 developed or improved in the economic development project area,  
12 (9) a description of the general land uses to apply in the  
13 economic development project area, (10) a description of the  
14 type, class and number of employees to be employed in the  
15 operation of the facilities to be developed or improved in the  
16 economic development project area, and (11) a commitment by the  
17 municipality to fair employment practices and an affirmative  
18 action plan with respect to any economic development program to  
19 be undertaken by the municipality.

20 (c) "Economic development project" means any development  
21 project in furtherance of the objectives of this Act.

22 (d) "Economic development project area" means any improved  
23 or vacant area which (1) is located within or partially within  
24 or partially without the territorial limits of a municipality,  
25 provided that no area without the territorial limits of a  
26 municipality shall be included in an economic development

1 project area without the express consent of the Department,  
2 acting as agent for the State, (2) is contiguous, (3) is not  
3 less in the aggregate than three hundred twenty acres, (4) is  
4 suitable for siting by any commercial, manufacturing,  
5 industrial, research or transportation enterprise of  
6 facilities to include but not be limited to commercial  
7 businesses, offices, factories, mills, processing plants,  
8 assembly plants, packing plants, fabricating plants,  
9 industrial or commercial distribution centers, warehouses,  
10 repair overhaul or service facilities, freight terminals,  
11 research facilities, test facilities or transportation  
12 facilities, whether or not such area has been used at any time  
13 for such facilities and whether or not the area has been used  
14 or is suitable for other uses, including commercial  
15 agricultural purposes, and (5) which has been approved and  
16 certified by the Department pursuant to this Act.

17 (e) "Economic development project costs" mean and include  
18 the sum total of all reasonable or necessary costs incurred by  
19 a municipality incidental to an economic development project,  
20 including, without limitation, the following:

21 (1) Costs of studies, surveys, development of plans and  
22 specifications, implementation and administration of an  
23 economic development plan, personnel and professional service  
24 costs for architectural, engineering, legal, marketing,  
25 financial, planning, police, fire, public works or other  
26 services, provided that no charges for professional services

1 may be based on a percentage of incremental tax revenues;

2 (2) Property assembly costs within an economic development  
3 project area, including but not limited to acquisition of land  
4 and other real or personal property or rights or interests  
5 therein, and specifically including payments to developers or  
6 other nongovernmental persons as reimbursement for property  
7 assembly costs incurred by such developer or other  
8 nongovernmental person;

9 (3) Site preparation costs, including but not limited to  
10 clearance of any area within an economic development project  
11 area by demolition or removal of any existing buildings,  
12 structures, fixtures, utilities and improvements and clearing  
13 and grading; and including installation, repair, construction,  
14 reconstruction, or relocation of public streets, public  
15 utilities, and other public site improvements within or without  
16 an economic development project area which are essential to the  
17 preparation of the economic development project area for use in  
18 accordance with an economic development plan; and specifically  
19 including payments to developers or other nongovernmental  
20 persons as reimbursement for site preparation costs incurred by  
21 such developer or nongovernmental person;

22 (4) Costs of renovation, rehabilitation, reconstruction,  
23 relocation, repair or remodeling of any existing buildings,  
24 improvements, and fixtures within an economic development  
25 project area, and specifically including payments to  
26 developers or other nongovernmental persons as reimbursement

1 for such costs incurred by such developer or nongovernmental  
2 person;

3 (5) Costs of construction, acquisition, and operation  
4 within an economic development project area of public  
5 improvements, including but not limited to, publicly-owned  
6 buildings, structures, works, utilities or fixtures; provided  
7 that no allocation made to the municipality pursuant to  
8 subparagraph (A) of paragraph (2) of subsection (g) of Section  
9 4 of this Act or subparagraph (A) of paragraph (4) of  
10 subsection (g) of Section 4 of this Act shall be used to  
11 operate a convention center or similar entertainment complex or  
12 venue;

13 (6) Financing costs, including but not limited to all  
14 necessary and incidental expenses related to the issuance of  
15 obligations, payment of any interest on any obligations issued  
16 hereunder which accrues during the estimated period of  
17 construction of any economic development project for which such  
18 obligations are issued and for not exceeding 36 months  
19 thereafter, and any reasonable reserves related to the issuance  
20 of such obligations;

21 (7) All or a portion of a taxing district's capital costs  
22 resulting from an economic development project necessarily  
23 incurred or estimated to be incurred by a taxing district in  
24 the furtherance of the objectives of an economic development  
25 project, to the extent that the municipality by written  
26 agreement accepts and approves such costs;

1           (8) Relocation costs to the extent that a municipality  
2 determines that relocation costs shall be paid or is required  
3 to make payment of relocation costs by federal or State law;

4           (9) The estimated tax revenues from real property in an  
5 economic development project area acquired by a municipality  
6 which, according to the economic development plan, is to be  
7 used for a private use and which any taxing district would have  
8 received had the municipality not adopted tax increment  
9 allocation financing for an economic development project area  
10 and which would result from such taxing district's levies made  
11 after the time of the adoption by the municipality of tax  
12 increment allocation financing to the time the current  
13 equalized assessed value of real property in the economic  
14 development project area exceeds the total initial equalized  
15 value of real property in said area;

16           (10) Costs of job training, advanced vocational or career  
17 education, including but not limited to courses in  
18 occupational, semi-technical or technical fields leading  
19 directly to employment, incurred by one or more taxing  
20 districts, provided that such costs are related to the  
21 establishment and maintenance of additional job training,  
22 advanced vocational education or career education programs for  
23 persons employed or to be employed by employers located in an  
24 economic development project area, and further provided that  
25 when such costs are incurred by a taxing district or taxing  
26 districts other than the municipality they shall be set forth



1 in a written agreement by or among the municipality and the  
2 taxing district or taxing districts, which agreement describes  
3 the program to be undertaken, including but not limited to the  
4 number of employees to be trained, a description of the  
5 training and services to be provided, the number and type of  
6 positions available or to be available, itemized costs of the  
7 program and sources of funds to pay the same, and the term of  
8 the agreement. Such costs include, specifically, the payment by  
9 community college districts of costs pursuant to Sections 3-37,  
10 3-38, 3-40 and 3-40.1 of the Public Community College Act and  
11 by school districts of costs pursuant to Sections 10-22.20a and  
12 10-23.3a of The School Code;

13 (11) Private financing costs incurred by developers or  
14 other nongovernmental persons in connection with an economic  
15 development project, and specifically including payments to  
16 developers or other nongovernmental persons as reimbursement  
17 for such costs incurred by such developer or other  
18 nongovernmental person, provided that:

19 (A) private financing costs shall be paid or reimbursed by  
20 a municipality only pursuant to the prior official action of  
21 the municipality evidencing an intent to pay or reimburse such  
22 private financing costs;

23 (B) except as provided in subparagraph (D), the aggregate  
24 amount of such costs paid or reimbursed by a municipality in  
25 any one year shall not exceed 30% of such costs paid or  
26 incurred by the developer or other nongovernmental person in

1 that year;

2 (C) private financing costs shall be paid or reimbursed by  
3 a municipality solely from the special tax allocation fund  
4 established pursuant to this Act and shall not be paid or  
5 reimbursed from the proceeds of any obligations issued by a  
6 municipality;

7 (D) if there are not sufficient funds available in the  
8 special tax allocation fund in any year to make such payment or  
9 reimbursement in full, any amount of such interest cost  
10 remaining to be paid or reimbursed by a municipality shall  
11 accrue and be payable when funds are available in the special  
12 tax allocation fund to make such payment; and

13 (E) in connection with its approval and certification of an  
14 economic development project pursuant to Section 5 of this Act,  
15 the Department shall review any agreement authorizing the  
16 payment or reimbursement by a municipality of private financing  
17 costs in its consideration of the impact on the revenues of the  
18 municipality and the affected taxing districts of the use of  
19 tax increment allocation financing.

20 (f) "Municipality" means a city, village or incorporated  
21 town.

22 (g) "Obligations" means any instrument evidencing the  
23 obligation of a municipality to pay money, including without  
24 limitation, bonds, notes, installment or financing contracts,  
25 certificates, tax anticipation warrants or notes, vouchers,  
26 and any other evidence of indebtedness.

1           (h) "Taxing districts" means counties, townships,  
2 municipalities, and school, road, park, sanitary, mosquito  
3 abatement, forest preserve, public health, fire protection,  
4 river conservancy, tuberculosis sanitarium and any other  
5 municipal corporations or districts with the power to levy  
6 taxes upon property located within the economic development  
7 project area.

8           (Source: P.A. 94-793, eff. 5-19-06.)

9           (20 ILCS 620/4) (from Ch. 67 1/2, par. 1004)

10          Sec. 4. Establishment of economic development project  
11 areas; ordinance; notice; hearing; changes in economic  
12 development plan. Economic development project areas shall be  
13 established as follows:

14          (a) The corporate authorities of a municipality shall by  
15 ordinance propose the establishment of an economic development  
16 project area and fix a time and place for a public hearing, and  
17 shall submit a certified copy of the ordinance as adopted to  
18 the Department.

19          (b) (1) Notice of the public hearing shall be given by  
20 publication and mailing. Notice by publication shall be given  
21 by publication at least twice, the first publication to be not  
22 more than 30 nor less than 10 days prior to the hearing in a  
23 newspaper of general circulation within the taxing districts  
24 having property in the proposed economic development project  
25 area. Notice by mailing shall be given by depositing such

1 notice together with a copy of the proposed economic  
2 development plan in the United States mails by certified mail  
3 addressed to the person or persons in whose name the general  
4 taxes for the last preceding year were paid on each lot, block,  
5 tract, or parcel of land lying within the economic development  
6 project area. The notice shall be mailed not less than 10 days  
7 prior to the date set for the public hearing. In the event  
8 taxes for the last preceding year were not paid, the notice  
9 shall also be sent to the persons last listed on the tax rolls  
10 within the preceding 3 years as the owners of such property.

11 (2) The notices issued pursuant to this Section shall  
12 include the following:

13 (A) The time and place of public hearing;

14 (B) The boundaries of the proposed economic development  
15 project area by legal description and by street location where  
16 possible;

17 (C) A notification that all interested persons will be  
18 given an opportunity to be heard at the public hearing;

19 (D) An invitation for any person to submit alternative  
20 proposals or bids for any proposed conveyance, lease, mortgage  
21 or other disposition of land within the proposed economic  
22 development project area;

23 (E) A description of the economic development plan or  
24 economic development project if a plan or project is a subject  
25 matter of the hearing; and

26 (F) Such other matters as the municipality may deem

1 appropriate.

2 (3) Not less than 30 days prior to the date set for  
3 hearing, the municipality shall give notice by mail as provided  
4 in this subsection (b) to all taxing districts, of which  
5 taxable property is included in the economic development  
6 project area, and to the Department. In addition to the other  
7 requirements under this subsection (b), the notice shall  
8 include an invitation to the Department and each taxing  
9 district to submit comments to the municipality concerning the  
10 subject matter of the hearing prior to the date of hearing.

11 (c) At the public hearing any interested person, the  
12 Department or any affected taxing district may file written  
13 objections with the municipal clerk and may be heard orally  
14 with respect to any issues embodied in the notice. The  
15 municipality shall hear and determine all alternate proposals  
16 or bids for any proposed conveyance, lease, mortgage or other  
17 disposition of land and all protests and objections at the  
18 hearing, and the hearing may be adjourned to another date  
19 without further notice other than a motion to be entered upon  
20 the minutes fixing the time and place of the adjourned hearing.  
21 Public hearings with regard to an economic development plan,  
22 economic development project area, or economic development  
23 project may be held simultaneously.

24 (d) At the public hearing or at any time prior to the  
25 adoption by the municipality of an ordinance approving an  
26 economic development plan, the municipality may make changes in

1 the economic development plan. Changes which (1) alter the  
2 exterior boundaries of the proposed economic development  
3 project area, (2) substantially affect the general land uses  
4 established in the proposed economic development plan, (3)  
5 substantially change the nature of the proposed economic  
6 development project, (4) change the general description of any  
7 proposed developer, user or tenant of any property to be  
8 located or improved within the economic development project  
9 area, or (5) change the description of the type, class and  
10 number of employees to be employed in the operation of the  
11 facilities to be developed or improved within the economic  
12 development project area shall be made only after notice and  
13 hearing pursuant to the procedures set forth in this Section.  
14 Changes which do not (1) alter the exterior boundaries of a  
15 proposed economic development project area, (2) substantially  
16 affect the general land uses established in the proposed  
17 economic development plan, (3) substantially change the nature  
18 of the proposed economic development project, (4) change the  
19 general description of any proposed developer, user or tenant  
20 of any property to be located or improved within the economic  
21 development project area, or (5) change the description of the  
22 type, class and number of employees to be employed in the  
23 operation of the facilities to be developed or improved within  
24 the economic development project area may be made without  
25 further hearing, provided that the municipality shall give  
26 notice of its changes by mail to the Department and to each

1 affected taxing district and by publication in a newspaper or  
2 newspapers of general circulation within the affected taxing  
3 districts. Such notice by mail and by publication shall each  
4 occur not later than 10 days following the adoption by  
5 ordinance of such changes.

6 (e) At any time within 30 days of the final adjournment of  
7 the public hearing, a municipality may, by ordinance, approve  
8 the economic development plan, establish the economic  
9 development project area, and authorize tax increment  
10 allocation financing for such economic development project  
11 area. Any ordinance adopted which approves an economic  
12 development plan shall contain findings that the developer or  
13 any of its successor entities and its subsidiaries ~~economic~~  
14 ~~development project~~ shall create or retain not less than 4,250  
15 ~~2,000~~ full-time equivalent jobs, that private investment in an  
16 amount not less than \$100,000,000 shall occur in the economic  
17 development project area, that the economic development  
18 project will encourage the increase of commerce and industry  
19 within the State, thereby reducing the evils attendant upon  
20 unemployment and increasing opportunities for personal income,  
21 and that the economic development project will increase or  
22 maintain the property, sales and income tax bases of the  
23 municipality and of the State. Any ordinance adopted which  
24 establishes an economic development project area shall contain  
25 the boundaries of such area by legal description and, where  
26 possible, by street location. Any ordinance adopted which

1 authorizes tax increment allocation financing shall provide  
2 that the ad valorem taxes, if any, arising from the levies upon  
3 taxable real property in such economic development project area  
4 by taxing districts and tax rates determined in the manner  
5 provided in subsection (b) of Section 6 of this Act each year  
6 after the effective date of the ordinance until economic  
7 development project costs and all municipal obligations  
8 financing economic development project costs incurred under  
9 this Act have been paid shall be divided as follows:

10 (1) That portion of taxes levied upon each taxable lot,  
11 block, tract or parcel of real property which is attributable  
12 to the lower of the current equalized assessed value or the  
13 initial equalized assessed value of each such taxable lot,  
14 block, tract or parcel of real property in the economic  
15 development project area shall be allocated to and when  
16 collected shall be paid by the county collector to the  
17 respective affected taxing districts in the manner required by  
18 law in the absence of the adoption of tax increment allocation  
19 financing.

20 (2) That portion, if any, of such taxes which is  
21 attributable to the increase in the current equalized assessed  
22 valuation of each taxable lot, block, tract or parcel of real  
23 property in the economic development project area over and  
24 above the initial equalized assessed value of each property in  
25 the economic development project area shall be allocated to and  
26 when collected shall be paid to the municipal treasurer who



1 shall deposit such taxes into a special fund called the special  
2 tax allocation fund of the municipality for the purpose of  
3 paying economic development project costs and obligations  
4 incurred in the payment thereof.

5 (f) After a municipality has by ordinance approved an  
6 economic development plan and established an economic  
7 development project area, the plan may be amended and the  
8 boundaries of the area may be altered only as herein provided.  
9 Amendments which (1) alter the exterior boundaries of an  
10 economic development project area, (2) substantially affect  
11 the general land uses established pursuant to the economic  
12 development plan, (3) substantially change the nature of the  
13 economic development project, (4) change the general  
14 description of any proposed developer, user, or tenant of any  
15 property to be located or improved within the economic  
16 development project area, or (5) change the description of the  
17 type, class and number of employees to be employed in the  
18 operation of the facilities to be developed or improved within  
19 the economic development project area, shall be made only after  
20 notice and hearing pursuant to the procedures set forth in this  
21 Section. Amendments which do not (1) alter the boundaries of  
22 the economic development project area, (2) substantially  
23 affect the general land uses established in the economic  
24 development plan, (3) substantially change the nature of the  
25 economic development project, (4) change the general  
26 description of any proposed developer, user, or tenant of any

1 property to be located or improved within the economic  
2 development project area, or (5) change the description of the  
3 type, class and number of employees to be employed in the  
4 operation of the facilities to be developed or improved within  
5 the economic development project area may be made without  
6 further hearing, provided that the municipality shall give  
7 notice of any amendment by mail to the Department and to each  
8 taxing district and by publication in a newspaper or newspapers  
9 of general circulation within the affected taxing districts.  
10 Such notice by mail and by publication shall each occur not  
11 later than 10 days following the adoption by ordinance of any  
12 amendments.

13 (g) Extension of economic development project area;  
14 allocations; payment of outstanding claims; changes in  
15 equalized assessed valuation.

16 (1) Notwithstanding anything to the contrary set forth in  
17 this Act, upon the effective date of this amendatory Act of the  
18 97th General Assembly, the duration of any existing economic  
19 development plan created pursuant to this Act is extended to  
20 the duration permitted under this subsection, up to a maximum  
21 duration of 15 years.

22 (2) For the purposes of this Section, real estate taxes  
23 paid on property within the economic development project area  
24 during calendar year 2013 and remitted to the developer and the  
25 taxing districts in 2014 shall be the "base amount". Beginning  
26 with real estate taxes remitted in 2014, for any economic

1 development plan extended by operation of item (1) of this  
2 subsection (g), until such time as all existing obligations, as  
3 that term is defined in item (5) of this subsection (g), have  
4 been satisfied, the allocation of the special tax allocation  
5 fund shall be as follows:

6 (A) All receipts up to the first \$350,000 shall be  
7 maintained by the municipality in an escrow account to be  
8 used solely for (i) expenses relating to the reports  
9 required by Section 4.7 of this Act and (ii) legal expenses  
10 incurred in defense of any civil action brought against the  
11 municipality relating to the economic development  
12 agreement. The escrow account shall be within the scope of  
13 the annual audit provided in Section 4.7 of this Act. Each  
14 December 31 following a deposit into the escrow account,  
15 any unobligated balance in the escrow account shall be  
16 distributed to the taxing districts in the same manner and  
17 proportion as the most recent distribution by the county  
18 collector to the taxing districts in the economic  
19 development project area.

20 (B) After the allocation required pursuant to  
21 paragraph (A) of this item (2), the next \$5,000,000 of the  
22 receipts shall be allocated to the municipality.

23 (C) After the allocations required pursuant to  
24 paragraphs (A) and (B) of this item (2), 55% of the  
25 remaining receipts shall be allocated to the developer.

26 (D) After the allocations required pursuant to parts

1       (A) and (B) of this item (2), 45% of the remaining receipts  
2       shall be allocated to the taxing districts located within  
3       the economic development project area, excluding the  
4       municipality.

5       (3) For real estate taxes paid in 2012 and remitted to the  
6       developer and the taxing districts in 2013 and prior years, the  
7       allocation formula contained in any economic development plan  
8       in effect immediately prior to the effective date of this  
9       amendatory Act of the 97th General Assembly shall apply.

10       (4) Beginning with real estate taxes paid in 2014 and  
11       remitted to the developer and the taxing districts in 2015 and  
12       each year thereafter, if the taxes paid within the economic  
13       development project area change from the base amount, the  
14       allocation of the special tax allocation fund shall be as  
15       follows:

16               (A) If the amount of current year taxes paid is less  
17               than the base amount, then the administrative escrow  
18               account shall receive the first \$350,000 of receipts, the  
19               municipality shall receive the next \$5,000,000 of  
20               receipts, the developer shall receive 55% of receipts over  
21               \$5,350,000, and the remaining 45% of receipts over  
22               \$5,350,000 shall be distributed to the taxing districts  
23               (excluding the municipality) in the same manner and  
24               proportion as the most recent distribution by the county  
25               collector to those taxing districts in the economic  
26               development project area.

1           (B) If the amount of current year taxes paid is greater  
2           than the base amount, then 75% of the increase in real  
3           estate tax receipts shall be payable to the developer and  
4           the remaining 25% of the increase in real estate tax  
5           receipts shall be distributed to the taxing districts  
6           (including the municipality) pursuant to the formula in  
7           this subsection.

8           (5) After (i) all existing obligations and interest thereon  
9           have been satisfied, (ii) any excess moneys have been  
10           distributed pursuant to this subsection, and (iii) final  
11           closing of the books and records of the economic development  
12           project area has occurred, the municipality shall adopt an  
13           ordinance dissolving the special tax allocation fund for the  
14           economic development project area and terminating the  
15           designation of the economic development project area as an  
16           economic development project area. All excess moneys in the  
17           special tax allocation fund shall be distributed to the taxing  
18           districts in the same manner and proportion as the most recent  
19           distribution by the county collector to those taxing districts  
20           in the economic development project area. For the purpose of  
21           this subsection (g), "existing obligations" means (i) the  
22           obligations of the developer that existed before the base year,  
23           as certified by a sworn affidavit of the principal financial  
24           officer of the developer attesting that the amounts set forth  
25           are true and correct, (ii) obligations of the municipality  
26           relating to the payment of the obligations of the developer,

1 and (iii) any amounts payable by taxing districts to the  
2 developer for property taxes determined to have been overpaid,  
3 to the extent that those amounts payable have been carried  
4 forward as an interest bearing note due to the developer. All  
5 obligations of the developer due and payable shall be processed  
6 and paid in the order received, with the oldest notes to be  
7 processed and paid first. Beginning January 1, 2012, all  
8 outstanding interest bearing notes shall bear interest at the  
9 rate of 4% until paid.

10 (h) Beginning on the effective date of this amendatory Act  
11 of the 97th General Assembly, the taxing districts shall meet  
12 annually 180 days after the close of the municipal fiscal year,  
13 or as soon as the economic development project audit for that  
14 fiscal year becomes available, to review the effectiveness and  
15 status of the economic development project area up to that  
16 date.

17 (Source: P.A. 86-38.)

18 (20 ILCS 620/4.5 new)

19 Sec. 4.5. Recapture.

20 (a) In the event that the developer terminates all of its  
21 operations and vacates the redevelopment area within 60 months  
22 after the effective date of this amendatory Act of the 97th  
23 General Assembly, the developer shall be required to remit to  
24 the Department an amount equal to the payments disbursed to the  
25 developer in 2014 and subsequent years under the Agreement.

1 Within 30 days after receipt, the Department shall remit such  
2 funds to the county collector. The county collector shall  
3 thereafter make distribution to the respective taxing  
4 districts in the same manner and proportion as the most recent  
5 distribution by the county collector to those taxing districts  
6 of real property taxes from real property in the economic  
7 development project area.

8 (b) In the event the developer fails to maintain 4,250 jobs  
9 at any time before the termination of the economic development  
10 project area, the developer shall forfeit an amount of its  
11 allocations from the special tax allocation fund for that time  
12 period in which the developer failed to maintain 4,250 jobs.  
13 The amount forfeited shall equal the percentage of the year  
14 that the developer failed to maintain 4,250 multiplied by the  
15 amount the developer would have received if they maintained  
16 4,250 jobs for the entire year. Any funds that are forfeited  
17 shall be distributed to the taxing districts in the same manner  
18 and proportion as the most recent distribution by the county  
19 collector to those taxing districts (inclusive of the  
20 municipality) in the economic development project area.

21 (20 ILCS 620/4.7 new)

22 Sec. 4.7. Municipal reports. After the effective date of  
23 this amendatory Act of the 97th General Assembly, a  
24 municipality shall submit in an electronic format all of the  
25 following information for each economic development project

1 area (i) to the State Comptroller and (ii) to all taxing  
2 districts overlapping the economic development project area no  
3 later than 180 days after the close of each municipal fiscal  
4 year or as soon thereafter as the audited financial statements  
5 become available:

6 (1) Any amendments to the economic development plan or  
7 the economic development project area.

8 (2) Audited financial statements of the special tax  
9 allocation fund once a cumulative total of \$100,000 has  
10 been deposited into the fund.

11 (3) Certification of the Chief Executive Officer of the  
12 municipality that the municipality has complied with all of  
13 the requirements of this Act during the preceding fiscal  
14 year.

15 (4) An opinion of legal counsel that the municipality  
16 is in compliance with this Act.

17 (5) An analysis of the special tax allocation fund that  
18 sets forth:

19 (A) the balance in the special tax allocation fund  
20 at the beginning of the fiscal year;

21 (B) all amounts deposited in the special tax  
22 allocation fund by source;

23 (C) an itemized list of all expenditures from the  
24 special tax allocation fund by category of permissible  
25 economic development project cost; and

26 (D) the balance in the special tax allocation fund



1           at the end of the fiscal year, including a breakdown of  
2           that balance by source and a breakdown of that balance  
3           identifying any portion of the balance that is  
4           required, pledged, earmarked, or otherwise designated  
5           for payment of or securing of obligations and  
6           anticipated economic development project costs; any  
7           portion of that ending balance that has not been  
8           identified or is not identified as being required,  
9           pledged, earmarked, or otherwise designated for  
10           payment of or securing of obligations or anticipated  
11           economic development projects costs shall be  
12           designated as surplus as set forth in Section 8 of this  
13           Act.

14           (6) A description of all property purchased by the  
15           municipality within the economic development project area  
16           including:

17                   (A) street address;

18                   (B) approximate size or description of property;

19                   (C) purchase price; and

20                   (D) the seller of the property.

21           (7) A statement setting forth all activities  
22           undertaken in furtherance of the objectives of the economic  
23           development plan, including:

24                   (A) any project implemented in the preceding  
25                   fiscal year;

26                   (B) a description of the economic development

1           activities undertaken;

2           (C) a description of any agreements entered into by  
3           the municipality with regard to the disposition or  
4           redevelopment of any property within the economic  
5           development project area;

6           (D) additional information on the use of all funds  
7           received under this Act and steps taken by the  
8           municipality to achieve the objectives of the economic  
9           development plan;

10          (E) information regarding contracts that the  
11          municipality's tax increment advisors or consultants  
12          have entered into with entities or persons that have  
13          received, or are receiving, payments financed by tax  
14          increment revenues produced by the same economic  
15          development project area; and

16          (F) a review of public and, to the extent possible,  
17          private investment actually undertaken on or after the  
18          effective date of this amendatory Act of the 97th  
19          General Assembly and prior to the date of the report  
20          and estimated to be undertaken during the following  
21          fiscal year; this review shall, on a project by project  
22          basis, set forth the estimated amounts of public and  
23          private investment incurred after the effective date  
24          of this amendatory Act of the 97th General Assembly and  
25          provide the ratio of private investment to public  
26          investment to the date of the report and as estimated

1           to the completion of the economic development project.

2           (8) With regard to any obligations issued by the  
3 municipality:

4           (A) copies of any official statements; and

5           (B) an analysis prepared by financial advisor or  
6 underwriter setting forth: (i) the nature and term of  
7 those obligations; and (ii) projected debt service  
8 including required reserves and debt coverage.

9           (9) For special tax allocation funds that have  
10 experienced cumulative deposits of incremental tax  
11 revenues of \$100,000 or more, a certified audit report  
12 reviewing compliance with this Act performed by an  
13 independent public accountant certified and licensed by  
14 the authority of the State of Illinois. The financial  
15 portion of the audit must be conducted in accordance with  
16 Standards for Audits of Governmental Organizations,  
17 Programs, Activities, and Functions adopted by the  
18 Comptroller General of the United States (1981), as  
19 amended, or the standards specified by Section 8-8-5 of the  
20 Illinois Municipal Auditing Law of the Illinois Municipal  
21 Code. The audit report shall contain a letter from the  
22 independent certified public accountant indicating  
23 compliance or noncompliance with the requirements of  
24 subsection (e) of Section 3 of this Act.

25           (10) A list of all intergovernmental agreements in  
26 effect during the fiscal year to which the municipality is

1       a party and an accounting of any moneys transferred or  
2       received by the municipality during that fiscal year  
3       pursuant to those intergovernmental agreements.

4       (20 ILCS 620/5) (from Ch. 67 1/2, par. 1005)

5       Sec. 5. Submission to Department; certification by  
6       Department; limitation on number of permissible economic  
7       development project areas. (a) The municipality shall submit  
8       certified copies of any ordinances adopted approving an  
9       economic development plan, establishing an economic  
10      development project area, and authorizing tax increment  
11      allocation financing for such economic development project  
12      area to the Department, together with (1) a map of the economic  
13      development project area, (2) a copy of the economic  
14      development plan as approved, (3) an analysis, and any  
15      supporting documents and statistics, demonstrating that the  
16      developer or any of its successor entities and its subsidiaries  
17      ~~economic development project~~ shall create or retain not less  
18      than 4,250 ~~2,000~~ full-time equivalent jobs and that private  
19      investment in the amount of not less than \$100,000,000 shall  
20      occur in the economic development project area, (4) an estimate  
21      of the economic impact of the economic development project and  
22      the use of tax increment allocation financing upon the revenues  
23      of the municipality and the affected taxing districts, (5) a  
24      record of all public hearings had in connection with the  
25      establishment of the economic development project area, and (6)

1 such other information as the Department by regulation may  
2 require.

3 (b) Upon receipt of an application from a municipality the  
4 Department shall review the application to determine whether  
5 the economic development project area qualifies as an economic  
6 development project area under this Act. At its discretion, the  
7 Department may accept or reject the application or may request  
8 such additional information as it deems necessary or advisable  
9 to aid its review. If any such area is found to be qualified to  
10 be an economic development project area, the Department shall  
11 approve and certify such economic development project area and  
12 shall provide written notice of its approval and certification  
13 to the municipality and to the county clerk. In determining  
14 whether an economic development project area shall be approved  
15 and certified, the Department shall consider (1) whether,  
16 without public intervention, the State would suffer  
17 substantial economic dislocation, such as relocation of a  
18 commercial business or industrial or manufacturing facility to  
19 another state, territory or country, or would not otherwise  
20 benefit from private investment offering substantial  
21 employment opportunities and economic growth, and (2) the  
22 impact on the revenues of the municipality and the affected  
23 taxing districts of the use of tax increment allocation  
24 financing in connection with the economic development project.

25 (c) On or before the date which is 18 months following the  
26 date on which this Act becomes law, the Department shall submit

1 to the General Assembly a report detailing the number of  
2 economic development project areas it has approved and  
3 certified, the number and type of jobs created or retained  
4 therein, the aggregate amount of private investment therein,  
5 the impact on the revenues of municipalities and affected  
6 taxing districts of the use of tax increment allocation  
7 financing therein, and such additional information as the  
8 Department may determine to be relevant. On or after the date  
9 which is 20 months following the date on which this Act becomes  
10 law the authority granted hereunder to municipalities to  
11 establish economic development project areas and to adopt tax  
12 increment allocation financing in connection therewith and to  
13 the Department to approve and certify economic development  
14 project areas shall expire unless the General Assembly shall  
15 have authorized municipalities and the Department to continue  
16 to exercise the powers granted to them hereunder.

17 (Source: P.A. 86-38.)

18 (20 ILCS 620/8) (from Ch. 67 1/2, par. 1008)

19 Sec. 8. Issuance of obligations for economic development  
20 project costs. Obligations secured by the special tax  
21 allocation fund provided for in Section 7 of this Act for an  
22 economic development project area may be issued to provide for  
23 economic development project costs. Those obligations, when so  
24 issued, shall be retired in the manner provided in the  
25 ordinance authorizing the issuance of the obligations by the

1 receipts of taxes levied as specified in Section 6 of this Act  
2 against the taxable property included in the economic  
3 development project area and by other revenue designated or  
4 pledged by the municipality. A municipality may in the  
5 ordinance pledge all or any part of the funds in and to be  
6 deposited in the special tax allocation fund created pursuant  
7 to Section 7 of this Act to the payment of the economic  
8 development project costs and obligations. Whenever a  
9 municipality pledges all of the funds to the credit of a  
10 special tax allocation fund to secure obligations issued or to  
11 be issued to pay economic development project costs, the  
12 municipality may specifically provide that funds remaining to  
13 the credit of such special tax allocation fund after the  
14 payment of such obligations shall be accounted for annually and  
15 shall be deemed to be "surplus" funds, and such "surplus" funds  
16 shall be distributed as hereinafter provided. Whenever a  
17 municipality pledges less than all of the monies to the credit  
18 of a special tax allocation fund to secure obligations issued  
19 or to be issued to pay economic development project costs, the  
20 municipality shall provide that monies to the credit of the  
21 special tax allocation fund and not subject to such pledge or  
22 otherwise encumbered or required for payment of contractual  
23 obligations for specific economic development project costs  
24 shall be calculated annually and shall be deemed to be  
25 "surplus" funds, and such "surplus" funds shall be distributed  
26 as hereinafter provided. All funds to the credit of a special

1 tax allocation fund which are deemed to be "surplus" funds  
2 shall be distributed annually within 180 days of the close of  
3 the municipality's fiscal year by being paid by the municipal  
4 treasurer to the county collector. The county collector shall  
5 thereafter make distribution to the respective taxing  
6 districts in the same manner and proportion as the most recent  
7 distribution by the county collector to those taxing districts  
8 of real property taxes from real property in the economic  
9 development project area.

10 Without limiting the foregoing in this Section the  
11 municipality may, in addition to obligations secured by the  
12 special tax allocation fund, pledge for a period not greater  
13 than the term of the obligations towards payment of those  
14 obligations any part or any combination of the following: (i)  
15 net revenues of all or part of any economic development  
16 project; (ii) taxes levied and collected on any or all property  
17 in the municipality, including, specifically, taxes levied or  
18 imposed by the municipality in a special service area pursuant  
19 to "An Act to provide the manner of levying or imposing taxes  
20 for the provision of special services to areas within the  
21 boundaries of home rule units and non-home rule municipalities  
22 and counties", approved September 21, 1973, as now or hereafter  
23 amended; (iii) the full faith and credit of the municipality;  
24 (iv) a mortgage on part or all of the economic development  
25 project; or (v) any other taxes or anticipated receipts that  
26 the municipality may lawfully pledge.



1           Such obligations may be issued in one or more series  
2 bearing interest at such rate or rates as the corporate  
3 authorities of the municipality shall determine by ordinance,  
4 which rate or rates may be variable or fixed, without regard to  
5 any limitations contained in any law now in effect or hereafter  
6 adopted. Such obligations shall bear such date or dates, mature  
7 at such time or times not exceeding 38 ~~20~~ years from their  
8 respective dates, but in no event exceeding 38 ~~23~~ years from  
9 the date of establishment of the economic development project  
10 area, be in such denomination, be in such form, whether coupon,  
11 registered or book-entry, carry such registration, conversion  
12 and exchange privileges, be executed in such manner, be payable  
13 in such medium of payment at such place or places within or  
14 without the State of Illinois, contain such covenants, terms  
15 and conditions, be subject to redemption with or without  
16 premium, be subject to defeasance upon such terms, and have  
17 such rank or priority, as such ordinance shall provide.  
18 Obligations issued pursuant to this Act may be sold at public  
19 or private sale at such price as shall be determined by the  
20 corporate authorities of the municipalities. Such obligations  
21 may, but need not, be issued utilizing the provisions of any  
22 one or more of the omnibus bond Acts specified in Section 1.33  
23 of "An Act to revise the law in relation to the construction of  
24 the statutes", approved March 5, 1874, as now or hereafter  
25 amended. No referendum approval of the electors shall be  
26 required as a condition to the issuance of obligations pursuant

1 to this Act except as provided in this Section.

2 Whenever a municipality issues bonds for the purpose of  
3 financing economic development project costs, the municipality  
4 may provide by ordinance for the appointment of a trustee,  
5 which may be any trust company within the State, and for the  
6 establishment of the funds or accounts to be maintained by such  
7 trustee as the municipality shall deem necessary to provide for  
8 the security and payment of the bonds. If the municipality  
9 provides for the appointment of a trustee, the trustee shall be  
10 considered the assignee of any payments assigned by the  
11 municipality pursuant to the ordinance and this Section. Any  
12 amounts paid to the trustee as assignee shall be deposited in  
13 the funds or accounts established pursuant to the trust  
14 agreement, and shall be held by the trustee in trust for the  
15 benefit of the holders of the bonds, and the holders shall have  
16 a lien on and a security interest in those bonds or accounts so  
17 long as the bonds remain outstanding and unpaid. Upon  
18 retirement of the bonds, the trustee shall pay over any excess  
19 amounts held to the municipality for deposit in the special tax  
20 allocation fund.

21 In the event the municipality authorizes the issuance of  
22 obligations pursuant to the authority of this Act secured by  
23 the full faith and credit of the municipality, or pledges ad  
24 valorem taxes pursuant to clause (ii) of the second paragraph  
25 of this Section, which obligations are other than obligations  
26 which may be issued under home rule powers provided by Article

1 VII, Section 6 of the Illinois Constitution or which ad valorem  
2 taxes are other than ad valorem taxes which may be pledged  
3 under home rule powers provided by Article VII, Section 6 of  
4 the Illinois Constitution or which are levied in a special  
5 service area pursuant to "An Act to provide the manner of  
6 levying or imposing taxes for the provision of special services  
7 to areas within the boundaries of home rule units and non-home  
8 rule municipalities and counties", approved September 21,  
9 1973, as now or hereafter amended, the ordinance authorizing  
10 the issuance of those obligations or pledging those taxes shall  
11 be published within 10 days after the ordinance has been  
12 adopted, in one or more newspapers having a general circulation  
13 within the municipality. The publication of the ordinance shall  
14 be accompanied by a notice of (1) the specific number of voters  
15 required to sign a petition requesting the question of the  
16 issuance of the obligations or pledging such ad valorem taxes  
17 to be submitted to the electors; (2) the time within which the  
18 petition must be filed; and (3) the date of the prospective  
19 referendum. The municipal clerk shall provide a petition form  
20 to any individual requesting one.

21 If no petition is filed with the municipal clerk, as  
22 hereinafter provided in this Section, within 21 days after the  
23 publication of the ordinance, the ordinance shall be in effect.  
24 However, if within that 21 day period a petition is filed with  
25 the municipal clerk, signed by electors numbering not less than  
26 15% of the number of electors voting for the mayor or president

1 at the last general municipal election, asking that the  
2 question of issuing obligations using full faith and credit of  
3 the municipality as security for the cost of paying for  
4 economic development project costs, or of pledging such ad  
5 valorem taxes for the payment of those obligations, or both, be  
6 submitted to the electors of the municipality, the municipality  
7 shall not be authorized to issue obligations of the  
8 municipality using the full faith and credit of the  
9 municipality as security or pledging such ad valorem taxes for  
10 the payment of those obligations, or both, until the  
11 proposition has been submitted to and approved by a majority of  
12 the voters voting on the proposition at a regularly scheduled  
13 election. The municipality shall certify the proposition to the  
14 proper election authorities for submission in accordance with  
15 the general election law.

16 The ordinance authorizing the obligations may provide that  
17 the obligations shall contain a recital that they are issued  
18 pursuant to this Act, which recital shall be conclusive  
19 evidence of their validity and of the regularity of their  
20 issuance.

21 In the event the municipality authorizes issuance of  
22 obligations pursuant to this Act secured by the full faith and  
23 credit of the municipality, the ordinance authorizing the  
24 obligations may provide for the levy and collection of a direct  
25 annual tax upon all taxable property within the municipality  
26 sufficient to pay the principal thereof and interest thereon as

1 it matures, which levy may be in addition to and exclusive of  
2 the maximum of all other taxes authorized to be levied by the  
3 municipality, which levy, however, shall be abated to the  
4 extent that monies from other sources are available for payment  
5 of the obligations and the municipality certifies the amount of  
6 those monies available to the county clerk.

7 A certified copy of the ordinance shall be filed with the  
8 county clerk of each county in which any portion of the  
9 municipality is situated, and shall constitute the authority  
10 for the extension and collection of the taxes to be deposited  
11 in the special tax allocation fund.

12 A municipality may also issue its obligations to refund, in  
13 whole or in part, obligations theretofore issued by the  
14 municipality under the authority of this Act, whether at or  
15 prior to maturity. However, the last maturity of the refunding  
16 obligations shall not be expressed to mature later than 38 ~~23~~  
17 years from the date of the ordinance establishing the economic  
18 development project area.

19 In the event a municipality issues obligations under home  
20 rule powers or other legislative authority, the proceeds of  
21 which are pledged to pay for economic development project  
22 costs, the municipality may, if it has followed the procedures  
23 in conformance with this Act, retire those obligations from  
24 funds in the special tax allocation fund in amounts and in such  
25 manner as if those obligations had been issued pursuant to the  
26 provisions of this Act.

1           No obligations issued pursuant to this Act shall be  
2 regarded as indebtedness of the municipality issuing those  
3 obligations or any other taxing district for the purpose of any  
4 limitation imposed by law.

5           Obligations issued pursuant to this Act shall not be  
6 subject to the provisions of "An Act to authorize public  
7 corporations to issue bonds, other evidences of indebtedness  
8 and tax anticipation warrants subject to interest rate  
9 limitations set forth therein", approved May 26, 1970, as  
10 amended.

11       (Source: P.A. 86-38.)

12           (20 ILCS 620/9) (from Ch. 67 1/2, par. 1009)

13           Sec. 9. Powers of municipalities. In addition to powers  
14 which it may now have, any municipality has the power under  
15 this Act:

16           (a) To make and enter into all contracts necessary or  
17 incidental to the implementation and furtherance of an economic  
18 development plan.

19           (b) Within an economic development project area, to acquire  
20 by purchase, donation, lease or eminent domain, and to own,  
21 convey, lease, mortgage or dispose of land and other real or  
22 personal property or rights or interests therein; and to grant  
23 or acquire licenses, easements and options with respect  
24 thereto, all in the manner and at such price the municipality  
25 determines is reasonably necessary to achieve the objectives of

1 the economic development project. No conveyance, lease,  
2 mortgage, disposition of land or other property acquired by the  
3 municipality, or agreement relating to the development of  
4 property, shall be made or executed except pursuant to prior  
5 official action of the municipality. No conveyance, lease,  
6 mortgage or other disposition of land, and no agreement  
7 relating to the development of property, shall be made without  
8 making public disclosure of the terms and disposition of all  
9 bids and proposals submitted to the municipality in connection  
10 therewith.

11 (c) To clear any area within an economic development  
12 project area by demolition or removal of any existing  
13 buildings, structures, fixtures, utilities or improvements,  
14 and to clear and grade land.

15 (d) To install, repair, construct, reconstruct or relocate  
16 public streets, public utilities, and other public site  
17 improvements within or without an economic development project  
18 area which are essential to the preparation of an economic  
19 development project area for use in accordance with an economic  
20 development plan.

21 (e) To renovate, rehabilitate, reconstruct, relocate,  
22 repair or remodel any existing buildings, improvements, and  
23 fixtures within an economic development project area.

24 (f) To construct, acquire, and operate public  
25 improvements, including but not limited to, publicly-owned  
26 buildings, structures, works, utilities or fixtures within any

1 economic development project area, subject to the restrictions  
2 of item (5) of subsection (e) of Section 3 of this Act.

3 (g) To issue obligations as provided in this Act ~~provided~~.

4 (h) To fix, charge and collect fees, rents and charges for  
5 the use of any building, facility or property or any portion  
6 thereof owned or leased by the municipality within an economic  
7 development project area.

8 (i) To accept grants, guarantees, donations of property or  
9 labor, or any other thing of value for use in connection with  
10 an economic development project.

11 (j) To pay or cause to be paid economic development project  
12 costs. Any payments to be made by the municipality to  
13 developers or other nongovernmental persons for economic  
14 development project costs incurred by such developer or other  
15 nongovernmental person shall be made only pursuant to the prior  
16 official action of the municipality evidencing an intent to pay  
17 or cause to be paid such economic development project costs. A  
18 municipality is not required to obtain any right, title or  
19 interest in any real or personal property in order to pay  
20 economic development project costs associated with such  
21 property. The municipality shall adopt such accounting  
22 procedures as may be necessary to determine that such economic  
23 development project costs are properly paid.

24 (k) To exercise any and all other powers necessary to  
25 effectuate the purposes of this Act.

26 (l) To create a commission of not less than 5 or more than



1 15 persons to be appointed by the mayor or president of the  
2 municipality with the consent of the majority of the corporate  
3 authorities of the municipality. Members of a commission shall  
4 be appointed for initial terms of 1, 2, 3, 4, and 5 years,  
5 respectively, in such numbers as to provide that the terms of  
6 not more than 1/3 of all such members shall expire in any one  
7 year. Their successors shall be appointed for a term of 5  
8 years. The commission, subject to approval of the corporate  
9 authorities, may exercise the powers enumerated in this  
10 Section. The commission shall also have the power to hold the  
11 public hearings required by this Act and make recommendations  
12 to the corporate authorities concerning the approval of  
13 economic development plans, the establishment of economic  
14 development project areas, and the adoption of tax increment  
15 allocation financing for economic development project areas.

16 (Source: P.A. 91-357, eff. 7-29-99.)

17 (20 ILCS 620/11) (from Ch. 67 1/2, par. 1011)

18 Sec. 11. Payment of project costs; revenues from  
19 governmental ~~municipal~~ property. Revenues received by a taxing  
20 district ~~municipality~~ from any property, building or facility  
21 owned, leased or operated by the taxing district ~~municipality~~  
22 or any agency or authority established by the taxing district  
23 ~~municipality~~ may be used to pay economic development project  
24 costs, or reduce outstanding obligations of the taxing district  
25 ~~municipality~~ incurred under this Act for economic development

1 project costs. The taxing district ~~municipality~~ may place those  
2 revenues in the special tax allocation fund which shall be held  
3 by the ~~municipal~~ treasurer of the taxing district or other  
4 person designated by the taxing district ~~municipality~~. Revenue  
5 received by a taxing district ~~the municipality~~ from the sale or  
6 other disposition of real or personal property or rights or  
7 interests therein acquired by a taxing district ~~the~~  
8 ~~municipality~~ with the proceeds of obligations funded by tax  
9 increment allocation financing may be used to acquire and  
10 operate other governmental property that is within the economic  
11 development project area or that provides services within the  
12 economic development project area, subject to the restrictions  
13 of item (5) of subsection (e) of Section 3 of this Act. ~~shall~~  
14 ~~be deposited by the municipality in the special tax allocation~~  
15 ~~fund.~~

16 (Source: P.A. 86-38.)

17 Section 15-10. The Illinois Income Tax Act is amended by  
18 changing Sections 201, 204, 207, 212, 250, 304, 804, and 1501  
19 as follows:

20 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

21 Sec. 201. Tax Imposed.

22 (a) In general. A tax measured by net income is hereby  
23 imposed on every individual, corporation, trust and estate for  
24 each taxable year ending after July 31, 1969 on the privilege

1 of earning or receiving income in or as a resident of this  
2 State. Such tax shall be in addition to all other occupation or  
3 privilege taxes imposed by this State or by any municipal  
4 corporation or political subdivision thereof.

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

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

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

19 (3) In the case of an individual, trust or estate, for  
20 taxable years beginning after June 30, 1989, and ending  
21 prior to January 1, 2011, an amount equal to 3% of the  
22 taxpayer's net income for the taxable year.

23 (4) In the case of an individual, trust, or estate, for  
24 taxable years beginning prior to January 1, 2011, and  
25 ending after December 31, 2010, an amount equal to the sum  
26 of (i) 3% of the taxpayer's net income for the period prior

1 to January 1, 2011, as calculated under Section 202.5, and  
2 (ii) 5% of the taxpayer's net income for the period after  
3 December 31, 2010, as calculated under Section 202.5.

4 (5) In the case of an individual, trust, or estate, for  
5 taxable years beginning on or after January 1, 2011, and  
6 ending prior to January 1, 2015, an amount equal to 5% of  
7 the taxpayer's net income for the taxable year.

8 (5.1) In the case of an individual, trust, or estate,  
9 for taxable years beginning prior to January 1, 2015, and  
10 ending after December 31, 2014, an amount equal to the sum  
11 of (i) 5% of the taxpayer's net income for the period prior  
12 to January 1, 2015, as calculated under Section 202.5, and  
13 (ii) 3.75% of the taxpayer's net income for the period  
14 after December 31, 2014, as calculated under Section 202.5.

15 (5.2) In the case of an individual, trust, or estate,  
16 for taxable years beginning on or after January 1, 2015,  
17 and ending prior to January 1, 2025, an amount equal to  
18 3.75% of the taxpayer's net income for the taxable year.

19 (5.3) In the case of an individual, trust, or estate,  
20 for taxable years beginning prior to January 1, 2025, and  
21 ending after December 31, 2024, an amount equal to the sum  
22 of (i) 3.75% of the taxpayer's net income for the period  
23 prior to January 1, 2025, as calculated under Section  
24 202.5, and (ii) 3.25% of the taxpayer's net income for the  
25 period after December 31, 2024, as calculated under Section  
26 202.5.

1           (5.4) In the case of an individual, trust, or estate,  
2           for taxable years beginning on or after January 1, 2025, an  
3           amount equal to 3.25% of the taxpayer's net income for the  
4           taxable year.

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

8           (7) In the case of a corporation, for taxable years  
9           beginning prior to July 1, 1989 and ending after June 30,  
10          1989, an amount equal to the sum of (i) 4% of the  
11          taxpayer's net income for the period prior to July 1, 1989,  
12          as calculated under Section 202.3, and (ii) 4.8% of the  
13          taxpayer's net income for the period after June 30, 1989,  
14          as calculated under Section 202.3.

15          (8) In the case of a corporation, for taxable years  
16          beginning after June 30, 1989, and ending prior to January  
17          1, 2011, an amount equal to 4.8% of the taxpayer's net  
18          income for the taxable year.

19          (9) In the case of a corporation, for taxable years  
20          beginning prior to January 1, 2011, and ending after  
21          December 31, 2010, an amount equal to the sum of (i) 4.8%  
22          of the taxpayer's net income for the period prior to  
23          January 1, 2011, as calculated under Section 202.5, and  
24          (ii) 7% of the taxpayer's net income for the period after  
25          December 31, 2010, as calculated under Section 202.5.

26          (10) In the case of a corporation, for taxable years

1 beginning on or after January 1, 2011, and ending prior to  
2 January 1, 2015, an amount equal to 7% of the taxpayer's  
3 net income for the taxable year.

4 (11) In the case of a corporation, for taxable years  
5 beginning prior to January 1, 2015, and ending after  
6 December 31, 2014, an amount equal to the sum of (i) 7% of  
7 the taxpayer's net income for the period prior to January  
8 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
9 of the taxpayer's net income for the period after December  
10 31, 2014, as calculated under Section 202.5.

11 (12) In the case of a corporation, for taxable years  
12 beginning on or after January 1, 2015, and ending prior to  
13 January 1, 2025, an amount equal to 5.25% of the taxpayer's  
14 net income for the taxable year.

15 (13) In the case of a corporation, for taxable years  
16 beginning prior to January 1, 2025, and ending after  
17 December 31, 2024, an amount equal to the sum of (i) 5.25%  
18 of the taxpayer's net income for the period prior to  
19 January 1, 2025, as calculated under Section 202.5, and  
20 (ii) 4.8% of the taxpayer's net income for the period after  
21 December 31, 2024, as calculated under Section 202.5.

22 (14) In the case of a corporation, for taxable years  
23 beginning on or after January 1, 2025, an amount equal to  
24 4.8% of the taxpayer's net income for the taxable year.

25 The rates under this subsection (b) are subject to the  
26 provisions of Section 201.5.

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

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

26           (d-1) Rate reduction for certain foreign insurers. In the

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

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



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

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

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

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

25 (e) Investment credit. A taxpayer shall be allowed a credit  
26 against the Personal Property Tax Replacement Income Tax for

1 investment in qualified property.

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

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

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

8 (2) The term "qualified property" means property  
9 which:

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

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

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

24 (D) is used in Illinois by a taxpayer who is  
25 primarily engaged in manufacturing, or in mining coal  
26 or fluorite, or in retailing, or was placed in service

1           on or after July 1, 2006 in a River Edge Redevelopment  
2           Zone established pursuant to the River Edge  
3           Redevelopment Zone Act; and

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

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

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

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

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

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

1           (8) Unless the investment credit is extended by law,  
2           the basis of qualified property shall not include costs  
3           incurred after December 31, 2018 ~~2013~~, except for costs  
4           incurred pursuant to a binding contract entered into on or  
5           before December 31, 2018 ~~2013~~.

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

22          For taxable years ending on or after December 31, 2000,  
23          a partner that qualifies its partnership for a subtraction  
24          under subparagraph (I) of paragraph (2) of subsection (d)  
25          of Section 203 or a shareholder that qualifies a Subchapter  
26          S corporation for a subtraction under subparagraph (S) of

1 paragraph (2) of subsection (b) of Section 203 shall be  
2 allowed a credit under this subsection (e) equal to its  
3 share of the credit earned under this subsection (e) during  
4 the taxable year by the partnership or Subchapter S  
5 corporation, determined in accordance with the  
6 determination of income and distributive share of income  
7 under Sections 702 and 704 and Subchapter S of the Internal  
8 Revenue Code. This paragraph is exempt from the provisions  
9 of Section 250.

10 (f) Investment credit; Enterprise Zone; River Edge  
11 Redevelopment Zone.

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



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

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

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

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

1 (C) is acquired by purchase as defined in Section  
2 179(d) of the Internal Revenue Code;

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

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

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

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

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

20 (6) If during any taxable year, any property ceases to  
21 be qualified property in the hands of the taxpayer within  
22 48 months after being placed in service, or the situs of  
23 any qualified property is moved outside the Enterprise Zone  
24 or River Edge Redevelopment Zone within 48 months after  
25 being placed in service, the tax imposed under subsections  
26 (a) and (b) of this Section for such taxable year shall be

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

11 (7) There shall be allowed an additional credit equal  
12 to 0.5% of the basis of qualified property placed in  
13 service during the taxable year in a River Edge  
14 Redevelopment Zone, provided such property is placed in  
15 service on or after July 1, 2006, and the taxpayer's base  
16 employment within Illinois has increased by 1% or more over  
17 the preceding year as determined by the taxpayer's  
18 employment records filed with the Illinois Department of  
19 Employment Security. Taxpayers who are new to Illinois  
20 shall be deemed to have met the 1% growth in base  
21 employment for the first year in which they file employment  
22 records with the Illinois Department of Employment  
23 Security. If, in any year, the increase in base employment  
24 within Illinois over the preceding year is less than 1%,  
25 the additional credit shall be limited to that percentage  
26 times a fraction, the numerator of which is 0.5% and the

1 denominator of which is 1%, but shall not exceed 0.5%.

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

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

14 (2) To qualify for the credit:

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

19 (B) the taxpayer's total employment within the  
20 enterprise zone, River Edge Redevelopment Zone, or  
21 federally designated Foreign Trade Zone or Sub-Zone  
22 must increase by 5 or more full-time employees beyond  
23 the total employed in that zone at the end of the  
24 previous tax year for which a jobs tax credit under  
25 this Section was taken, or beyond the total employed by  
26 the taxpayer as of December 31, 1985, whichever is

1 later; and

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

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

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

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

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

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

25 (4) For tax years ending on or after December 31, 1985  
26 and prior to December 31, 1988, the credit shall be allowed

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

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

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

19 (h) Investment credit; High Impact Business.

20 (1) Subject to subsections (b) and (b-5) of Section 5.5  
21 of the Illinois Enterprise Zone Act, a taxpayer shall be  
22 allowed a credit against the tax imposed by subsections (a)  
23 and (b) of this Section for investment in qualified  
24 property which is placed in service by a Department of  
25 Commerce and Economic Opportunity designated High Impact  
26 Business. The credit shall be .5% of the basis for such

1 property. The credit shall not be available (i) until the  
2 minimum investments in qualified property set forth in  
3 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
4 Enterprise Zone Act have been satisfied or (ii) until the  
5 time authorized in subsection (b-5) of the Illinois  
6 Enterprise Zone Act for entities designated as High Impact  
7 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
8 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
9 Act, and shall not be allowed to the extent that it would  
10 reduce a taxpayer's liability for the tax imposed by  
11 subsections (a) and (b) of this Section to below zero. The  
12 credit applicable to such investments shall be taken in the  
13 taxable year in which such investments have been completed.  
14 The credit for additional investments beyond the minimum  
15 investment by a designated high impact business authorized  
16 under subdivision (a)(3)(A) of Section 5.5 of the Illinois  
17 Enterprise Zone Act shall be available only in the taxable  
18 year in which the property is placed in service and shall  
19 not be allowed to the extent that it would reduce a  
20 taxpayer's liability for the tax imposed by subsections (a)  
21 and (b) of this Section to below zero. For tax years ending  
22 on or after December 31, 1987, the credit shall be allowed  
23 for the tax year in which the property is placed in  
24 service, or, if the amount of the credit exceeds the tax  
25 liability for that year, whether it exceeds the original  
26 liability or the liability as later amended, such excess

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

7           Changes made in this subdivision (h) (1) by Public Act  
8           88-670 restore changes made by Public Act 85-1182 and  
9           reflect existing law.

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

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

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

18                 (C) is acquired by purchase as defined in Section  
19                 179(d) of the Internal Revenue Code; and

20                 (D) is not eligible for the Enterprise Zone  
21                 Investment Credit provided by subsection (f) of this  
22                 Section.

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

26           (4) If the basis of the property for federal income tax



1 depreciation purposes is increased after it has been placed  
2 in service in a federally designated Foreign Trade Zone or  
3 Sub-Zone located in Illinois by the taxpayer, the amount of  
4 such increase shall be deemed property placed in service on  
5 the date of such increase in basis.

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

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

26 (7) Beginning with tax years ending after December 31,

1 1996, if a taxpayer qualifies for the credit under this  
2 subsection (h) and thereby is granted a tax abatement and  
3 the taxpayer relocates its entire facility in violation of  
4 the explicit terms and length of the contract under Section  
5 18-183 of the Property Tax Code, the tax imposed under  
6 subsections (a) and (b) of this Section shall be increased  
7 for the taxable year in which the taxpayer relocated its  
8 facility by an amount equal to the amount of credit  
9 received by the taxpayer under this subsection (h).

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

20 Any credit earned on or after December 31, 1986 under this  
21 subsection which is unused in the year the credit is computed  
22 because it exceeds the tax liability imposed by subsections (a)  
23 and (b) for that year (whether it exceeds the original  
24 liability or the liability as later amended) may be carried  
25 forward and applied to the tax liability imposed by subsections  
26 (a) and (b) of the 5 taxable years following the excess credit

1 year, provided that no credit may be carried forward to any  
2 year ending on or after December 31, 2003. This credit shall be  
3 applied first to the earliest year for which there is a  
4 liability. If there is a credit under this subsection from more  
5 than one tax year that is available to offset a liability the  
6 earliest credit arising under this subsection shall be applied  
7 first.

8 If, during any taxable year ending on or after December 31,  
9 1986, the tax imposed by subsections (c) and (d) of this  
10 Section for which a taxpayer has claimed a credit under this  
11 subsection (i) is reduced, the amount of credit for such tax  
12 shall also be reduced. Such reduction shall be determined by  
13 recomputing the credit to take into account the reduced tax  
14 imposed by subsections (c) and (d). If any portion of the  
15 reduced amount of credit has been carried to a different  
16 taxable year, an amended return shall be filed for such taxable  
17 year to reduce the amount of credit claimed.

18 (j) Training expense credit. Beginning with tax years  
19 ending on or after December 31, 1986 and prior to December 31,  
20 2003, a taxpayer shall be allowed a credit against the tax  
21 imposed by subsections (a) and (b) under this Section for all  
22 amounts paid or accrued, on behalf of all persons employed by  
23 the taxpayer in Illinois or Illinois residents employed outside  
24 of Illinois by a taxpayer, for educational or vocational  
25 training in semi-technical or technical fields or semi-skilled  
26 or skilled fields, which were deducted from gross income in the

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

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

21 (k) Research and development credit.

22 For tax years ending after July 1, 1990 and prior to  
23 December 31, 2003, and beginning again for tax years ending on  
24 or after December 31, 2004, and ending prior to January 1, 2016  
25 ~~January 1, 2011~~, a taxpayer shall be allowed a credit against  
26 the tax imposed by subsections (a) and (b) of this Section for

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

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

26 Any credit in excess of the tax liability for the taxable

1 year may be carried forward. A taxpayer may elect to have the  
2 unused credit shown on its final completed return carried over  
3 as a credit against the tax liability for the following 5  
4 taxable years or until it has been fully used, whichever occurs  
5 first; provided that no credit earned in a tax year ending  
6 prior to December 31, 2003 may be carried forward to any year  
7 ending on or after December 31, 2003, ~~and no credit may be~~  
8 ~~carried forward to any taxable year ending on or after January~~  
9 ~~1, 2011.~~

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

22 No inference shall be drawn from this amendatory Act of the  
23 91st General Assembly in construing this Section for taxable  
24 years beginning before January 1, 1999.

25 (1) Environmental Remediation Tax Credit.

26 (i) For tax years ending after December 31, 1997 and on

1 or before December 31, 2001, a taxpayer shall be allowed a  
2 credit against the tax imposed by subsections (a) and (b)  
3 of this Section for certain amounts paid for unreimbursed  
4 eligible remediation costs, as specified in this  
5 subsection. For purposes of this Section, "unreimbursed  
6 eligible remediation costs" means costs approved by the  
7 Illinois Environmental Protection Agency ("Agency") under  
8 Section 58.14 of the Environmental Protection Act that were  
9 paid in performing environmental remediation at a site for  
10 which a No Further Remediation Letter was issued by the  
11 Agency and recorded under Section 58.10 of the  
12 Environmental Protection Act. The credit must be claimed  
13 for the taxable year in which Agency approval of the  
14 eligible remediation costs is granted. The credit is not  
15 available to any taxpayer if the taxpayer or any related  
16 party caused or contributed to, in any material respect, a  
17 release of regulated substances on, in, or under the site  
18 that was identified and addressed by the remedial action  
19 pursuant to the Site Remediation Program of the  
20 Environmental Protection Act. After the Pollution Control  
21 Board rules are adopted pursuant to the Illinois  
22 Administrative Procedure Act for the administration and  
23 enforcement of Section 58.9 of the Environmental  
24 Protection Act, determinations as to credit availability  
25 for purposes of this Section shall be made consistent with  
26 those rules. For purposes of this Section, "taxpayer"

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

21 (ii) A credit allowed under this subsection that is  
22 unused in the year the credit is earned may be carried  
23 forward to each of the 5 taxable years following the year  
24 for which the credit is first earned until it is used. The  
25 term "unused credit" does not include any amounts of  
26 unreimbursed eligible remediation costs in excess of the



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

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

23 (m) Education expense credit. Beginning with tax years  
24 ending after December 31, 1999, a taxpayer who is the custodian  
25 of one or more qualifying pupils shall be allowed a credit  
26 against the tax imposed by subsections (a) and (b) of this

1 Section for qualified education expenses incurred on behalf of  
2 the qualifying pupils. The credit shall be equal to 25% of  
3 qualified education expenses, but in no event may the total  
4 credit under this subsection claimed by a family that is the  
5 custodian of qualifying pupils exceed \$500. In no event shall a  
6 credit under this subsection reduce the taxpayer's liability  
7 under this Act to less than zero. This subsection is exempt  
8 from the provisions of Section 250 of this Act.

9 For purposes of this subsection:

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

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

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

1 the credit under this Section.

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

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

7 (i) For tax years ending on or after December 31, 2006,  
8 a taxpayer shall be allowed a credit against the tax  
9 imposed by subsections (a) and (b) of this Section for  
10 certain amounts paid for unreimbursed eligible remediation  
11 costs, as specified in this subsection. For purposes of  
12 this Section, "unreimbursed eligible remediation costs"  
13 means costs approved by the Illinois Environmental  
14 Protection Agency ("Agency") under Section 58.14a of the  
15 Environmental Protection Act that were paid in performing  
16 environmental remediation at a site within a River Edge  
17 Redevelopment Zone for which a No Further Remediation  
18 Letter was issued by the Agency and recorded under Section  
19 58.10 of the Environmental Protection Act. The credit must  
20 be claimed for the taxable year in which Agency approval of  
21 the eligible remediation costs is granted. The credit is  
22 not available to any taxpayer if the taxpayer or any  
23 related party caused or contributed to, in any material  
24 respect, a release of regulated substances on, in, or under  
25 the site that was identified and addressed by the remedial  
26 action pursuant to the Site Remediation Program of the

1 Environmental Protection Act. Determinations as to credit  
2 availability for purposes of this Section shall be made  
3 consistent with rules adopted by the Pollution Control  
4 Board pursuant to the Illinois Administrative Procedure  
5 Act for the administration and enforcement of Section 58.9  
6 of the Environmental Protection Act. For purposes of this  
7 Section, "taxpayer" includes a person whose tax attributes  
8 the taxpayer has succeeded to under Section 381 of the  
9 Internal Revenue Code and "related party" includes the  
10 persons disallowed a deduction for losses by paragraphs  
11 (b), (c), and (f) (1) of Section 267 of the Internal Revenue  
12 Code by virtue of being a related taxpayer, as well as any  
13 of its partners. The credit allowed against the tax imposed  
14 by subsections (a) and (b) shall be equal to 25% of the  
15 unreimbursed eligible remediation costs in excess of  
16 \$100,000 per site.

17 (ii) A credit allowed under this subsection that is  
18 unused in the year the credit is earned may be carried  
19 forward to each of the 5 taxable years following the year  
20 for which the credit is first earned until it is used. This  
21 credit shall be applied first to the earliest year for  
22 which there is a liability. If there is a credit under this  
23 subsection from more than one tax year that is available to  
24 offset a liability, the earliest credit arising under this  
25 subsection shall be applied first. A credit allowed under  
26 this subsection may be sold to a buyer as part of a sale of

1 all or part of the remediation site for which the credit  
2 was granted. The purchaser of a remediation site and the  
3 tax credit shall succeed to the unused credit and remaining  
4 carry-forward period of the seller. To perfect the  
5 transfer, the assignor shall record the transfer in the  
6 chain of title for the site and provide written notice to  
7 the Director of the Illinois Department of Revenue of the  
8 assignor's intent to sell the remediation site and the  
9 amount of the tax credit to be transferred as a portion of  
10 the sale. In no event may a credit be transferred to any  
11 taxpayer if the taxpayer or a related party would not be  
12 eligible under the provisions of subsection (i).

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

16 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;  
17 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.  
18 1-13-11; 97-2, eff. 5-6-11.)

19 (35 ILCS 5/204) (from Ch. 120, par. 2-204)

20 Sec. 204. Standard Exemption.

21 (a) Allowance of exemption. In computing net income under  
22 this Act, there shall be allowed as an exemption the sum of the  
23 amounts determined under subsections (b), (c) and (d),  
24 multiplied by a fraction the numerator of which is the amount  
25 of the taxpayer's base income allocable to this State for the

1 taxable year and the denominator of which is the taxpayer's  
2 total base income for the taxable year.

3 (b) Basic amount. For the purpose of subsection (a) of this  
4 Section, except as provided by subsection (a) of Section 205  
5 and in this subsection, each taxpayer shall be allowed a basic  
6 amount of \$1000, except that for corporations the basic amount  
7 shall be zero for tax years ending on or after December 31,  
8 2003, and for individuals the basic amount shall be:

9 (1) for taxable years ending on or after December 31,  
10 1998 and prior to December 31, 1999, \$1,300;

11 (2) for taxable years ending on or after December 31,  
12 1999 and prior to December 31, 2000, \$1,650;

13 (3) for taxable years ending on or after December 31,  
14 2000 and prior to December 31, 2012, \$2,000; -

15 (4) for taxable years ending on or after December 31,  
16 2012 and prior to December 31, 2013, \$2,050;

17 (5) for taxable years ending on or after December 31,  
18 2013, \$2,050 plus the cost-of-living adjustment under  
19 subsection (d-5).

20 For taxable years ending on or after December 31, 1992, a  
21 taxpayer whose Illinois base income exceeds the basic amount  
22 and who is claimed as a dependent on another person's tax  
23 return under the Internal Revenue Code shall not be allowed any  
24 basic amount under this subsection.

25 (c) Additional amount for individuals. In the case of an  
26 individual taxpayer, there shall be allowed for the purpose of

1 subsection (a), in addition to the basic amount provided by  
2 subsection (b), an additional exemption equal to the basic  
3 amount for each exemption in excess of one allowable to such  
4 individual taxpayer for the taxable year under Section 151 of  
5 the Internal Revenue Code.

6 (d) Additional exemptions for an individual taxpayer and  
7 his or her spouse. In the case of an individual taxpayer and  
8 his or her spouse, he or she shall each be allowed additional  
9 exemptions as follows:

10 (1) Additional exemption for taxpayer or spouse 65  
11 years of age or older.

12 (A) For taxpayer. An additional exemption of  
13 \$1,000 for the taxpayer if he or she has attained the  
14 age of 65 before the end of the taxable year.

15 (B) For spouse when a joint return is not filed. An  
16 additional exemption of \$1,000 for the spouse of the  
17 taxpayer if a joint return is not made by the taxpayer  
18 and his spouse, and if the spouse has attained the age  
19 of 65 before the end of such taxable year, and, for the  
20 calendar year in which the taxable year of the taxpayer  
21 begins, has no gross income and is not the dependent of  
22 another taxpayer.

23 (2) Additional exemption for blindness of taxpayer or  
24 spouse.

25 (A) For taxpayer. An additional exemption of  
26 \$1,000 for the taxpayer if he or she is blind at the

1 end of the taxable year.

2 (B) For spouse when a joint return is not filed. An  
3 additional exemption of \$1,000 for the spouse of the  
4 taxpayer if a separate return is made by the taxpayer,  
5 and if the spouse is blind and, for the calendar year  
6 in which the taxable year of the taxpayer begins, has  
7 no gross income and is not the dependent of another  
8 taxpayer. For purposes of this paragraph, the  
9 determination of whether the spouse is blind shall be  
10 made as of the end of the taxable year of the taxpayer;  
11 except that if the spouse dies during such taxable year  
12 such determination shall be made as of the time of such  
13 death.

14 (C) Blindness defined. For purposes of this  
15 subsection, an individual is blind only if his or her  
16 central visual acuity does not exceed 20/200 in the  
17 better eye with correcting lenses, or if his or her  
18 visual acuity is greater than 20/200 but is accompanied  
19 by a limitation in the fields of vision such that the  
20 widest diameter of the visual fields subtends an angle  
21 no greater than 20 degrees.

22 (d-5) Cost-of-living adjustment. For purposes of item (5)  
23 of subsection (b), the cost-of-living adjustment for any  
24 calendar year and for taxable years ending prior to the end of  
25 the subsequent calendar year is equal to \$2,050 times the  
26 percentage (if any) by which:



1           (1) the Consumer Price Index for the preceding calendar  
2           year, exceeds

3           (2) the Consumer Price Index for the calendar year  
4           2011.

5           The Consumer Price Index for any calendar year is the  
6           average of the Consumer Price Index as of the close of the  
7           12-month period ending on August 31 of that calendar year.

8           The term "Consumer Price Index" means the last Consumer  
9           Price Index for All Urban Consumers published by the United  
10           States Department of Labor or any successor agency.

11           If any cost-of-living adjustment is not a multiple of \$25,  
12           that adjustment shall be rounded to the next lowest multiple of  
13           \$25.

14           (e) Cross reference. See Article 3 for the manner of  
15 determining base income allocable to this State.

16           (f) Application of Section 250. Section 250 does not apply  
17 to the amendments to this Section made by Public Act 90-613.

18 (Source: P.A. 97-507, eff. 8-23-11.)

19           (35 ILCS 5/207) (from Ch. 120, par. 2-207)

20           Sec. 207. Net Losses.

21           (a) If after applying all of the (i) modifications provided  
22 for in paragraph (2) of Section 203(b), paragraph (2) of  
23 Section 203(c) and paragraph (2) of Section 203(d) and (ii) the  
24 allocation and apportionment provisions of Article 3 of this  
25 Act and subsection (c) of this Section, the taxpayer's net

1 income results in a loss;

2 (1) for any taxable year ending prior to December 31,  
3 1999, such loss shall be allowed as a carryover or  
4 carryback deduction in the manner allowed under Section 172  
5 of the Internal Revenue Code;

6 (2) for any taxable year ending on or after December  
7 31, 1999 and prior to December 31, 2003, such loss shall be  
8 allowed as a carryback to each of the 2 taxable years  
9 preceding the taxable year of such loss and shall be a net  
10 operating loss carryover to each of the 20 taxable years  
11 following the taxable year of such loss; and

12 (3) for any taxable year ending on or after December  
13 31, 2003, such loss shall be allowed as a net operating  
14 loss carryover to each of the 12 taxable years following  
15 the taxable year of such loss, except as provided in  
16 subsection (d).

17 (a-5) Election to relinquish carryback and order of  
18 application of losses.

19 (A) For losses incurred in tax years ending prior  
20 to December 31, 2003, the taxpayer may elect to  
21 relinquish the entire carryback period with respect to  
22 such loss. Such election shall be made in the form and  
23 manner prescribed by the Department and shall be made  
24 by the due date (including extensions of time) for  
25 filing the taxpayer's return for the taxable year in  
26 which such loss is incurred, and such election, once

1           made, shall be irrevocable.

2           (B) The entire amount of such loss shall be carried  
3           to the earliest taxable year to which such loss may be  
4           carried. The amount of such loss which shall be carried  
5           to each of the other taxable years shall be the excess,  
6           if any, of the amount of such loss over the sum of the  
7           deductions for carryback or carryover of such loss  
8           allowable for each of the prior taxable years to which  
9           such loss may be carried.

10          (b) Any loss determined under subsection (a) of this  
11          Section must be carried back or carried forward in the same  
12          manner for purposes of subsections (a) and (b) of Section 201  
13          of this Act as for purposes of subsections (c) and (d) of  
14          Section 201 of this Act.

15          (c) Notwithstanding any other provision of this Act, for  
16          each taxable year ending on or after December 31, 2008, for  
17          purposes of computing the loss for the taxable year under  
18          subsection (a) of this Section and the deduction taken into  
19          account for the taxable year for a net operating loss carryover  
20          under paragraphs (1), (2), and (3) of subsection (a) of this  
21          Section, the loss and net operating loss carryover shall be  
22          reduced in an amount equal to the reduction to the net  
23          operating loss and net operating loss carryover to the taxable  
24          year, respectively, required under Section 108(b)(2)(A) of the  
25          Internal Revenue Code, multiplied by a fraction, the numerator  
26          of which is the amount of discharge of indebtedness income that

1 is excluded from gross income for the taxable year (but only if  
2 the taxable year ends on or after December 31, 2008) under  
3 Section 108(a) of the Internal Revenue Code and that would have  
4 been allocated and apportioned to this State under Article 3 of  
5 this Act but for that exclusion, and the denominator of which  
6 is the total amount of discharge of indebtedness income  
7 excluded from gross income under Section 108(a) of the Internal  
8 Revenue Code for the taxable year. The reduction required under  
9 this subsection (c) shall be made after the determination of  
10 Illinois net income for the taxable year in which the  
11 indebtedness is discharged.

12 (d) In the case of a corporation (other than a Subchapter S  
13 corporation), no carryover deduction shall be allowed under  
14 this Section for any taxable year ending after December 31,  
15 2010 and prior to December 31, 2012, and no carryover deduction  
16 shall exceed \$100,000 for any taxable year ending on or after  
17 December 31, 2012 and prior to December 31, 2014; provided  
18 that, for purposes of determining the taxable years to which a  
19 net loss may be carried under subsection (a) of this Section,  
20 no taxable year for which a deduction is disallowed under this  
21 subsection, or for which the deduction would exceed \$100,000 if  
22 not for this subsection, shall be counted.

23 (e) In the case of a residual interest holder in a real  
24 estate mortgage investment conduit subject to Section 860E of  
25 the Internal Revenue Code, the net loss in subsection (a) shall  
26 be equal to:

1           (1) the amount computed under subsection (a), without  
2 regard to this subsection (e), or if that amount is  
3 positive, zero;

4           (2) minus an amount equal to the amount computed under  
5 subsection (a), without regard to this subsection (e),  
6 minus the amount that would be computed under subsection  
7 (a) if the taxpayer's federal taxable income were computed  
8 without regard to Section 860E of the Internal Revenue Code  
9 and without regard to this subsection (e).

10          The modification in this subsection (e) is exempt from the  
11 provisions of Section 250.

12          (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11.)

13           (35 ILCS 5/212)

14          Sec. 212. Earned income tax credit.

15          (a) With respect to the federal earned income tax credit  
16 allowed for the taxable year under Section 32 of the federal  
17 Internal Revenue Code, 26 U.S.C. 32, each individual taxpayer  
18 is entitled to a credit against the tax imposed by subsections  
19 (a) and (b) of Section 201 in an amount equal to (i) 5% of the  
20 federal tax credit for each taxable year beginning on or after  
21 January 1, 2000 and ending prior to December 31, 2012, (ii)  
22 7.5% of the federal tax credit for each taxable year beginning  
23 on or after January 1, 2012 and ending prior to December 31,  
24 2013, and (iii) 10% of the federal tax credit for each taxable  
25 year beginning on or after January 1, 2013.

1           For a non-resident or part-year resident, the amount of the  
2 credit under this Section shall be in proportion to the amount  
3 of income attributable to this State.

4           (b) For taxable years beginning before January 1, 2003, in  
5 no event shall a credit under this Section reduce the  
6 taxpayer's liability to less than zero. For each taxable year  
7 beginning on or after January 1, 2003, if the amount of the  
8 credit exceeds the income tax liability for the applicable tax  
9 year, then the excess credit shall be refunded to the taxpayer.  
10 The amount of a refund shall not be included in the taxpayer's  
11 income or resources for the purposes of determining eligibility  
12 or benefit level in any means-tested benefit program  
13 administered by a governmental entity unless required by  
14 federal law.

15           (c) This Section is exempt from the provisions of Section  
16 250.

17           (Source: P.A. 95-333, eff. 8-21-07.)

18           (35 ILCS 5/250)

19           Sec. 250. Sunset of exemptions, credits, and deductions.

20           (a) The application of every exemption, credit, and  
21 deduction against tax imposed by this Act that becomes law  
22 after the effective date of this amendatory Act of 1994 shall  
23 be limited by a reasonable and appropriate sunset date. A  
24 taxpayer is not entitled to take the exemption, credit, or  
25 deduction for tax years beginning on or after the sunset date.

1 Except as provided in subsection (b) of this Section, if ~~if~~ a  
2 reasonable and appropriate sunset date is not specified in the  
3 Public Act that creates the exemption, credit, or deduction, a  
4 taxpayer shall not be entitled to take the exemption, credit,  
5 or deduction for tax years beginning on or after 5 years after  
6 the effective date of the Public Act creating the exemption,  
7 credit, or deduction and thereafter; provided, however, that in  
8 the case of any Public Act authorizing the issuance of  
9 tax-exempt obligations that does not specify a sunset date for  
10 the exemption or deduction of income derived from the  
11 obligations, the exemption or deduction shall not terminate  
12 until after the obligations have been paid by the issuer.

13 (b) Notwithstanding the provisions of subsection (a) of  
14 this Section, the sunset date of any exemption, credit, or  
15 deduction that is scheduled to expire in 2011, 2012, or 2013 by  
16 operation of this Section shall be extended by 5 years.

17 (Source: P.A. 88-660, eff. 9-16-94; 89-460, eff. 5-24-96.)

18 (35 ILCS 5/304) (from Ch. 120, par. 3-304)

19 Sec. 304. Business income of persons other than residents.

20 (a) In general. The business income of a person other than  
21 a resident shall be allocated to this State if such person's  
22 business income is derived solely from this State. If a person  
23 other than a resident derives business income from this State  
24 and one or more other states, then, for tax years ending on or  
25 before December 30, 1998, and except as otherwise provided by

1 this Section, such person's business income shall be  
2 apportioned to this State by multiplying the income by a  
3 fraction, the numerator of which is the sum of the property  
4 factor (if any), the payroll factor (if any) and 200% of the  
5 sales factor (if any), and the denominator of which is 4  
6 reduced by the number of factors other than the sales factor  
7 which have a denominator of zero and by an additional 2 if the  
8 sales factor has a denominator of zero. For tax years ending on  
9 or after December 31, 1998, and except as otherwise provided by  
10 this Section, persons other than residents who derive business  
11 income from this State and one or more other states shall  
12 compute their apportionment factor by weighting their  
13 property, payroll, and sales factors as provided in subsection  
14 (h) of this Section.

15 (1) Property factor.

16 (A) The property factor is a fraction, the numerator of  
17 which is the average value of the person's real and  
18 tangible personal property owned or rented and used in the  
19 trade or business in this State during the taxable year and  
20 the denominator of which is the average value of all the  
21 person's real and tangible personal property owned or  
22 rented and used in the trade or business during the taxable  
23 year.

24 (B) Property owned by the person is valued at its  
25 original cost. Property rented by the person is valued at 8  
26 times the net annual rental rate. Net annual rental rate is



1 the annual rental rate paid by the person less any annual  
2 rental rate received by the person from sub-rentals.

3 (C) The average value of property shall be determined  
4 by averaging the values at the beginning and ending of the  
5 taxable year but the Director may require the averaging of  
6 monthly values during the taxable year if reasonably  
7 required to reflect properly the average value of the  
8 person's property.

9 (2) Payroll factor.

10 (A) The payroll factor is a fraction, the numerator of  
11 which is the total amount paid in this State during the  
12 taxable year by the person for compensation, and the  
13 denominator of which is the total compensation paid  
14 everywhere during the taxable year.

15 (B) Compensation is paid in this State if:

16 (i) The individual's service is performed entirely  
17 within this State;

18 (ii) The individual's service is performed both  
19 within and without this State, but the service  
20 performed without this State is incidental to the  
21 individual's service performed within this State; or

22 (iii) Some of the service is performed within this  
23 State and either the base of operations, or if there is  
24 no base of operations, the place from which the service  
25 is directed or controlled is within this State, or the  
26 base of operations or the place from which the service

1 is directed or controlled is not in any state in which  
2 some part of the service is performed, but the  
3 individual's residence is in this State.

4 (iv) Compensation paid to nonresident professional  
5 athletes.

6 (a) General. The Illinois source income of a  
7 nonresident individual who is a member of a  
8 professional athletic team includes the portion of the  
9 individual's total compensation for services performed  
10 as a member of a professional athletic team during the  
11 taxable year which the number of duty days spent within  
12 this State performing services for the team in any  
13 manner during the taxable year bears to the total  
14 number of duty days spent both within and without this  
15 State during the taxable year.

16 (b) Travel days. Travel days that do not involve  
17 either a game, practice, team meeting, or other similar  
18 team event are not considered duty days spent in this  
19 State. However, such travel days are considered in the  
20 total duty days spent both within and without this  
21 State.

22 (c) Definitions. For purposes of this subpart  
23 (iv):

24 (1) The term "professional athletic team"  
25 includes, but is not limited to, any professional  
26 baseball, basketball, football, soccer, or hockey

1 team.

2 (2) The term "member of a professional  
3 athletic team" includes those employees who are  
4 active players, players on the disabled list, and  
5 any other persons required to travel and who travel  
6 with and perform services on behalf of a  
7 professional athletic team on a regular basis.  
8 This includes, but is not limited to, coaches,  
9 managers, and trainers.

10 (3) Except as provided in items (C) and (D) of  
11 this subpart (3), the term "duty days" means all  
12 days during the taxable year from the beginning of  
13 the professional athletic team's official  
14 pre-season training period through the last game  
15 in which the team competes or is scheduled to  
16 compete. Duty days shall be counted for the year in  
17 which they occur, including where a team's  
18 official pre-season training period through the  
19 last game in which the team competes or is  
20 scheduled to compete, occurs during more than one  
21 tax year.

22 (A) Duty days shall also include days on  
23 which a member of a professional athletic team  
24 performs service for a team on a date that does  
25 not fall within the foregoing period (e.g.,  
26 participation in instructional leagues, the

1 "All Star Game", or promotional "caravans").  
2 Performing a service for a professional  
3 athletic team includes conducting training and  
4 rehabilitation activities, when such  
5 activities are conducted at team facilities.

6 (B) Also included in duty days are game  
7 days, practice days, days spent at team  
8 meetings, promotional caravans, preseason  
9 training camps, and days served with the team  
10 through all post-season games in which the team  
11 competes or is scheduled to compete.

12 (C) Duty days for any person who joins a  
13 team during the period from the beginning of  
14 the professional athletic team's official  
15 pre-season training period through the last  
16 game in which the team competes, or is  
17 scheduled to compete, shall begin on the day  
18 that person joins the team. Conversely, duty  
19 days for any person who leaves a team during  
20 this period shall end on the day that person  
21 leaves the team. Where a person switches teams  
22 during a taxable year, a separate duty-day  
23 calculation shall be made for the period the  
24 person was with each team.

25 (D) Days for which a member of a  
26 professional athletic team is not compensated

1 and is not performing services for the team in  
2 any manner, including days when such member of  
3 a professional athletic team has been  
4 suspended without pay and prohibited from  
5 performing any services for the team, shall not  
6 be treated as duty days.

7 (E) Days for which a member of a  
8 professional athletic team is on the disabled  
9 list and does not conduct rehabilitation  
10 activities at facilities of the team, and is  
11 not otherwise performing services for the team  
12 in Illinois, shall not be considered duty days  
13 spent in this State. All days on the disabled  
14 list, however, are considered to be included in  
15 total duty days spent both within and without  
16 this State.

17 (4) The term "total compensation for services  
18 performed as a member of a professional athletic  
19 team" means the total compensation received during  
20 the taxable year for services performed:

21 (A) from the beginning of the official  
22 pre-season training period through the last  
23 game in which the team competes or is scheduled  
24 to compete during that taxable year; and

25 (B) during the taxable year on a date which  
26 does not fall within the foregoing period

1 (e.g., participation in instructional leagues,  
2 the "All Star Game", or promotional caravans).

3 This compensation shall include, but is not  
4 limited to, salaries, wages, bonuses as described  
5 in this subpart, and any other type of compensation  
6 paid during the taxable year to a member of a  
7 professional athletic team for services performed  
8 in that year. This compensation does not include  
9 strike benefits, severance pay, termination pay,  
10 contract or option year buy-out payments,  
11 expansion or relocation payments, or any other  
12 payments not related to services performed for the  
13 team.

14 For purposes of this subparagraph, "bonuses"  
15 included in "total compensation for services  
16 performed as a member of a professional athletic  
17 team" subject to the allocation described in  
18 Section 302(c)(1) are: bonuses earned as a result  
19 of play (i.e., performance bonuses) during the  
20 season, including bonuses paid for championship,  
21 playoff or "bowl" games played by a team, or for  
22 selection to all-star league or other honorary  
23 positions; and bonuses paid for signing a  
24 contract, unless the payment of the signing bonus  
25 is not conditional upon the signee playing any  
26 games for the team or performing any subsequent

1 services for the team or even making the team, the  
2 signing bonus is payable separately from the  
3 salary and any other compensation, and the signing  
4 bonus is nonrefundable.

5 (3) Sales factor.

6 (A) The sales factor is a fraction, the numerator of  
7 which is the total sales of the person in this State during  
8 the taxable year, and the denominator of which is the total  
9 sales of the person everywhere during the taxable year.

10 (B) Sales of tangible personal property are in this  
11 State if:

12 (i) The property is delivered or shipped to a  
13 purchaser, other than the United States government,  
14 within this State regardless of the f. o. b. point or  
15 other conditions of the sale; or

16 (ii) The property is shipped from an office, store,  
17 warehouse, factory or other place of storage in this  
18 State and either the purchaser is the United States  
19 government or the person is not taxable in the state of  
20 the purchaser; provided, however, that premises owned  
21 or leased by a person who has independently contracted  
22 with the seller for the printing of newspapers,  
23 periodicals or books shall not be deemed to be an  
24 office, store, warehouse, factory or other place of  
25 storage for purposes of this Section. Sales of tangible  
26 personal property are not in this State if the seller

1           and purchaser would be members of the same unitary  
2           business group but for the fact that either the seller  
3           or purchaser is a person with 80% or more of total  
4           business activity outside of the United States and the  
5           property is purchased for resale.

6           (B-1) Patents, copyrights, trademarks, and similar  
7           items of intangible personal property.

8           (i) Gross receipts from the licensing, sale, or  
9           other disposition of a patent, copyright, trademark,  
10          or similar item of intangible personal property, other  
11          than gross receipts governed by paragraph (B-7) of this  
12          item (3), are in this State to the extent the item is  
13          utilized in this State during the year the gross  
14          receipts are included in gross income.

15          (ii) Place of utilization.

16          (I) A patent is utilized in a state to the  
17          extent that it is employed in production,  
18          fabrication, manufacturing, or other processing in  
19          the state or to the extent that a patented product  
20          is produced in the state. If a patent is utilized  
21          in more than one state, the extent to which it is  
22          utilized in any one state shall be a fraction equal  
23          to the gross receipts of the licensee or purchaser  
24          from sales or leases of items produced,  
25          fabricated, manufactured, or processed within that  
26          state using the patent and of patented items



1 produced within that state, divided by the total of  
2 such gross receipts for all states in which the  
3 patent is utilized.

4 (II) A copyright is utilized in a state to the  
5 extent that printing or other publication  
6 originates in the state. If a copyright is utilized  
7 in more than one state, the extent to which it is  
8 utilized in any one state shall be a fraction equal  
9 to the gross receipts from sales or licenses of  
10 materials printed or published in that state  
11 divided by the total of such gross receipts for all  
12 states in which the copyright is utilized.

13 (III) Trademarks and other items of intangible  
14 personal property governed by this paragraph (B-1)  
15 are utilized in the state in which the commercial  
16 domicile of the licensee or purchaser is located.

17 (iii) If the state of utilization of an item of  
18 property governed by this paragraph (B-1) cannot be  
19 determined from the taxpayer's books and records or  
20 from the books and records of any person related to the  
21 taxpayer within the meaning of Section 267(b) of the  
22 Internal Revenue Code, 26 U.S.C. 267, the gross  
23 receipts attributable to that item shall be excluded  
24 from both the numerator and the denominator of the  
25 sales factor.

26 (B-2) Gross receipts from the license, sale, or other

1 disposition of patents, copyrights, trademarks, and  
2 similar items of intangible personal property, other than  
3 gross receipts governed by paragraph (B-7) of this item  
4 (3), may be included in the numerator or denominator of the  
5 sales factor only if gross receipts from licenses, sales,  
6 or other disposition of such items comprise more than 50%  
7 of the taxpayer's total gross receipts included in gross  
8 income during the tax year and during each of the 2  
9 immediately preceding tax years; provided that, when a  
10 taxpayer is a member of a unitary business group, such  
11 determination shall be made on the basis of the gross  
12 receipts of the entire unitary business group.

13 (B-5) For taxable years ending on or after December 31,  
14 2008, except as provided in subsections (ii) through (vii),  
15 receipts from the sale of telecommunications service or  
16 mobile telecommunications service are in this State if the  
17 customer's service address is in this State.

18 (i) For purposes of this subparagraph (B-5), the  
19 following terms have the following meanings:

20 "Ancillary services" means services that are  
21 associated with or incidental to the provision of  
22 "telecommunications services", including but not  
23 limited to "detailed telecommunications billing",  
24 "directory assistance", "vertical service", and "voice  
25 mail services".

26 "Air-to-Ground Radiotelephone service" means a

1 radio service, as that term is defined in 47 CFR 22.99,  
2 in which common carriers are authorized to offer and  
3 provide radio telecommunications service for hire to  
4 subscribers in aircraft.

5 "Call-by-call Basis" means any method of charging  
6 for telecommunications services where the price is  
7 measured by individual calls.

8 "Communications Channel" means a physical or  
9 virtual path of communications over which signals are  
10 transmitted between or among customer channel  
11 termination points.

12 "Conference bridging service" means an "ancillary  
13 service" that links two or more participants of an  
14 audio or video conference call and may include the  
15 provision of a telephone number. "Conference bridging  
16 service" does not include the "telecommunications  
17 services" used to reach the conference bridge.

18 "Customer Channel Termination Point" means the  
19 location where the customer either inputs or receives  
20 the communications.

21 "Detailed telecommunications billing service"  
22 means an "ancillary service" of separately stating  
23 information pertaining to individual calls on a  
24 customer's billing statement.

25 "Directory assistance" means an "ancillary  
26 service" of providing telephone number information,

1 and/or address information.

2 "Home service provider" means the facilities based  
3 carrier or reseller with which the customer contracts  
4 for the provision of mobile telecommunications  
5 services.

6 "Mobile telecommunications service" means  
7 commercial mobile radio service, as defined in Section  
8 20.3 of Title 47 of the Code of Federal Regulations as  
9 in effect on June 1, 1999.

10 "Place of primary use" means the street address  
11 representative of where the customer's use of the  
12 telecommunications service primarily occurs, which  
13 must be the residential street address or the primary  
14 business street address of the customer. In the case of  
15 mobile telecommunications services, "place of primary  
16 use" must be within the licensed service area of the  
17 home service provider.

18 "Post-paid telecommunication service" means the  
19 telecommunications service obtained by making a  
20 payment on a call-by-call basis either through the use  
21 of a credit card or payment mechanism such as a bank  
22 card, travel card, credit card, or debit card, or by  
23 charge made to a telephone number which is not  
24 associated with the origination or termination of the  
25 telecommunications service. A post-paid calling  
26 service includes telecommunications service, except a

1 prepaid wireless calling service, that would be a  
2 prepaid calling service except it is not exclusively a  
3 telecommunication service.

4 "Prepaid telecommunication service" means the  
5 right to access exclusively telecommunications  
6 services, which must be paid for in advance and which  
7 enables the origination of calls using an access number  
8 or authorization code, whether manually or  
9 electronically dialed, and that is sold in  
10 predetermined units or dollars of which the number  
11 declines with use in a known amount.

12 "Prepaid Mobile telecommunication service" means a  
13 telecommunications service that provides the right to  
14 utilize mobile wireless service as well as other  
15 non-telecommunication services, including but not  
16 limited to ancillary services, which must be paid for  
17 in advance that is sold in predetermined units or  
18 dollars of which the number declines with use in a  
19 known amount.

20 "Private communication service" means a  
21 telecommunication service that entitles the customer  
22 to exclusive or priority use of a communications  
23 channel or group of channels between or among  
24 termination points, regardless of the manner in which  
25 such channel or channels are connected, and includes  
26 switching capacity, extension lines, stations, and any

1 other associated services that are provided in  
2 connection with the use of such channel or channels.

3 "Service address" means:

4 (a) The location of the telecommunications  
5 equipment to which a customer's call is charged and  
6 from which the call originates or terminates,  
7 regardless of where the call is billed or paid;

8 (b) If the location in line (a) is not known,  
9 service address means the origination point of the  
10 signal of the telecommunications services first  
11 identified by either the seller's  
12 telecommunications system or in information  
13 received by the seller from its service provider  
14 where the system used to transport such signals is  
15 not that of the seller; and

16 (c) If the locations in line (a) and line (b)  
17 are not known, the service address means the  
18 location of the customer's place of primary use.

19 "Telecommunications service" means the electronic  
20 transmission, conveyance, or routing of voice, data,  
21 audio, video, or any other information or signals to a  
22 point, or between or among points. The term  
23 "telecommunications service" includes such  
24 transmission, conveyance, or routing in which computer  
25 processing applications are used to act on the form,  
26 code or protocol of the content for purposes of

1 transmission, conveyance or routing without regard to  
2 whether such service is referred to as voice over  
3 Internet protocol services or is classified by the  
4 Federal Communications Commission as enhanced or value  
5 added. "Telecommunications service" does not include:

6 (a) Data processing and information services  
7 that allow data to be generated, acquired, stored,  
8 processed, or retrieved and delivered by an  
9 electronic transmission to a purchaser when such  
10 purchaser's primary purpose for the underlying  
11 transaction is the processed data or information;

12 (b) Installation or maintenance of wiring or  
13 equipment on a customer's premises;

14 (c) Tangible personal property;

15 (d) Advertising, including but not limited to  
16 directory advertising.

17 (e) Billing and collection services provided  
18 to third parties;

19 (f) Internet access service;

20 (g) Radio and television audio and video  
21 programming services, regardless of the medium,  
22 including the furnishing of transmission,  
23 conveyance and routing of such services by the  
24 programming service provider. Radio and television  
25 audio and video programming services shall include  
26 but not be limited to cable service as defined in

1           47 USC 522(6) and audio and video programming  
2           services delivered by commercial mobile radio  
3           service providers, as defined in 47 CFR 20.3;

4           (h) "Ancillary services"; or

5           (i)        Digital        products        "delivered  
6           electronically", including but not limited to  
7           software, music, video, reading materials or ring  
8           tones.

9           "Vertical service" means an "ancillary service"  
10          that is offered in connection with one or more  
11          "telecommunications services", which offers advanced  
12          calling features that allow customers to identify  
13          callers and to manage multiple calls and call  
14          connections, including "conference bridging services".

15          "Voice mail service" means an "ancillary service"  
16          that enables the customer to store, send or receive  
17          recorded messages. "Voice mail service" does not  
18          include any "vertical services" that the customer may  
19          be required to have in order to utilize the "voice mail  
20          service".

21          (ii) Receipts from the sale of telecommunications  
22          service sold on an individual call-by-call basis are in  
23          this State if either of the following applies:

24               (a) The call both originates and terminates in  
25               this State.

26               (b) The call either originates or terminates



1           in this State and the service address is located in  
2           this State.

3           (iii) Receipts from the sale of postpaid  
4           telecommunications service at retail are in this State  
5           if the origination point of the telecommunication  
6           signal, as first identified by the service provider's  
7           telecommunication system or as identified by  
8           information received by the seller from its service  
9           provider if the system used to transport  
10          telecommunication signals is not the seller's, is  
11          located in this State.

12          (iv) Receipts from the sale of prepaid  
13          telecommunications service or prepaid mobile  
14          telecommunications service at retail are in this State  
15          if the purchaser obtains the prepaid card or similar  
16          means of conveyance at a location in this State.  
17          Receipts from recharging a prepaid telecommunications  
18          service or mobile telecommunications service is in  
19          this State if the purchaser's billing information  
20          indicates a location in this State.

21          (v) Receipts from the sale of private  
22          communication services are in this State as follows:

23                 (a) 100% of receipts from charges imposed at  
24                 each channel termination point in this State.

25                 (b) 100% of receipts from charges for the total  
26                 channel mileage between each channel termination

1 point in this State.

2 (c) 50% of the total receipts from charges for  
3 service segments when those segments are between 2  
4 customer channel termination points, 1 of which is  
5 located in this State and the other is located  
6 outside of this State, which segments are  
7 separately charged.

8 (d) The receipts from charges for service  
9 segments with a channel termination point located  
10 in this State and in two or more other states, and  
11 which segments are not separately billed, are in  
12 this State based on a percentage determined by  
13 dividing the number of customer channel  
14 termination points in this State by the total  
15 number of customer channel termination points.

16 (vi) Receipts from charges for ancillary services  
17 for telecommunications service sold to customers at  
18 retail are in this State if the customer's primary  
19 place of use of telecommunications services associated  
20 with those ancillary services is in this State. If the  
21 seller of those ancillary services cannot determine  
22 where the associated telecommunications are located,  
23 then the ancillary services shall be based on the  
24 location of the purchaser.

25 (vii) Receipts to access a carrier's network or  
26 from the sale of telecommunication services or

1 ancillary services for resale are in this State as  
2 follows:

3 (a) 100% of the receipts from access fees  
4 attributable to intrastate telecommunications  
5 service that both originates and terminates in  
6 this State.

7 (b) 50% of the receipts from access fees  
8 attributable to interstate telecommunications  
9 service if the interstate call either originates  
10 or terminates in this State.

11 (c) 100% of the receipts from interstate end  
12 user access line charges, if the customer's  
13 service address is in this State. As used in this  
14 subdivision, "interstate end user access line  
15 charges" includes, but is not limited to, the  
16 surcharge approved by the federal communications  
17 commission and levied pursuant to 47 CFR 69.

18 (d) Gross receipts from sales of  
19 telecommunication services or from ancillary  
20 services for telecommunications services sold to  
21 other telecommunication service providers for  
22 resale shall be sourced to this State using the  
23 apportionment concepts used for non-resale  
24 receipts of telecommunications services if the  
25 information is readily available to make that  
26 determination. If the information is not readily

1           available, then the taxpayer may use any other  
2           reasonable and consistent method.

3           (B-7) For taxable years ending on or after December 31,  
4           2008, receipts from the sale of broadcasting services are  
5           in this State if the broadcasting services are received in  
6           this State. For purposes of this paragraph (B-7), the  
7           following terms have the following meanings:

8           "Advertising revenue" means consideration received  
9           by the taxpayer in exchange for broadcasting services  
10          or allowing the broadcasting of commercials or  
11          announcements in connection with the broadcasting of  
12          film or radio programming, from sponsorships of the  
13          programming, or from product placements in the  
14          programming.

15          "Audience factor" means the ratio that the  
16          audience or subscribers located in this State of a  
17          station, a network, or a cable system bears to the  
18          total audience or total subscribers for that station,  
19          network, or cable system. The audience factor for film  
20          or radio programming shall be determined by reference  
21          to the books and records of the taxpayer or by  
22          reference to published rating statistics provided the  
23          method used by the taxpayer is consistently used from  
24          year to year for this purpose and fairly represents the  
25          taxpayer's activity in this State.

26          "Broadcast" or "broadcasting" or "broadcasting

1 services" means the transmission or provision of film  
2 or radio programming, whether through the public  
3 airwaves, by cable, by direct or indirect satellite  
4 transmission, or by any other means of communication,  
5 either through a station, a network, or a cable system.

6 "Film" or "film programming" means the broadcast  
7 on television of any and all performances, events, or  
8 productions, including but not limited to news,  
9 sporting events, plays, stories, or other literary,  
10 commercial, educational, or artistic works, either  
11 live or through the use of video tape, disc, or any  
12 other type of format or medium. Each episode of a  
13 series of films produced for television shall  
14 constitute separate "film" notwithstanding that the  
15 series relates to the same principal subject and is  
16 produced during one or more tax periods.

17 "Radio" or "radio programming" means the broadcast  
18 on radio of any and all performances, events, or  
19 productions, including but not limited to news,  
20 sporting events, plays, stories, or other literary,  
21 commercial, educational, or artistic works, either  
22 live or through the use of an audio tape, disc, or any  
23 other format or medium. Each episode in a series of  
24 radio programming produced for radio broadcast shall  
25 constitute a separate "radio programming"  
26 notwithstanding that the series relates to the same

1 principal subject and is produced during one or more  
2 tax periods.

3 (i) In the case of advertising revenue from  
4 broadcasting, the customer is the advertiser and  
5 the service is received in this State if the  
6 commercial domicile of the advertiser is in this  
7 State.

8 (ii) In the case where film or radio  
9 programming is broadcast by a station, a network,  
10 or a cable system for a fee or other remuneration  
11 received from the recipient of the broadcast, the  
12 portion of the service that is received in this  
13 State is measured by the portion of the recipients  
14 of the broadcast located in this State.  
15 Accordingly, the fee or other remuneration for  
16 such service that is included in the Illinois  
17 numerator of the sales factor is the total of those  
18 fees or other remuneration received from  
19 recipients in Illinois. For purposes of this  
20 paragraph, a taxpayer may determine the location  
21 of the recipients of its broadcast using the  
22 address of the recipient shown in its contracts  
23 with the recipient or using the billing address of  
24 the recipient in the taxpayer's records.

25 (iii) In the case where film or radio  
26 programming is broadcast by a station, a network,

1 or a cable system for a fee or other remuneration  
2 from the person providing the programming, the  
3 portion of the broadcast service that is received  
4 by such station, network, or cable system in this  
5 State is measured by the portion of recipients of  
6 the broadcast located in this State. Accordingly,  
7 the amount of revenue related to such an  
8 arrangement that is included in the Illinois  
9 numerator of the sales factor is the total fee or  
10 other total remuneration from the person providing  
11 the programming related to that broadcast  
12 multiplied by the Illinois audience factor for  
13 that broadcast.

14 (iv) In the case where film or radio  
15 programming is provided by a taxpayer that is a  
16 network or station to a customer for broadcast in  
17 exchange for a fee or other remuneration from that  
18 customer the broadcasting service is received at  
19 the location of the office of the customer from  
20 which the services were ordered in the regular  
21 course of the customer's trade or business.  
22 Accordingly, in such a case the revenue derived by  
23 the taxpayer that is included in the taxpayer's  
24 Illinois numerator of the sales factor is the  
25 revenue from such customers who receive the  
26 broadcasting service in Illinois.

1           (v) In the case where film or radio programming  
2           is provided by a taxpayer that is not a network or  
3           station to another person for broadcasting in  
4           exchange for a fee or other remuneration from that  
5           person, the broadcasting service is received at  
6           the location of the office of the customer from  
7           which the services were ordered in the regular  
8           course of the customer's trade or business.  
9           Accordingly, in such a case the revenue derived by  
10          the taxpayer that is included in the taxpayer's  
11          Illinois numerator of the sales factor is the  
12          revenue from such customers who receive the  
13          broadcasting service in Illinois.

14          (C) For taxable years ending before December 31, 2008,  
15          sales, other than sales governed by paragraphs (B), (B-1),  
16          and (B-2), are in this State if:

17               (i) The income-producing activity is performed in  
18               this State; or

19               (ii) The income-producing activity is performed  
20               both within and without this State and a greater  
21               proportion of the income-producing activity is  
22               performed within this State than without this State,  
23               based on performance costs.

24          (C-5) For taxable years ending on or after December 31,  
25          2008, sales, other than sales governed by paragraphs (B),  
26          (B-1), (B-2), (B-5), and (B-7), are in this State if any of



1 the following criteria are met:

2 (i) Sales from the sale or lease of real property  
3 are in this State if the property is located in this  
4 State.

5 (ii) Sales from the lease or rental of tangible  
6 personal property are in this State if the property is  
7 located in this State during the rental period. Sales  
8 from the lease or rental of tangible personal property  
9 that is characteristically moving property, including,  
10 but not limited to, motor vehicles, rolling stock,  
11 aircraft, vessels, or mobile equipment are in this  
12 State to the extent that the property is used in this  
13 State.

14 (iii) In the case of interest, net gains (but not  
15 less than zero) and other items of income from  
16 intangible personal property, the sale is in this State  
17 if:

18 (a) in the case of a taxpayer who is a dealer  
19 in the item of intangible personal property within  
20 the meaning of Section 475 of the Internal Revenue  
21 Code, the income or gain is received from a  
22 customer in this State. For purposes of this  
23 subparagraph, a customer is in this State if the  
24 customer is an individual, trust or estate who is a  
25 resident of this State and, for all other  
26 customers, if the customer's commercial domicile

1 is in this State. Unless the dealer has actual  
2 knowledge of the residence or commercial domicile  
3 of a customer during a taxable year, the customer  
4 shall be deemed to be a customer in this State if  
5 the billing address of the customer, as shown in  
6 the records of the dealer, is in this State; or

7 (b) in all other cases, if the  
8 income-producing activity of the taxpayer is  
9 performed in this State or, if the  
10 income-producing activity of the taxpayer is  
11 performed both within and without this State, if a  
12 greater proportion of the income-producing  
13 activity of the taxpayer is performed within this  
14 State than in any other state, based on performance  
15 costs.

16 (iv) Sales of services are in this State if the  
17 services are received in this State. For the purposes  
18 of this section, gross receipts from the performance of  
19 services provided to a corporation, partnership, or  
20 trust may only be attributed to a state where that  
21 corporation, partnership, or trust has a fixed place of  
22 business. If the state where the services are received  
23 is not readily determinable or is a state where the  
24 corporation, partnership, or trust receiving the  
25 service does not have a fixed place of business, the  
26 services shall be deemed to be received at the location

1 of the office of the customer from which the services  
2 were ordered in the regular course of the customer's  
3 trade or business. If the ordering office cannot be  
4 determined, the services shall be deemed to be received  
5 at the office of the customer to which the services are  
6 billed. If the taxpayer is not taxable in the state in  
7 which the services are received, the sale must be  
8 excluded from both the numerator and the denominator of  
9 the sales factor. The Department shall adopt rules  
10 prescribing where specific types of service are  
11 received, including, but not limited to, publishing,  
12 and utility service.

13 (D) For taxable years ending on or after December 31,  
14 1995, the following items of income shall not be included  
15 in the numerator or denominator of the sales factor:  
16 dividends; amounts included under Section 78 of the  
17 Internal Revenue Code; and Subpart F income as defined in  
18 Section 952 of the Internal Revenue Code. No inference  
19 shall be drawn from the enactment of this paragraph (D) in  
20 construing this Section for taxable years ending before  
21 December 31, 1995.

22 (E) Paragraphs (B-1) and (B-2) shall apply to tax years  
23 ending on or after December 31, 1999, provided that a  
24 taxpayer may elect to apply the provisions of these  
25 paragraphs to prior tax years. Such election shall be made  
26 in the form and manner prescribed by the Department, shall

1 be irrevocable, and shall apply to all tax years; provided  
2 that, if a taxpayer's Illinois income tax liability for any  
3 tax year, as assessed under Section 903 prior to January 1,  
4 1999, was computed in a manner contrary to the provisions  
5 of paragraphs (B-1) or (B-2), no refund shall be payable to  
6 the taxpayer for that tax year to the extent such refund is  
7 the result of applying the provisions of paragraph (B-1) or  
8 (B-2) retroactively. In the case of a unitary business  
9 group, such election shall apply to all members of such  
10 group for every tax year such group is in existence, but  
11 shall not apply to any taxpayer for any period during which  
12 that taxpayer is not a member of such group.

13 (b) Insurance companies.

14 (1) In general. Except as otherwise provided by  
15 paragraph (2), business income of an insurance company for  
16 a taxable year shall be apportioned to this State by  
17 multiplying such income by a fraction, the numerator of  
18 which is the direct premiums written for insurance upon  
19 property or risk in this State, and the denominator of  
20 which is the direct premiums written for insurance upon  
21 property or risk everywhere. For purposes of this  
22 subsection, the term "direct premiums written" means the  
23 total amount of direct premiums written, assessments and  
24 annuity considerations as reported for the taxable year on  
25 the annual statement filed by the company with the Illinois  
26 Director of Insurance in the form approved by the National

1 Convention of Insurance Commissioners or such other form as  
2 may be prescribed in lieu thereof.

3 (2) Reinsurance. If the principal source of premiums  
4 written by an insurance company consists of premiums for  
5 reinsurance accepted by it, the business income of such  
6 company shall be apportioned to this State by multiplying  
7 such income by a fraction, the numerator of which is the  
8 sum of (i) direct premiums written for insurance upon  
9 property or risk in this State, plus (ii) premiums written  
10 for reinsurance accepted in respect of property or risk in  
11 this State, and the denominator of which is the sum of  
12 (iii) direct premiums written for insurance upon property  
13 or risk everywhere, plus (iv) premiums written for  
14 reinsurance accepted in respect of property or risk  
15 everywhere. For purposes of this paragraph, premiums  
16 written for reinsurance accepted in respect of property or  
17 risk in this State, whether or not otherwise determinable,  
18 may, at the election of the company, be determined on the  
19 basis of the proportion which premiums written for  
20 reinsurance accepted from companies commercially domiciled  
21 in Illinois bears to premiums written for reinsurance  
22 accepted from all sources, or, alternatively, in the  
23 proportion which the sum of the direct premiums written for  
24 insurance upon property or risk in this State by each  
25 ceding company from which reinsurance is accepted bears to  
26 the sum of the total direct premiums written by each such

1 ceding company for the taxable year. The election made by a  
2 company under this paragraph for its first taxable year  
3 ending on or after December 31, 2011, shall be binding for  
4 that company for that taxable year and for all subsequent  
5 taxable years, and may be altered only with the written  
6 permission of the Department, which shall not be  
7 unreasonably withheld.

8 (c) Financial organizations.

9 (1) In general. For taxable years ending before  
10 December 31, 2008, business income of a financial  
11 organization shall be apportioned to this State by  
12 multiplying such income by a fraction, the numerator of  
13 which is its business income from sources within this  
14 State, and the denominator of which is its business income  
15 from all sources. For the purposes of this subsection, the  
16 business income of a financial organization from sources  
17 within this State is the sum of the amounts referred to in  
18 subparagraphs (A) through (E) following, but excluding the  
19 adjusted income of an international banking facility as  
20 determined in paragraph (2):

21 (A) Fees, commissions or other compensation for  
22 financial services rendered within this State;

23 (B) Gross profits from trading in stocks, bonds or  
24 other securities managed within this State;

25 (C) Dividends, and interest from Illinois  
26 customers, which are received within this State;

1           (D) Interest charged to customers at places of  
2 business maintained within this State for carrying  
3 debit balances of margin accounts, without deduction  
4 of any costs incurred in carrying such accounts; and

5           (E) Any other gross income resulting from the  
6 operation as a financial organization within this  
7 State. In computing the amounts referred to in  
8 paragraphs (A) through (E) of this subsection, any  
9 amount received by a member of an affiliated group  
10 (determined under Section 1504(a) of the Internal  
11 Revenue Code but without reference to whether any such  
12 corporation is an "includible corporation" under  
13 Section 1504(b) of the Internal Revenue Code) from  
14 another member of such group shall be included only to  
15 the extent such amount exceeds expenses of the  
16 recipient directly related thereto.

17           (2) International Banking Facility. For taxable years  
18 ending before December 31, 2008:

19           (A) Adjusted Income. The adjusted income of an  
20 international banking facility is its income reduced  
21 by the amount of the floor amount.

22           (B) Floor Amount. The floor amount shall be the  
23 amount, if any, determined by multiplying the income of  
24 the international banking facility by a fraction, not  
25 greater than one, which is determined as follows:

26           (i) The numerator shall be:

1           The average aggregate, determined on a  
2           quarterly basis, of the financial organization's  
3           loans to banks in foreign countries, to foreign  
4           domiciled borrowers (except where secured  
5           primarily by real estate) and to foreign  
6           governments and other foreign official  
7           institutions, as reported for its branches,  
8           agencies and offices within the state on its  
9           "Consolidated Report of Condition", Schedule A,  
10          Lines 2.c., 5.b., and 7.a., which was filed with  
11          the Federal Deposit Insurance Corporation and  
12          other regulatory authorities, for the year 1980,  
13          minus

14          The average aggregate, determined on a  
15          quarterly basis, of such loans (other than loans of  
16          an international banking facility), as reported by  
17          the financial institution for its branches,  
18          agencies and offices within the state, on the  
19          corresponding Schedule and lines of the  
20          Consolidated Report of Condition for the current  
21          taxable year, provided, however, that in no case  
22          shall the amount determined in this clause (the  
23          subtrahend) exceed the amount determined in the  
24          preceding clause (the minuend); and

25                 (ii) the denominator shall be the average  
26          aggregate, determined on a quarterly basis, of the



1 international banking facility's loans to banks in  
2 foreign countries, to foreign domiciled borrowers  
3 (except where secured primarily by real estate)  
4 and to foreign governments and other foreign  
5 official institutions, which were recorded in its  
6 financial accounts for the current taxable year.

7 (C) Change to Consolidated Report of Condition and  
8 in Qualification. In the event the Consolidated Report  
9 of Condition which is filed with the Federal Deposit  
10 Insurance Corporation and other regulatory authorities  
11 is altered so that the information required for  
12 determining the floor amount is not found on Schedule  
13 A, lines 2.c., 5.b. and 7.a., the financial institution  
14 shall notify the Department and the Department may, by  
15 regulations or otherwise, prescribe or authorize the  
16 use of an alternative source for such information. The  
17 financial institution shall also notify the Department  
18 should its international banking facility fail to  
19 qualify as such, in whole or in part, or should there  
20 be any amendment or change to the Consolidated Report  
21 of Condition, as originally filed, to the extent such  
22 amendment or change alters the information used in  
23 determining the floor amount.

24 (3) For taxable years ending on or after December 31,  
25 2008, the business income of a financial organization shall  
26 be apportioned to this State by multiplying such income by

1 a fraction, the numerator of which is its gross receipts  
2 from sources in this State or otherwise attributable to  
3 this State's marketplace and the denominator of which is  
4 its gross receipts everywhere during the taxable year.  
5 "Gross receipts" for purposes of this subparagraph (3)  
6 means gross income, including net taxable gain on  
7 disposition of assets, including securities and money  
8 market instruments, when derived from transactions and  
9 activities in the regular course of the financial  
10 organization's trade or business. The following examples  
11 are illustrative:

12 (i) Receipts from the lease or rental of real or  
13 tangible personal property are in this State if the  
14 property is located in this State during the rental  
15 period. Receipts from the lease or rental of tangible  
16 personal property that is characteristically moving  
17 property, including, but not limited to, motor  
18 vehicles, rolling stock, aircraft, vessels, or mobile  
19 equipment are from sources in this State to the extent  
20 that the property is used in this State.

21 (ii) Interest income, commissions, fees, gains on  
22 disposition, and other receipts from assets in the  
23 nature of loans that are secured primarily by real  
24 estate or tangible personal property are from sources  
25 in this State if the security is located in this State.

26 (iii) Interest income, commissions, fees, gains on

1 disposition, and other receipts from consumer loans  
2 that are not secured by real or tangible personal  
3 property are from sources in this State if the debtor  
4 is a resident of this State.

5 (iv) Interest income, commissions, fees, gains on  
6 disposition, and other receipts from commercial loans  
7 and installment obligations that are not secured by  
8 real or tangible personal property are from sources in  
9 this State if the proceeds of the loan are to be  
10 applied in this State. If it cannot be determined where  
11 the funds are to be applied, the income and receipts  
12 are from sources in this State if the office of the  
13 borrower from which the loan was negotiated in the  
14 regular course of business is located in this State. If  
15 the location of this office cannot be determined, the  
16 income and receipts shall be excluded from the  
17 numerator and denominator of the sales factor.

18 (v) Interest income, fees, gains on disposition,  
19 service charges, merchant discount income, and other  
20 receipts from credit card receivables are from sources  
21 in this State if the card charges are regularly billed  
22 to a customer in this State.

23 (vi) Receipts from the performance of services,  
24 including, but not limited to, fiduciary, advisory,  
25 and brokerage services, are in this State if the  
26 services are received in this State within the meaning

1 of subparagraph (a) (3) (C-5) (iv) of this Section.

2 (vii) Receipts from the issuance of travelers  
3 checks and money orders are from sources in this State  
4 if the checks and money orders are issued from a  
5 location within this State.

6 (viii) Receipts from investment assets and  
7 activities and trading assets and activities are  
8 included in the receipts factor as follows:

9 (1) Interest, dividends, net gains (but not  
10 less than zero) and other income from investment  
11 assets and activities from trading assets and  
12 activities shall be included in the receipts  
13 factor. Investment assets and activities and  
14 trading assets and activities include but are not  
15 limited to: investment securities; trading account  
16 assets; federal funds; securities purchased and  
17 sold under agreements to resell or repurchase;  
18 options; futures contracts; forward contracts;  
19 notional principal contracts such as swaps;  
20 equities; and foreign currency transactions. With  
21 respect to the investment and trading assets and  
22 activities described in subparagraphs (A) and (B)  
23 of this paragraph, the receipts factor shall  
24 include the amounts described in such  
25 subparagraphs.

26 (A) The receipts factor shall include the

1 amount by which interest from federal funds  
2 sold and securities purchased under resale  
3 agreements exceeds interest expense on federal  
4 funds purchased and securities sold under  
5 repurchase agreements.

6 (B) The receipts factor shall include the  
7 amount by which interest, dividends, gains and  
8 other income from trading assets and  
9 activities, including but not limited to  
10 assets and activities in the matched book, in  
11 the arbitrage book, and foreign currency  
12 transactions, exceed amounts paid in lieu of  
13 interest, amounts paid in lieu of dividends,  
14 and losses from such assets and activities.

15 (2) The numerator of the receipts factor  
16 includes interest, dividends, net gains (but not  
17 less than zero), and other income from investment  
18 assets and activities and from trading assets and  
19 activities described in paragraph (1) of this  
20 subsection that are attributable to this State.

21 (A) The amount of interest, dividends, net  
22 gains (but not less than zero), and other  
23 income from investment assets and activities  
24 in the investment account to be attributed to  
25 this State and included in the numerator is  
26 determined by multiplying all such income from

1 such assets and activities by a fraction, the  
2 numerator of which is the gross income from  
3 such assets and activities which are properly  
4 assigned to a fixed place of business of the  
5 taxpayer within this State and the denominator  
6 of which is the gross income from all such  
7 assets and activities.

8 (B) The amount of interest from federal  
9 funds sold and purchased and from securities  
10 purchased under resale agreements and  
11 securities sold under repurchase agreements  
12 attributable to this State and included in the  
13 numerator is determined by multiplying the  
14 amount described in subparagraph (A) of  
15 paragraph (1) of this subsection from such  
16 funds and such securities by a fraction, the  
17 numerator of which is the gross income from  
18 such funds and such securities which are  
19 properly assigned to a fixed place of business  
20 of the taxpayer within this State and the  
21 denominator of which is the gross income from  
22 all such funds and such securities.

23 (C) The amount of interest, dividends,  
24 gains, and other income from trading assets and  
25 activities, including but not limited to  
26 assets and activities in the matched book, in

1           the arbitrage book and foreign currency  
2           transactions (but excluding amounts described  
3           in subparagraphs (A) or (B) of this paragraph),  
4           attributable to this State and included in the  
5           numerator is determined by multiplying the  
6           amount described in subparagraph (B) of  
7           paragraph (1) of this subsection by a fraction,  
8           the numerator of which is the gross income from  
9           such trading assets and activities which are  
10          properly assigned to a fixed place of business  
11          of the taxpayer within this State and the  
12          denominator of which is the gross income from  
13          all such assets and activities.

14           (D) Properly assigned, for purposes of  
15          this paragraph (2) of this subsection, means  
16          the investment or trading asset or activity is  
17          assigned to the fixed place of business with  
18          which it has a preponderance of substantive  
19          contacts. An investment or trading asset or  
20          activity assigned by the taxpayer to a fixed  
21          place of business without the State shall be  
22          presumed to have been properly assigned if:

23                   (i) the taxpayer has assigned, in the  
24                   regular course of its business, such asset  
25                   or activity on its records to a fixed place  
26                   of business consistent with federal or

1 state regulatory requirements;

2 (ii) such assignment on its records is  
3 based upon substantive contacts of the  
4 asset or activity to such fixed place of  
5 business; and

6 (iii) the taxpayer uses such records  
7 reflecting assignment of such assets or  
8 activities for the filing of all state and  
9 local tax returns for which an assignment  
10 of such assets or activities to a fixed  
11 place of business is required.

12 (E) The presumption of proper assignment  
13 of an investment or trading asset or activity  
14 provided in subparagraph (D) of paragraph (2)  
15 of this subsection may be rebutted upon a  
16 showing by the Department, supported by a  
17 preponderance of the evidence, that the  
18 preponderance of substantive contacts  
19 regarding such asset or activity did not occur  
20 at the fixed place of business to which it was  
21 assigned on the taxpayer's records. If the  
22 fixed place of business that has a  
23 preponderance of substantive contacts cannot  
24 be determined for an investment or trading  
25 asset or activity to which the presumption in  
26 subparagraph (D) of paragraph (2) of this



1 subsection does not apply or with respect to  
2 which that presumption has been rebutted, that  
3 asset or activity is properly assigned to the  
4 state in which the taxpayer's commercial  
5 domicile is located. For purposes of this  
6 subparagraph (E), it shall be presumed,  
7 subject to rebuttal, that taxpayer's  
8 commercial domicile is in the state of the  
9 United States or the District of Columbia to  
10 which the greatest number of employees are  
11 regularly connected with the management of the  
12 investment or trading income or out of which  
13 they are working, irrespective of where the  
14 services of such employees are performed, as of  
15 the last day of the taxable year.

16 (4) (Blank).

17 (5) (Blank).

18 (c-1) Federally-regulated exchanges. For taxable years  
19 ending on or after December 31, 2012, business income of a  
20 federally-regulated exchange shall, at the option of the  
21 federally-regulated exchange, be apportioned to this State by  
22 multiplying such income by a fraction, the numerator of which  
23 is its business income from sources within this State, and the  
24 denominator of which is its business income from all sources.  
25 For purposes of this subsection, the business income within  
26 this State of a federally-regulated exchange is the sum of the

1 following:

2 (1) Receipts attributable to transactions executed on  
3 a physical trading floor if that physical trading floor is  
4 located in this State.

5 (2) Receipts attributable to all other matching,  
6 execution, or clearing transactions, including without  
7 limitation receipts from the provision of matching,  
8 execution, or clearing services to another entity,  
9 multiplied by (i) for taxable years ending on or after  
10 December 31, 2012 but before December 31, 2013, 63.77%; and  
11 (ii) for taxable years ending on or after December 31,  
12 2013, 27.54%.

13 (3) Receipts from all other sales of services if the  
14 services are received in this State. For the purposes of  
15 this subsection, gross receipts from the performance of  
16 services provided to a corporation, partnership, or trust  
17 may only be attributed to a state where that corporation,  
18 partnership, or trust has a fixed place of business. If the  
19 state where the services are received is not readily  
20 determinable or is a state where the corporation,  
21 partnership, or trust receiving the service does not have a  
22 fixed place of business, the services shall be deemed to be  
23 received at the location of the office of the customer from  
24 which the services were ordered in the regular course of  
25 the customer's trade or business. If the ordering office  
26 cannot be determined, the services shall be deemed to be

1       received at the office of the customer to whom the services  
2       are billed.

3       (4) All other receipts not governed by subparagraphs  
4       (1), (2), or (3) of this subsection (c-1), to the extent  
5       the receipts would be characterized as "sales in this  
6       State" under item (3) of subsection (a) of this Section.

7       "Federally-regulated exchange" means (i) a "registered  
8       entity" within the meaning of 7 U.S.C. Section 1a(40) (A), (B),  
9       or (C), (ii) an "exchange" or "clearing agency" within the  
10       meaning of 15 U.S.C. Section 78c (a) (1) or (23), (iii) any such  
11       entities regulated under any successor regulatory structure to  
12       the foregoing, and (iv) all taxpayers who are members of the  
13       same unitary business group as a federally-regulated exchange,  
14       determined without regard to the prohibition in Section  
15       1501(a) (27) of this Act against including in a unitary business  
16       group taxpayers who are ordinarily required to apportion  
17       business income under different subsections of this Section;  
18       provided that this subparagraph (iv) shall apply only if 50% or  
19       more of the business receipts of the unitary business group  
20       determined by application of this subparagraph (iv) for the  
21       taxable year are attributable to the matching, execution, or  
22       clearing of transactions conducted by an entity described in  
23       subparagraph (i), (ii), or (iii) of this paragraph.

24       In no event shall the Illinois apportionment percentage  
25       computed in accordance with this subsection (c-1) for any  
26       taxpayer for any tax year be less than the Illinois

1 apportionment percentage computed under this subsection (c-1)  
2 for that taxpayer for the first full tax year ending on or  
3 after December 31, 2013 for which this subsection (c-1) applied  
4 to the taxpayer.

5 (d) Transportation services. For taxable years ending  
6 before December 31, 2008, business income derived from  
7 furnishing transportation services shall be apportioned to  
8 this State in accordance with paragraphs (1) and (2):

9 (1) Such business income (other than that derived from  
10 transportation by pipeline) shall be apportioned to this  
11 State by multiplying such income by a fraction, the  
12 numerator of which is the revenue miles of the person in  
13 this State, and the denominator of which is the revenue  
14 miles of the person everywhere. For purposes of this  
15 paragraph, a revenue mile is the transportation of 1  
16 passenger or 1 net ton of freight the distance of 1 mile  
17 for a consideration. Where a person is engaged in the  
18 transportation of both passengers and freight, the  
19 fraction above referred to shall be determined by means of  
20 an average of the passenger revenue mile fraction and the  
21 freight revenue mile fraction, weighted to reflect the  
22 person's

23 (A) relative railway operating income from total  
24 passenger and total freight service, as reported to the  
25 Interstate Commerce Commission, in the case of  
26 transportation by railroad, and

1 (B) relative gross receipts from passenger and  
2 freight transportation, in case of transportation  
3 other than by railroad.

4 (2) Such business income derived from transportation  
5 by pipeline shall be apportioned to this State by  
6 multiplying such income by a fraction, the numerator of  
7 which is the revenue miles of the person in this State, and  
8 the denominator of which is the revenue miles of the person  
9 everywhere. For the purposes of this paragraph, a revenue  
10 mile is the transportation by pipeline of 1 barrel of oil,  
11 1,000 cubic feet of gas, or of any specified quantity of  
12 any other substance, the distance of 1 mile for a  
13 consideration.

14 (3) For taxable years ending on or after December 31,  
15 2008, business income derived from providing  
16 transportation services other than airline services shall  
17 be apportioned to this State by using a fraction, (a) the  
18 numerator of which shall be (i) all receipts from any  
19 movement or shipment of people, goods, mail, oil, gas, or  
20 any other substance (other than by airline) that both  
21 originates and terminates in this State, plus (ii) that  
22 portion of the person's gross receipts from movements or  
23 shipments of people, goods, mail, oil, gas, or any other  
24 substance (other than by airline) that originates in one  
25 state or jurisdiction and terminates in another state or  
26 jurisdiction, that is determined by the ratio that the

1 miles traveled in this State bears to total miles  
2 everywhere and (b) the denominator of which shall be all  
3 revenue derived from the movement or shipment of people,  
4 goods, mail, oil, gas, or any other substance (other than  
5 by airline). Where a taxpayer is engaged in the  
6 transportation of both passengers and freight, the  
7 fraction above referred to shall first be determined  
8 separately for passenger miles and freight miles. Then an  
9 average of the passenger miles fraction and the freight  
10 miles fraction shall be weighted to reflect the taxpayer's:

11 (A) relative railway operating income from total  
12 passenger and total freight service, as reported to the  
13 Surface Transportation Board, in the case of  
14 transportation by railroad; and

15 (B) relative gross receipts from passenger and  
16 freight transportation, in case of transportation  
17 other than by railroad.

18 (4) For taxable years ending on or after December 31,  
19 2008, business income derived from furnishing airline  
20 transportation services shall be apportioned to this State  
21 by multiplying such income by a fraction, the numerator of  
22 which is the revenue miles of the person in this State, and  
23 the denominator of which is the revenue miles of the person  
24 everywhere. For purposes of this paragraph, a revenue mile  
25 is the transportation of one passenger or one net ton of  
26 freight the distance of one mile for a consideration. If a

1 person is engaged in the transportation of both passengers  
2 and freight, the fraction above referred to shall be  
3 determined by means of an average of the passenger revenue  
4 mile fraction and the freight revenue mile fraction,  
5 weighted to reflect the person's relative gross receipts  
6 from passenger and freight airline transportation.

7 (e) Combined apportionment. Where 2 or more persons are  
8 engaged in a unitary business as described in subsection  
9 (a) (27) of Section 1501, a part of which is conducted in this  
10 State by one or more members of the group, the business income  
11 attributable to this State by any such member or members shall  
12 be apportioned by means of the combined apportionment method.

13 (f) Alternative allocation. If the allocation and  
14 apportionment provisions of subsections (a) through (e) and of  
15 subsection (h) do not fairly represent the extent of a person's  
16 business activity in this State, the person may petition for,  
17 or the Director may, without a petition, permit or require, in  
18 respect of all or any part of the person's business activity,  
19 if reasonable:

20 (1) Separate accounting;

21 (2) The exclusion of any one or more factors;

22 (3) The inclusion of one or more additional factors  
23 which will fairly represent the person's business  
24 activities in this State; or

25 (4) The employment of any other method to effectuate an  
26 equitable allocation and apportionment of the person's

1 business income.

2 (g) Cross reference. For allocation of business income by  
3 residents, see Section 301(a).

4 (h) For tax years ending on or after December 31, 1998, the  
5 apportionment factor of persons who apportion their business  
6 income to this State under subsection (a) shall be equal to:

7 (1) for tax years ending on or after December 31, 1998  
8 and before December 31, 1999, 16 2/3% of the property  
9 factor plus 16 2/3% of the payroll factor plus 66 2/3% of  
10 the sales factor;

11 (2) for tax years ending on or after December 31, 1999  
12 and before December 31, 2000, 8 1/3% of the property factor  
13 plus 8 1/3% of the payroll factor plus 83 1/3% of the sales  
14 factor;

15 (3) for tax years ending on or after December 31, 2000,  
16 the sales factor.

17 If, in any tax year ending on or after December 31, 1998 and  
18 before December 31, 2000, the denominator of the payroll,  
19 property, or sales factor is zero, the apportionment factor  
20 computed in paragraph (1) or (2) of this subsection for that  
21 year shall be divided by an amount equal to 100% minus the  
22 percentage weight given to each factor whose denominator is  
23 equal to zero.

24 (Source: P.A. 96-763, eff. 8-25-09; 97-507, eff. 8-23-11.)

25 (35 ILCS 5/804) (from Ch. 120, par. 8-804)



1           Sec. 804. Failure to Pay Estimated Tax.

2           (a) In general. In case of any underpayment of estimated  
3 tax by a taxpayer, except as provided in subsection (d) or (e),  
4 the taxpayer shall be liable to a penalty in an amount  
5 determined at the rate prescribed by Section 3-3 of the Uniform  
6 Penalty and Interest Act upon the amount of the underpayment  
7 (determined under subsection (b)) for each required  
8 installment.

9           (b) Amount of underpayment. For purposes of subsection (a),  
10 the amount of the underpayment shall be the excess of:

11           (1) the amount of the installment which would be  
12 required to be paid under subsection (c), over

13           (2) the amount, if any, of the installment paid on or  
14 before the last date prescribed for payment.

15           (c) Amount of Required Installments.

16           (1) Amount.

17           (A) In General. Except as provided in paragraphs  
18 ~~paragraph~~ (2) and (3), the amount of any required  
19 installment shall be 25% of the required annual  
20 payment.

21           (B) Required Annual Payment. For purposes of  
22 subparagraph (A), the term "required annual payment"  
23 means the lesser of:

24           (i) 90% of the tax shown on the return for the  
25 taxable year, or if no return is filed, 90% of the  
26 tax for such year;7

1           (ii) for installments due prior to February 1,  
2           2011, and after January 31, 2012, 100% of the tax  
3           shown on the return of the taxpayer for the  
4           preceding taxable year if a return showing a  
5           liability for tax was filed by the taxpayer for the  
6           preceding taxable year and such preceding year was  
7           a taxable year of 12 months; or

8           (iii) for installments due after January 31,  
9           2011, and prior to February 1, 2012, 150% of the  
10          tax shown on the return of the taxpayer for the  
11          preceding taxable year if a return showing a  
12          liability for tax was filed by the taxpayer for the  
13          preceding taxable year and such preceding year was  
14          a taxable year of 12 months.

15          (2) Lower Required Installment where Annualized Income  
16          Installment is Less Than Amount Determined Under Paragraph  
17          (1).

18           (A) In General. In the case of any required  
19           installment if a taxpayer establishes that the  
20           annualized income installment is less than the amount  
21           determined under paragraph (1),

22           (i) the amount of such required installment  
23           shall be the annualized income installment, and

24           (ii) any reduction in a required installment  
25           resulting from the application of this  
26           subparagraph shall be recaptured by increasing the

1 amount of the next required installment determined  
 2 under paragraph (1) by the amount of such  
 3 reduction, and by increasing subsequent required  
 4 installments to the extent that the reduction has  
 5 not previously been recaptured under this clause.

6 (B) Determination of Annualized Income  
 7 Installment. In the case of any required installment,  
 8 the annualized income installment is the excess, if  
 9 any, of:

10 (i) an amount equal to the applicable  
 11 percentage of the tax for the taxable year computed  
 12 by placing on an annualized basis the net income  
 13 for months in the taxable year ending before the  
 14 due date for the installment, over

15 (ii) the aggregate amount of any prior  
 16 required installments for the taxable year.

17 (C) Applicable Percentage.

18	In the case of the following	The applicable
19	required installments:	percentage is:
20	1st.....	22.5%
21	2nd.....	45%
22	3rd.....	67.5%
23	4th.....	90%

24 (D) Annualized Net Income; Individuals. For  
 25 individuals, net income shall be placed on an  
 26 annualized basis by:

1           (i) multiplying by 12, or in the case of a  
2 taxable year of less than 12 months, by the number  
3 of months in the taxable year, the net income  
4 computed without regard to the standard exemption  
5 for the months in the taxable year ending before  
6 the month in which the installment is required to  
7 be paid;

8           (ii) dividing the resulting amount by the  
9 number of months in the taxable year ending before  
10 the month in which such installment date falls; and

11           (iii) deducting from such amount the standard  
12 exemption allowable for the taxable year, such  
13 standard exemption being determined as of the last  
14 date prescribed for payment of the installment.

15           (E) Annualized Net Income; Corporations. For  
16 corporations, net income shall be placed on an  
17 annualized basis by multiplying by 12 the taxable  
18 income

19           (i) for the first 3 months of the taxable year,  
20 in the case of the installment required to be paid  
21 in the 4th month,

22           (ii) for the first 3 months or for the first 5  
23 months of the taxable year, in the case of the  
24 installment required to be paid in the 6th month,

25           (iii) for the first 6 months or for the first 8  
26 months of the taxable year, in the case of the

1           installment required to be paid in the 9th month,  
2           and

3                   (iv) for the first 9 months or for the first 11  
4           months of the taxable year, in the case of the  
5           installment required to be paid in the 12th month  
6           of the taxable year,

7           then dividing the resulting amount by the number of  
8           months in the taxable year (3, 5, 6, 8, 9, or 11 as the  
9           case may be).

10           (3) Notwithstanding any other provision of this  
11           subsection (c), in the case of a federally-regulated  
12           exchange that elects to apportion its income under Section  
13           304(c-1) of this Act, the amount of each required  
14           installment due prior to June 30 of the first taxable year  
15           to which the election applies shall be 25% of the tax that  
16           would have been shown on the return for that taxable year  
17           if the taxpayer had not made such election.

18           (d) Exceptions. Notwithstanding the provisions of the  
19           preceding subsections, the penalty imposed by subsection (a)  
20           shall not be imposed if the taxpayer was not required to file  
21           an Illinois income tax return for the preceding taxable year,  
22           or, for individuals, if the taxpayer had no tax liability for  
23           the preceding taxable year and such year was a taxable year of  
24           12 months. The penalty imposed by subsection (a) shall also not  
25           be imposed on any underpayments of estimated tax due before the  
26           effective date of this amendatory Act of 1998 which

1 underpayments are solely attributable to the change in  
2 apportionment from subsection (a) to subsection (h) of Section  
3 304. The provisions of this amendatory Act of 1998 apply to tax  
4 years ending on or after December 31, 1998.

5 (e) The penalty imposed for underpayment of estimated tax  
6 by subsection (a) of this Section shall not be imposed to the  
7 extent that the Director or his or her designate determines,  
8 pursuant to Section 3-8 of the Uniform Penalty and Interest Act  
9 that the penalty should not be imposed.

10 (f) Definition of tax. For purposes of subsections (b) and  
11 (c), the term "tax" means the excess of the tax imposed under  
12 Article 2 of this Act, over the amounts credited against such  
13 tax under Sections 601(b) (3) and (4).

14 (g) Application of Section in case of tax withheld under  
15 Article 7. For purposes of applying this Section:

16 (1) tax withheld from compensation for the taxable year  
17 shall be deemed a payment of estimated tax, and an equal  
18 part of such amount shall be deemed paid on each  
19 installment date for such taxable year, unless the taxpayer  
20 establishes the dates on which all amounts were actually  
21 withheld, in which case the amounts so withheld shall be  
22 deemed payments of estimated tax on the dates on which such  
23 amounts were actually withheld;

24 (2) amounts timely paid by a partnership, Subchapter S  
25 corporation, or trust on behalf of a partner, shareholder,  
26 or beneficiary pursuant to subsection (f) of Section 502 or

1 Section 709.5 and claimed as a payment of estimated tax  
2 shall be deemed a payment of estimated tax made on the last  
3 day of the taxable year of the partnership, Subchapter S  
4 corporation, or trust for which the income from the  
5 withholding is made was computed; and

6 (3) all other amounts pursuant to Article 7 shall be  
7 deemed a payment of estimated tax on the date the payment  
8 is made to the taxpayer of the amount from which the tax is  
9 withheld.

10 (g-5) Amounts withheld under the State Salary and Annuity  
11 Withholding Act. An individual who has amounts withheld under  
12 paragraph (10) of Section 4 of the State Salary and Annuity  
13 Withholding Act may elect to have those amounts treated as  
14 payments of estimated tax made on the dates on which those  
15 amounts are actually withheld.

16 (i) Short taxable year. The application of this Section to  
17 taxable years of less than 12 months shall be in accordance  
18 with regulations prescribed by the Department.

19 The changes in this Section made by Public Act 84-127 shall  
20 apply to taxable years ending on or after January 1, 1986.

21 (Source: P.A. 96-1496, eff. 1-13-11; 97-507, eff. 8-23-11;  
22 revised 11-18-11.)

23 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

24 Sec. 1501. Definitions.

25 (a) In general. When used in this Act, where not otherwise

1 distinctly expressed or manifestly incompatible with the  
2 intent thereof:

3 (1) Business income. The term "business income" means  
4 all income that may be treated as apportionable business  
5 income under the Constitution of the United States.  
6 Business income is net of the deductions allocable thereto.  
7 Such term does not include compensation or the deductions  
8 allocable thereto. For each taxable year beginning on or  
9 after January 1, 2003, a taxpayer may elect to treat all  
10 income other than compensation as business income. This  
11 election shall be made in accordance with rules adopted by  
12 the Department and, once made, shall be irrevocable.

13 (1.5) Captive real estate investment trust:

14 (A) The term "captive real estate investment  
15 trust" means a corporation, trust, or association:

16 (i) that is considered a real estate  
17 investment trust for the taxable year under  
18 Section 856 of the Internal Revenue Code;

19 (ii) the certificates of beneficial interest  
20 or shares of which are not regularly traded on an  
21 established securities market; and

22 (iii) of which more than 50% of the voting  
23 power or value of the beneficial interest or  
24 shares, at any time during the last half of the  
25 taxable year, is owned or controlled, directly,  
26 indirectly, or constructively, by a single



1 corporation.

2 (B) The term "captive real estate investment  
3 trust" does not include:

4 (i) a real estate investment trust of which  
5 more than 50% of the voting power or value of the  
6 beneficial interest or shares is owned or  
7 controlled, directly, indirectly, or  
8 constructively, by:

9 (a) a real estate investment trust, other  
10 than a captive real estate investment trust;

11 (b) a person who is exempt from taxation  
12 under Section 501 of the Internal Revenue Code,  
13 and who is not required to treat income  
14 received from the real estate investment trust  
15 as unrelated business taxable income under  
16 Section 512 of the Internal Revenue Code;

17 (c) a listed Australian property trust, if  
18 no more than 50% of the voting power or value  
19 of the beneficial interest or shares of that  
20 trust, at any time during the last half of the  
21 taxable year, is owned or controlled, directly  
22 or indirectly, by a single person;

23 (d) an entity organized as a trust,  
24 provided a listed Australian property trust  
25 described in subparagraph (c) owns or  
26 controls, directly or indirectly, or

1           constructively, 75% or more of the voting power  
2           or value of the beneficial interests or shares  
3           of such entity; or

4           (e) an entity that is organized outside of  
5           the laws of the United States and that  
6           satisfies all of the following criteria:

7                   (1) at least 75% of the entity's total  
8                   asset value at the close of its taxable  
9                   year is represented by real estate assets  
10                  (as defined in Section 856(c)(5)(B) of the  
11                  Internal Revenue Code, thereby including  
12                  shares or certificates of beneficial  
13                  interest in any real estate investment  
14                  trust), cash and cash equivalents, and  
15                  U.S. Government securities;

16                  (2) the entity is not subject to tax on  
17                  amounts that are distributed to its  
18                  beneficial owners or is exempt from  
19                  entity-level taxation;

20                  (3) the entity distributes at least  
21                  85% of its taxable income (as computed in  
22                  the jurisdiction in which it is organized)  
23                  to the holders of its shares or  
24                  certificates of beneficial interest on an  
25                  annual basis;

26                  (4) either (i) the shares or

1                   beneficial interests of the entity are  
2                   regularly traded on an established  
3                   securities market or (ii) not more than 10%  
4                   of the voting power or value in the entity  
5                   is held, directly, indirectly, or  
6                   constructively, by a single entity or  
7                   individual; and

8                   (5) the entity is organized in a  
9                   country that has entered into a tax treaty  
10                  with the United States; or

11                  (ii) during its first taxable year for which it  
12                  elects to be treated as a real estate investment  
13                  trust under Section 856(c)(1) of the Internal  
14                  Revenue Code, a real estate investment trust the  
15                  certificates of beneficial interest or shares of  
16                  which are not regularly traded on an established  
17                  securities market, but only if the certificates of  
18                  beneficial interest or shares of the real estate  
19                  investment trust are regularly traded on an  
20                  established securities market prior to the earlier  
21                  of the due date (including extensions) for filing  
22                  its return under this Act for that first taxable  
23                  year or the date it actually files that return.

24                  (C) For the purposes of this subsection (1.5), the  
25                  constructive ownership rules prescribed under Section  
26                  318(a) of the Internal Revenue Code, as modified by

1 Section 856(d)(5) of the Internal Revenue Code, apply  
2 in determining the ownership of stock, assets, or net  
3 profits of any person.

4 (2) Commercial domicile. The term "commercial  
5 domicile" means the principal place from which the trade or  
6 business of the taxpayer is directed or managed.

7 (3) Compensation. The term "compensation" means wages,  
8 salaries, commissions and any other form of remuneration  
9 paid to employees for personal services.

10 (4) Corporation. The term "corporation" includes  
11 associations, joint-stock companies, insurance companies  
12 and cooperatives. Any entity, including a limited  
13 liability company formed under the Illinois Limited  
14 Liability Company Act, shall be treated as a corporation if  
15 it is so classified for federal income tax purposes.

16 (5) Department. The term "Department" means the  
17 Department of Revenue of this State.

18 (6) Director. The term "Director" means the Director of  
19 Revenue of this State.

20 (7) Fiduciary. The term "fiduciary" means a guardian,  
21 trustee, executor, administrator, receiver, or any person  
22 acting in any fiduciary capacity for any person.

23 (8) Financial organization.

24 (A) The term "financial organization" means any  
25 bank, bank holding company, trust company, savings  
26 bank, industrial bank, land bank, safe deposit

1 company, private banker, savings and loan association,  
2 building and loan association, credit union, currency  
3 exchange, cooperative bank, small loan company, sales  
4 finance company, investment company, or any person  
5 which is owned by a bank or bank holding company. For  
6 the purpose of this Section a "person" will include  
7 only those persons which a bank holding company may  
8 acquire and hold an interest in, directly or  
9 indirectly, under the provisions of the Bank Holding  
10 Company Act of 1956 (12 U.S.C. 1841, et seq.), except  
11 where interests in any person must be disposed of  
12 within certain required time limits under the Bank  
13 Holding Company Act of 1956.

14 (B) For purposes of subparagraph (A) of this  
15 paragraph, the term "bank" includes (i) any entity that  
16 is regulated by the Comptroller of the Currency under  
17 the National Bank Act, or by the Federal Reserve Board,  
18 or by the Federal Deposit Insurance Corporation and  
19 (ii) any federally or State chartered bank operating as  
20 a credit card bank.

21 (C) For purposes of subparagraph (A) of this  
22 paragraph, the term "sales finance company" has the  
23 meaning provided in the following item (i) or (ii):

24 (i) A person primarily engaged in one or more  
25 of the following businesses: the business of  
26 purchasing customer receivables, the business of

1 making loans upon the security of customer  
2 receivables, the business of making loans for the  
3 express purpose of funding purchases of tangible  
4 personal property or services by the borrower, or  
5 the business of finance leasing. For purposes of  
6 this item (i), "customer receivable" means:

7 (a) a retail installment contract or  
8 retail charge agreement within the meaning of  
9 the Sales Finance Agency Act, the Retail  
10 Installment Sales Act, or the Motor Vehicle  
11 Retail Installment Sales Act;

12 (b) an installment, charge, credit, or  
13 similar contract or agreement arising from the  
14 sale of tangible personal property or services  
15 in a transaction involving a deferred payment  
16 price payable in one or more installments  
17 subsequent to the sale; or

18 (c) the outstanding balance of a contract  
19 or agreement described in provisions (a) or (b)  
20 of this item (i).

21 A customer receivable need not provide for  
22 payment of interest on deferred payments. A sales  
23 finance company may purchase a customer receivable  
24 from, or make a loan secured by a customer  
25 receivable to, the seller in the original  
26 transaction or to a person who purchased the

1 customer receivable directly or indirectly from  
2 that seller.

3 (ii) A corporation meeting each of the  
4 following criteria:

5 (a) the corporation must be a member of an  
6 "affiliated group" within the meaning of  
7 Section 1504(a) of the Internal Revenue Code,  
8 determined without regard to Section 1504(b)  
9 of the Internal Revenue Code;

10 (b) more than 50% of the gross income of  
11 the corporation for the taxable year must be  
12 interest income derived from qualifying loans.  
13 A "qualifying loan" is a loan made to a member  
14 of the corporation's affiliated group that  
15 originates customer receivables (within the  
16 meaning of item (i)) or to whom customer  
17 receivables originated by a member of the  
18 affiliated group have been transferred, to the  
19 extent the average outstanding balance of  
20 loans from that corporation to members of its  
21 affiliated group during the taxable year do not  
22 exceed the limitation amount for that  
23 corporation. The "limitation amount" for a  
24 corporation is the average outstanding  
25 balances during the taxable year of customer  
26 receivables (within the meaning of item (i))

1           originated by all members of the affiliated  
2           group. If the average outstanding balances of  
3           the loans made by a corporation to members of  
4           its affiliated group exceed the limitation  
5           amount, the interest income of that  
6           corporation from qualifying loans shall be  
7           equal to its interest income from loans to  
8           members of its affiliated groups times a  
9           fraction equal to the limitation amount  
10          divided by the average outstanding balances of  
11          the loans made by that corporation to members  
12          of its affiliated group;

13           (c) the total of all shareholder's equity  
14           (including, without limitation, paid-in  
15           capital on common and preferred stock and  
16           retained earnings) of the corporation plus the  
17           total of all of its loans, advances, and other  
18           obligations payable or owed to members of its  
19           affiliated group may not exceed 20% of the  
20           total assets of the corporation at any time  
21           during the tax year; and

22           (d) more than 50% of all interest-bearing  
23           obligations of the affiliated group payable to  
24           persons outside the group determined in  
25           accordance with generally accepted accounting  
26           principles must be obligations of the



1                   corporation.

2                   This amendatory Act of the 91st General Assembly is  
3                   declaratory of existing law.

4                   (D) Subparagraphs (B) and (C) of this paragraph are  
5                   declaratory of existing law and apply retroactively,  
6                   for all tax years beginning on or before December 31,  
7                   1996, to all original returns, to all amended returns  
8                   filed no later than 30 days after the effective date of  
9                   this amendatory Act of 1996, and to all notices issued  
10                  on or before the effective date of this amendatory Act  
11                  of 1996 under subsection (a) of Section 903, subsection  
12                  (a) of Section 904, subsection (e) of Section 909, or  
13                  Section 912. A taxpayer that is a "financial  
14                  organization" that engages in any transaction with an  
15                  affiliate shall be a "financial organization" for all  
16                  purposes of this Act.

17                  (E) For all tax years beginning on or before  
18                  December 31, 1996, a taxpayer that falls within the  
19                  definition of a "financial organization" under  
20                  subparagraphs (B) or (C) of this paragraph, but who  
21                  does not fall within the definition of a "financial  
22                  organization" under the Proposed Regulations issued by  
23                  the Department of Revenue on July 19, 1996, may  
24                  irrevocably elect to apply the Proposed Regulations  
25                  for all of those years as though the Proposed  
26                  Regulations had been lawfully promulgated, adopted,

1           and in effect for all of those years. For purposes of  
2           applying subparagraphs (B) or (C) of this paragraph to  
3           all of those years, the election allowed by this  
4           subparagraph applies only to the taxpayer making the  
5           election and to those members of the taxpayer's unitary  
6           business group who are ordinarily required to  
7           apportion business income under the same subsection of  
8           Section 304 of this Act as the taxpayer making the  
9           election. No election allowed by this subparagraph  
10          shall be made under a claim filed under subsection (d)  
11          of Section 909 more than 30 days after the effective  
12          date of this amendatory Act of 1996.

13           (F) Finance Leases. For purposes of this  
14          subsection, a finance lease shall be treated as a loan  
15          or other extension of credit, rather than as a lease,  
16          regardless of how the transaction is characterized for  
17          any other purpose, including the purposes of any  
18          regulatory agency to which the lessor is subject. A  
19          finance lease is any transaction in the form of a lease  
20          in which the lessee is treated as the owner of the  
21          leased asset entitled to any deduction for  
22          depreciation allowed under Section 167 of the Internal  
23          Revenue Code.

24           (9) Fiscal year. The term "fiscal year" means an  
25          accounting period of 12 months ending on the last day of  
26          any month other than December.

1           (9.5) Fixed place of business. The term "fixed place of  
2 business" has the same meaning as that term is given in  
3 Section 864 of the Internal Revenue Code and the related  
4 Treasury regulations.

5           (10) Includes and including. The terms "includes" and  
6 "including" when used in a definition contained in this Act  
7 shall not be deemed to exclude other things otherwise  
8 within the meaning of the term defined.

9           (11) Internal Revenue Code. The term "Internal Revenue  
10 Code" means the United States Internal Revenue Code of 1954  
11 or any successor law or laws relating to federal income  
12 taxes in effect for the taxable year.

13           (11.5) Investment partnership.

14           (A) The term "investment partnership" means any  
15 entity that is treated as a partnership for federal  
16 income tax purposes that meets the following  
17 requirements:

18                   (i) no less than 90% of the partnership's cost  
19 of its total assets consists of qualifying  
20 investment securities, deposits at banks or other  
21 financial institutions, and office space and  
22 equipment reasonably necessary to carry on its  
23 activities as an investment partnership;

24                   (ii) no less than 90% of its gross income  
25 consists of interest, dividends, and gains from  
26 the sale or exchange of qualifying investment

1 securities; and

2 (iii) the partnership is not a dealer in  
3 qualifying investment securities.

4 (B) For purposes of this paragraph (11.5), the term  
5 "qualifying investment securities" includes all of the  
6 following:

7 (i) common stock, including preferred or debt  
8 securities convertible into common stock, and  
9 preferred stock;

10 (ii) bonds, debentures, and other debt  
11 securities;

12 (iii) foreign and domestic currency deposits  
13 secured by federal, state, or local governmental  
14 agencies;

15 (iv) mortgage or asset-backed securities  
16 secured by federal, state, or local governmental  
17 agencies;

18 (v) repurchase agreements and loan  
19 participations;

20 (vi) foreign currency exchange contracts and  
21 forward and futures contracts on foreign  
22 currencies;

23 (vii) stock and bond index securities and  
24 futures contracts and other similar financial  
25 securities and futures contracts on those  
26 securities;

1 (viii) options for the purchase or sale of any  
2 of the securities, currencies, contracts, or  
3 financial instruments described in items (i) to  
4 (vii), inclusive;

5 (ix) regulated futures contracts;

6 (x) commodities (not described in Section  
7 1221(a)(1) of the Internal Revenue Code) or  
8 futures, forwards, and options with respect to  
9 such commodities, provided, however, that any item  
10 of a physical commodity to which title is actually  
11 acquired in the partnership's capacity as a dealer  
12 in such commodity shall not be a qualifying  
13 investment security;

14 (xi) derivatives; and

15 (xii) a partnership interest in another  
16 partnership that is an investment partnership.

17 (12) Mathematical error. The term "mathematical error"  
18 includes the following types of errors, omissions, or  
19 defects in a return filed by a taxpayer which prevents  
20 acceptance of the return as filed for processing:

21 (A) arithmetic errors or incorrect computations on  
22 the return or supporting schedules;

23 (B) entries on the wrong lines;

24 (C) omission of required supporting forms or  
25 schedules or the omission of the information in whole  
26 or in part called for thereon; and

1 (D) an attempt to claim, exclude, deduct, or  
2 improperly report, in a manner directly contrary to the  
3 provisions of the Act and regulations thereunder any  
4 item of income, exemption, deduction, or credit.

5 (13) Nonbusiness income. The term "nonbusiness income"  
6 means all income other than business income or  
7 compensation.

8 (14) Nonresident. The term "nonresident" means a  
9 person who is not a resident.

10 (15) Paid, incurred and accrued. The terms "paid",  
11 "incurred" and "accrued" shall be construed according to  
12 the method of accounting upon the basis of which the  
13 person's base income is computed under this Act.

14 (16) Partnership and partner. The term "partnership"  
15 includes a syndicate, group, pool, joint venture or other  
16 unincorporated organization, through or by means of which  
17 any business, financial operation, or venture is carried  
18 on, and which is not, within the meaning of this Act, a  
19 trust or estate or a corporation; and the term "partner"  
20 includes a member in such syndicate, group, pool, joint  
21 venture or organization.

22 The term "partnership" includes any entity, including  
23 a limited liability company formed under the Illinois  
24 Limited Liability Company Act, classified as a partnership  
25 for federal income tax purposes.

26 The term "partnership" does not include a syndicate,

1 group, pool, joint venture, or other unincorporated  
2 organization established for the sole purpose of playing  
3 the Illinois State Lottery.

4 (17) Part-year resident. The term "part-year resident"  
5 means an individual who became a resident during the  
6 taxable year or ceased to be a resident during the taxable  
7 year. Under Section 1501(a)(20)(A)(i) residence commences  
8 with presence in this State for other than a temporary or  
9 transitory purpose and ceases with absence from this State  
10 for other than a temporary or transitory purpose. Under  
11 Section 1501(a)(20)(A)(ii) residence commences with the  
12 establishment of domicile in this State and ceases with the  
13 establishment of domicile in another State.

14 (18) Person. The term "person" shall be construed to  
15 mean and include an individual, a trust, estate,  
16 partnership, association, firm, company, corporation,  
17 limited liability company, or fiduciary. For purposes of  
18 Section 1301 and 1302 of this Act, a "person" means (i) an  
19 individual, (ii) a corporation, (iii) an officer, agent, or  
20 employee of a corporation, (iv) a member, agent or employee  
21 of a partnership, or (v) a member, manager, employee,  
22 officer, director, or agent of a limited liability company  
23 who in such capacity commits an offense specified in  
24 Section 1301 and 1302.

25 (18A) Records. The term "records" includes all data  
26 maintained by the taxpayer, whether on paper, microfilm,

1 microfiche, or any type of machine-sensible data  
2 compilation.

3 (19) Regulations. The term "regulations" includes  
4 rules promulgated and forms prescribed by the Department.

5 (20) Resident. The term "resident" means:

6 (A) an individual (i) who is in this State for  
7 other than a temporary or transitory purpose during the  
8 taxable year; or (ii) who is domiciled in this State  
9 but is absent from the State for a temporary or  
10 transitory purpose during the taxable year;

11 (B) The estate of a decedent who at his or her  
12 death was domiciled in this State;

13 (C) A trust created by a will of a decedent who at  
14 his death was domiciled in this State; and

15 (D) An irrevocable trust, the grantor of which was  
16 domiciled in this State at the time such trust became  
17 irrevocable. For purpose of this subparagraph, a trust  
18 shall be considered irrevocable to the extent that the  
19 grantor is not treated as the owner thereof under  
20 Sections 671 through 678 of the Internal Revenue Code.

21 (21) Sales. The term "sales" means all gross receipts  
22 of the taxpayer not allocated under Sections 301, 302 and  
23 303.

24 (22) State. The term "state" when applied to a  
25 jurisdiction other than this State means any state of the  
26 United States, the District of Columbia, the Commonwealth



1 of Puerto Rico, any Territory or Possession of the United  
2 States, and any foreign country, or any political  
3 subdivision of any of the foregoing. For purposes of the  
4 foreign tax credit under Section 601, the term "state"  
5 means any state of the United States, the District of  
6 Columbia, the Commonwealth of Puerto Rico, and any  
7 territory or possession of the United States, or any  
8 political subdivision of any of the foregoing, effective  
9 for tax years ending on or after December 31, 1989.

10 (23) Taxable year. The term "taxable year" means the  
11 calendar year, or the fiscal year ending during such  
12 calendar year, upon the basis of which the base income is  
13 computed under this Act. "Taxable year" means, in the case  
14 of a return made for a fractional part of a year under the  
15 provisions of this Act, the period for which such return is  
16 made.

17 (24) Taxpayer. The term "taxpayer" means any person  
18 subject to the tax imposed by this Act.

19 (25) International banking facility. The term  
20 international banking facility shall have the same meaning  
21 as is set forth in the Illinois Banking Act or as is set  
22 forth in the laws of the United States or regulations of  
23 the Board of Governors of the Federal Reserve System.

24 (26) Income Tax Return Preparer.

25 (A) The term "income tax return preparer" means any  
26 person who prepares for compensation, or who employs

1 one or more persons to prepare for compensation, any  
2 return of tax imposed by this Act or any claim for  
3 refund of tax imposed by this Act. The preparation of a  
4 substantial portion of a return or claim for refund  
5 shall be treated as the preparation of that return or  
6 claim for refund.

7 (B) A person is not an income tax return preparer  
8 if all he or she does is

9 (i) furnish typing, reproducing, or other  
10 mechanical assistance;

11 (ii) prepare returns or claims for refunds for  
12 the employer by whom he or she is regularly and  
13 continuously employed;

14 (iii) prepare as a fiduciary returns or claims  
15 for refunds for any person; or

16 (iv) prepare claims for refunds for a taxpayer  
17 in response to any notice of deficiency issued to  
18 that taxpayer or in response to any waiver of  
19 restriction after the commencement of an audit of  
20 that taxpayer or of another taxpayer if a  
21 determination in the audit of the other taxpayer  
22 directly or indirectly affects the tax liability  
23 of the taxpayer whose claims he or she is  
24 preparing.

25 (27) Unitary business group.

26 (A) The term "unitary business group" means a group

1 of persons related through common ownership whose  
2 business activities are integrated with, dependent  
3 upon and contribute to each other. The group will not  
4 include those members whose business activity outside  
5 the United States is 80% or more of any such member's  
6 total business activity; for purposes of this  
7 paragraph and clause (a)(3)(B)(ii) of Section 304,  
8 business activity within the United States shall be  
9 measured by means of the factors ordinarily applicable  
10 under subsections (a), (b), (c), (d), or (h) of Section  
11 304 except that, in the case of members ordinarily  
12 required to apportion business income by means of the 3  
13 factor formula of property, payroll and sales  
14 specified in subsection (a) of Section 304, including  
15 the formula as weighted in subsection (h) of Section  
16 304, such members shall not use the sales factor in the  
17 computation and the results of the property and payroll  
18 factor computations of subsection (a) of Section 304  
19 shall be divided by 2 (by one if either the property or  
20 payroll factor has a denominator of zero). The  
21 computation required by the preceding sentence shall,  
22 in each case, involve the division of the member's  
23 property, payroll, or revenue miles in the United  
24 States, insurance premiums on property or risk in the  
25 United States, or financial organization business  
26 income from sources within the United States, as the

1 case may be, by the respective worldwide figures for  
2 such items. Common ownership in the case of  
3 corporations is the direct or indirect control or  
4 ownership of more than 50% of the outstanding voting  
5 stock of the persons carrying on unitary business  
6 activity. Unitary business activity can ordinarily be  
7 illustrated where the activities of the members are:  
8 (1) in the same general line (such as manufacturing,  
9 wholesaling, retailing of tangible personal property,  
10 insurance, transportation or finance); or (2) are  
11 steps in a vertically structured enterprise or process  
12 (such as the steps involved in the production of  
13 natural resources, which might include exploration,  
14 mining, refining, and marketing); and, in either  
15 instance, the members are functionally integrated  
16 through the exercise of strong centralized management  
17 (where, for example, authority over such matters as  
18 purchasing, financing, tax compliance, product line,  
19 personnel, marketing and capital investment is not  
20 left to each member).

21 (B) In no event, shall any unitary business group  
22 include members which are ordinarily required to  
23 apportion business income under different subsections  
24 of Section 304 except that for tax years ending on or  
25 after December 31, 1987 this prohibition shall not  
26 apply to a holding company that would otherwise be a

1 member of a unitary business group with taxpayers that  
2 apportion business income under any of subsections  
3 (b), (c), (c-1), or (d) of Section 304. If a unitary  
4 business group would, but for the preceding sentence,  
5 include members that are ordinarily required to  
6 apportion business income under different subsections  
7 of Section 304, then for each subsection of Section 304  
8 for which there are two or more members, there shall be  
9 a separate unitary business group composed of such  
10 members. For purposes of the preceding two sentences, a  
11 member is "ordinarily required to apportion business  
12 income" under a particular subsection of Section 304 if  
13 it would be required to use the apportionment method  
14 prescribed by such subsection except for the fact that  
15 it derives business income solely from Illinois. As  
16 used in this paragraph, the phrase "United States"  
17 means only the 50 states and the District of Columbia,  
18 but does not include any territory or possession of the  
19 United States or any area over which the United States  
20 has asserted jurisdiction or claimed exclusive rights  
21 with respect to the exploration for or exploitation of  
22 natural resources.

23 (C) Holding companies.

24 (i) For purposes of this subparagraph, a  
25 "holding company" is a corporation (other than a  
26 corporation that is a financial organization under

1 paragraph (8) of this subsection (a) of Section  
2 1501 because it is a bank holding company under the  
3 provisions of the Bank Holding Company Act of 1956  
4 (12 U.S.C. 1841, et seq.) or because it is owned by  
5 a bank or a bank holding company) that owns a  
6 controlling interest in one or more other  
7 taxpayers ("controlled taxpayers"); that, during  
8 the period that includes the taxable year and the 2  
9 immediately preceding taxable years or, if the  
10 corporation was formed during the current or  
11 immediately preceding taxable year, the taxable  
12 years in which the corporation has been in  
13 existence, derived substantially all its gross  
14 income from dividends, interest, rents, royalties,  
15 fees or other charges received from controlled  
16 taxpayers for the provision of services, and gains  
17 on the sale or other disposition of interests in  
18 controlled taxpayers or in property leased or  
19 licensed to controlled taxpayers or used by the  
20 taxpayer in providing services to controlled  
21 taxpayers; and that incurs no substantial expenses  
22 other than expenses (including interest and other  
23 costs of borrowing) incurred in connection with  
24 the acquisition and holding of interests in  
25 controlled taxpayers and in the provision of  
26 services to controlled taxpayers or in the leasing

1 or licensing of property to controlled taxpayers.

2 (ii) The income of a holding company which is a  
3 member of more than one unitary business group  
4 shall be included in each unitary business group of  
5 which it is a member on a pro rata basis, by  
6 including in each unitary business group that  
7 portion of the base income of the holding company  
8 that bears the same proportion to the total base  
9 income of the holding company as the gross receipts  
10 of the unitary business group bears to the combined  
11 gross receipts of all unitary business groups (in  
12 both cases without regard to the holding company)  
13 or on any other reasonable basis, consistently  
14 applied.

15 (iii) A holding company shall apportion its  
16 business income under the subsection of Section  
17 304 used by the other members of its unitary  
18 business group. The apportionment factors of a  
19 holding company which would be a member of more  
20 than one unitary business group shall be included  
21 with the apportionment factors of each unitary  
22 business group of which it is a member on a pro  
23 rata basis using the same method used in clause  
24 (ii).

25 (iv) The provisions of this subparagraph (C)  
26 are intended to clarify existing law.

1 (D) If including the base income and factors of a  
2 holding company in more than one unitary business group  
3 under subparagraph (C) does not fairly reflect the  
4 degree of integration between the holding company and  
5 one or more of the unitary business groups, the  
6 dependence of the holding company and one or more of  
7 the unitary business groups upon each other, or the  
8 contributions between the holding company and one or  
9 more of the unitary business groups, the holding  
10 company may petition the Director, under the  
11 procedures provided under Section 304(f), for  
12 permission to include all base income and factors of  
13 the holding company only with members of a unitary  
14 business group apportioning their business income  
15 under one subsection of subsections (a), (b), (c), or  
16 (d) of Section 304. If the petition is granted, the  
17 holding company shall be included in a unitary business  
18 group only with persons apportioning their business  
19 income under the selected subsection of Section 304  
20 until the Director grants a petition of the holding  
21 company either to be included in more than one unitary  
22 business group under subparagraph (C) or to include its  
23 base income and factors only with members of a unitary  
24 business group apportioning their business income  
25 under a different subsection of Section 304.

26 (E) If the unitary business group members'



1           accounting periods differ, the common parent's  
2           accounting period or, if there is no common parent, the  
3           accounting period of the member that is expected to  
4           have, on a recurring basis, the greatest Illinois  
5           income tax liability must be used to determine whether  
6           to use the apportionment method provided in subsection  
7           (a) or subsection (h) of Section 304. The prohibition  
8           against membership in a unitary business group for  
9           taxpayers ordinarily required to apportion income  
10          under different subsections of Section 304 does not  
11          apply to taxpayers required to apportion income under  
12          subsection (a) and subsection (h) of Section 304. The  
13          provisions of this amendatory Act of 1998 apply to tax  
14          years ending on or after December 31, 1998.

15          (28) Subchapter S corporation. The term "Subchapter S  
16          corporation" means a corporation for which there is in  
17          effect an election under Section 1362 of the Internal  
18          Revenue Code, or for which there is a federal election to  
19          opt out of the provisions of the Subchapter S Revision Act  
20          of 1982 and have applied instead the prior federal  
21          Subchapter S rules as in effect on July 1, 1982.

22          (30) Foreign person. The term "foreign person" means  
23          any person who is a nonresident alien individual and any  
24          nonindividual entity, regardless of where created or  
25          organized, whose business activity outside the United  
26          States is 80% or more of the entity's total business

1 activity.

2 (b) Other definitions.

3 (1) Words denoting number, gender, and so forth, when  
4 used in this Act, where not otherwise distinctly expressed  
5 or manifestly incompatible with the intent thereof:

6 (A) Words importing the singular include and apply  
7 to several persons, parties or things;

8 (B) Words importing the plural include the  
9 singular; and

10 (C) Words importing the masculine gender include  
11 the feminine as well.

12 (2) "Company" or "association" as including successors  
13 and assigns. The word "company" or "association", when used  
14 in reference to a corporation, shall be deemed to embrace  
15 the words "successors and assigns of such company or  
16 association", and in like manner as if these last-named  
17 words, or words of similar import, were expressed.

18 (3) Other terms. Any term used in any Section of this  
19 Act with respect to the application of, or in connection  
20 with, the provisions of any other Section of this Act shall  
21 have the same meaning as in such other Section.

22 (Source: P.A. 96-641, eff. 8-24-09; 97-507, eff. 8-23-11.)

23 Section 15-15. The Economic Development for a Growing  
24 Economy Tax Credit Act is amended by changing Section 5-15 as

1 follows:

2 (35 ILCS 10/5-15)

3 Sec. 5-15. Tax Credit Awards. Subject to the conditions set  
4 forth in this Act, a Taxpayer is entitled to a Credit against  
5 or, as described in subsection (g) of this Section, a payment  
6 towards taxes imposed pursuant to subsections (a) and (b) of  
7 Section 201 of the Illinois Income Tax Act that may be imposed  
8 on the Taxpayer for a taxable year beginning on or after  
9 January 1, 1999, if the Taxpayer is awarded a Credit by the  
10 Department under this Act for that taxable year.

11 (a) The Department shall make Credit awards under this Act  
12 to foster job creation and retention in Illinois.

13 (b) A person that proposes a project to create new jobs in  
14 Illinois must enter into an Agreement with the Department for  
15 the Credit under this Act.

16 (c) The Credit shall be claimed for the taxable years  
17 specified in the Agreement.

18 (d) The Credit shall not exceed the Incremental Income Tax  
19 attributable to the project that is the subject of the  
20 Agreement.

21 (e) Nothing herein shall prohibit a Tax Credit Award to an  
22 Applicant that uses a PEO if all other award criteria are  
23 satisfied.

24 (f) In lieu of the Credit allowed under this Act against  
25 the taxes imposed pursuant to subsections (a) and (b) of

1 Section 201 of the Illinois Income Tax Act for any taxable year  
2 ending on or after December 31, 2009, the Taxpayer may elect to  
3 claim the Credit against its obligation to pay over withholding  
4 under Section 704A of the Illinois Income Tax Act.

5 (1) The election under this subsection (f) may be made  
6 only by a Taxpayer that (i) is primarily engaged in one of  
7 the following business activities: water purification and  
8 treatment, motor vehicle metal stamping, automobile  
9 manufacturing, automobile and light duty motor vehicle  
10 manufacturing, motor vehicle manufacturing, light truck  
11 and utility vehicle manufacturing, heavy duty truck  
12 manufacturing, motor vehicle body manufacturing, cable  
13 television infrastructure design or manufacturing, or  
14 wireless telecommunication or computing terminal device  
15 design or manufacturing for use on public networks and (ii)  
16 meets the following criteria:

17 (A) the Taxpayer (i) had an Illinois net loss or an  
18 Illinois net loss deduction under Section 207 of the  
19 Illinois Income Tax Act for the taxable year in which  
20 the Credit is awarded, (ii) employed a minimum of 1,000  
21 full-time employees in this State during the taxable  
22 year in which the Credit is awarded, (iii) has an  
23 Agreement under this Act on December 14, 2009 (the  
24 effective date of Public Act 96-834), and (iv) is in  
25 compliance with all provisions of that Agreement;

26 (B) the Taxpayer (i) had an Illinois net loss or an

1 Illinois net loss deduction under Section 207 of the  
2 Illinois Income Tax Act for the taxable year in which  
3 the Credit is awarded, (ii) employed a minimum of 1,000  
4 full-time employees in this State during the taxable  
5 year in which the Credit is awarded, and (iii) has  
6 applied for an Agreement within 365 days after December  
7 14, 2009 (the effective date of Public Act 96-834);

8 (C) the Taxpayer (i) had an Illinois net operating  
9 loss carryforward under Section 207 of the Illinois  
10 Income Tax Act in a taxable year ending during calendar  
11 year 2008, (ii) has applied for an Agreement within 150  
12 days after the effective date of this amendatory Act of  
13 the 96th General Assembly, (iii) creates at least 400  
14 new jobs in Illinois, (iv) retains at least 2,000 jobs  
15 in Illinois that would have been at risk of relocation  
16 out of Illinois over a 10-year period, and (v) makes a  
17 capital investment of at least \$75,000,000;

18 (D) the Taxpayer (i) had an Illinois net operating  
19 loss carryforward under Section 207 of the Illinois  
20 Income Tax Act in a taxable year ending during calendar  
21 year 2009, (ii) has applied for an Agreement within 150  
22 days after the effective date of this amendatory Act of  
23 the 96th General Assembly, (iii) creates at least 150  
24 new jobs, (iv) retains at least 1,000 jobs in Illinois  
25 that would have been at risk of relocation out of  
26 Illinois over a 10-year period, and (v) makes a capital

1 investment of at least \$57,000,000; or

2 (E) the Taxpayer (i) employed at least 2,500  
3 full-time employees in the State during the year in  
4 which the Credit is awarded, (ii) commits to make at  
5 least \$500,000,000 in combined capital improvements  
6 and project costs under the Agreement, (iii) applies  
7 for an Agreement between January 1, 2011 and June 30,  
8 2011, (iv) executes an Agreement for the Credit during  
9 calendar year 2011, and (v) was incorporated no more  
10 than 5 years before the filing of an application for an  
11 Agreement.

12 (1.5) The election under this subsection (f) may also  
13 be made by a Taxpayer for any Credit awarded pursuant to an  
14 agreement that was executed between January 1, 2011 and  
15 June 30, 2011, if the Taxpayer (i) is primarily engaged in  
16 the manufacture of inner tubes or tires, or both, from  
17 natural and synthetic rubber, (ii) employs a minimum of  
18 2,400 full-time employees in Illinois at the time of  
19 application, (iii) creates at least 350 full-time jobs and  
20 retains at least 250 full-time jobs in Illinois that would  
21 have been at risk of being created or retained outside of  
22 Illinois, and (iv) makes a capital investment of at least  
23 \$200,000,000 at the project location.

24 (1.6) The election under this subsection (f) may also  
25 be made by a Taxpayer for any Credit awarded pursuant to an  
26 agreement that was executed within 150 days after the

1 effective date of this amendatory Act of the 97th General  
2 Assembly, if the Taxpayer (i) is primarily engaged in the  
3 operation of a discount department store, (ii) maintains  
4 its corporate headquarters in Illinois, (iii) employs a  
5 minimum of 4,250 full time employees at its corporate  
6 headquarters in Illinois at the time of application, (iv)  
7 retains at least 4,250 full time jobs in Illinois that  
8 would have been at risk of being relocated outside of  
9 Illinois, (v) had a minimum of \$40,000,000,000 in total  
10 revenue in 2010, and (vi) makes a capital investment of at  
11 least \$300,000,000 at the project location.

12 (2) An election under this subsection shall allow the  
13 credit to be taken against payments otherwise due under  
14 Section 704A of the Illinois Income Tax Act during the  
15 first calendar year beginning after the end of the taxable  
16 year in which the credit is awarded under this Act.

17 (3) The election shall be made in the form and manner  
18 required by the Illinois Department of Revenue and, once  
19 made, shall be irrevocable.

20 (4) If a Taxpayer who meets the requirements of  
21 subparagraph (A) of paragraph (1) of this subsection (f)  
22 elects to claim the Credit against its withholdings as  
23 provided in this subsection (f), then, on and after the  
24 date of the election, the terms of the Agreement between  
25 the Taxpayer and the Department may not be further amended  
26 during the term of the Agreement.

1 (g) A pass-through entity that has been awarded a credit  
2 under this Act, its shareholders, or its partners may treat  
3 some or all of the credit awarded pursuant to this Act as a tax  
4 payment for purposes of the Illinois Income Tax Act. The term  
5 "tax payment" means a payment as described in Article 6 or  
6 Article 8 of the Illinois Income Tax Act or a composite payment  
7 made by a pass-through entity on behalf of any of its  
8 shareholders or partners to satisfy such shareholders' or  
9 partners' taxes imposed pursuant to subsections (a) and (b) of  
10 Section 201 of the Illinois Income Tax Act. In no event shall  
11 the amount of the award credited pursuant to this Act exceed  
12 the Illinois income tax liability of the pass-through entity or  
13 its shareholders or partners for the taxable year.

14 (Source: P.A. 96-834, eff. 12-14-09; 96-836, eff. 12-16-09;  
15 96-905, eff. 6-4-10; 96-1000, eff. 7-2-10; 96-1534, eff.  
16 3-4-11; 97-2, eff. 5-6-11.)

17 Section 15-20. The Use Tax Act is amended by changing  
18 Sections 3-10 and 3-90 as follows:

19 (35 ILCS 105/3-10)

20 Sec. 3-10. Rate of tax. Unless otherwise provided in this  
21 Section, the tax imposed by this Act is at the rate of 6.25% of  
22 either the selling price or the fair market value, if any, of  
23 the tangible personal property. In all cases where property  
24 functionally used or consumed is the same as the property that



1 was purchased at retail, then the tax is imposed on the selling  
2 price of the property. In all cases where property functionally  
3 used or consumed is a by-product or waste product that has been  
4 refined, manufactured, or produced from property purchased at  
5 retail, then the tax is imposed on the lower of the fair market  
6 value, if any, of the specific property so used in this State  
7 or on the selling price of the property purchased at retail.  
8 For purposes of this Section "fair market value" means the  
9 price at which property would change hands between a willing  
10 buyer and a willing seller, neither being under any compulsion  
11 to buy or sell and both having reasonable knowledge of the  
12 relevant facts. The fair market value shall be established by  
13 Illinois sales by the taxpayer of the same property as that  
14 functionally used or consumed, or if there are no such sales by  
15 the taxpayer, then comparable sales or purchases of property of  
16 like kind and character in Illinois.

17 Beginning on July 1, 2000 and through December 31, 2000,  
18 with respect to motor fuel, as defined in Section 1.1 of the  
19 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
20 the Use Tax Act, the tax is imposed at the rate of 1.25%.

21 Beginning on August 6, 2010 through August 15, 2010, with  
22 respect to sales tax holiday items as defined in Section 3-6 of  
23 this Act, the tax is imposed at the rate of 1.25%.

24 With respect to gasohol, the tax imposed by this Act  
25 applies to (i) 70% of the proceeds of sales made on or after  
26 January 1, 1990, and before July 1, 2003, (ii) 80% of the

1 proceeds of sales made on or after July 1, 2003 and on or  
2 before December 31, 2018 ~~2013~~, and (iii) 100% of the proceeds  
3 of sales made thereafter. If, at any time, however, the tax  
4 under this Act on sales of gasohol is imposed at the rate of  
5 1.25%, then the tax imposed by this Act applies to 100% of the  
6 proceeds of sales of gasohol made during that time.

7 With respect to majority blended ethanol fuel, the tax  
8 imposed by this Act does not apply to the proceeds of sales  
9 made on or after July 1, 2003 and on or before December 31,  
10 2018 ~~2013~~ but applies to 100% of the proceeds of sales made  
11 thereafter.

12 With respect to biodiesel blends with no less than 1% and  
13 no more than 10% biodiesel, the tax imposed by this Act applies  
14 to (i) 80% of the proceeds of sales made on or after July 1,  
15 2003 and on or before December 31, 2018 ~~2013~~ and (ii) 100% of  
16 the proceeds of sales made thereafter. If, at any time,  
17 however, the tax under this Act on sales of biodiesel blends  
18 with no less than 1% and no more than 10% biodiesel is imposed  
19 at the rate of 1.25%, then the tax imposed by this Act applies  
20 to 100% of the proceeds of sales of biodiesel blends with no  
21 less than 1% and no more than 10% biodiesel made during that  
22 time.

23 With respect to 100% biodiesel and biodiesel blends with  
24 more than 10% but no more than 99% biodiesel, the tax imposed  
25 by this Act does not apply to the proceeds of sales made on or  
26 after July 1, 2003 and on or before December 31, 2018 ~~2013~~ but

1 applies to 100% of the proceeds of sales made thereafter.

2 With respect to food for human consumption that is to be  
3 consumed off the premises where it is sold (other than  
4 alcoholic beverages, soft drinks, and food that has been  
5 prepared for immediate consumption) and prescription and  
6 nonprescription medicines, drugs, medical appliances,  
7 modifications to a motor vehicle for the purpose of rendering  
8 it usable by a disabled person, and insulin, urine testing  
9 materials, syringes, and needles used by diabetics, for human  
10 use, the tax is imposed at the rate of 1%. For the purposes of  
11 this Section, until September 1, 2009: the term "soft drinks"  
12 means any complete, finished, ready-to-use, non-alcoholic  
13 drink, whether carbonated or not, including but not limited to  
14 soda water, cola, fruit juice, vegetable juice, carbonated  
15 water, and all other preparations commonly known as soft drinks  
16 of whatever kind or description that are contained in any  
17 closed or sealed bottle, can, carton, or container, regardless  
18 of size; but "soft drinks" does not include coffee, tea,  
19 non-carbonated water, infant formula, milk or milk products as  
20 defined in the Grade A Pasteurized Milk and Milk Products Act,  
21 or drinks containing 50% or more natural fruit or vegetable  
22 juice.

23 Notwithstanding any other provisions of this Act,  
24 beginning September 1, 2009, "soft drinks" means non-alcoholic  
25 beverages that contain natural or artificial sweeteners. "Soft  
26 drinks" do not include beverages that contain milk or milk

1 products, soy, rice or similar milk substitutes, or greater  
2 than 50% of vegetable or fruit juice by volume.

3       Until August 1, 2009, and notwithstanding any other  
4 provisions of this Act, "food for human consumption that is to  
5 be consumed off the premises where it is sold" includes all  
6 food sold through a vending machine, except soft drinks and  
7 food products that are dispensed hot from a vending machine,  
8 regardless of the location of the vending machine. Beginning  
9 August 1, 2009, and notwithstanding any other provisions of  
10 this Act, "food for human consumption that is to be consumed  
11 off the premises where it is sold" includes all food sold  
12 through a vending machine, except soft drinks, candy, and food  
13 products that are dispensed hot from a vending machine,  
14 regardless of the location of the vending machine.

15       Notwithstanding any other provisions of this Act,  
16 beginning September 1, 2009, "food for human consumption that  
17 is to be consumed off the premises where it is sold" does not  
18 include candy. For purposes of this Section, "candy" means a  
19 preparation of sugar, honey, or other natural or artificial  
20 sweeteners in combination with chocolate, fruits, nuts or other  
21 ingredients or flavorings in the form of bars, drops, or  
22 pieces. "Candy" does not include any preparation that contains  
23 flour or requires refrigeration.

24       Notwithstanding any other provisions of this Act,  
25 beginning September 1, 2009, "nonprescription medicines and  
26 drugs" does not include grooming and hygiene products. For

1 purposes of this Section, "grooming and hygiene products"  
2 includes, but is not limited to, soaps and cleaning solutions,  
3 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan  
4 lotions and screens, unless those products are available by  
5 prescription only, regardless of whether the products meet the  
6 definition of "over-the-counter-drugs". For the purposes of  
7 this paragraph, "over-the-counter-drug" means a drug for human  
8 use that contains a label that identifies the product as a drug  
9 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
10 label includes:

11 (A) A "Drug Facts" panel; or

12 (B) A statement of the "active ingredient(s)" with a  
13 list of those ingredients contained in the compound,  
14 substance or preparation.

15 If the property that is purchased at retail from a retailer  
16 is acquired outside Illinois and used outside Illinois before  
17 being brought to Illinois for use here and is taxable under  
18 this Act, the "selling price" on which the tax is computed  
19 shall be reduced by an amount that represents a reasonable  
20 allowance for depreciation for the period of prior out-of-state  
21 use.

22 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,  
23 eff. 7-13-09; 96-1000, eff. 7-2-10; 96-1012, eff. 7-7-10.)

24 (35 ILCS 105/3-90)

25 Sec. 3-90. Sunset of exemptions, credits, and deductions.

1       (a) The application of every exemption, credit, and  
2 deduction against tax imposed by this Act that becomes law  
3 after the effective date of this amendatory Act of 1994 shall  
4 be limited by a reasonable and appropriate sunset date. A  
5 taxpayer is not entitled to take the exemption, credit, or  
6 deduction beginning on the sunset date and thereafter. Except  
7 as provided in subsection (b) of this Section, if ~~if~~ a  
8 reasonable and appropriate sunset date is not specified in the  
9 Public Act that creates the exemption, credit, or deduction, a  
10 taxpayer shall not be entitled to take the exemption, credit,  
11 or deduction beginning 5 years after the effective date of the  
12 Public Act creating the exemption, credit, or deduction and  
13 thereafter.

14       (b) Notwithstanding the provisions of subsection (a) of  
15 this Section, the sunset date of any exemption, credit, or  
16 deduction that is scheduled to expire in 2011, 2012, or 2013 by  
17 operation of this Section shall be extended by 5 years.

18 (Source: P.A. 88-660, eff. 9-16-94; 89-235, eff. 8-4-95.)

19       Section 15-25. The Service Use Tax Act is amended by  
20 changing Sections 3-10 and 3-75 as follows:

21       (35 ILCS 110/3-10) (from Ch. 120, par. 439.33-10)

22       Sec. 3-10. Rate of tax. Unless otherwise provided in this  
23 Section, the tax imposed by this Act is at the rate of 6.25% of  
24 the selling price of tangible personal property transferred as

1 an incident to the sale of service, but, for the purpose of  
2 computing this tax, in no event shall the selling price be less  
3 than the cost price of the property to the serviceman.

4 Beginning on July 1, 2000 and through December 31, 2000,  
5 with respect to motor fuel, as defined in Section 1.1 of the  
6 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
7 the Use Tax Act, the tax is imposed at the rate of 1.25%.

8 With respect to gasohol, as defined in the Use Tax Act, the  
9 tax imposed by this Act applies to (i) 70% of the selling price  
10 of property transferred as an incident to the sale of service  
11 on or after January 1, 1990, and before July 1, 2003, (ii) 80%  
12 of the selling price of property transferred as an incident to  
13 the sale of service on or after July 1, 2003 and on or before  
14 December 31, 2018 ~~2013~~, and (iii) 100% of the selling price  
15 thereafter. If, at any time, however, the tax under this Act on  
16 sales of gasohol, as defined in the Use Tax Act, is imposed at  
17 the rate of 1.25%, then the tax imposed by this Act applies to  
18 100% of the proceeds of sales of gasohol made during that time.

19 With respect to majority blended ethanol fuel, as defined  
20 in the Use Tax Act, the tax imposed by this Act does not apply  
21 to the selling price of property transferred as an incident to  
22 the sale of service on or after July 1, 2003 and on or before  
23 December 31, 2018 ~~2013~~ but applies to 100% of the selling price  
24 thereafter.

25 With respect to biodiesel blends, as defined in the Use Tax  
26 Act, with no less than 1% and no more than 10% biodiesel, the

1 tax imposed by this Act applies to (i) 80% of the selling price  
2 of property transferred as an incident to the sale of service  
3 on or after July 1, 2003 and on or before December 31, 2018  
4 ~~2013~~ and (ii) 100% of the proceeds of the selling price  
5 thereafter. If, at any time, however, the tax under this Act on  
6 sales of biodiesel blends, as defined in the Use Tax Act, with  
7 no less than 1% and no more than 10% biodiesel is imposed at  
8 the rate of 1.25%, then the tax imposed by this Act applies to  
9 100% of the proceeds of sales of biodiesel blends with no less  
10 than 1% and no more than 10% biodiesel made during that time.

11 With respect to 100% biodiesel, as defined in the Use Tax  
12 Act, and biodiesel blends, as defined in the Use Tax Act, with  
13 more than 10% but no more than 99% biodiesel, the tax imposed  
14 by this Act does not apply to the proceeds of the selling price  
15 of property transferred as an incident to the sale of service  
16 on or after July 1, 2003 and on or before December 31, 2018  
17 ~~2013~~ but applies to 100% of the selling price thereafter.

18 At the election of any registered serviceman made for each  
19 fiscal year, sales of service in which the aggregate annual  
20 cost price of tangible personal property transferred as an  
21 incident to the sales of service is less than 35%, or 75% in  
22 the case of servicemen transferring prescription drugs or  
23 servicemen engaged in graphic arts production, of the aggregate  
24 annual total gross receipts from all sales of service, the tax  
25 imposed by this Act shall be based on the serviceman's cost  
26 price of the tangible personal property transferred as an



1 incident to the sale of those services.

2 The tax shall be imposed at the rate of 1% on food prepared  
3 for immediate consumption and transferred incident to a sale of  
4 service subject to this Act or the Service Occupation Tax Act  
5 by an entity licensed under the Hospital Licensing Act, the  
6 Nursing Home Care Act, the ID/DD Community Care Act, the  
7 Specialized Mental Health Rehabilitation Act, or the Child Care  
8 Act of 1969. The tax shall also be imposed at the rate of 1% on  
9 food for human consumption that is to be consumed off the  
10 premises where it is sold (other than alcoholic beverages, soft  
11 drinks, and food that has been prepared for immediate  
12 consumption and is not otherwise included in this paragraph)  
13 and prescription and nonprescription medicines, drugs, medical  
14 appliances, modifications to a motor vehicle for the purpose of  
15 rendering it usable by a disabled person, and insulin, urine  
16 testing materials, syringes, and needles used by diabetics, for  
17 human use. For the purposes of this Section, until September 1,  
18 2009: the term "soft drinks" means any complete, finished,  
19 ready-to-use, non-alcoholic drink, whether carbonated or not,  
20 including but not limited to soda water, cola, fruit juice,  
21 vegetable juice, carbonated water, and all other preparations  
22 commonly known as soft drinks of whatever kind or description  
23 that are contained in any closed or sealed bottle, can, carton,  
24 or container, regardless of size; but "soft drinks" does not  
25 include coffee, tea, non-carbonated water, infant formula,  
26 milk or milk products as defined in the Grade A Pasteurized

1 Milk and Milk Products Act, or drinks containing 50% or more  
2 natural fruit or vegetable juice.

3 Notwithstanding any other provisions of this Act,  
4 beginning September 1, 2009, "soft drinks" means non-alcoholic  
5 beverages that contain natural or artificial sweeteners. "Soft  
6 drinks" do not include beverages that contain milk or milk  
7 products, soy, rice or similar milk substitutes, or greater  
8 than 50% of vegetable or fruit juice by volume.

9 Until August 1, 2009, and notwithstanding any other  
10 provisions of this Act, "food for human consumption that is to  
11 be consumed off the premises where it is sold" includes all  
12 food sold through a vending machine, except soft drinks and  
13 food products that are dispensed hot from a vending machine,  
14 regardless of the location of the vending machine. Beginning  
15 August 1, 2009, and notwithstanding any other provisions of  
16 this Act, "food for human consumption that is to be consumed  
17 off the premises where it is sold" includes all food sold  
18 through a vending machine, except soft drinks, candy, and food  
19 products that are dispensed hot from a vending machine,  
20 regardless of the location of the vending machine.

21 Notwithstanding any other provisions of this Act,  
22 beginning September 1, 2009, "food for human consumption that  
23 is to be consumed off the premises where it is sold" does not  
24 include candy. For purposes of this Section, "candy" means a  
25 preparation of sugar, honey, or other natural or artificial  
26 sweeteners in combination with chocolate, fruits, nuts or other

1 ingredients or flavorings in the form of bars, drops, or  
2 pieces. "Candy" does not include any preparation that contains  
3 flour or requires refrigeration.

4 Notwithstanding any other provisions of this Act,  
5 beginning September 1, 2009, "nonprescription medicines and  
6 drugs" does not include grooming and hygiene products. For  
7 purposes of this Section, "grooming and hygiene products"  
8 includes, but is not limited to, soaps and cleaning solutions,  
9 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan  
10 lotions and screens, unless those products are available by  
11 prescription only, regardless of whether the products meet the  
12 definition of "over-the-counter-drugs". For the purposes of  
13 this paragraph, "over-the-counter-drug" means a drug for human  
14 use that contains a label that identifies the product as a drug  
15 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
16 label includes:

17 (A) A "Drug Facts" panel; or

18 (B) A statement of the "active ingredient(s)" with a  
19 list of those ingredients contained in the compound,  
20 substance or preparation.

21 If the property that is acquired from a serviceman is  
22 acquired outside Illinois and used outside Illinois before  
23 being brought to Illinois for use here and is taxable under  
24 this Act, the "selling price" on which the tax is computed  
25 shall be reduced by an amount that represents a reasonable  
26 allowance for depreciation for the period of prior out-of-state

1 use.

2 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,  
3 eff. 7-13-09; 96-339, eff. 7-1-10; 96-1000, eff. 7-2-10; 97-38,  
4 eff. 6-28-11; 97-227, eff. 1-1-12; revised 9-12-11.)

5 (35 ILCS 110/3-75)

6 Sec. 3-75. Sunset of exemptions, credits, and deductions.

7 (a) The application of every exemption, credit, and  
8 deduction against tax imposed by this Act that becomes law  
9 after the effective date of this amendatory Act of 1994 shall  
10 be limited by a reasonable and appropriate sunset date. A  
11 taxpayer is not entitled to take the exemption, credit, or  
12 deduction beginning on the sunset date and thereafter. Except  
13 as provided in subsection (b) of this Section, if ~~if~~ a  
14 reasonable and appropriate sunset date is not specified in the  
15 Public Act that creates the exemption, credit, or deduction, a  
16 taxpayer shall not be entitled to take the exemption, credit,  
17 or deduction beginning 5 years after the effective date of the  
18 Public Act creating the exemption, credit, or deduction and  
19 thereafter.

20 (b) Notwithstanding the provisions of subsection (a) of  
21 this Section, the sunset date of any exemption, credit, or  
22 deduction that is scheduled to expire in 2011, 2012, or 2013 by  
23 operation of this Section shall be extended by 5 years.

24 (Source: P.A. 88-660, eff. 9-16-94; 89-235, eff. 8-4-95.)

1           Section 15-30. The Service Occupation Tax Act is amended by  
2 changing Sections 3-10 and 3-55 as follows:

3           (35 ILCS 115/3-10) (from Ch. 120, par. 439.103-10)

4           Sec. 3-10. Rate of tax. Unless otherwise provided in this  
5 Section, the tax imposed by this Act is at the rate of 6.25% of  
6 the "selling price", as defined in Section 2 of the Service Use  
7 Tax Act, of the tangible personal property. For the purpose of  
8 computing this tax, in no event shall the "selling price" be  
9 less than the cost price to the serviceman of the tangible  
10 personal property transferred. The selling price of each item  
11 of tangible personal property transferred as an incident of a  
12 sale of service may be shown as a distinct and separate item on  
13 the serviceman's billing to the service customer. If the  
14 selling price is not so shown, the selling price of the  
15 tangible personal property is deemed to be 50% of the  
16 serviceman's entire billing to the service customer. When,  
17 however, a serviceman contracts to design, develop, and produce  
18 special order machinery or equipment, the tax imposed by this  
19 Act shall be based on the serviceman's cost price of the  
20 tangible personal property transferred incident to the  
21 completion of the contract.

22           Beginning on July 1, 2000 and through December 31, 2000,  
23 with respect to motor fuel, as defined in Section 1.1 of the  
24 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
25 the Use Tax Act, the tax is imposed at the rate of 1.25%.

1           With respect to gasohol, as defined in the Use Tax Act, the  
2 tax imposed by this Act shall apply to (i) 70% of the cost  
3 price of property transferred as an incident to the sale of  
4 service on or after January 1, 1990, and before July 1, 2003,  
5 (ii) 80% of the selling price of property transferred as an  
6 incident to the sale of service on or after July 1, 2003 and on  
7 or before December 31, 2018 ~~2013~~, and (iii) 100% of the cost  
8 price thereafter. If, at any time, however, the tax under this  
9 Act on sales of gasohol, as defined in the Use Tax Act, is  
10 imposed at the rate of 1.25%, then the tax imposed by this Act  
11 applies to 100% of the proceeds of sales of gasohol made during  
12 that time.

13           With respect to majority blended ethanol fuel, as defined  
14 in the Use Tax Act, the tax imposed by this Act does not apply  
15 to the selling price of property transferred as an incident to  
16 the sale of service on or after July 1, 2003 and on or before  
17 December 31, 2018 ~~2013~~ but applies to 100% of the selling price  
18 thereafter.

19           With respect to biodiesel blends, as defined in the Use Tax  
20 Act, with no less than 1% and no more than 10% biodiesel, the  
21 tax imposed by this Act applies to (i) 80% of the selling price  
22 of property transferred as an incident to the sale of service  
23 on or after July 1, 2003 and on or before December 31, 2018  
24 ~~2013~~ and (ii) 100% of the proceeds of the selling price  
25 thereafter. If, at any time, however, the tax under this Act on  
26 sales of biodiesel blends, as defined in the Use Tax Act, with

1 no less than 1% and no more than 10% biodiesel is imposed at  
2 the rate of 1.25%, then the tax imposed by this Act applies to  
3 100% of the proceeds of sales of biodiesel blends with no less  
4 than 1% and no more than 10% biodiesel made during that time.

5 With respect to 100% biodiesel, as defined in the Use Tax  
6 Act, and biodiesel blends, as defined in the Use Tax Act, with  
7 more than 10% but no more than 99% biodiesel material, the tax  
8 imposed by this Act does not apply to the proceeds of the  
9 selling price of property transferred as an incident to the  
10 sale of service on or after July 1, 2003 and on or before  
11 December 31, 2018 ~~2013~~ but applies to 100% of the selling price  
12 thereafter.

13 At the election of any registered serviceman made for each  
14 fiscal year, sales of service in which the aggregate annual  
15 cost price of tangible personal property transferred as an  
16 incident to the sales of service is less than 35%, or 75% in  
17 the case of servicemen transferring prescription drugs or  
18 servicemen engaged in graphic arts production, of the aggregate  
19 annual total gross receipts from all sales of service, the tax  
20 imposed by this Act shall be based on the serviceman's cost  
21 price of the tangible personal property transferred incident to  
22 the sale of those services.

23 The tax shall be imposed at the rate of 1% on food prepared  
24 for immediate consumption and transferred incident to a sale of  
25 service subject to this Act or the Service Occupation Tax Act  
26 by an entity licensed under the Hospital Licensing Act, the

1 Nursing Home Care Act, the ID/DD Community Care Act, the  
2 Specialized Mental Health Rehabilitation Act, or the Child Care  
3 Act of 1969. The tax shall also be imposed at the rate of 1% on  
4 food for human consumption that is to be consumed off the  
5 premises where it is sold (other than alcoholic beverages, soft  
6 drinks, and food that has been prepared for immediate  
7 consumption and is not otherwise included in this paragraph)  
8 and prescription and nonprescription medicines, drugs, medical  
9 appliances, modifications to a motor vehicle for the purpose of  
10 rendering it usable by a disabled person, and insulin, urine  
11 testing materials, syringes, and needles used by diabetics, for  
12 human use. For the purposes of this Section, until September 1,  
13 2009: the term "soft drinks" means any complete, finished,  
14 ready-to-use, non-alcoholic drink, whether carbonated or not,  
15 including but not limited to soda water, cola, fruit juice,  
16 vegetable juice, carbonated water, and all other preparations  
17 commonly known as soft drinks of whatever kind or description  
18 that are contained in any closed or sealed can, carton, or  
19 container, regardless of size; but "soft drinks" does not  
20 include coffee, tea, non-carbonated water, infant formula,  
21 milk or milk products as defined in the Grade A Pasteurized  
22 Milk and Milk Products Act, or drinks containing 50% or more  
23 natural fruit or vegetable juice.

24 Notwithstanding any other provisions of this Act,  
25 beginning September 1, 2009, "soft drinks" means non-alcoholic  
26 beverages that contain natural or artificial sweeteners. "Soft



1 drinks" do not include beverages that contain milk or milk  
2 products, soy, rice or similar milk substitutes, or greater  
3 than 50% of vegetable or fruit juice by volume.

4 Until August 1, 2009, and notwithstanding any other  
5 provisions of this Act, "food for human consumption that is to  
6 be consumed off the premises where it is sold" includes all  
7 food sold through a vending machine, except soft drinks and  
8 food products that are dispensed hot from a vending machine,  
9 regardless of the location of the vending machine. Beginning  
10 August 1, 2009, and notwithstanding any other provisions of  
11 this Act, "food for human consumption that is to be consumed  
12 off the premises where it is sold" includes all food sold  
13 through a vending machine, except soft drinks, candy, and food  
14 products that are dispensed hot from a vending machine,  
15 regardless of the location of the vending machine.

16 Notwithstanding any other provisions of this Act,  
17 beginning September 1, 2009, "food for human consumption that  
18 is to be consumed off the premises where it is sold" does not  
19 include candy. For purposes of this Section, "candy" means a  
20 preparation of sugar, honey, or other natural or artificial  
21 sweeteners in combination with chocolate, fruits, nuts or other  
22 ingredients or flavorings in the form of bars, drops, or  
23 pieces. "Candy" does not include any preparation that contains  
24 flour or requires refrigeration.

25 Notwithstanding any other provisions of this Act,  
26 beginning September 1, 2009, "nonprescription medicines and

1 drugs" does not include grooming and hygiene products. For  
2 purposes of this Section, "grooming and hygiene products"  
3 includes, but is not limited to, soaps and cleaning solutions,  
4 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan  
5 lotions and screens, unless those products are available by  
6 prescription only, regardless of whether the products meet the  
7 definition of "over-the-counter-drugs". For the purposes of  
8 this paragraph, "over-the-counter-drug" means a drug for human  
9 use that contains a label that identifies the product as a drug  
10 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
11 label includes:

12 (A) A "Drug Facts" panel; or

13 (B) A statement of the "active ingredient(s)" with a  
14 list of those ingredients contained in the compound,  
15 substance or preparation.

16 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,  
17 eff. 7-13-09; 96-339, eff. 7-1-10; 96-1000, eff. 7-2-10; 97-38,  
18 eff. 6-28-11; 97-227, eff. 1-1-12; revised 9-12-11.)

19 (35 ILCS 115/3-55)

20 Sec. 3-55. Sunset of exemptions, credits, and deductions.

21 (a) The application of every exemption, credit, and  
22 deduction against tax imposed by this Act that becomes law  
23 after the effective date of this amendatory Act of 1994 shall  
24 be limited by a reasonable and appropriate sunset date. A  
25 taxpayer is not entitled to take the exemption, credit, or

1 deduction beginning on the sunset date and thereafter. Except  
2 as provided in subsection (b) of this Section, if ~~if~~ a  
3 reasonable and appropriate sunset date is not specified in the  
4 Public Act that creates the exemption, credit, or deduction, a  
5 taxpayer shall not be entitled to take the exemption, credit,  
6 or deduction beginning 5 years after the effective date of the  
7 Public Act creating the exemption, credit, or deduction and  
8 thereafter.

9 (b) Notwithstanding the provisions of subsection (a) of  
10 this Section, the sunset date of any exemption, credit, or  
11 deduction that is scheduled to expire in 2011, 2012, or 2013 by  
12 operation of this Section shall be extended by 5 years.

13 (Source: P.A. 88-660, eff. 9-16-94.)

14 Section 15-35. The Retailers' Occupation Tax Act is amended  
15 by changing Sections 2-10 and 2-70 as follows:

16 (35 ILCS 120/2-10)

17 Sec. 2-10. Rate of tax. Unless otherwise provided in this  
18 Section, the tax imposed by this Act is at the rate of 6.25% of  
19 gross receipts from sales of tangible personal property made in  
20 the course of business.

21 Beginning on July 1, 2000 and through December 31, 2000,  
22 with respect to motor fuel, as defined in Section 1.1 of the  
23 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of  
24 the Use Tax Act, the tax is imposed at the rate of 1.25%.

1           Beginning on August 6, 2010 through August 15, 2010, with  
2           respect to sales tax holiday items as defined in Section 2-8 of  
3           this Act, the tax is imposed at the rate of 1.25%.

4           Within 14 days after the effective date of this amendatory  
5           Act of the 91st General Assembly, each retailer of motor fuel  
6           and gasohol shall cause the following notice to be posted in a  
7           prominently visible place on each retail dispensing device that  
8           is used to dispense motor fuel or gasohol in the State of  
9           Illinois: "As of July 1, 2000, the State of Illinois has  
10          eliminated the State's share of sales tax on motor fuel and  
11          gasohol through December 31, 2000. The price on this pump  
12          should reflect the elimination of the tax." The notice shall be  
13          printed in bold print on a sign that is no smaller than 4  
14          inches by 8 inches. The sign shall be clearly visible to  
15          customers. Any retailer who fails to post or maintain a  
16          required sign through December 31, 2000 is guilty of a petty  
17          offense for which the fine shall be \$500 per day per each  
18          retail premises where a violation occurs.

19          With respect to gasohol, as defined in the Use Tax Act, the  
20          tax imposed by this Act applies to (i) 70% of the proceeds of  
21          sales made on or after January 1, 1990, and before July 1,  
22          2003, (ii) 80% of the proceeds of sales made on or after July  
23          1, 2003 and on or before December 31, 2018 ~~2013~~, and (iii) 100%  
24          of the proceeds of sales made thereafter. If, at any time,  
25          however, the tax under this Act on sales of gasohol, as defined  
26          in the Use Tax Act, is imposed at the rate of 1.25%, then the

1 tax imposed by this Act applies to 100% of the proceeds of  
2 sales of gasohol made during that time.

3 With respect to majority blended ethanol fuel, as defined  
4 in the Use Tax Act, the tax imposed by this Act does not apply  
5 to the proceeds of sales made on or after July 1, 2003 and on or  
6 before December 31, 2018 ~~2013~~ but applies to 100% of the  
7 proceeds of sales made thereafter.

8 With respect to biodiesel blends, as defined in the Use Tax  
9 Act, with no less than 1% and no more than 10% biodiesel, the  
10 tax imposed by this Act applies to (i) 80% of the proceeds of  
11 sales made on or after July 1, 2003 and on or before December  
12 31, 2018 ~~2013~~ and (ii) 100% of the proceeds of sales made  
13 thereafter. If, at any time, however, the tax under this Act on  
14 sales of biodiesel blends, as defined in the Use Tax Act, with  
15 no less than 1% and no more than 10% biodiesel is imposed at  
16 the rate of 1.25%, then the tax imposed by this Act applies to  
17 100% of the proceeds of sales of biodiesel blends with no less  
18 than 1% and no more than 10% biodiesel made during that time.

19 With respect to 100% biodiesel, as defined in the Use Tax  
20 Act, and biodiesel blends, as defined in the Use Tax Act, with  
21 more than 10% but no more than 99% biodiesel, the tax imposed  
22 by this Act does not apply to the proceeds of sales made on or  
23 after July 1, 2003 and on or before December 31, 2018 ~~2013~~ but  
24 applies to 100% of the proceeds of sales made thereafter.

25 With respect to food for human consumption that is to be  
26 consumed off the premises where it is sold (other than

1 alcoholic beverages, soft drinks, and food that has been  
2 prepared for immediate consumption) and prescription and  
3 nonprescription medicines, drugs, medical appliances,  
4 modifications to a motor vehicle for the purpose of rendering  
5 it usable by a disabled person, and insulin, urine testing  
6 materials, syringes, and needles used by diabetics, for human  
7 use, the tax is imposed at the rate of 1%. For the purposes of  
8 this Section, until September 1, 2009: the term "soft drinks"  
9 means any complete, finished, ready-to-use, non-alcoholic  
10 drink, whether carbonated or not, including but not limited to  
11 soda water, cola, fruit juice, vegetable juice, carbonated  
12 water, and all other preparations commonly known as soft drinks  
13 of whatever kind or description that are contained in any  
14 closed or sealed bottle, can, carton, or container, regardless  
15 of size; but "soft drinks" does not include coffee, tea,  
16 non-carbonated water, infant formula, milk or milk products as  
17 defined in the Grade A Pasteurized Milk and Milk Products Act,  
18 or drinks containing 50% or more natural fruit or vegetable  
19 juice.

20 Notwithstanding any other provisions of this Act,  
21 beginning September 1, 2009, "soft drinks" means non-alcoholic  
22 beverages that contain natural or artificial sweeteners. "Soft  
23 drinks" do not include beverages that contain milk or milk  
24 products, soy, rice or similar milk substitutes, or greater  
25 than 50% of vegetable or fruit juice by volume.

26 Until August 1, 2009, and notwithstanding any other

1 provisions of this Act, "food for human consumption that is to  
2 be consumed off the premises where it is sold" includes all  
3 food sold through a vending machine, except soft drinks and  
4 food products that are dispensed hot from a vending machine,  
5 regardless of the location of the vending machine. Beginning  
6 August 1, 2009, and notwithstanding any other provisions of  
7 this Act, "food for human consumption that is to be consumed  
8 off the premises where it is sold" includes all food sold  
9 through a vending machine, except soft drinks, candy, and food  
10 products that are dispensed hot from a vending machine,  
11 regardless of the location of the vending machine.

12 Notwithstanding any other provisions of this Act,  
13 beginning September 1, 2009, "food for human consumption that  
14 is to be consumed off the premises where it is sold" does not  
15 include candy. For purposes of this Section, "candy" means a  
16 preparation of sugar, honey, or other natural or artificial  
17 sweeteners in combination with chocolate, fruits, nuts or other  
18 ingredients or flavorings in the form of bars, drops, or  
19 pieces. "Candy" does not include any preparation that contains  
20 flour or requires refrigeration.

21 Notwithstanding any other provisions of this Act,  
22 beginning September 1, 2009, "nonprescription medicines and  
23 drugs" does not include grooming and hygiene products. For  
24 purposes of this Section, "grooming and hygiene products"  
25 includes, but is not limited to, soaps and cleaning solutions,  
26 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan

1     lotions and screens, unless those products are available by  
2     prescription only, regardless of whether the products meet the  
3     definition of "over-the-counter-drugs". For the purposes of  
4     this paragraph, "over-the-counter-drug" means a drug for human  
5     use that contains a label that identifies the product as a drug  
6     as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"  
7     label includes:

8             (A) A "Drug Facts" panel; or

9             (B) A statement of the "active ingredient(s)" with a  
10            list of those ingredients contained in the compound,  
11            substance or preparation.

12     (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-38,  
13     eff. 7-13-09; 96-1000, eff. 7-2-10; 96-1012, eff. 7-7-10.)

14            (35 ILCS 120/2-70)

15            Sec. 2-70. Sunset of exemptions, credits, and deductions.

16            (a) The application of every exemption, credit, and  
17            deduction against tax imposed by this Act that becomes law  
18            after the effective date of this amendatory Act of 1994 shall  
19            be limited by a reasonable and appropriate sunset date. A  
20            taxpayer is not entitled to take the exemption, credit, or  
21            deduction beginning on the sunset date and thereafter. Except  
22            as provided in subsection (b) of this Section, if ~~if~~ a  
23            reasonable and appropriate sunset date is not specified in the  
24            Public Act that creates the exemption, credit, or deduction, a  
25            taxpayer shall not be entitled to take the exemption, credit,



1 or deduction beginning 5 years after the effective date of the  
2 Public Act creating the exemption, credit, or deduction and  
3 thereafter.

4 (b) Notwithstanding the provisions of subsection (a) of  
5 this Section, the sunset date of any exemption, credit, or  
6 deduction that is scheduled to expire in 2011, 2012, or 2013 by  
7 operation of this Section shall be extended by 5 years.

8 (Source: P.A. 88-660, eff. 9-16-94.)

9 Section 15-40. The Illinois Estate and Generation-Skipping  
10 Transfer Tax Act is amended by changing Section 2 as follows:

11 (35 ILCS 405/2) (from Ch. 120, par. 405A-2)

12 Sec. 2. Definitions.

13 "Federal estate tax" means the tax due to the United States  
14 with respect to a taxable transfer under Chapter 11 of the  
15 Internal Revenue Code.

16 "Federal generation-skipping transfer tax" means the tax  
17 due to the United States with respect to a taxable transfer  
18 under Chapter 13 of the Internal Revenue Code.

19 "Federal return" means the federal estate tax return with  
20 respect to the federal estate tax and means the federal  
21 generation-skipping transfer tax return with respect to the  
22 federal generation-skipping transfer tax.

23 "Federal transfer tax" means the federal estate tax or the  
24 federal generation-skipping transfer tax.

1 "Illinois estate tax" means the tax due to this State with  
2 respect to a taxable transfer.

3 "Illinois generation-skipping transfer tax" means the tax  
4 due to this State with respect to a taxable transfer that gives  
5 rise to a federal generation-skipping transfer tax.

6 "Illinois transfer tax" means the Illinois estate tax or  
7 the Illinois generation-skipping transfer tax.

8 "Internal Revenue Code" means, unless otherwise provided,  
9 the Internal Revenue Code of 1986, as amended from time to  
10 time.

11 "Non-resident trust" means a trust that is not a resident  
12 of this State for purposes of the Illinois Income Tax Act, as  
13 amended from time to time.

14 "Person" means and includes any individual, trust, estate,  
15 partnership, association, company or corporation.

16 "Qualified heir" means a qualified heir as defined in  
17 Section 2032A(e) (1) of the Internal Revenue Code.

18 "Resident trust" means a trust that is a resident of this  
19 State for purposes of the Illinois Income Tax Act, as amended  
20 from time to time.

21 "State" means any state, territory or possession of the  
22 United States and the District of Columbia.

23 "State tax credit" means:

24 (a) For persons dying on or after January 1, 2003 and  
25 through December 31, 2005, an amount equal to the full credit  
26 calculable under Section 2011 or Section 2604 of the Internal

1 Revenue Code as the credit would have been computed and allowed  
2 under the Internal Revenue Code as in effect on December 31,  
3 2001, without the reduction in the State Death Tax Credit as  
4 provided in Section 2011(b) (2) or the termination of the State  
5 Death Tax Credit as provided in Section 2011(f) as enacted by  
6 the Economic Growth and Tax Relief Reconciliation Act of 2001,  
7 but recognizing the increased applicable exclusion amount  
8 through December 31, 2005.

9 (b) For persons dying after December 31, 2005 and on or  
10 before December 31, 2009, and for persons dying after December  
11 31, 2010, an amount equal to the full credit calculable under  
12 Section 2011 or 2604 of the Internal Revenue Code as the credit  
13 would have been computed and allowed under the Internal Revenue  
14 Code as in effect on December 31, 2001, without the reduction  
15 in the State Death Tax Credit as provided in Section 2011(b) (2)  
16 or the termination of the State Death Tax Credit as provided in  
17 Section 2011(f) as enacted by the Economic Growth and Tax  
18 Relief Reconciliation Act of 2001, but recognizing the  
19 exclusion amount of only (i) \$2,000,000 for persons dying prior  
20 to January 1, 2012, (ii) \$3,000,000 for persons dying on or  
21 after January 1, 2012 and prior to January 1, 2013, and (iii)  
22 \$3,500,000 for persons dying on or after January 1, 2013, and  
23 with reduction to the adjusted taxable estate for any qualified  
24 terminable interest property election as defined in subsection  
25 (b-1) of this Section.

26 (b-1) The person required to file the Illinois return may

1 elect on a timely filed Illinois return a marital deduction for  
2 qualified terminable interest property under Section  
3 2056(b)(7) of the Internal Revenue Code for purposes of the  
4 Illinois estate tax that is separate and independent of any  
5 qualified terminable interest property election for federal  
6 estate tax purposes. For purposes of the Illinois estate tax,  
7 the inclusion of property in the gross estate of a surviving  
8 spouse is the same as under Section 2044 of the Internal  
9 Revenue Code.

10 In the case of any trust for which a State or federal  
11 qualified terminable interest property election is made, the  
12 trustee may not retain non-income producing assets for more  
13 than a reasonable amount of time without the consent of the  
14 surviving spouse.

15 "Taxable transfer" means an event that gives rise to a  
16 state tax credit, including any credit as a result of the  
17 imposition of an additional tax under Section 2032A(c) of the  
18 Internal Revenue Code.

19 "Transferee" means a transferee within the meaning of  
20 Section 2603(a)(1) and Section 6901(h) of the Internal Revenue  
21 Code.

22 "Transferred property" means:

23 (1) With respect to a taxable transfer occurring at the  
24 death of an individual, the deceased individual's gross  
25 estate as defined in Section 2031 of the Internal Revenue  
26 Code.

1           (2) With respect to a taxable transfer occurring as a  
2 result of a taxable termination as defined in Section  
3 2612(a) of the Internal Revenue Code, the taxable amount  
4 determined under Section 2622(a) of the Internal Revenue  
5 Code.

6           (3) With respect to a taxable transfer occurring as a  
7 result of a taxable distribution as defined in Section  
8 2612(b) of the Internal Revenue Code, the taxable amount  
9 determined under Section 2621(a) of the Internal Revenue  
10 Code.

11           (4) With respect to an event which causes the  
12 imposition of an additional estate tax under Section  
13 2032A(c) of the Internal Revenue Code, the qualified real  
14 property that was disposed of or which ceased to be used  
15 for the qualified use, within the meaning of Section  
16 2032A(c) (1) of the Internal Revenue Code.

17           "Trust" includes a trust as defined in Section 2652(b) (1)  
18 of the Internal Revenue Code.

19           (Source: P.A. 96-789, eff. 9-8-09; 96-1496, eff. 1-13-11.)".