



## 97TH GENERAL ASSEMBLY

### State of Illinois

### 2011 and 2012

### HB4644

Introduced 2/1/2012, by Rep. Darlene J. Senger

#### SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Creates the School Choice Act and amends the Illinois Income Tax Act and the School Code. Establishes the School Choice Program. Provides that under the program, the custodian of a qualifying pupil is entitled to a School Choice Voucher to pay for qualified education expenses at a participating Chicago nonpublic elementary school. Requires the principal of each low-performing school and of each overcrowded school in the Chicago school district to notify custodians of qualifying pupils of the availability of vouchers. Sets forth provisions concerning a request for a voucher, the issuance and payment of a voucher, the amount and renewal of a voucher, pupil assessment, the State longitudinal data system, and funding. Provides that students receiving vouchers are considered nonpublic school students who have been voluntarily placed in a private setting. Provides that the amount of a redeemed voucher shall not be considered base income and shall not be taxable for Illinois income tax purposes. Requires the State Board of Education to submit a report to the General Assembly. Provides criminal penalties for certain violations. Requires the State Board to adopt rules to implement the Act. Effective June 30, 2012.

LRB097 18699 NHT 63933 b

CORRECTIONAL  
BUDGET AND  
IMPACT NOTE ACT  
MAY APPLY

FISCAL NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning education.

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

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

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

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

19 (2) Within Chicago and elsewhere in Illinois there are  
20 many public and nonpublic schools and independent  
21 education services competently and efficiently educating  
22 or contributing to the education of children. Most pupils  
23 in those schools or receiving those services perform at or

1 above relevant national standards, complete their  
2 secondary education, and matriculate to institutions of  
3 higher education at an extremely high rate. These services  
4 and schools should be accessible to all and should enjoy a  
5 cooperative relationship with public school districts,  
6 schools, and employees of this State.

7 (3) Custodians of school age children in Chicago and  
8 elsewhere in Illinois are frequently unable to enroll their  
9 children in schools that will provide them a quality  
10 education due to a lack of funds.

11 (4) Adopting a pilot school choice program for students  
12 enrolled in the lowest performing schools in Chicago, with  
13 the potential to expand elsewhere in Illinois, would enable  
14 parents to select schools or services they believe will  
15 provide a quality education for their children, empower  
16 them to influence the educational policies and procedures  
17 in the schools their children attend, and provide them with  
18 at least a portion of the funds necessary to pay for a  
19 quality education. Such a program would help alleviate the  
20 crisis in the Chicago school system, assist Chicago  
21 children in becoming productive members of society, and  
22 test a new approach to education that could be expanded to  
23 the rest of the State.

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

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

2 "Base year" means the 2011-2012 school year.

3 "Custodian" means, with respect to a qualifying pupil, a  
4 parent or legal guardian who is a resident of the City of  
5 Chicago.

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

12 "Nonpublic school" means any State-recognized, nonpublic  
13 elementary school in the City of Chicago that elects to  
14 participate in the school choice program established under this  
15 Act and does not discriminate on the basis of race, color, or  
16 national origin under Title VI of the Civil Rights Act of 1964  
17 and attendance at which satisfies the requirements of Section  
18 26-1 of the School Code, except that nothing in Section 26-1  
19 shall be construed to require a child to attend any particular  
20 nonpublic school.

21 "Overcrowded school" means a school in City of Chicago  
22 School District 299 that (i) enrolls students in any of grades  
23 kindergarten through 8, (ii) has a percentage of low-income  
24 students of 70% or more, as identified in the most recently  
25 available School Report Card published by the State Board of

1 Education, and (iii) is determined by the Chicago Board of  
2 Education to be in the most severely overcrowded 5% of schools  
3 in the district. On or before November 1 of each year, the  
4 Chicago Board of Education shall file a report with the State  
5 Board of Education on which schools in the district meet the  
6 definition of "overcrowded school".

7 "Qualified education expenses" means costs reasonably  
8 incurred on behalf of a qualifying pupil for the services of a  
9 participating nonpublic school in which the qualifying pupil is  
10 enrolled during the regular school year. Qualified education  
11 expenses does not include costs incurred for supplies or  
12 extra-curricular activities.

13 "Qualifying pupil" means an individual who:

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

15 (2) is enrolled in any of grades kindergarten through 7  
16 in a low-performing school or an overcrowded school or  
17 would enter kindergarten in a low-performing school or  
18 overcrowded school during the school year for which a  
19 voucher is sought; and

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

23 "School Choice Voucher" means a written instrument issued  
24 by the State Board of Education directly to the custodian of a  
25 qualifying pupil.

26 The custodian may present the instrument only to a

1 participating nonpublic school as payment for qualified  
2 education expenses incurred on behalf of the qualifying pupil.

3 Section 15. Establishment of program. There is established  
4 the School Choice Program. Under the program, after the base  
5 year, a custodian of a qualifying pupil shall be entitled to a  
6 School Choice Voucher at any participating nonpublic school in  
7 which the qualifying pupil is enrolled. A qualifying pupil  
8 shall be entitled to enroll at and attend any participating  
9 nonpublic school of his or her choice.

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

16 Section 25. Request for voucher. A custodian who applies in  
17 accordance with procedures established by the State Board of  
18 Education shall receive a voucher for each qualifying pupil  
19 enrolled in a nonpublic school under this Act within the dollar  
20 limits set out in Section 35 of this Act. The procedure shall  
21 require application for the voucher, with documentation as to  
22 eligibility, between March 1 and May 1 prior to the school year  
23 in which the voucher is to be used.

1           Section 30. Issuance and payment of voucher. A voucher may  
2 only be issued to a custodian who has made proper application  
3 pursuant to Section 25 of this Act. The custodian shall present  
4 the voucher for each qualifying pupil to a participating  
5 nonpublic school of his or her choice as payment for qualified  
6 education expenses. Upon presentment, the State Board of  
7 Education shall honor the voucher and, as issuer of the  
8 instrument, pay the participating nonpublic school in  
9 accordance with procedures established by the State Board of  
10 Education. The procedures shall require all of the following:

11           (1) that the applying custodian be notified of the  
12 voucher award by August 1 of the school year in which the  
13 voucher is to be used;

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

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

20           (4) that the participating school present the voucher  
21 instrument, with proof of service to the custodian of the  
22 qualifying pupil, to the State Board of Education no later  
23 than October 31 of the school year in which the voucher is  
24 to be used;

25           (5) that the State Board of Education shall honor the

1 voucher instrument and as issuer pay the participating  
2 school no later than December 31 of the school year in  
3 which the voucher is to be used;

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

9 (7) that if a student attending a nonpublic school  
10 under the School Choice Program is expelled or withdraws  
11 from the nonpublic school or moves out of the boundaries of  
12 City of Chicago School District 299 before the State Board  
13 of Education has honored the voucher of the school, then  
14 the State Board of Education shall pay the corresponding  
15 prorated portion of the voucher amount to the nonpublic  
16 school; and that if the State Board of Education has paid  
17 the voucher amount to the nonpublic school and the pupil is  
18 expelled, withdraws, or moves out of the boundaries of City  
19 of Chicago School District 299, then the nonpublic school  
20 shall refund the corresponding prorated portion of the  
21 voucher to the State Board of Education. Any funds returned  
22 to the State Board of Education must be distributed via the  
23 general State aid claim to City of Chicago School District  
24 299.

25 Section 35. Amount of voucher. A School Choice Voucher for



1 qualified education expenses incurred through participating  
2 schools during any school year after the base year shall be for  
3 the lesser of (i) the amount of the portion of the foundation  
4 level of support, on a per pupil basis, funded by the State  
5 pursuant to subsection (B) of Section 18-8.05 of the School  
6 Code for the previous fiscal year, plus the amount equal to the  
7 total supplemental general State aid grant awarded to City of  
8 Chicago School District 299 pursuant to subsection (H) of  
9 Section 18-8.05 of the School Code for the previous fiscal year  
10 divided by the total average daily attendance used in the  
11 calculation of general State aid for City of Chicago School  
12 District 299 for the previous fiscal year or (ii) the actual  
13 qualified education expenses related to the qualifying pupil's  
14 enrollment.

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

20 Section 45. Assessment. All pupils receiving services  
21 obtained through School Choice Vouchers shall be assessed  
22 annually in the same manner as Illinois' public school  
23 students. The State Board of Education may adopt rules with  
24 respect to the assessment of such pupils, which may include,

1 but is not limited to, rules pertaining to test security, test  
2 administration and location, and reporting procedures.

3 Section 50. Longitudinal data system. Recognized nonpublic  
4 schools participating in this Act must participate in the  
5 longitudinal data system established under the P-20  
6 Longitudinal Education Data System Act by disclosing data to  
7 the State Board of Education for those students attending a  
8 nonpublic school on a School Choice Voucher issued under this  
9 Act.

10 Section 51. Funding. Nonpublic schools participating in  
11 the School Choice Program must report the attendance of  
12 students with School Choice Vouchers to City of Chicago School  
13 District 299 in the manner requested by the district. Students  
14 enrolled in nonpublic schools under a School Choice Voucher  
15 shall not be considered enrolled in City of Chicago School  
16 District 299 for any purpose.

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

21 Section 55. Not base income. The amount of any voucher  
22 redeemed under this Act shall not be considered base income

1 under subsection (a) of Section 203 of the Illinois Income Tax  
2 Act and shall not be taxable for Illinois income tax purposes.

3 Section 60. Report and expansion. On or before December 31,  
4 2016, the State Board of Education shall submit a report to the  
5 General Assembly reviewing the current status of the program  
6 operating under this Act. This report shall include, but not be  
7 limited to, the numbers of qualifying pupils receiving each  
8 School Choice Voucher, the names of the schools from which and  
9 to which pupils transferred, the financial ramifications of the  
10 program, and the results of pupil assessments. In its report,  
11 the State Board of Education shall assess whether the program  
12 has been financially and academically beneficial and shall make  
13 a recommendation on whether the program should be expanded to  
14 other schools in the City of Chicago or to other areas of this  
15 State.

16 Section 65. Penalties. It shall be a Class 3 felony to use  
17 or attempt to use a voucher under this Act for any purpose  
18 other than those permitted by this Act. It shall also be a  
19 Class 3 felony for any person, with intent to defraud, to  
20 knowingly forge, alter, or misrepresent information on a  
21 voucher application or on any documents submitted in  
22 application for a voucher, to deliver any such document knowing  
23 it to have been thus forged, altered, or based on  
24 misrepresentation, or to possess, with intent to issue or

1 deliver, any such document knowing it to have been thus forged,  
2 altered, or based on misrepresentation.

3 Section 70. Rules. The State Board of Education shall adopt  
4 rules to implement this Act. The creation of the School Choice  
5 Program does not expand the regulatory authority of the State,  
6 its officers, or any school district to impose any additional  
7 regulation of nonpublic schools beyond those reasonably  
8 necessary to enforce the requirements of the program.

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

11 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

12 Sec. 203. Base income defined.

13 (a) Individuals.

14 (1) In general. In the case of an individual, base  
15 income means an amount equal to the taxpayer's adjusted  
16 gross income for the taxable year as modified by paragraph  
17 (2).

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

21 (A) An amount equal to all amounts paid or accrued  
22 to the taxpayer as interest or dividends during the  
23 taxable year to the extent excluded from gross income

1 in the computation of adjusted gross income, except  
2 stock dividends of qualified public utilities  
3 described in Section 305(e) of the Internal Revenue  
4 Code;

5 (B) An amount equal to the amount of tax imposed by  
6 this Act to the extent deducted from gross income in  
7 the computation of adjusted gross income for the  
8 taxable year;

9 (C) An amount equal to the amount received during  
10 the taxable year as a recovery or refund of real  
11 property taxes paid with respect to the taxpayer's  
12 principal residence under the Revenue Act of 1939 and  
13 for which a deduction was previously taken under  
14 subparagraph (L) of this paragraph (2) prior to July 1,  
15 1991, the retrospective application date of Article 4  
16 of Public Act 87-17. In the case of multi-unit or  
17 multi-use structures and farm dwellings, the taxes on  
18 the taxpayer's principal residence shall be that  
19 portion of the total taxes for the entire property  
20 which is attributable to such principal residence;

21 (D) An amount equal to the amount of the capital  
22 gain deduction allowable under the Internal Revenue  
23 Code, to the extent deducted from gross income in the  
24 computation of adjusted gross income;

25 (D-5) An amount, to the extent not included in  
26 adjusted gross income, equal to the amount of money

1 withdrawn by the taxpayer in the taxable year from a  
2 medical care savings account and the interest earned on  
3 the account in the taxable year of a withdrawal  
4 pursuant to subsection (b) of Section 20 of the Medical  
5 Care Savings Account Act or subsection (b) of Section  
6 20 of the Medical Care Savings Account Act of 2000;

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

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

17 (D-16) If the taxpayer sells, transfers, abandons,  
18 or otherwise disposes of property for which the  
19 taxpayer was required in any taxable year to make an  
20 addition modification under subparagraph (D-15), then  
21 an amount equal to the aggregate amount of the  
22 deductions taken in all taxable years under  
23 subparagraph (Z) with respect to that property.

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

1 federal income tax purposes and for which the taxpayer  
2 was allowed in any taxable year to make a subtraction  
3 modification under subparagraph (Z), then an amount  
4 equal to that subtraction modification.

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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



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

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

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

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

26          (D-18) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

1 of the Internal Revenue Code) with respect to the stock  
2 of the same person to whom the premiums and costs were  
3 directly or indirectly paid, incurred, or accrued. The  
4 preceding sentence does not apply to the extent that  
5 the same dividends caused a reduction to the addition  
6 modification required under Section 203(a)(2)(D-17) or  
7 Section 203(a)(2)(D-18) of this Act.

8 (D-20) For taxable years beginning on or after  
9 January 1, 2002 and ending on or before December 31,  
10 2006, in the case of a distribution from a qualified  
11 tuition program under Section 529 of the Internal  
12 Revenue Code, other than (i) a distribution from a  
13 College Savings Pool created under Section 16.5 of the  
14 State Treasurer Act or (ii) a distribution from the  
15 Illinois Prepaid Tuition Trust Fund, an amount equal to  
16 the amount excluded from gross income under Section  
17 529(c)(3)(B). For taxable years beginning on or after  
18 January 1, 2007, in the case of a distribution from a  
19 qualified tuition program under Section 529 of the  
20 Internal Revenue Code, other than (i) a distribution  
21 from a College Savings Pool created under Section 16.5  
22 of the State Treasurer Act, (ii) a distribution from  
23 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
24 distribution from a qualified tuition program under  
25 Section 529 of the Internal Revenue Code that (I)  
26 adopts and determines that its offering materials

1           comply with the College Savings Plans Network's  
2           disclosure principles and (II) has made reasonable  
3           efforts to inform in-state residents of the existence  
4           of in-state qualified tuition programs by informing  
5           Illinois residents directly and, where applicable, to  
6           inform financial intermediaries distributing the  
7           program to inform in-state residents of the existence  
8           of in-state qualified tuition programs at least  
9           annually, an amount equal to the amount excluded from  
10          gross income under Section 529(c) (3) (B) .

11           For the purposes of this subparagraph (D-20), a  
12          qualified tuition program has made reasonable efforts  
13          if it makes disclosures (which may use the term  
14          "in-state program" or "in-state plan" and need not  
15          specifically refer to Illinois or its qualified  
16          programs by name) (i) directly to prospective  
17          participants in its offering materials or makes a  
18          public disclosure, such as a website posting; and (ii)  
19          where applicable, to intermediaries selling the  
20          out-of-state program in the same manner that the  
21          out-of-state program distributes its offering  
22          materials;

23           (D-21) For taxable years beginning on or after  
24          January 1, 2007, in the case of transfer of moneys from  
25          a qualified tuition program under Section 529 of the  
26          Internal Revenue Code that is administered by the State

1 to an out-of-state program, an amount equal to the  
2 amount of moneys previously deducted from base income  
3 under subsection (a) (2) (Y) of this Section;

4 (D-22) For taxable years beginning on or after  
5 January 1, 2009, in the case of a nonqualified  
6 withdrawal or refund of moneys from a qualified tuition  
7 program under Section 529 of the Internal Revenue Code  
8 administered by the State that is not used for  
9 qualified expenses at an eligible education  
10 institution, an amount equal to the contribution  
11 component of the nonqualified withdrawal or refund  
12 that was previously deducted from base income under  
13 subsection (a) (2) (y) of this Section, provided that  
14 the withdrawal or refund did not result from the  
15 beneficiary's death or disability;

16 (D-23) An amount equal to the credit allowable to  
17 the taxpayer under Section 218(a) of this Act,  
18 determined without regard to Section 218(c) of this  
19 Act;

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

22 (E) For taxable years ending before December 31,  
23 2001, any amount included in such total in respect of  
24 any compensation (including but not limited to any  
25 compensation paid or accrued to a serviceman while a  
26 prisoner of war or missing in action) paid to a



1 resident by reason of being on active duty in the Armed  
2 Forces of the United States and in respect of any  
3 compensation paid or accrued to a resident who as a  
4 governmental employee was a prisoner of war or missing  
5 in action, and in respect of any compensation paid to a  
6 resident in 1971 or thereafter for annual training  
7 performed pursuant to Sections 502 and 503, Title 32,  
8 United States Code as a member of the Illinois National  
9 Guard or, beginning with taxable years ending on or  
10 after December 31, 2007, the National Guard of any  
11 other state. For taxable years ending on or after  
12 December 31, 2001, any amount included in such total in  
13 respect of any compensation (including but not limited  
14 to any compensation paid or accrued to a serviceman  
15 while a prisoner of war or missing in action) paid to a  
16 resident by reason of being a member of any component  
17 of the Armed Forces of the United States and in respect  
18 of any compensation paid or accrued to a resident who  
19 as a governmental employee was a prisoner of war or  
20 missing in action, and in respect of any compensation  
21 paid to a resident in 2001 or thereafter by reason of  
22 being a member of the Illinois National Guard or,  
23 beginning with taxable years ending on or after  
24 December 31, 2007, the National Guard of any other  
25 state. The provisions of this subparagraph (E) are  
26 exempt from the provisions of Section 250;

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

12           (G) The valuation limitation amount;

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

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

21           (J) An amount equal to those dividends included in  
22 such total which were paid by a corporation which  
23 conducts business operations in an Enterprise Zone or  
24 zones created under the Illinois Enterprise Zone Act or  
25 a River Edge Redevelopment Zone or zones created under  
26 the River Edge Redevelopment Zone Act, and conducts

1 substantially all of its operations in an Enterprise  
2 Zone or zones or a River Edge Redevelopment Zone or  
3 zones. This subparagraph (J) is exempt from the  
4 provisions of Section 250;

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

14 (L) For taxable years ending after December 31,  
15 1983, an amount equal to all social security benefits  
16 and railroad retirement benefits included in such  
17 total pursuant to Sections 72(r) and 86 of the Internal  
18 Revenue Code;

19 (M) With the exception of any amounts subtracted  
20 under subparagraph (N), an amount equal to the sum of  
21 all amounts disallowed as deductions by (i) Sections  
22 171(a) (2), and 265(2) of the Internal Revenue Code,  
23 and all amounts of expenses allocable to interest and  
24 disallowed as deductions by Section 265(1) of the  
25 Internal Revenue Code; and (ii) for taxable years  
26 ending on or after August 13, 1999, Sections 171(a) (2),

1           265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue  
2           Code, plus, for taxable years ending on or after  
3           December 31, 2011, Section 45G(e)(3) of the Internal  
4           Revenue Code and, for taxable years ending on or after  
5           December 31, 2008, any amount included in gross income  
6           under Section 87 of the Internal Revenue Code; the  
7           provisions of this subparagraph are exempt from the  
8           provisions of Section 250;

9           (N) An amount equal to all amounts included in such  
10          total which are exempt from taxation by this State  
11          either by reason of its statutes or Constitution or by  
12          reason of the Constitution, treaties or statutes of the  
13          United States; provided that, in the case of any  
14          statute of this State that exempts income derived from  
15          bonds or other obligations from the tax imposed under  
16          this Act, the amount exempted shall be the interest net  
17          of bond premium amortization;

18          (O) An amount equal to any contribution made to a  
19          job training project established pursuant to the Tax  
20          Increment Allocation Redevelopment Act;

21          (P) An amount equal to the amount of the deduction  
22          used to compute the federal income tax credit for  
23          restoration of substantial amounts held under claim of  
24          right for the taxable year pursuant to Section 1341 of  
25          the Internal Revenue Code or of any itemized deduction  
26          taken from adjusted gross income in the computation of

1 taxable income for restoration of substantial amounts  
2 held under claim of right for the taxable year;

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

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

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

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

25 (U) For one taxable year beginning on or after  
26 January 1, 1994, an amount equal to the total amount of

1 tax imposed and paid under subsections (a) and (b) of  
2 Section 201 of this Act on grant amounts received by  
3 the taxpayer under the Nursing Home Grant Assistance  
4 Act during the taxpayer's taxable years 1992 and 1993;

5 (V) Beginning with tax years ending on or after  
6 December 31, 1995 and ending with tax years ending on  
7 or before December 31, 2004, an amount equal to the  
8 amount paid by a taxpayer who is a self-employed  
9 taxpayer, a partner of a partnership, or a shareholder  
10 in a Subchapter S corporation for health insurance or  
11 long-term care insurance for that taxpayer or that  
12 taxpayer's spouse or dependents, to the extent that the  
13 amount paid for that health insurance or long-term care  
14 insurance may be deducted under Section 213 of the  
15 Internal Revenue Code, has not been deducted on the  
16 federal income tax return of the taxpayer, and does not  
17 exceed the taxable income attributable to that  
18 taxpayer's income, self-employment income, or  
19 Subchapter S corporation income; except that no  
20 deduction shall be allowed under this item (V) if the  
21 taxpayer is eligible to participate in any health  
22 insurance or long-term care insurance plan of an  
23 employer of the taxpayer or the taxpayer's spouse. The  
24 amount of the health insurance and long-term care  
25 insurance subtracted under this item (V) shall be  
26 determined by multiplying total health insurance and

1 long-term care insurance premiums paid by the taxpayer  
2 times a number that represents the fractional  
3 percentage of eligible medical expenses under Section  
4 213 of the Internal Revenue Code of 1986 not actually  
5 deducted on the taxpayer's federal income tax return;

6 (W) For taxable years beginning on or after January  
7 1, 1998, all amounts included in the taxpayer's federal  
8 gross income in the taxable year from amounts converted  
9 from a regular IRA to a Roth IRA. This paragraph is  
10 exempt from the provisions of Section 250;

11 (X) For taxable year 1999 and thereafter, an amount  
12 equal to the amount of any (i) distributions, to the  
13 extent includible in gross income for federal income  
14 tax purposes, made to the taxpayer because of his or  
15 her status as a victim of persecution for racial or  
16 religious reasons by Nazi Germany or any other Axis  
17 regime or as an heir of the victim and (ii) items of  
18 income, to the extent includible in gross income for  
19 federal income tax purposes, attributable to, derived  
20 from or in any way related to assets stolen from,  
21 hidden from, or otherwise lost to a victim of  
22 persecution for racial or religious reasons by Nazi  
23 Germany or any other Axis regime immediately prior to,  
24 during, and immediately after World War II, including,  
25 but not limited to, interest on the proceeds receivable  
26 as insurance under policies issued to a victim of

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

18 (Y) For taxable years beginning on or after January  
19 1, 2002 and ending on or before December 31, 2004,  
20 moneys contributed in the taxable year to a College  
21 Savings Pool account under Section 16.5 of the State  
22 Treasurer Act, except that amounts excluded from gross  
23 income under Section 529(c)(3)(C)(i) of the Internal  
24 Revenue Code shall not be considered moneys  
25 contributed under this subparagraph (Y). For taxable  
26 years beginning on or after January 1, 2005, a maximum



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

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

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

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30  
2 and then divided by 70 (or "y" multiplied by  
3 0.429); and

4 (3) for taxable years ending after December  
5 31, 2005:

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

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

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

23 (AA) If the taxpayer sells, transfers, abandons,  
24 or otherwise disposes of property for which the  
25 taxpayer was required in any taxable year to make an  
26 addition modification under subparagraph (D-15), then

1 an amount equal to that addition modification.

2 If the taxpayer continues to own property through  
3 the last day of the last tax year for which the  
4 taxpayer may claim a depreciation deduction for  
5 federal income tax purposes and for which the taxpayer  
6 was required in any taxable year to make an addition  
7 modification under subparagraph (D-15), then an amount  
8 equal to that addition modification.

9 The taxpayer is allowed to take the deduction under  
10 this subparagraph only once with respect to any one  
11 piece of property.

12 This subparagraph (AA) is exempt from the  
13 provisions of Section 250;

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

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

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

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

1 is exempt from the provisions of Section 250;

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

23 (FF) An amount equal to any amount awarded to the  
24 taxpayer during the taxable year by the Court of Claims  
25 under subsection (c) of Section 8 of the Court of  
26 Claims Act for time unjustly served in a State prison.

1 This subparagraph (FF) is exempt from the provisions of  
2 Section 250; ~~and~~

3 (GG) For taxable years ending on or after December  
4 31, 2011, in the case of a taxpayer who was required to  
5 add back any insurance premiums under Section  
6 203(a)(2)(D-19), such taxpayer may elect to subtract  
7 that part of a reimbursement received from the  
8 insurance company equal to the amount of the expense or  
9 loss (including expenses incurred by the insurance  
10 company) that would have been taken into account as a  
11 deduction for federal income tax purposes if the  
12 expense or loss had been uninsured. If a taxpayer makes  
13 the election provided for by this subparagraph (GG),  
14 the insurer to which the premiums were paid must add  
15 back to income the amount subtracted by the taxpayer  
16 pursuant to this subparagraph (GG). This subparagraph  
17 (GG) is exempt from the provisions of Section 250; ~~and.~~

18 (HH) For taxable years ending on or after December  
19 31, 2012, an amount, to the extent that it is included  
20 in adjusted gross income, equal to any voucher redeemed  
21 under the School Choice Act. This subparagraph is  
22 exempt from the provisions of Section 250.

23 (b) Corporations.

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

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

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

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

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

13 (C) In the case of a regulated investment company,  
14 an amount equal to the excess of (i) the net long-term  
15 capital gain for the taxable year, over (ii) the amount  
16 of the capital gain dividends designated as such in  
17 accordance with Section 852(b)(3)(C) of the Internal  
18 Revenue Code and any amount designated under Section  
19 852(b)(3)(D) of the Internal Revenue Code,  
20 attributable to the taxable year (this amendatory Act  
21 of 1995 (Public Act 89-89) is declarative of existing  
22 law and is not a new enactment);

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

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

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

19           (ii) the addition modification relating to the  
20 net operating loss carried back or forward to the  
21 taxable year from any taxable year ending prior to  
22 December 31, 1986 shall not exceed the amount of  
23 such carryback or carryforward;

24           For taxable years in which there is a net operating  
25 loss carryback or carryforward from more than one other  
26 taxable year ending prior to December 31, 1986, the



1 addition modification provided in this subparagraph  
2 (E) shall be the sum of the amounts computed  
3 independently under the preceding provisions of this  
4 subparagraph (E) for each such taxable year;

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

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

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

22 If the taxpayer continues to own property through  
23 the last day of the last tax year for which the  
24 taxpayer may claim a depreciation deduction for  
25 federal income tax purposes and for which the taxpayer  
26 was allowed in any taxable year to make a subtraction

1 modification under subparagraph (T), then an amount  
2 equal to that subtraction modification.

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

1 reflects an arm's-length interest rate and  
2 terms; or

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

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

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

25 (E-13) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

24                  Nothing in this subsection shall preclude the  
25                  Director from making any other adjustment  
26                  otherwise allowed under Section 404 of this Act for

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

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



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

7 (E-15) For taxable years beginning after December  
8 31, 2008, any deduction for dividends paid by a captive  
9 real estate investment trust that is allowed to a real  
10 estate investment trust under Section 857(b) (2) (B) of  
11 the Internal Revenue Code for dividends paid;

12 (E-16) An amount equal to the credit allowable to  
13 the taxpayer under Section 218(a) of this Act,  
14 determined without regard to Section 218(c) of this  
15 Act;

16 and by deducting from the total so obtained the sum of the  
17 following amounts:

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

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

23 (H) In the case of a regulated investment company,  
24 an amount equal to the amount of exempt interest  
25 dividends as defined in subsection (b) (5) of Section  
26 852 of the Internal Revenue Code, paid to shareholders

1 for the taxable year;

2 (I) With the exception of any amounts subtracted  
3 under subparagraph (J), an amount equal to the sum of  
4 all amounts disallowed as deductions by (i) Sections  
5 171(a) (2), and 265(a)(2) and amounts disallowed as  
6 interest expense by Section 291(a)(3) of the Internal  
7 Revenue Code, and all amounts of expenses allocable to  
8 interest and disallowed as deductions by Section  
9 265(a)(1) of the Internal Revenue Code; and (ii) for  
10 taxable years ending on or after August 13, 1999,  
11 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
12 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
13 for tax years ending on or after December 31, 2011,  
14 amounts disallowed as deductions by Section 45G(e)(3)  
15 of the Internal Revenue Code and, for taxable years  
16 ending on or after December 31, 2008, any amount  
17 included in gross income under Section 87 of the  
18 Internal Revenue Code and the policyholders' share of  
19 tax-exempt interest of a life insurance company under  
20 Section 807(a)(2)(B) of the Internal Revenue Code (in  
21 the case of a life insurance company with gross income  
22 from a decrease in reserves for the tax year) or  
23 Section 807(b)(1)(B) of the Internal Revenue Code (in  
24 the case of a life insurance company allowed a  
25 deduction for an increase in reserves for the tax  
26 year); the provisions of this subparagraph are exempt

1 from the provisions of Section 250;

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

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

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

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

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

1 Section 250;

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

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

12           (O) An amount equal to: (i) 85% for taxable years  
13 ending on or before December 31, 1992, or, a percentage  
14 equal to the percentage allowable under Section  
15 243(a)(1) of the Internal Revenue Code of 1986 for  
16 taxable years ending after December 31, 1992, of the  
17 amount by which dividends included in taxable income  
18 and received from a corporation that is not created or  
19 organized under the laws of the United States or any  
20 state or political subdivision thereof, including, for  
21 taxable years ending on or after December 31, 1988,  
22 dividends received or deemed received or paid or deemed  
23 paid under Sections 951 through 965 of the Internal  
24 Revenue Code, exceed the amount of the modification  
25 provided under subparagraph (G) of paragraph (2) of  
26 this subsection (b) which is related to such dividends,

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

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

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

1 the Internal Revenue Code;

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (Y) For taxable years ending on or after December  
15 31, 2011, in the case of a taxpayer who was required to  
16 add back any insurance premiums under Section  
17 203(b)(2)(E-14), such taxpayer may elect to subtract  
18 that part of a reimbursement received from the  
19 insurance company equal to the amount of the expense or  
20 loss (including expenses incurred by the insurance  
21 company) that would have been taken into account as a  
22 deduction for federal income tax purposes if the  
23 expense or loss had been uninsured. If a taxpayer makes  
24 the election provided for by this subparagraph (Y), the  
25 insurer to which the premiums were paid must add back  
26 to income the amount subtracted by the taxpayer

1           pursuant to this subparagraph (Y). This subparagraph  
2           (Y) is exempt from the provisions of Section 250; and

3           (Z) The difference between the nondeductible  
4           controlled foreign corporation dividends under Section  
5           965(e) (3) of the Internal Revenue Code over the taxable  
6           income of the taxpayer, computed without regard to  
7           Section 965(e) (2) (A) of the Internal Revenue Code, and  
8           without regard to any net operating loss deduction.  
9           This subparagraph (Z) is exempt from the provisions of  
10          Section 250.

11          (3) Special rule. For purposes of paragraph (2) (A),  
12          "gross income" in the case of a life insurance company, for  
13          tax years ending on and after December 31, 1994, and prior  
14          to December 31, 2011, shall mean the gross investment  
15          income for the taxable year and, for tax years ending on or  
16          after December 31, 2011, shall mean all amounts included in  
17          life insurance gross income under Section 803(a) (3) of the  
18          Internal Revenue Code.

19          (c) Trusts and estates.

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

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

1 following amounts:

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

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

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

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

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

1 the following limitations applied in the order that  
2 they are listed:

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

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

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

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



1 Illinois foreign tax credit under Section 601 of this  
2 Act;

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

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

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

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

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

1 federal income tax purposes and for which the taxpayer  
2 was allowed in any taxable year to make a subtraction  
3 modification under subparagraph (R), then an amount  
4 equal to that subtraction modification.

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

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

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

9 This paragraph shall not apply to the following:

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

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

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

24 (b) the transaction giving rise to the  
25 interest expense between the taxpayer and the  
26 person did not have as a principal purpose the

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

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 to such item; or

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

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

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

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

26 Nothing in this subsection shall preclude the

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

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



1 and amounts included in gross income under Section 78  
2 of the Internal Revenue Code) with respect to the stock  
3 of the same person to whom the premiums and costs were  
4 directly or indirectly paid, incurred, or accrued. The  
5 preceding sentence does not apply to the extent that  
6 the same dividends caused a reduction to the addition  
7 modification required under Section 203(c) (2) (G-12) or  
8 Section 203(c) (2) (G-13) of this Act;

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

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

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

26 (I) The valuation limitation amount;

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

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

15          (L) With the exception of any amounts subtracted  
16          under subparagraph (K), an amount equal to the sum of  
17          all amounts disallowed as deductions by (i) Sections  
18          171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
19          and all amounts of expenses allocable to interest and  
20          disallowed as deductions by Section 265(1) of the  
21          Internal Revenue Code; and (ii) for taxable years  
22          ending on or after August 13, 1999, Sections 171(a) (2),  
23          265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
24          Code, plus, (iii) for taxable years ending on or after  
25          December 31, 2011, Section 45G(e) (3) of the Internal  
26          Revenue Code and, for taxable years ending on or after

1 December 31, 2008, any amount included in gross income  
2 under Section 87 of the Internal Revenue Code; the  
3 provisions of this subparagraph are exempt from the  
4 provisions of Section 250;

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

15 (N) An amount equal to any contribution made to a  
16 job training project established pursuant to the Tax  
17 Increment Allocation Redevelopment Act;

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

1           (P) An amount equal to the amount of the deduction  
2 used to compute the federal income tax credit for  
3 restoration of substantial amounts held under claim of  
4 right for the taxable year pursuant to Section 1341 of  
5 the Internal Revenue Code;

6           (Q) For taxable year 1999 and thereafter, an amount  
7 equal to the amount of any (i) distributions, to the  
8 extent includible in gross income for federal income  
9 tax purposes, made to the taxpayer because of his or  
10 her status as a victim of persecution for racial or  
11 religious reasons by Nazi Germany or any other Axis  
12 regime or as an heir of the victim and (ii) items of  
13 income, to the extent includible in gross income for  
14 federal income tax purposes, attributable to, derived  
15 from or in any way related to assets stolen from,  
16 hidden from, or otherwise lost to a victim of  
17 persecution for racial or religious reasons by Nazi  
18 Germany or any other Axis regime immediately prior to,  
19 during, and immediately after World War II, including,  
20 but not limited to, interest on the proceeds receivable  
21 as insurance under policies issued to a victim of  
22 persecution for racial or religious reasons by Nazi  
23 Germany or any other Axis regime by European insurance  
24 companies immediately prior to and during World War II;  
25 provided, however, this subtraction from federal  
26 adjusted gross income does not apply to assets acquired

1 with such assets or with the proceeds from the sale of  
2 such assets; provided, further, this paragraph shall  
3 only apply to a taxpayer who was the first recipient of  
4 such assets after their recovery and who is a victim of  
5 persecution for racial or religious reasons by Nazi  
6 Germany or any other Axis regime or as an heir of the  
7 victim. The amount of and the eligibility for any  
8 public assistance, benefit, or similar entitlement is  
9 not affected by the inclusion of items (i) and (ii) of  
10 this paragraph in gross income for federal income tax  
11 purposes. This paragraph is exempt from the provisions  
12 of Section 250;

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

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

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30  
2 and then divided by 70 (or "y" multiplied by  
3 0.429); and

4 (3) for taxable years ending after December  
5 31, 2005:

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

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

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

23 (S) If the taxpayer sells, transfers, abandons, or  
24 otherwise disposes of property for which the taxpayer  
25 was required in any taxable year to make an addition  
26 modification under subparagraph (G-10), then an amount

1 equal to that addition modification.

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

9 The taxpayer is allowed to take the deduction under  
10 this subparagraph only once with respect to any one  
11 piece of property.

12 This subparagraph (S) is exempt from the  
13 provisions of Section 250;

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

1 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
2 203(d)(2)(D-8), but not to exceed the amount of such  
3 addition modification. This subparagraph (T) is exempt  
4 from the provisions of Section 250;

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

25 (V) An amount equal to the income from intangible  
26 property taken into account for the taxable year (net



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

20 (W) in the case of an estate, an amount equal to  
21 all amounts included in such total pursuant to the  
22 provisions of Section 111 of the Internal Revenue Code  
23 as a recovery of items previously deducted by the  
24 decedent from adjusted gross income in the computation  
25 of taxable income. This subparagraph (W) is exempt from  
26 Section 250;

1           (X) an amount equal to the refund included in such  
2 total of any tax deducted for federal income tax  
3 purposes, to the extent that deduction was added back  
4 under subparagraph (F). This subparagraph (X) is  
5 exempt from the provisions of Section 250; and

6           (Y) For taxable years ending on or after December  
7 31, 2011, in the case of a taxpayer who was required to  
8 add back any insurance premiums under Section  
9 203(c)(2)(G-14), such taxpayer may elect to subtract  
10 that part of a reimbursement received from the  
11 insurance company equal to the amount of the expense or  
12 loss (including expenses incurred by the insurance  
13 company) that would have been taken into account as a  
14 deduction for federal income tax purposes if the  
15 expense or loss had been uninsured. If a taxpayer makes  
16 the election provided for by this subparagraph (Y), the  
17 insurer to which the premiums were paid must add back  
18 to income the amount subtracted by the taxpayer  
19 pursuant to this subparagraph (Y). This subparagraph  
20 (Y) is exempt from the provisions of Section 250.

21           (3) Limitation. The amount of any modification  
22 otherwise required under this subsection shall, under  
23 regulations prescribed by the Department, be adjusted by  
24 any amounts included therein which were properly paid,  
25 credited, or required to be distributed, or permanently set  
26 aside for charitable purposes pursuant to Internal Revenue

1 Code Section 642(c) during the taxable year.

2 (d) Partnerships.

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

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

9 (A) An amount equal to all amounts paid or accrued  
10 to the taxpayer as interest or dividends during the  
11 taxable year to the extent excluded from gross income  
12 in the computation of taxable income;

13 (B) An amount equal to the amount of tax imposed by  
14 this Act to the extent deducted from gross income for  
15 the taxable year;

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

19 (D) An amount equal to the amount of the capital  
20 gain deduction allowable under the Internal Revenue  
21 Code, to the extent deducted from gross income in the  
22 computation of taxable income;

23 (D-5) For taxable years 2001 and thereafter, an  
24 amount equal to the bonus depreciation deduction taken  
25 on the taxpayer's federal income tax return for the

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

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

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

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

20 (D-7) An amount equal to the amount otherwise  
21 allowed as a deduction in computing base income for  
22 interest paid, accrued, or incurred, directly or  
23 indirectly, (i) for taxable years ending on or after  
24 December 31, 2004, to a foreign person who would be a  
25 member of the same unitary business group but for the  
26 fact the foreign person's business activity outside

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

13 (D-8) An amount equal to the amount of intangible  
14 expenses and costs otherwise allowed as a deduction in  
15 computing base income, and that were paid, accrued, or  
16 incurred, directly or indirectly, (i) for taxable  
17 years ending on or after December 31, 2004, to a  
18 foreign person who would be a member of the same  
19 unitary business group but for the fact that the  
20 foreign person's business activity outside the United  
21 States is 80% or more of that person's total business  
22 activity and (ii) for taxable years ending on or after  
23 December 31, 2008, to a person who would be a member of  
24 the same unitary business group but for the fact that  
25 the person is prohibited under Section 1501(a)(27)  
26 from being included in the unitary business group

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



1 similar expenses and costs. For purposes of this  
2 subparagraph, "intangible property" includes patents,  
3 patent applications, trade names, trademarks, service  
4 marks, copyrights, mask works, trade secrets, and  
5 similar types of intangible assets;

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

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

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

21 (D-9) For taxable years ending on or after December  
22 31, 2008, an amount equal to the amount of insurance  
23 premium expenses and costs otherwise allowed as a  
24 deduction in computing base income, and that were paid,  
25 accrued, or incurred, directly or indirectly, to a  
26 person who would be a member of the same unitary

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

21 (D-10) An amount equal to the credit allowable to  
22 the taxpayer under Section 218(a) of this Act,  
23 determined without regard to Section 218(c) of this  
24 Act;

25 and by deducting from the total so obtained the following  
26 amounts:

1 (E) The valuation limitation amount;

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

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

15 (H) Any income of the partnership which  
16 constitutes personal service income as defined in  
17 Section 1348 (b) (1) of the Internal Revenue Code (as  
18 in effect December 31, 1981) or a reasonable allowance  
19 for compensation paid or accrued for services rendered  
20 by partners to the partnership, whichever is greater;  
21 this subparagraph (H) is exempt from the provisions of  
22 Section 250;

23 (I) An amount equal to all amounts of income  
24 distributable to an entity subject to the Personal  
25 Property Tax Replacement Income Tax imposed by  
26 subsections (c) and (d) of Section 201 of this Act

1 including amounts distributable to organizations  
2 exempt from federal income tax by reason of Section  
3 501(a) of the Internal Revenue Code; this subparagraph  
4 (I) is exempt from the provisions of Section 250;

5 (J) With the exception of any amounts subtracted  
6 under subparagraph (G), an amount equal to the sum of  
7 all amounts disallowed as deductions by (i) Sections  
8 171(a) (2), and 265(2) of the Internal Revenue Code,  
9 and all amounts of expenses allocable to interest and  
10 disallowed as deductions by Section 265(1) of the  
11 Internal Revenue Code; and (ii) for taxable years  
12 ending on or after August 13, 1999, Sections 171(a) (2),  
13 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
14 Code, plus, (iii) for taxable years ending on or after  
15 December 31, 2011, Section 45G(e) (3) of the Internal  
16 Revenue Code and, for taxable years ending on or after  
17 December 31, 2008, any amount included in gross income  
18 under Section 87 of the Internal Revenue Code; the  
19 provisions of this subparagraph are exempt from the  
20 provisions of Section 250;

21 (K) An amount equal to those dividends included in  
22 such total which were paid by a corporation which  
23 conducts business operations in an Enterprise Zone or  
24 zones created under the Illinois Enterprise Zone Act,  
25 enacted by the 82nd General Assembly, or a River Edge  
26 Redevelopment Zone or zones created under the River

1 Edge Redevelopment Zone Act and conducts substantially  
2 all of its operations in an Enterprise Zone or Zones or  
3 from a River Edge Redevelopment Zone or zones. This  
4 subparagraph (K) is exempt from the provisions of  
5 Section 250;

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

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

18 (N) An amount equal to the amount of the deduction  
19 used to compute the federal income tax credit for  
20 restoration of substantial amounts held under claim of  
21 right for the taxable year pursuant to Section 1341 of  
22 the Internal Revenue Code;

23 (O) For taxable years 2001 and thereafter, for the  
24 taxable year in which the bonus depreciation deduction  
25 is taken on the taxpayer's federal income tax return  
26 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

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

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

14 (3) for taxable years ending after December  
15 31, 2005:

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

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

25 The aggregate amount deducted under this  
26 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus  
2 depreciation deduction taken on that property on the  
3 taxpayer's federal income tax return under subsection  
4 (k) of Section 168 of the Internal Revenue Code. This  
5 subparagraph (O) is exempt from the provisions of  
6 Section 250;

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

12 If the taxpayer continues to own property through  
13 the last day of the last tax year for which the  
14 taxpayer may claim a depreciation deduction for  
15 federal income tax purposes and for which the taxpayer  
16 was required in any taxable year to make an addition  
17 modification under subparagraph (D-5), then an amount  
18 equal to that addition modification.

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

22 This subparagraph (P) is exempt from the  
23 provisions of Section 250;

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



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

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

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

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

1 incurred, directly or indirectly, to the same person.

2 This subparagraph (S) is exempt from Section 250; and

3 (T) For taxable years ending on or after December  
4 31, 2011, in the case of a taxpayer who was required to  
5 add back any insurance premiums under Section  
6 203(d)(2)(D-9), such taxpayer may elect to subtract  
7 that part of a reimbursement received from the  
8 insurance company equal to the amount of the expense or  
9 loss (including expenses incurred by the insurance  
10 company) that would have been taken into account as a  
11 deduction for federal income tax purposes if the  
12 expense or loss had been uninsured. If a taxpayer makes  
13 the election provided for by this subparagraph (T), the  
14 insurer to which the premiums were paid must add back  
15 to income the amount subtracted by the taxpayer  
16 pursuant to this subparagraph (T). This subparagraph  
17 (T) is exempt from the provisions of Section 250.

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

19 (1) In general. Subject to the provisions of paragraph  
20 (2) and subsection (b) (3), for purposes of this Section  
21 and Section 803(e), a taxpayer's gross income, adjusted  
22 gross income, or taxable income for the taxable year shall  
23 mean the amount of gross income, adjusted gross income or  
24 taxable income properly reportable for federal income tax  
25 purposes for the taxable year under the provisions of the

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

26 (2) Special rule. For purposes of paragraph (1) of this

1 subsection, the taxable income properly reportable for  
2 federal income tax purposes shall mean:

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

10 (B) Certain other insurance companies. In the case  
11 of mutual insurance companies subject to the tax  
12 imposed by Section 831 of the Internal Revenue Code,  
13 insurance company taxable income;

14 (C) Regulated investment companies. In the case of  
15 a regulated investment company subject to the tax  
16 imposed by Section 852 of the Internal Revenue Code,  
17 investment company taxable income;

18 (D) Real estate investment trusts. In the case of a  
19 real estate investment trust subject to the tax imposed  
20 by Section 857 of the Internal Revenue Code, real  
21 estate investment trust taxable income;

22 (E) Consolidated corporations. In the case of a  
23 corporation which is a member of an affiliated group of  
24 corporations filing a consolidated income tax return  
25 for the taxable year for federal income tax purposes,  
26 taxable income determined as if such corporation had

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

8 (F) Cooperatives. In the case of a cooperative  
9 corporation or association, the taxable income of such  
10 organization determined in accordance with the  
11 provisions of Section 1381 through 1388 of the Internal  
12 Revenue Code, but without regard to the prohibition  
13 against offsetting losses from patronage activities  
14 against income from nonpatronage activities; except  
15 that a cooperative corporation or association may make  
16 an election to follow its federal income tax treatment  
17 of patronage losses and nonpatronage losses. In the  
18 event such election is made, such losses shall be  
19 computed and carried over in a manner consistent with  
20 subsection (a) of Section 207 of this Act and  
21 apportioned by the apportionment factor reported by  
22 the cooperative on its Illinois income tax return filed  
23 for the taxable year in which the losses are incurred.  
24 The election shall be effective for all taxable years  
25 with original returns due on or after the date of the  
26 election. In addition, the cooperative may file an

1 amended return or returns, as allowed under this Act,  
2 to provide that the election shall be effective for  
3 losses incurred or carried forward for taxable years  
4 occurring prior to the date of the election. Once made,  
5 the election may only be revoked upon approval of the  
6 Director. The Department shall adopt rules setting  
7 forth requirements for documenting the elections and  
8 any resulting Illinois net loss and the standards to be  
9 used by the Director in evaluating requests to revoke  
10 elections. Public Act 96-932 is declaratory of  
11 existing law;

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

1 Subchapter S rules as in effect on July 1, 1982; and  
2 (H) Partnerships. In the case of a partnership,  
3 taxable income determined in accordance with Section  
4 703 of the Internal Revenue Code, except that taxable  
5 income shall take into account those items which are  
6 required by Section 703(a)(1) to be separately stated  
7 but which would be taken into account by an individual  
8 in calculating his taxable income.

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



1 (f) Valuation limitation amount.

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

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

10 (B) The lesser of (i) the sum of the pre-August 1,  
11 1969 appreciation amounts (to the extent consisting of  
12 capital gain) for all property in respect of which such  
13 gain was reported for federal income tax purposes for  
14 the taxable year, or (ii) the net capital gain for the  
15 taxable year, reduced in either case by any amount of  
16 such gain included in the amount determined under  
17 subsection (a) (2) (F) or (c) (2) (H).

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

19 (A) If the fair market value of property referred  
20 to in paragraph (1) was readily ascertainable on August  
21 1, 1969, the pre-August 1, 1969 appreciation amount for  
22 such property is the lesser of (i) the excess of such  
23 fair market value over the taxpayer's basis (for  
24 determining gain) for such property on that date  
25 (determined under the Internal Revenue Code as in  
26 effect on that date), or (ii) the total gain realized

1 and reportable for federal income tax purposes in  
2 respect of the sale, exchange or other disposition of  
3 such property.

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

15 (C) The Department shall prescribe such  
16 regulations as may be necessary to carry out the  
17 purposes of this paragraph.

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

21 (h) Legislative intention. Except as expressly provided by  
22 this Section there shall be no modifications or limitations on  
23 the amounts of income, gain, loss or deduction taken into  
24 account in determining gross income, adjusted gross income or

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

6 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
7 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
8 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
9 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
10 eff. 8-23-11.)

11 Section 905. The School Code is amended by changing Section  
12 18-8.05 as follows:

13 (105 ILCS 5/18-8.05)

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

17 (A) General Provisions.

18 (1) The provisions of this Section apply to the 1998-1999  
19 and subsequent school years. The system of general State  
20 financial aid provided for in this Section is designed to  
21 assure that, through a combination of State financial aid and  
22 required local resources, the financial support provided each  
23 pupil in Average Daily Attendance equals or exceeds a

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

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

20 (3) To receive financial assistance under this Section,  
21 school districts are required to file claims with the State  
22 Board of Education, subject to the following requirements:

23 (a) Any school district which fails for any given  
24 school year to maintain school as required by law, or to  
25 maintain a recognized school is not eligible to file for  
26 such school year any claim upon the Common School Fund. In

1 case of nonrecognition of one or more attendance centers in  
2 a school district otherwise operating recognized schools,  
3 the claim of the district shall be reduced in the  
4 proportion which the Average Daily Attendance in the  
5 attendance center or centers bear to the Average Daily  
6 Attendance in the school district. A "recognized school"  
7 means any public school which meets the standards as  
8 established for recognition by the State Board of  
9 Education. A school district or attendance center not  
10 having recognition status at the end of a school term is  
11 entitled to receive State aid payments due upon a legal  
12 claim which was filed while it was recognized.

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

16 (c) If a school district operates a full year school  
17 under Section 10-19.1, the general State aid to the school  
18 district shall be determined by the State Board of  
19 Education in accordance with this Section as near as may be  
20 applicable.

21 (d) (Blank).

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

26 School districts are not required to exert a minimum

1 Operating Tax Rate in order to qualify for assistance under  
2 this Section.

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

5 (a) "Average Daily Attendance": A count of pupil  
6 attendance in school, averaged as provided for in  
7 subsection (C) and utilized in deriving per pupil financial  
8 support levels.

9 (b) "Available Local Resources": A computation of  
10 local financial support, calculated on the basis of Average  
11 Daily Attendance and derived as provided pursuant to  
12 subsection (D).

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

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

22 (e) "Operating Tax Rate": All school district property  
23 taxes extended for all purposes, except Bond and Interest,  
24 Summer School, Rent, Capital Improvement, and Vocational  
25 Education Building purposes.

1 (B) Foundation Level.

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

12 (2) For the 1998-1999 school year, the Foundation Level of  
13 support is \$4,225. For the 1999-2000 school year, the  
14 Foundation Level of support is \$4,325. For the 2000-2001 school  
15 year, the Foundation Level of support is \$4,425. For the  
16 2001-2002 school year and 2002-2003 school year, the Foundation  
17 Level of support is \$4,560. For the 2003-2004 school year, the  
18 Foundation Level of support is \$4,810. For the 2004-2005 school  
19 year, the Foundation Level of support is \$4,964. For the  
20 2005-2006 school year, the Foundation Level of support is  
21 \$5,164. For the 2006-2007 school year, the Foundation Level of  
22 support is \$5,334. For the 2007-2008 school year, the  
23 Foundation Level of support is \$5,734. For the 2008-2009 school  
24 year, the Foundation Level of support is \$5,959.

25 (3) For the 2009-2010 school year and each school year  
26 thereafter, the Foundation Level of support is \$6,119 or such

1 greater amount as may be established by law by the General  
2 Assembly.

3 (C) Average Daily Attendance.

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

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

24 (D) Available Local Resources.



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

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

17           (3) For school districts maintaining grades kindergarten  
18 through 12, local property tax revenues per pupil shall be  
19 calculated as the product of the applicable equalized assessed  
20 valuation for the district multiplied by 3.00%, and divided by  
21 the district's Average Daily Attendance figure. For school  
22 districts maintaining grades kindergarten through 8, local  
23 property tax revenues per pupil shall be calculated as the  
24 product of the applicable equalized assessed valuation for the  
25 district multiplied by 2.30%, and divided by the district's  
26 Average Daily Attendance figure. For school districts

1 maintaining grades 9 through 12, local property tax revenues  
2 per pupil shall be the applicable equalized assessed valuation  
3 of the district multiplied by 1.05%, and divided by the  
4 district's Average Daily Attendance figure.

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

16 (4) The Corporate Personal Property Replacement Taxes paid  
17 to each school district during the calendar year one year  
18 before the calendar year in which a school year begins, divided  
19 by the Average Daily Attendance figure for that district, shall  
20 be added to the local property tax revenues per pupil as  
21 derived by the application of the immediately preceding  
22 paragraph (3). The sum of these per pupil figures for each  
23 school district shall constitute Available Local Resources as  
24 that term is utilized in subsection (E) in the calculation of  
25 general State aid.

1 (E) Computation of General State Aid.

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

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

11 (3) For any school district for which Available Local  
12 Resources per pupil is equal to or greater than the product of  
13 0.93 times the Foundation Level and less than the product of  
14 1.75 times the Foundation Level, the general State aid per  
15 pupil shall be a decimal proportion of the Foundation Level  
16 derived using a linear algorithm. Under this linear algorithm,  
17 the calculated general State aid per pupil shall decline in  
18 direct linear fashion from 0.07 times the Foundation Level for  
19 a school district with Available Local Resources equal to the  
20 product of 0.93 times the Foundation Level, to 0.05 times the  
21 Foundation Level for a school district with Available Local  
22 Resources equal to the product of 1.75 times the Foundation  
23 Level. The allocation of general State aid for school districts  
24 subject to this paragraph 3 shall be the calculated general  
25 State aid per pupil figure multiplied by the Average Daily  
26 Attendance of the school district.

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

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

16           (F) Compilation of Average Daily Attendance.

17           (1) Each school district shall, by July 1 of each year,  
18 submit to the State Board of Education, on forms prescribed by  
19 the State Board of Education, attendance figures for the school  
20 year that began in the preceding calendar year. The attendance  
21 information so transmitted shall identify the average daily  
22 attendance figures for each month of the school year. Beginning  
23 with the general State aid claim form for the 2002-2003 school  
24 year, districts shall calculate Average Daily Attendance as  
25 provided in subdivisions (a), (b), and (c) of this paragraph

1 (1).

2 (a) In districts that do not hold year-round classes,  
3 days of attendance in August shall be added to the month of  
4 September and any days of attendance in June shall be added  
5 to the month of May.

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

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

22 Except as otherwise provided in this Section, days of  
23 attendance by pupils shall be counted only for sessions of not  
24 less than 5 clock hours of school work per day under direct  
25 supervision of: (i) teachers, or (ii) non-teaching personnel or  
26 volunteer personnel when engaging in non-teaching duties and

1 supervising in those instances specified in subsection (a) of  
2 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils  
3 of legal school age and in kindergarten and grades 1 through  
4 12.

5 Days of attendance by tuition pupils shall be accredited  
6 only to the districts that pay the tuition to a recognized  
7 school.

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

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

20 (b) Days of attendance may be less than 5 clock hours  
21 on the opening and closing of the school term, and upon the  
22 first day of pupil attendance, if preceded by a day or days  
23 utilized as an institute or teachers' workshop.

24 (c) A session of 4 or more clock hours may be counted  
25 as a day of attendance upon certification by the regional  
26 superintendent, and approved by the State Superintendent

1 of Education to the extent that the district has been  
2 forced to use daily multiple sessions.

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

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

25 (e) A session of not less than one clock hour of  
26 teaching hospitalized or homebound pupils on-site or by



1 telephone to the classroom may be counted as 1/2 day of  
2 attendance, however these pupils must receive 4 or more  
3 clock hours of instruction to be counted for a full day of  
4 attendance.

5 (f) A session of at least 4 clock hours may be counted  
6 as a day of attendance for first grade pupils, and pupils  
7 in full day kindergartens, and a session of 2 or more hours  
8 may be counted as 1/2 day of attendance by pupils in  
9 kindergartens which provide only 1/2 day of attendance.

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

17 (h) A recognized kindergarten which provides for only  
18 1/2 day of attendance by each pupil shall not have more  
19 than 1/2 day of attendance counted in any one day. However,  
20 kindergartens may count 2 1/2 days of attendance in any 5  
21 consecutive school days. When a pupil attends such a  
22 kindergarten for 2 half days on any one school day, the  
23 pupil shall have the following day as a day absent from  
24 school, unless the school district obtains permission in  
25 writing from the State Superintendent of Education.  
26 Attendance at kindergartens which provide for a full day of

1 attendance by each pupil shall be counted the same as  
2 attendance by first grade pupils. Only the first year of  
3 attendance in one kindergarten shall be counted, except in  
4 case of children who entered the kindergarten in their  
5 fifth year whose educational development requires a second  
6 year of kindergarten as determined under the rules and  
7 regulations of the State Board of Education.

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

19 (j) Pupils enrolled in a remote educational program  
20 established under Section 10-29 of this Code may be counted  
21 on the basis of one-fifth day of attendance for every clock  
22 hour of instruction attended in the remote educational  
23 program, provided that, in any month, the school district  
24 may not claim for a student enrolled in a remote  
25 educational program more days of attendance than the  
26 maximum number of days of attendance the district can claim

1 (i) for students enrolled in a building holding year-round  
2 classes if the student is classified as participating in  
3 the remote educational program on a year-round schedule or  
4 (ii) for students enrolled in a building not holding  
5 year-round classes if the student is not classified as  
6 participating in the remote educational program on a  
7 year-round schedule.

8 (G) Equalized Assessed Valuation Data.

9 (1) For purposes of the calculation of Available Local  
10 Resources required pursuant to subsection (D), the State Board  
11 of Education shall secure from the Department of Revenue the  
12 value as equalized or assessed by the Department of Revenue of  
13 all taxable property of every school district, together with  
14 (i) the applicable tax rate used in extending taxes for the  
15 funds of the district as of September 30 of the previous year  
16 and (ii) the limiting rate for all school districts subject to  
17 property tax extension limitations as imposed under the  
18 Property Tax Extension Limitation Law.

19 The Department of Revenue shall add to the equalized  
20 assessed value of all taxable property of each school district  
21 situated entirely or partially within a county that is or was  
22 subject to the provisions of Section 15-176 or 15-177 of the  
23 Property Tax Code (a) an amount equal to the total amount by  
24 which the homestead exemption allowed under Section 15-176 or  
25 15-177 of the Property Tax Code for real property situated in

1 that school district exceeds the total amount that would have  
2 been allowed in that school district if the maximum reduction  
3 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in  
4 all other counties in tax year 2003 or (ii) \$5,000 in all  
5 counties in tax year 2004 and thereafter and (b) an amount  
6 equal to the aggregate amount for the taxable year of all  
7 additional exemptions under Section 15-175 of the Property Tax  
8 Code for owners with a household income of \$30,000 or less. The  
9 county clerk of any county that is or was subject to the  
10 provisions of Section 15-176 or 15-177 of the Property Tax Code  
11 shall annually calculate and certify to the Department of  
12 Revenue for each school district all homestead exemption  
13 amounts under Section 15-176 or 15-177 of the Property Tax Code  
14 and all amounts of additional exemptions under Section 15-175  
15 of the Property Tax Code for owners with a household income of  
16 \$30,000 or less. It is the intent of this paragraph that if the  
17 general homestead exemption for a parcel of property is  
18 determined under Section 15-176 or 15-177 of the Property Tax  
19 Code rather than Section 15-175, then the calculation of  
20 Available Local Resources shall not be affected by the  
21 difference, if any, between the amount of the general homestead  
22 exemption allowed for that parcel of property under Section  
23 15-176 or 15-177 of the Property Tax Code and the amount that  
24 would have been allowed had the general homestead exemption for  
25 that parcel of property been determined under Section 15-175 of  
26 the Property Tax Code. It is further the intent of this

1 paragraph that if additional exemptions are allowed under  
2 Section 15-175 of the Property Tax Code for owners with a  
3 household income of less than \$30,000, then the calculation of  
4 Available Local Resources shall not be affected by the  
5 difference, if any, because of those additional exemptions.

6 This equalized assessed valuation, as adjusted further by  
7 the requirements of this subsection, shall be utilized in the  
8 calculation of Available Local Resources.

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

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

1           Redevelopment Act or in Section 11-74.6-35 of the  
2           Industrial Jobs Recovery Law. For the purpose of the  
3           equalized assessed valuation of the district, the total  
4           initial equalized assessed valuation or the current  
5           equalized assessed valuation, whichever is lower, shall be  
6           used until such time as all redevelopment project costs  
7           have been paid.

8           (b) The real property equalized assessed valuation for  
9           a school district shall be adjusted by subtracting from the  
10          real property value as equalized or assessed by the  
11          Department of Revenue for the district an amount computed  
12          by dividing the amount of any abatement of taxes under  
13          Section 18-170 of the Property Tax Code by 3.00% for a  
14          district maintaining grades kindergarten through 12, by  
15          2.30% for a district maintaining grades kindergarten  
16          through 8, or by 1.05% for a district maintaining grades 9  
17          through 12 and adjusted by an amount computed by dividing  
18          the amount of any abatement of taxes under subsection (a)  
19          of Section 18-165 of the Property Tax Code by the same  
20          percentage rates for district type as specified in this  
21          subparagraph (b).

22          (3) For the 1999-2000 school year and each school year  
23          thereafter, if a school district meets all of the criteria of  
24          this subsection (G) (3), the school district's Available Local  
25          Resources shall be calculated under subsection (D) using the  
26          district's Extension Limitation Equalized Assessed Valuation

1 as calculated under this subsection (G) (3).

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

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

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

8 "Preceding Tax Year": The property tax levy year  
9 immediately preceding the Base Tax Year.

10 "Base Tax Year's Tax Extension": The product of the  
11 equalized assessed valuation utilized by the County Clerk  
12 in the Base Tax Year multiplied by the limiting rate as  
13 calculated by the County Clerk and defined in the Property  
14 Tax Extension Limitation Law.

15 "Preceding Tax Year's Tax Extension": The product of  
16 the equalized assessed valuation utilized by the County  
17 Clerk in the Preceding Tax Year multiplied by the Operating  
18 Tax Rate as defined in subsection (A).

19 "Extension Limitation Ratio": A numerical ratio,  
20 certified by the County Clerk, in which the numerator is  
21 the Base Tax Year's Tax Extension and the denominator is  
22 the Preceding Tax Year's Tax Extension.

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

25 If a school district is subject to property tax extension  
26 limitations as imposed under the Property Tax Extension

1 Limitation Law, the State Board of Education shall calculate  
2 the Extension Limitation Equalized Assessed Valuation of that  
3 district. For the 1999-2000 school year, the Extension  
4 Limitation Equalized Assessed Valuation of a school district as  
5 calculated by the State Board of Education shall be equal to  
6 the product of the district's 1996 Equalized Assessed Valuation  
7 and the district's Extension Limitation Ratio. Except as  
8 otherwise provided in this paragraph for a school district that  
9 has approved or does approve an increase in its limiting rate,  
10 for the 2000-2001 school year and each school year thereafter,  
11 the Extension Limitation Equalized Assessed Valuation of a  
12 school district as calculated by the State Board of Education  
13 shall be equal to the product of the Equalized Assessed  
14 Valuation last used in the calculation of general State aid and  
15 the district's Extension Limitation Ratio. If the Extension  
16 Limitation Equalized Assessed Valuation of a school district as  
17 calculated under this subsection (G)(3) is less than the  
18 district's equalized assessed valuation as calculated pursuant  
19 to subsections (G)(1) and (G)(2), then for purposes of  
20 calculating the district's general State aid for the Budget  
21 Year pursuant to subsection (E), that Extension Limitation  
22 Equalized Assessed Valuation shall be utilized to calculate the  
23 district's Available Local Resources under subsection (D). For  
24 the 2009-2010 school year and each school year thereafter, if a  
25 school district has approved or does approve an increase in its  
26 limiting rate, pursuant to Section 18-190 of the Property Tax



1 Code, affecting the Base Tax Year, the Extension Limitation  
2 Equalized Assessed Valuation of the school district, as  
3 calculated by the State Board of Education, shall be equal to  
4 the product of the Equalized Assessed Valuation last used in  
5 the calculation of general State aid times an amount equal to  
6 one plus the percentage increase, if any, in the Consumer Price  
7 Index for all Urban Consumers for all items published by the  
8 United States Department of Labor for the 12-month calendar  
9 year preceding the Base Tax Year, plus the Equalized Assessed  
10 Valuation of new property, annexed property, and recovered tax  
11 increment value and minus the Equalized Assessed Valuation of  
12 disconnected property. New property and recovered tax  
13 increment value shall have the meanings set forth in the  
14 Property Tax Extension Limitation Law.

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

19 (3.5) For the 2010-2011 school year and each school year  
20 thereafter, if a school district's boundaries span multiple  
21 counties, then the Department of Revenue shall send to the  
22 State Board of Education, for the purpose of calculating  
23 general State aid, the limiting rate and individual rates by  
24 purpose for the county that contains the majority of the school  
25 district's Equalized Assessed Valuation.

26 (4) For the purposes of calculating general State aid for

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

20 (5) For school districts having a majority of their  
21 equalized assessed valuation in any county except Cook, DuPage,  
22 Kane, Lake, McHenry, or Will, if the amount of general State  
23 aid allocated to the school district for the 1999-2000 school  
24 year under the provisions of subsection (E), (H), and (J) of  
25 this Section is less than the amount of general State aid  
26 allocated to the district for the 1998-1999 school year under

1 these subsections, then the general State aid of the district  
2 for the 1999-2000 school year only shall be increased by the  
3 difference between these amounts. The total payments made under  
4 this paragraph (5) shall not exceed \$14,000,000. Claims shall  
5 be prorated if they exceed \$14,000,000.

6 (H) Supplemental General State Aid.

7 (1) In addition to the general State aid a school district  
8 is allotted pursuant to subsection (E), qualifying school  
9 districts shall receive a grant, paid in conjunction with a  
10 district's payments of general State aid, for supplemental  
11 general State aid based upon the concentration level of  
12 children from low-income households within the school  
13 district. Supplemental State aid grants provided for school  
14 districts under this subsection shall be appropriated for  
15 distribution to school districts as part of the same line item  
16 in which the general State financial aid of school districts is  
17 appropriated under this Section.

18 (1.5) This paragraph (1.5) applies only to those school  
19 years preceding the 2003-2004 school year. For purposes of this  
20 subsection (H), the term "Low-Income Concentration Level"  
21 shall be the low-income eligible pupil count from the most  
22 recently available federal census divided by the Average Daily  
23 Attendance of the school district. If, however, (i) the  
24 percentage decrease from the 2 most recent federal censuses in  
25 the low-income eligible pupil count of a high school district

1 with fewer than 400 students exceeds by 75% or more the  
2 percentage change in the total low-income eligible pupil count  
3 of contiguous elementary school districts, whose boundaries  
4 are coterminous with the high school district, or (ii) a high  
5 school district within 2 counties and serving 5 elementary  
6 school districts, whose boundaries are coterminous with the  
7 high school district, has a percentage decrease from the 2 most  
8 recent federal censuses in the low-income eligible pupil count  
9 and there is a percentage increase in the total low-income  
10 eligible pupil count of a majority of the elementary school  
11 districts in excess of 50% from the 2 most recent federal  
12 censuses, then the high school district's low-income eligible  
13 pupil count from the earlier federal census shall be the number  
14 used as the low-income eligible pupil count for the high school  
15 district, for purposes of this subsection (H). The changes made  
16 to this paragraph (1) by Public Act 92-28 shall apply to  
17 supplemental general State aid grants for school years  
18 preceding the 2003-2004 school year that are paid in fiscal  
19 year 1999 or thereafter and to any State aid payments made in  
20 fiscal year 1994 through fiscal year 1998 pursuant to  
21 subsection 1(n) of Section 18-8 of this Code (which was  
22 repealed on July 1, 1998), and any high school district that is  
23 affected by Public Act 92-28 is entitled to a recomputation of  
24 its supplemental general State aid grant or State aid paid in  
25 any of those fiscal years. This recomputation shall not be  
26 affected by any other funding.

1           (1.10) This paragraph (1.10) applies to the 2003-2004  
2 school year and each school year thereafter. For purposes of  
3 this subsection (H), the term "Low-Income Concentration Level"  
4 shall, for each fiscal year, be the low-income eligible pupil  
5 count as of July 1 of the immediately preceding fiscal year (as  
6 determined by the Department of Human Services based on the  
7 number of pupils who are eligible for at least one of the  
8 following low income programs: Medicaid, the Children's Health  
9 Insurance Program, TANF, or Food Stamps, excluding pupils who  
10 are eligible for services provided by the Department of  
11 Children and Family Services, averaged over the 2 immediately  
12 preceding fiscal years for fiscal year 2004 and over the 3  
13 immediately preceding fiscal years for each fiscal year  
14 thereafter) divided by the Average Daily Attendance of the  
15 school district.

16           (2) Supplemental general State aid pursuant to this  
17 subsection (H) shall be provided as follows for the 1998-1999,  
18 1999-2000, and 2000-2001 school years only:

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

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

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

5           (d) For any school district with a Low Income  
6 Concentration Level of 60% or more, the grant for the  
7 1998-99 school year shall be \$1,900 multiplied by the low  
8 income eligible pupil count.

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

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

17           (2.5) Supplemental general State aid pursuant to this  
18 subsection (H) shall be provided as follows for the 2002-2003  
19 school year:

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

24           (b) For any school district with a Low Income  
25 Concentration Level of at least 10% and less than 20%, the  
26 grant for each school year shall be \$675 multiplied by the

1 low income eligible pupil count.

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

6 (d) For any school district with a Low Income  
7 Concentration Level of at least 35% and less than 50%, the  
8 grant for each school year shall be \$1,362 multiplied by  
9 the low income eligible pupil count.

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

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

18 (2.10) Except as otherwise provided, supplemental general  
19 State aid pursuant to this subsection (H) shall be provided as  
20 follows for the 2003-2004 school year and each school year  
21 thereafter:

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

26 (b) For any school district with a Low Income

1 Concentration Level greater than 15%, the grant for each  
2 school year shall be \$294.25 added to the product of \$2,700  
3 and the square of the Low Income Concentration Level, all  
4 multiplied by the low income eligible pupil count.

5 For the 2003-2004 school year and each school year  
6 thereafter through the 2008-2009 school year only, the grant  
7 shall be no less than the grant for the 2002-2003 school year.  
8 For the 2009-2010 school year only, the grant shall be no less  
9 than the grant for the 2002-2003 school year multiplied by  
10 0.66. For the 2010-2011 school year only, the grant shall be no  
11 less than the grant for the 2002-2003 school year multiplied by  
12 0.33. Notwithstanding the provisions of this paragraph to the  
13 contrary, if for any school year supplemental general State aid  
14 grants are prorated as provided in paragraph (1) of this  
15 subsection (H), then the grants under this paragraph shall be  
16 prorated.

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



1 paragraph (2.10), whichever is applicable, and the grant  
2 received during the 2002-2003 school year. For the 2005-2006  
3 school year only, the grant shall be no greater than the grant  
4 received during the 2002-2003 school year added to the product  
5 of 0.75 multiplied by the difference between the grant amount  
6 calculated under subsection (a) or (b) of this paragraph  
7 (2.10), whichever is applicable, and the grant received during  
8 the 2002-2003 school year.

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

19 (4) School districts with an Average Daily Attendance of  
20 50,000 or more that qualify for supplemental general State aid  
21 pursuant to this subsection shall be required to distribute  
22 from funds available pursuant to this Section, no less than  
23 \$261,000,000 in accordance with the following requirements:

24 (a) The required amounts shall be distributed to the  
25 attendance centers within the district in proportion to the  
26 number of pupils enrolled at each attendance center who are

1 eligible to receive free or reduced-price lunches or  
2 breakfasts under the federal Child Nutrition Act of 1966  
3 and under the National School Lunch Act during the  
4 immediately preceding school year.

5 (b) The distribution of these portions of supplemental  
6 and general State aid among attendance centers according to  
7 these requirements shall not be compensated for or  
8 contravened by adjustments of the total of other funds  
9 appropriated to any attendance centers, and the Board of  
10 Education shall utilize funding from one or several sources  
11 in order to fully implement this provision annually prior  
12 to the opening of school.

13 (c) Each attendance center shall be provided by the  
14 school district a distribution of noncategorical funds and  
15 other categorical funds to which an attendance center is  
16 entitled under law in order that the general State aid and  
17 supplemental general State aid provided by application of  
18 this subsection supplements rather than supplants the  
19 noncategorical funds and other categorical funds provided  
20 by the school district to the attendance centers.

21 (d) Any funds made available under this subsection that  
22 by reason of the provisions of this subsection are not  
23 required to be allocated and provided to attendance centers  
24 may be used and appropriated by the board of the district  
25 for any lawful school purpose.

26 (e) Funds received by an attendance center pursuant to

1           this subsection shall be used by the attendance center at  
2           the discretion of the principal and local school council  
3           for programs to improve educational opportunities at  
4           qualifying schools through the following programs and  
5           services: early childhood education, reduced class size or  
6           improved adult to student classroom ratio, enrichment  
7           programs, remedial assistance, attendance improvement, and  
8           other educationally beneficial expenditures which  
9           supplement the regular and basic programs as determined by  
10          the State Board of Education. Funds provided shall not be  
11          expended for any political or lobbying purposes as defined  
12          by board rule.

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

1 approved plans pursuant to rules promulgated by the State  
2 Board of Education.

3 Upon notification by the State Board of Education that  
4 the district has not submitted a plan prior to July 15 or a  
5 modified plan within the time period specified herein, the  
6 State aid funds affected by that plan or modified plan  
7 shall be withheld by the State Board of Education until a  
8 plan or modified plan is submitted.

9 If the district fails to distribute State aid to  
10 attendance centers in accordance with an approved plan, the  
11 plan for the following year shall allocate funds, in  
12 addition to the funds otherwise required by this  
13 subsection, to those attendance centers which were  
14 underfunded during the previous year in amounts equal to  
15 such underfunding.

16 For purposes of determining compliance with this  
17 subsection in relation to the requirements of attendance  
18 center funding, each district subject to the provisions of  
19 this subsection shall submit as a separate document by  
20 December 1 of each year a report of expenditure data for  
21 the prior year in addition to any modification of its  
22 current plan. If it is determined that there has been a  
23 failure to comply with the expenditure provisions of this  
24 subsection regarding contravention or supplanting, the  
25 State Superintendent of Education shall, within 60 days of  
26 receipt of the report, notify the district and any affected

1 local school council. The district shall within 45 days of  
2 receipt of that notification inform the State  
3 Superintendent of Education of the remedial or corrective  
4 action to be taken, whether by amendment of the current  
5 plan, if feasible, or by adjustment in the plan for the  
6 following year. Failure to provide the expenditure report  
7 or the notification of remedial or corrective action in a  
8 timely manner shall result in a withholding of the affected  
9 funds.

10 The State Board of Education shall promulgate rules and  
11 regulations to implement the provisions of this  
12 subsection. No funds shall be released under this  
13 subdivision (H) (4) to any district that has not submitted a  
14 plan that has been approved by the State Board of  
15 Education.

16 (H-5) School Choice Voucher Program Adjustments.

17 (1) Funding for City of Chicago School District 299 shall  
18 be adjusted to account for the costs of the School Choice  
19 Voucher Program established under the School Choice Act.

20 (2) Beginning in Fiscal Year 2013 and thereafter, the total  
21 cost of the School Choice Vouchers issued under the School  
22 Choice Act shall be deducted from the portion of general state  
23 aid City of Chicago School District 299 receives under this  
24 Section for that fiscal year.

25 (3) Beginning in Fiscal Year 2014, there will be an  
26 adjustment to the general state aid calculation for City of

1 Chicago School District 299 to provide funding for the school  
2 choice voucher program. The adjustment shall be (a) the sum of  
3 the district's general state aid calculation pursuant to  
4 subsection (B) and the district's supplemental general state  
5 aid calculation pursuant to subsection (H) if the students  
6 enrolled in nonpublic schools under a school choice voucher had  
7 been enrolled in the district, less (b) the sum of the  
8 district's general state aid calculation pursuant to  
9 subsection (B) and the district's supplemental general state  
10 aid calculation pursuant to subsection (H) excluding students  
11 enrolled in non-public schools under a school choice voucher.

12 (I) (Blank).

13 (J) (Blank).

14 (K) Grants to Laboratory and Alternative Schools.

15 In calculating the amount to be paid to the governing board  
16 of a public university that operates a laboratory school under  
17 this Section or to any alternative school that is operated by a  
18 regional superintendent of schools, the State Board of  
19 Education shall require by rule such reporting requirements as  
20 it deems necessary.

21 As used in this Section, "laboratory school" means a public  
22 school which is created and operated by a public university and  
23 approved by the State Board of Education. The governing board

1 of a public university which receives funds from the State  
2 Board under this subsection (K) may not increase the number of  
3 students enrolled in its laboratory school from a single  
4 district, if that district is already sending 50 or more  
5 students, except under a mutual agreement between the school  
6 board of a student's district of residence and the university  
7 which operates the laboratory school. A laboratory school may  
8 not have more than 1,000 students, excluding students with  
9 disabilities in a special education program.

10 As used in this Section, "alternative school" means a  
11 public school which is created and operated by a Regional  
12 Superintendent of Schools and approved by the State Board of  
13 Education. Such alternative schools may offer courses of  
14 instruction for which credit is given in regular school  
15 programs, courses to prepare students for the high school  
16 equivalency testing program or vocational and occupational  
17 training. A regional superintendent of schools may contract  
18 with a school district or a public community college district  
19 to operate an alternative school. An alternative school serving  
20 more than one educational service region may be established by  
21 the regional superintendents of schools of the affected  
22 educational service regions. An alternative school serving  
23 more than one educational service region may be operated under  
24 such terms as the regional superintendents of schools of those  
25 educational service regions may agree.

26 Each laboratory and alternative school shall file, on forms

1 provided by the State Superintendent of Education, an annual  
2 State aid claim which states the Average Daily Attendance of  
3 the school's students by month. The best 3 months' Average  
4 Daily Attendance shall be computed for each school. The general  
5 State aid entitlement shall be computed by multiplying the  
6 applicable Average Daily Attendance by the Foundation Level as  
7 determined under this Section.

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

9 (1) For a school district operating under the financial  
10 supervision of an Authority created under Article 34A, the  
11 general State aid otherwise payable to that district under this  
12 Section, but not the supplemental general State aid, shall be  
13 reduced by an amount equal to the budget for the operations of  
14 the Authority as certified by the Authority to the State Board  
15 of Education, and an amount equal to such reduction shall be  
16 paid to the Authority created for such district for its  
17 operating expenses in the manner provided in Section 18-11. The  
18 remainder of general State school aid for any such district  
19 shall be paid in accordance with Article 34A when that Article  
20 provides for a disposition other than that provided by this  
21 Article.

22 (2) (Blank).

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



1 (M) Education Funding Advisory Board.

2 The Education Funding Advisory Board, hereinafter in this  
3 subsection (M) referred to as the "Board", is hereby created.  
4 The Board shall consist of 5 members who are appointed by the  
5 Governor, by and with the advice and consent of the Senate. The  
6 members appointed shall include representatives of education,  
7 business, and the general public. One of the members so  
8 appointed shall be designated by the Governor at the time the  
9 appointment is made as the chairperson of the Board. The  
10 initial members of the Board may be appointed any time after  
11 the effective date of this amendatory Act of 1997. The regular  
12 term of each member of the Board shall be for 4 years from the  
13 third Monday of January of the year in which the term of the  
14 member's appointment is to commence, except that of the 5  
15 initial members appointed to serve on the Board, the member who  
16 is appointed as the chairperson shall serve for a term that  
17 commences on the date of his or her appointment and expires on  
18 the third Monday of January, 2002, and the remaining 4 members,  
19 by lots drawn at the first meeting of the Board that is held  
20 after all 5 members are appointed, shall determine 2 of their  
21 number to serve for terms that commence on the date of their  
22 respective appointments and expire on the third Monday of  
23 January, 2001, and 2 of their number to serve for terms that  
24 commence on the date of their respective appointments and  
25 expire on the third Monday of January, 2000. All members  
26 appointed to serve on the Board shall serve until their

1       respective successors are appointed and confirmed. Vacancies  
2       shall be filled in the same manner as original appointments. If  
3       a vacancy in membership occurs at a time when the Senate is not  
4       in session, the Governor shall make a temporary appointment  
5       until the next meeting of the Senate, when he or she shall  
6       appoint, by and with the advice and consent of the Senate, a  
7       person to fill that membership for the unexpired term. If the  
8       Senate is not in session when the initial appointments are  
9       made, those appointments shall be made as in the case of  
10      vacancies.

11       The Education Funding Advisory Board shall be deemed  
12      established, and the initial members appointed by the Governor  
13      to serve as members of the Board shall take office, on the date  
14      that the Governor makes his or her appointment of the fifth  
15      initial member of the Board, whether those initial members are  
16      then serving pursuant to appointment and confirmation or  
17      pursuant to temporary appointments that are made by the  
18      Governor as in the case of vacancies.

19       The State Board of Education shall provide such staff  
20      assistance to the Education Funding Advisory Board as is  
21      reasonably required for the proper performance by the Board of  
22      its responsibilities.

23       For school years after the 2000-2001 school year, the  
24      Education Funding Advisory Board, in consultation with the  
25      State Board of Education, shall make recommendations as  
26      provided in this subsection (M) to the General Assembly for the

1 foundation level under subdivision (B) (3) of this Section and  
2 for the supplemental general State aid grant level under  
3 subsection (H) of this Section for districts with high  
4 concentrations of children from poverty. The recommended  
5 foundation level shall be determined based on a methodology  
6 which incorporates the basic education expenditures of  
7 low-spending schools exhibiting high academic performance. The  
8 Education Funding Advisory Board shall make such  
9 recommendations to the General Assembly on January 1 of odd  
10 numbered years, beginning January 1, 2001.

11 (N) (Blank).

12 (O) References.

13 (1) References in other laws to the various subdivisions of  
14 Section 18-8 as that Section existed before its repeal and  
15 replacement by this Section 18-8.05 shall be deemed to refer to  
16 the corresponding provisions of this Section 18-8.05, to the  
17 extent that those references remain applicable.

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

21 (P) Public Act 93-838 and Public Act 93-808 make inconsistent  
22 changes to this Section. Under Section 6 of the Statute on  
23 Statutes there is an irreconcilable conflict between Public Act

1 93-808 and Public Act 93-838. Public Act 93-838, being the last  
2 acted upon, is controlling. The text of Public Act 93-838 is  
3 the law regardless of the text of Public Act 93-808.

4 (Source: P.A. 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300,  
5 eff. 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09;  
6 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1480, eff.  
7 11-18-10; 97-339, eff. 8-12-11; 97-351, eff. 8-12-11; revised  
8 9-28-11.)

9 Section 999. Effective date. This Act takes effect June 30,  
10 2012.