



Rep. Darlene J. Senger

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1 AMENDMENT TO HOUSE BILL 5755

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 5755 by replacing  
3 everything after the enacting clause with the following:

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

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

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

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

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

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

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

1 in becoming productive members of society.

2 (5) The Constitution of the State of Illinois provides  
3 that a "fundamental goal of the People of the State is the  
4 educational development of all persons to the limits of  
5 their capacities", and that the educational development of  
6 every school student serves the public purposes of the  
7 State. In order to enable Illinois students to develop "to  
8 the limit of their capacities", all students must have  
9 access to expanded educational opportunities. This Act is  
10 in the public interest, for the public benefit, and serves  
11 a secular purpose.

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

13 "Base year" means the 2013-2014 school year.

14 "Custodian" means, with respect to a qualifying pupil, a  
15 parent or legal guardian who is a resident of a school district  
16 that contains a qualifying low-performing or overcrowded  
17 school under this Section.

18 "Low-performing school" means a school in the State,  
19 including the City of Chicago School District 299, that enrolls  
20 students in any of grades kindergarten through 8 and that is  
21 ranked within the lowest 10% of schools in that district in  
22 terms of the percentage of students meeting or exceeding  
23 standards on the Illinois Standards Achievement Test.

24 "Nonpublic school" means any State-recognized, nonpublic  
25 elementary school that elects to participate in the school

1 choice program established under this Act and does not  
2 discriminate on the basis of race, color, or national origin  
3 under Title VI of the Civil Rights Act of 1964 and attendance  
4 at which satisfies the requirements of Section 26-1 of the  
5 School Code, except that nothing in Section 26-1 shall be  
6 construed to require a child to attend any particular nonpublic  
7 school.

8 "Overcrowded school" means a school in the State, including  
9 the City of Chicago School District 299, that (i) enrolls  
10 students in any of grades kindergarten through 8, (ii) has a  
11 percentage of low-income students of 70% or more, as identified  
12 in the most recently available School Report Card published by  
13 the State Board of Education, and (iii) is determined by the  
14 State Board of Education to be in the most severely overcrowded  
15 5% of schools in the State.

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

22 "Qualifying pupil" means an individual who:

23 (1) is a resident of the State;

24 (2) is enrolled in any of grades kindergarten through 7  
25 in a low-performing school or an overcrowded school or  
26 would enter kindergarten in a low-performing school or

1 overcrowded school during the school year for which a  
2 voucher is sought; and

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

6 "School Choice Voucher" means a written instrument issued  
7 by the State Board of Education directly to the custodian of a  
8 qualifying pupil.

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

12 Section 15. Establishment of program. There is established  
13 the School Choice Program. Under the program, after the base  
14 year, a custodian of a qualifying pupil shall be entitled to a  
15 School Choice Voucher at any participating nonpublic school in  
16 which the qualifying pupil is enrolled. A qualifying pupil  
17 shall be entitled to enroll at and attend any participating  
18 nonpublic school of his or her choice.

19 Section 20. Notification of vouchers. The principal of each  
20 low-performing school and of each overcrowded school shall  
21 notify custodians of qualifying pupils that vouchers under this  
22 Act are available for the next school year. Notification shall  
23 occur in January of each school year beginning with the base  
24 year.

1           Section 25. Request for voucher. A custodian who applies in  
2 accordance with procedures established by the State Board of  
3 Education shall receive a voucher for each qualifying pupil  
4 enrolled in a nonpublic school under this Act within the dollar  
5 limits set out in Section 35 of this Act. The procedure shall  
6 require application for the voucher, with documentation as to  
7 eligibility, between March 1 and May 1 prior to the school year  
8 in which the voucher is to be used.

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

19           (1) that the applying custodian be notified of the  
20 voucher award by August 1 of the school year in which the  
21 voucher is to be used;

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

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

4           (4) that the participating school present the voucher  
5 instrument, with proof of service to the custodian of the  
6 qualifying pupil, to the State Board of Education no later  
7 than October 31 of the school year in which the voucher is  
8 to be used;

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

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

18           (7) that if a student attending a nonpublic school  
19 under the School Choice Program is expelled or withdraws  
20 from the nonpublic school or moves out of the boundaries of  
21 the resident school district before the State Board of  
22 Education has honored the voucher of the school, then the  
23 State Board of Education shall pay the corresponding  
24 prorated portion of the voucher amount to the nonpublic  
25 school; and that if the State Board of Education has paid  
26 the voucher amount to the nonpublic school and the pupil is

1           expelled, withdraws, or moves out of the boundaries of the  
2           resident school district, then the nonpublic school shall  
3           refund the corresponding prorated portion of the voucher to  
4           the State Board of Education. Any funds returned to the  
5           State Board of Education must be transferred to the School  
6           Choice Voucher Fund.

7           Section 35. Amount of voucher. A School Choice Voucher for  
8           qualified education expenses incurred through participating  
9           schools during any school year after the base year shall be for  
10          the lesser of (i) the amount of the foundation level, as  
11          established under subsection (B) of Section 18-8.05 of the  
12          School Code for the previous fiscal year, or (ii) the actual  
13          qualified education expenses related to the qualifying pupil's  
14          enrollment. Three percent of the amount of each School Choice  
15          Voucher shall be held by the State Board of Education to  
16          reimburse the State Board of Education for the cost of  
17          administering the School Choice Voucher Program.

18          Section 40. Renewal of voucher. School Choice Vouchers  
19          shall be renewable every year through grade 8 so long as the  
20          pupil continues to reside in the resident district and the  
21          recognized nonpublic school elects to continue participating  
22          in the School Choice Program.

23          Section 45. Assessment. All pupils receiving services



1 obtained through School Choice Vouchers shall be assessed  
2 annually in the same manner as Illinois' public school  
3 students. The State Board of Education may adopt rules with  
4 respect to the assessment of such pupils, which may include,  
5 but is not limited to, rules pertaining to test security, test  
6 administration and location, and reporting procedures.

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

14 Section 51. Funding. Nonpublic schools participating in  
15 the School Choice Program must report the attendance of  
16 students with School Choice Vouchers to the State Board of  
17 Education in the manner requested by the Board. Students  
18 enrolled in nonpublic schools under a School Choice Voucher  
19 shall not be considered enrolled in their resident district for  
20 any purpose.

21 Section 52. Nonpublic school student. For the purposes of  
22 this Act, students receiving a School Choice Voucher are  
23 considered nonpublic school students who have been voluntarily

1 placed in a private setting by the parent or guardian.

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

6 Section 60. Report and expansion. On or before December 31,  
7 2022, the State Board of Education shall submit a report to the  
8 General Assembly reviewing the current status of the program  
9 operating under this Act. This report shall include, but not be  
10 limited to, the numbers of qualifying pupils receiving each  
11 School Choice Voucher, the names of the schools from which and  
12 to which pupils transferred, the financial ramifications of the  
13 program, and the results of pupil assessments. In its report,  
14 the State Board of Education shall assess whether the program  
15 has been financially and academically beneficial.

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

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

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

10 Section 895. The State Finance Act is amended by adding  
11 Sections 5.811 and 6z-93 as follows:

12 (30 ILCS 105/5.811 new)

13 Sec. 5.811. The School Choice Voucher Fund.

14 (30 ILCS 105/6z-93 new)

15 Sec. 6z-93. The School Choice Voucher Fund; creation. The  
16 School Choice Voucher Fund is hereby created as a special fund  
17 in the State treasury. Moneys in the Fund may be used by the  
18 State Board of Education for the purpose of awarding vouchers  
19 to qualifying pupils under the School Choice Act. The State  
20 Treasurer may accept gifts, grants, donations, and moneys from  
21 any other lawful source for deposit into the Fund. The State  
22 Board of Education shall provide scholarships or funding for

1 enhanced educational options without limiting availability to  
2 only students of one school, and shall give priority in  
3 scholarship awards to qualifying students who received a  
4 scholarship the previous year.

5 Section 900. The Illinois Income Tax Act is amended by  
6 changing Section 203 and by adding Section 223 as follows:

7 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

8 Sec. 203. Base income defined.

9 (a) Individuals.

10 (1) In general. In the case of an individual, base  
11 income means an amount equal to the taxpayer's adjusted  
12 gross income for the taxable year as modified by paragraph  
13 (2).

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

17 (A) An amount equal to all amounts paid or accrued  
18 to the taxpayer as interest or dividends during the  
19 taxable year to the extent excluded from gross income  
20 in the computation of adjusted gross income, except  
21 stock dividends of qualified public utilities  
22 described in Section 305(e) of the Internal Revenue  
23 Code;

24 (B) An amount equal to the amount of tax imposed by

1           this Act to the extent deducted from gross income in  
2           the computation of adjusted gross income for the  
3           taxable year;

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

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

20          (D-5) An amount, to the extent not included in  
21          adjusted gross income, equal to the amount of money  
22          withdrawn by the taxpayer in the taxable year from a  
23          medical care savings account and the interest earned on  
24          the account in the taxable year of a withdrawal  
25          pursuant to subsection (b) of Section 20 of the Medical  
26          Care Savings Account Act or subsection (b) of Section

1           20 of the Medical Care Savings Account Act of 2000;

2           (D-10) For taxable years ending after December 31,  
3           1997, an amount equal to any eligible remediation costs  
4           that the individual deducted in computing adjusted  
5           gross income and for which the individual claims a  
6           credit under subsection (l) of Section 201;

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

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

19          If the taxpayer continues to own property through  
20          the last day of the last tax year for which the  
21          taxpayer may claim a depreciation deduction for  
22          federal income tax purposes and for which the taxpayer  
23          was allowed in any taxable year to make a subtraction  
24          modification under subparagraph (Z), then an amount  
25          equal to that subtraction modification.

26          The taxpayer is required to make the addition

1           modification under this subparagraph only once with  
2           respect to any one piece of property;

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

1 Code) with respect to the stock of the same person to  
2 whom the interest was paid, accrued, or incurred.

3 This paragraph shall not apply to the following:

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

10 (ii) an item of interest paid, accrued, or  
11 incurred, directly or indirectly, to a person if  
12 the taxpayer can establish, based on a  
13 preponderance of the evidence, both of the  
14 following:

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

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

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest



1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

5           (iv) an item of interest paid, accrued, or  
6           incurred, directly or indirectly, to a person if  
7           the taxpayer establishes by clear and convincing  
8           evidence that the adjustments are unreasonable; or  
9           if the taxpayer and the Director agree in writing  
10          to the application or use of an alternative method  
11          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-18) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

1 unitary business group but for the fact that the  
2 foreign person's business activity outside the United  
3 States is 80% or more of that person's total business  
4 activity and (ii) for taxable years ending on or after  
5 December 31, 2008, to a person who would be a member of  
6 the same unitary business group but for the fact that  
7 the person is prohibited under Section 1501(a)(27)  
8 from being included in the unitary business group  
9 because he or she is ordinarily required to apportion  
10 business income under different subsections of Section  
11 304. The addition modification required by this  
12 subparagraph shall be reduced to the extent that  
13 dividends were included in base income of the unitary  
14 group for the same taxable year and received by the  
15 taxpayer or by a member of the taxpayer's unitary  
16 business group (including amounts included in gross  
17 income under Sections 951 through 964 of the Internal  
18 Revenue Code and amounts included in gross income under  
19 Section 78 of the Internal Revenue Code) with respect  
20 to the stock of the same person to whom the intangible  
21 expenses and costs were directly or indirectly paid,  
22 incurred, or accrued. The preceding sentence does not  
23 apply to the extent that the same dividends caused a  
24 reduction to the addition modification required under  
25 Section 203(a)(2)(D-17) of this Act. As used in this  
26 subparagraph, the term "intangible expenses and costs"

1 includes (1) expenses, losses, and costs for, or  
2 related to, the direct or indirect acquisition, use,  
3 maintenance or management, ownership, sale, exchange,  
4 or any other disposition of intangible property; (2)  
5 losses incurred, directly or indirectly, from  
6 factoring transactions or discounting transactions;  
7 (3) royalty, patent, technical, and copyright fees;  
8 (4) licensing fees; and (5) other similar expenses and  
9 costs. For purposes of this subparagraph, "intangible  
10 property" includes patents, patent applications, trade  
11 names, trademarks, service marks, copyrights, mask  
12 works, trade secrets, and similar types of intangible  
13 assets.

14 This paragraph shall not apply to the following:

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

22 (ii) any item of intangible expense or cost  
23 paid, accrued, or incurred, directly or  
24 indirectly, if the taxpayer can establish, based  
25 on a preponderance of the evidence, both of the  
26 following:

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

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

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

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

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

3           (D-19) For taxable years ending on or after  
4           December 31, 2008, an amount equal to the amount of  
5           insurance premium expenses and costs otherwise allowed  
6           as a deduction in computing base income, and that were  
7           paid, accrued, or incurred, directly or indirectly, to  
8           a person who would be a member of the same unitary  
9           business group but for the fact that the person is  
10          prohibited under Section 1501(a)(27) from being  
11          included in the unitary business group because he or  
12          she is ordinarily required to apportion business  
13          income under different subsections of Section 304. The  
14          addition modification required by this subparagraph  
15          shall be reduced to the extent that dividends were  
16          included in base income of the unitary group for the  
17          same taxable year and received by the taxpayer or by a  
18          member of the taxpayer's unitary business group  
19          (including amounts included in gross income under  
20          Sections 951 through 964 of the Internal Revenue Code  
21          and amounts included in gross income under Section 78  
22          of the Internal Revenue Code) with respect to the stock  
23          of the same person to whom the premiums and costs were  
24          directly or indirectly paid, incurred, or accrued. The  
25          preceding sentence does not apply to the extent that  
26          the same dividends caused a reduction to the addition

1 modification required under Section 203(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

3 (D-20) For taxable years beginning on or after  
4 January 1, 2002 and ending on or before December 31,  
5 2006, in the case of a distribution from a qualified  
6 tuition program under Section 529 of the Internal  
7 Revenue Code, other than (i) a distribution from a  
8 College Savings Pool created under Section 16.5 of the  
9 State Treasurer Act or (ii) a distribution from the  
10 Illinois Prepaid Tuition Trust Fund, an amount equal to  
11 the amount excluded from gross income under Section  
12 529(c)(3)(B). For taxable years beginning on or after  
13 January 1, 2007, in the case of a distribution from a  
14 qualified tuition program under Section 529 of the  
15 Internal Revenue Code, other than (i) a distribution  
16 from a College Savings Pool created under Section 16.5  
17 of the State Treasurer Act, (ii) a distribution from  
18 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
19 distribution from a qualified tuition program under  
20 Section 529 of the Internal Revenue Code that (I)  
21 adopts and determines that its offering materials  
22 comply with the College Savings Plans Network's  
23 disclosure principles and (II) has made reasonable  
24 efforts to inform in-state residents of the existence  
25 of in-state qualified tuition programs by informing  
26 Illinois residents directly and, where applicable, to

1           inform financial intermediaries distributing the  
2           program to inform in-state residents of the existence  
3           of in-state qualified tuition programs at least  
4           annually, an amount equal to the amount excluded from  
5           gross income under Section 529(c) (3) (B) .

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

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

25          (D-22) For taxable years beginning on or after  
26          January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition  
2 program under Section 529 of the Internal Revenue Code  
3 administered by the State that is not used for  
4 qualified expenses at an eligible education  
5 institution, an amount equal to the contribution  
6 component of the nonqualified withdrawal or refund  
7 that was previously deducted from base income under  
8 subsection (a)(2)(y) of this Section, provided that  
9 the withdrawal or refund did not result from the  
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to  
12 the taxpayer under Section 218(a) of this Act,  
13 determined without regard to Section 218(c) of this  
14 Act;

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

17 (E) For taxable years ending before December 31,  
18 2001, any amount included in such total in respect of  
19 any compensation (including but not limited to any  
20 compensation paid or accrued to a serviceman while a  
21 prisoner of war or missing in action) paid to a  
22 resident by reason of being on active duty in the Armed  
23 Forces of the United States and in respect of any  
24 compensation paid or accrued to a resident who as a  
25 governmental employee was a prisoner of war or missing  
26 in action, and in respect of any compensation paid to a



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

22 (F) An amount equal to all amounts included in such  
23 total pursuant to the provisions of Sections 402(a),  
24 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
25 Internal Revenue Code, or included in such total as  
26 distributions under the provisions of any retirement

1 or disability plan for employees of any governmental  
2 agency or unit, or retirement payments to retired  
3 partners, which payments are excluded in computing net  
4 earnings from self employment by Section 1402 of the  
5 Internal Revenue Code and regulations adopted pursuant  
6 thereto;

7 (G) The valuation limitation amount;

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

11 (I) An amount equal to all amounts included in such  
12 total pursuant to the provisions of Section 111 of the  
13 Internal Revenue Code as a recovery of items previously  
14 deducted from adjusted gross income in the computation  
15 of taxable income;

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

26 (K) An amount equal to those dividends included in

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

9           (L) For taxable years ending after December 31,  
10          1983, an amount equal to all social security benefits  
11          and railroad retirement benefits included in such  
12          total pursuant to Sections 72(r) and 86 of the Internal  
13          Revenue Code;

14          (M) With the exception of any amounts subtracted  
15          under subparagraph (N), an amount equal to the sum of  
16          all amounts disallowed as deductions by (i) Sections  
17          171(a) (2), and 265(2) of the Internal Revenue Code,  
18          and all amounts of expenses allocable to interest and  
19          disallowed as deductions by Section 265(1) of the  
20          Internal Revenue Code; and (ii) for taxable years  
21          ending on or after August 13, 1999, Sections 171(a) (2),  
22          265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
23          Code, plus, for taxable years ending on or after  
24          December 31, 2011, Section 45G(e) (3) of the Internal  
25          Revenue Code and, for taxable years ending on or after  
26          December 31, 2008, any amount included in gross income

1 under Section 87 of the Internal Revenue Code; the  
2 provisions of this subparagraph are exempt from the  
3 provisions of Section 250;

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

13 (O) An amount equal to any contribution made to a  
14 job training project established pursuant to the Tax  
15 Increment Allocation Redevelopment Act;

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

24 (Q) An amount equal to any amounts included in such  
25 total, received by the taxpayer as an acceleration in  
26 the payment of life, endowment or annuity benefits in

1 advance of the time they would otherwise be payable as  
2 an indemnity for a terminal illness;

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

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

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

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

26 (V) Beginning with tax years ending on or after

1 December 31, 1995 and ending with tax years ending on  
2 or before December 31, 2004, an amount equal to the  
3 amount paid by a taxpayer who is a self-employed  
4 taxpayer, a partner of a partnership, or a shareholder  
5 in a Subchapter S corporation for health insurance or  
6 long-term care insurance for that taxpayer or that  
7 taxpayer's spouse or dependents, to the extent that the  
8 amount paid for that health insurance or long-term care  
9 insurance may be deducted under Section 213 of the  
10 Internal Revenue Code, has not been deducted on the  
11 federal income tax return of the taxpayer, and does not  
12 exceed the taxable income attributable to that  
13 taxpayer's income, self-employment income, or  
14 Subchapter S corporation income; except that no  
15 deduction shall be allowed under this item (V) if the  
16 taxpayer is eligible to participate in any health  
17 insurance or long-term care insurance plan of an  
18 employer of the taxpayer or the taxpayer's spouse. The  
19 amount of the health insurance and long-term care  
20 insurance subtracted under this item (V) shall be  
21 determined by multiplying total health insurance and  
22 long-term care insurance premiums paid by the taxpayer  
23 times a number that represents the fractional  
24 percentage of eligible medical expenses under Section  
25 213 of the Internal Revenue Code of 1986 not actually  
26 deducted on the taxpayer's federal income tax return;

1           (W) For taxable years beginning on or after January  
2 1, 1998, all amounts included in the taxpayer's federal  
3 gross income in the taxable year from amounts converted  
4 from a regular IRA to a Roth IRA. This paragraph is  
5 exempt from the provisions of Section 250;

6           (X) 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 (Y) For taxable years beginning on or after January  
14 1, 2002 and ending on or before December 31, 2004,  
15 moneys contributed in the taxable year to a College  
16 Savings Pool account under Section 16.5 of the State  
17 Treasurer Act, except that amounts excluded from gross  
18 income under Section 529(c)(3)(C)(i) of the Internal  
19 Revenue Code shall not be considered moneys  
20 contributed under this subparagraph (Y). For taxable  
21 years beginning on or after January 1, 2005, a maximum  
22 of \$10,000 contributed in the taxable year to (i) a  
23 College Savings Pool account under Section 16.5 of the  
24 State Treasurer Act or (ii) the Illinois Prepaid  
25 Tuition Trust Fund, except that amounts excluded from  
26 gross income under Section 529(c)(3)(C)(i) of the



1 Internal Revenue Code shall not be considered moneys  
2 contributed under this subparagraph (Y). For purposes  
3 of this subparagraph, contributions made by an  
4 employer on behalf of an employee, or matching  
5 contributions made by an employee, shall be treated as  
6 made by the employee. This subparagraph (Y) is exempt  
7 from the provisions of Section 250;

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

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

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

25 (3) for taxable years ending after December  
26 31, 2005:

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

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

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

18                   (AA) If the taxpayer sells, transfers, abandons,  
19                   or otherwise disposes of property for which the  
20                   taxpayer was required in any taxable year to make an  
21                   addition modification under subparagraph (D-15), then  
22                   an amount equal to that addition modification.

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

1 was required in any taxable year to make an addition  
2 modification under subparagraph (D-15), then an amount  
3 equal to that addition modification.

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

7 This subparagraph (AA) is exempt from the  
8 provisions of Section 250;

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

12 (CC) The amount of (i) any interest income (net of  
13 the deductions allocable thereto) taken into account  
14 for the taxable year with respect to a transaction with  
15 a taxpayer that is required to make an addition  
16 modification with respect to such transaction under  
17 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
18 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
19 the amount of that addition modification, and (ii) any  
20 income from intangible property (net of the deductions  
21 allocable thereto) taken into account for the taxable  
22 year with respect to a transaction with a taxpayer that  
23 is required to make an addition modification with  
24 respect to such transaction under Section  
25 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
26 203(d)(2)(D-8), but not to exceed the amount of that

1 addition modification. This subparagraph (CC) is  
2 exempt from the provisions of Section 250;

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

23 (EE) An amount equal to the income from intangible  
24 property taken into account for the taxable year (net  
25 of the deductions allocable thereto) with respect to  
26 transactions with (i) a foreign person who would be a

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

18 (FF) An amount equal to any amount awarded to the  
19 taxpayer during the taxable year by the Court of Claims  
20 under subsection (c) of Section 8 of the Court of  
21 Claims Act for time unjustly served in a State prison.  
22 This subparagraph (FF) is exempt from the provisions of  
23 Section 250; ~~and~~

24 (GG) For taxable years ending on or after December  
25 31, 2011, in the case of a taxpayer who was required to  
26 add back any insurance premiums under Section

1           203(a)(2)(D-19), such taxpayer may elect to subtract  
2           that part of a reimbursement received from the  
3           insurance company equal to the amount of the expense or  
4           loss (including expenses incurred by the insurance  
5           company) that would have been taken into account as a  
6           deduction for federal income tax purposes if the  
7           expense or loss had been uninsured. If a taxpayer makes  
8           the election provided for by this subparagraph (GG),  
9           the insurer to which the premiums were paid must add  
10          back to income the amount subtracted by the taxpayer  
11          pursuant to this subparagraph (GG). This subparagraph  
12          (GG) is exempt from the provisions of Section 250; ~~and-~~

13                 (HH) For taxable years ending on or after December  
14                 31, 2012, an amount, to the extent that it is included  
15                 in adjusted gross income, equal to any voucher redeemed  
16                 under the School Choice Act. This subparagraph is  
17                 exempt from the provisions of Section 250.

18          (b) Corporations.

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

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

25                         (A) An amount equal to all amounts paid or accrued

1 to the taxpayer as interest and all distributions  
2 received from regulated investment companies during  
3 the taxable year to the extent excluded from gross  
4 income in the computation of taxable income;

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 taxable income for the taxable year;

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

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

22 (E) For taxable years in which a net operating loss  
23 carryback or carryforward from a taxable year ending  
24 prior to December 31, 1986 is an element of taxable  
25 income under paragraph (1) of subsection (e) or  
26 subparagraph (E) of paragraph (2) of subsection (e),

1           the amount by which addition modifications other than  
2           those provided by this subparagraph (E) exceeded  
3           subtraction modifications in such earlier taxable  
4           year, with the following limitations applied in the  
5           order that they are listed:

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

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

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

26                   (E-5) For taxable years ending after December 31,



1           1997, an amount equal to any eligible remediation costs  
2           that the corporation deducted in computing adjusted  
3           gross income and for which the corporation claims a  
4           credit under subsection (l) of Section 201;

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

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

17          If the taxpayer continues to own property through  
18          the last day of the last tax year for which the  
19          taxpayer may claim a depreciation deduction for  
20          federal income tax purposes and for which the taxpayer  
21          was allowed in any taxable year to make a subtraction  
22          modification under subparagraph (T), then an amount  
23          equal to that subtraction modification.

24          The taxpayer is required to make the addition  
25          modification under this subparagraph only once with  
26          respect to any one piece of property;

1           (E-12) An amount equal to the amount otherwise  
2 allowed as a deduction in computing base income for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, (i) for taxable years ending on or after  
5 December 31, 2004, to a foreign person who would be a  
6 member of the same unitary business group but for the  
7 fact the foreign person's business activity outside  
8 the United States is 80% or more of the foreign  
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. The addition modification  
17 required by this subparagraph shall be reduced to the  
18 extent that dividends were included in base income of  
19 the unitary group for the same taxable year and  
20 received by the taxpayer or by a member of the  
21 taxpayer's unitary business group (including amounts  
22 included in gross income pursuant to Sections 951  
23 through 964 of the Internal Revenue Code and amounts  
24 included in gross income under Section 78 of the  
25 Internal Revenue Code) with respect to the stock of the  
26 same person to whom the interest was paid, accrued, or

1           incurred.

2           This paragraph shall not apply to the following:

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

9           (ii) an item of interest paid, accrued, or  
10          incurred, directly or indirectly, to a person if  
11          the taxpayer can establish, based on a  
12          preponderance of the evidence, both of the  
13          following:

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

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

24          (iii) the taxpayer can establish, based on  
25          clear and convincing evidence, that the interest  
26          paid, accrued, or incurred relates to a contract or

1 agreement entered into at arm's-length rates and  
2 terms and the principal purpose for the payment is  
3 not federal or Illinois tax avoidance; or

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

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

20 (E-13) An amount equal to the amount of intangible  
21 expenses and costs otherwise allowed as a deduction in  
22 computing base income, and that were paid, accrued, or  
23 incurred, directly or indirectly, (i) for taxable  
24 years ending on or after December 31, 2004, to a  
25 foreign person who would be a member of the same  
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United  
2 States is 80% or more of that person's total business  
3 activity and (ii) for taxable years ending on or after  
4 December 31, 2008, to a person who would be a member of  
5 the same unitary business group but for the fact that  
6 the person is prohibited under Section 1501(a)(27)  
7 from being included in the unitary business group  
8 because he or she is ordinarily required to apportion  
9 business income under different subsections of Section  
10 304. The addition modification required by this  
11 subparagraph shall be reduced to the extent that  
12 dividends were included in base income of the unitary  
13 group for the same taxable year and received by the  
14 taxpayer or by a member of the taxpayer's unitary  
15 business group (including amounts included in gross  
16 income pursuant to Sections 951 through 964 of the  
17 Internal Revenue Code and amounts included in gross  
18 income under Section 78 of the Internal Revenue Code)  
19 with respect to the stock of the same person to whom  
20 the intangible expenses and costs were directly or  
21 indirectly paid, incurred, or accrued. The preceding  
22 sentence shall not apply to the extent that the same  
23 dividends caused a reduction to the addition  
24 modification required under Section 203(b)(2)(E-12) of  
25 this Act. As used in this subparagraph, the term  
26 "intangible expenses and costs" includes (1) expenses,

1 losses, and costs for, or related to, the direct or  
2 indirect acquisition, use, maintenance or management,  
3 ownership, sale, exchange, or any other disposition of  
4 intangible property; (2) losses incurred, directly or  
5 indirectly, from factoring transactions or discounting  
6 transactions; (3) royalty, patent, technical, and  
7 copyright fees; (4) licensing fees; and (5) other  
8 similar expenses and costs. For purposes of this  
9 subparagraph, "intangible property" includes patents,  
10 patent applications, trade names, trademarks, service  
11 marks, copyrights, mask works, trade secrets, and  
12 similar types of intangible assets.

13 This paragraph shall not apply to the following:

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

21 (ii) any item of intangible expense or cost  
22 paid, accrued, or incurred, directly or  
23 indirectly, if the taxpayer can establish, based  
24 on a preponderance of the evidence, both of the  
25 following:

26 (a) the person during the same taxable

1           year paid, accrued, or incurred, the  
2           intangible expense or cost to a person that is  
3           not a related member, and

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

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

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

1           under Section 404 of this Act;

2           (E-14) For taxable years ending on or after  
3           December 31, 2008, an amount equal to the amount of  
4           insurance premium expenses and costs otherwise allowed  
5           as a deduction in computing base income, and that were  
6           paid, accrued, or incurred, directly or indirectly, to  
7           a person who would be a member of the same unitary  
8           business group but for the fact that the person is  
9           prohibited under Section 1501(a)(27) from being  
10          included in the unitary business group because he or  
11          she is ordinarily required to apportion business  
12          income under different subsections of Section 304. The  
13          addition modification required by this subparagraph  
14          shall be reduced to the extent that dividends were  
15          included in base income of the unitary group for the  
16          same taxable year and received by the taxpayer or by a  
17          member of the taxpayer's unitary business group  
18          (including amounts included in gross income under  
19          Sections 951 through 964 of the Internal Revenue Code  
20          and amounts included in gross income under Section 78  
21          of the Internal Revenue Code) with respect to the stock  
22          of the same person to whom the premiums and costs were  
23          directly or indirectly paid, incurred, or accrued. The  
24          preceding sentence does not apply to the extent that  
25          the same dividends caused a reduction to the addition  
26          modification required under Section 203(b)(2) (E-12) or



1 Section 203(b) (2) (E-13) of this Act;

2 (E-15) For taxable years beginning after December  
3 31, 2008, any deduction for dividends paid by a captive  
4 real estate investment trust that is allowed to a real  
5 estate investment trust under Section 857(b) (2) (B) of  
6 the Internal Revenue Code for dividends paid;

7 (E-16) An amount equal to the credit allowable to  
8 the taxpayer under Section 218(a) of this Act,  
9 determined without regard to Section 218(c) of this  
10 Act;

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

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

18 (H) In the case of a regulated investment company,  
19 an amount equal to the amount of exempt interest  
20 dividends as defined in subsection (b) (5) of Section  
21 852 of the Internal Revenue Code, paid to shareholders  
22 for the taxable year;

23 (I) With the exception of any amounts subtracted  
24 under subparagraph (J), an amount equal to the sum of  
25 all amounts disallowed as deductions by (i) Sections  
26 171(a) (2), and 265(a) (2) and amounts disallowed as

1 interest expense by Section 291(a)(3) of the Internal  
2 Revenue Code, and all amounts of expenses allocable to  
3 interest and disallowed as deductions by Section  
4 265(a)(1) of the Internal Revenue Code; and (ii) for  
5 taxable years ending on or after August 13, 1999,  
6 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
7 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
8 for tax years ending on or after December 31, 2011,  
9 amounts disallowed as deductions by Section 45G(e)(3)  
10 of the Internal Revenue Code and, for taxable years  
11 ending on or after December 31, 2008, any amount  
12 included in gross income under Section 87 of the  
13 Internal Revenue Code and the policyholders' share of  
14 tax-exempt interest of a life insurance company under  
15 Section 807(a)(2)(B) of the Internal Revenue Code (in  
16 the case of a life insurance company with gross income  
17 from a decrease in reserves for the tax year) or  
18 Section 807(b)(1)(B) of the Internal Revenue Code (in  
19 the case of a life insurance company allowed a  
20 deduction for an increase in reserves for the tax  
21 year); the provisions of this subparagraph are exempt  
22 from the provisions of Section 250;

23 (J) An amount equal to all amounts included in such  
24 total which are exempt from taxation by this State  
25 either by reason of its statutes or Constitution or by  
26 reason of the Constitution, treaties or statutes of the

1 United States; provided that, in the case of any  
2 statute of this State that exempts income derived from  
3 bonds or other obligations from the tax imposed under  
4 this Act, the amount exempted shall be the interest net  
5 of bond premium amortization;

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

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

25 (M) For any taxpayer that is a financial  
26 organization within the meaning of Section 304(c) of

1           this Act, an amount included in such total as interest  
2           income from a loan or loans made by such taxpayer to a  
3           borrower, to the extent that such a loan is secured by  
4           property which is eligible for the Enterprise Zone  
5           Investment Credit or the River Edge Redevelopment Zone  
6           Investment Credit. To determine the portion of a loan  
7           or loans that is secured by property eligible for a  
8           Section 201(f) investment credit to the borrower, the  
9           entire principal amount of the loan or loans between  
10          the taxpayer and the borrower should be divided into  
11          the basis of the Section 201(f) investment credit  
12          property which secures the loan or loans, using for  
13          this purpose the original basis of such property on the  
14          date that it was placed in service in the Enterprise  
15          Zone or the River Edge Redevelopment Zone. The  
16          subtraction modification available to taxpayer in any  
17          year under this subsection shall be that portion of the  
18          total interest paid by the borrower with respect to  
19          such loan attributable to the eligible property as  
20          calculated under the previous sentence. This  
21          subparagraph (M) is exempt from the provisions of  
22          Section 250;

23           (M-1) For any taxpayer that is a financial  
24          organization within the meaning of Section 304(c) of  
25          this Act, an amount included in such total as interest  
26          income from a loan or loans made by such taxpayer to a

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

22 (N) Two times any contribution made during the  
23 taxable year to a designated zone organization to the  
24 extent that the contribution (i) qualifies as a  
25 charitable contribution under subsection (c) of  
26 Section 170 of the Internal Revenue Code and (ii) must,

1           by its terms, be used for a project approved by the  
2           Department of Commerce and Economic Opportunity under  
3           Section 11 of the Illinois Enterprise Zone Act or under  
4           Section 10-10 of the River Edge Redevelopment Zone Act.  
5           This subparagraph (N) is exempt from the provisions of  
6           Section 250;

7           (O) An amount equal to: (i) 85% for taxable years  
8           ending on or before December 31, 1992, or, a percentage  
9           equal to the percentage allowable under Section  
10          243(a)(1) of the Internal Revenue Code of 1986 for  
11          taxable years ending after December 31, 1992, of the  
12          amount by which dividends included in taxable income  
13          and received from a corporation that is not created or  
14          organized under the laws of the United States or any  
15          state or political subdivision thereof, including, for  
16          taxable years ending on or after December 31, 1988,  
17          dividends received or deemed received or paid or deemed  
18          paid under Sections 951 through 965 of the Internal  
19          Revenue Code, exceed the amount of the modification  
20          provided under subparagraph (G) of paragraph (2) of  
21          this subsection (b) which is related to such dividends,  
22          and including, for taxable years ending on or after  
23          December 31, 2008, dividends received from a captive  
24          real estate investment trust; plus (ii) 100% of the  
25          amount by which dividends, included in taxable income  
26          and received, including, for taxable years ending on or

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

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

18 (Q) 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 (R) On and after July 20, 1999, in the case of an  
24 attorney-in-fact with respect to whom an interinsurer  
25 or a reciprocal insurer has made the election under  
26 Section 835 of the Internal Revenue Code, 26 U.S.C.

1           835, an amount equal to the excess, if any, of the  
2           amounts paid or incurred by that interinsurer or  
3           reciprocal insurer in the taxable year to the  
4           attorney-in-fact over the deduction allowed to that  
5           interinsurer or reciprocal insurer with respect to the  
6           attorney-in-fact under Section 835(b) of the Internal  
7           Revenue Code for the taxable year; the provisions of  
8           this subparagraph are exempt from the provisions of  
9           Section 250;

10           (S) For taxable years ending on or after December  
11           31, 1997, in the case of a Subchapter S corporation, an  
12           amount equal to all amounts of income allocable to a  
13           shareholder subject to the Personal Property Tax  
14           Replacement Income Tax imposed by subsections (c) and  
15           (d) of Section 201 of this Act, including amounts  
16           allocable to organizations exempt from federal income  
17           tax by reason of Section 501(a) of the Internal Revenue  
18           Code. This subparagraph (S) is exempt from the  
19           provisions of Section 250;

20           (T) For taxable years 2001 and thereafter, for the  
21           taxable year in which the bonus depreciation deduction  
22           is taken on the taxpayer's federal income tax return  
23           under subsection (k) of Section 168 of the Internal  
24           Revenue Code and for each applicable taxable year  
25           thereafter, an amount equal to "x", where:

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



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

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

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

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

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

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

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

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

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

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

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

21 (V) The amount of: (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

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

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

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

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

1 required to apportion business income under different  
2 subsections of Section 304, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(b)(2)(E-13) for  
5 intangible expenses and costs paid, accrued, or  
6 incurred, directly or indirectly, to the same foreign  
7 person. This subparagraph (X) is exempt from the  
8 provisions of Section 250;

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

24 (Z) The difference between the nondeductible  
25 controlled foreign corporation dividends under Section  
26 965(e)(3) of the Internal Revenue Code over the taxable

1 income of the taxpayer, computed without regard to  
2 Section 965(e)(2)(A) of the Internal Revenue Code, and  
3 without regard to any net operating loss deduction.  
4 This subparagraph (Z) is exempt from the provisions of  
5 Section 250.

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

14 (c) Trusts and estates.

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

18 (2) Modifications. Subject to the provisions of  
19 paragraph (3), the taxable income referred to in paragraph  
20 (1) shall be modified by adding thereto the sum of the  
21 following amounts:

22 (A) An amount equal to all amounts paid or accrued  
23 to the taxpayer as interest or dividends during the  
24 taxable year to the extent excluded from gross income  
25 in the computation of taxable income;

1           (B) In the case of (i) an estate, \$600; (ii) a  
2           trust which, under its governing instrument, is  
3           required to distribute all of its income currently,  
4           \$300; and (iii) any other trust, \$100, but in each such  
5           case, only to the extent such amount was deducted in  
6           the computation of taxable income;

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

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

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

24                 (i) the addition modification relating to the  
25                 net operating loss carried back or forward to the  
26                 taxable year from any taxable year ending prior to

1           December 31, 1986 shall be reduced by the amount of  
2           addition modification under this subparagraph (E)  
3           which related to that net operating loss and which  
4           was taken into account in calculating the base  
5           income of an earlier taxable year, and

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

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

18          (F) For taxable years ending on or after January 1,  
19          1989, an amount equal to the tax deducted pursuant to  
20          Section 164 of the Internal Revenue Code if the trust  
21          or estate is claiming the same tax for purposes of the  
22          Illinois foreign tax credit under Section 601 of this  
23          Act;

24          (G) An amount equal to the amount of the capital  
25          gain deduction allowable under the Internal Revenue  
26          Code, to the extent deducted from gross income in the



1 computation of taxable income;

2 (G-5) For taxable years ending after December 31,  
3 1997, an amount equal to any eligible remediation costs  
4 that the trust or estate deducted in computing adjusted  
5 gross income and for which the trust or estate claims a  
6 credit under subsection (l) of Section 201;

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

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

19 If the taxpayer continues to own property through  
20 the last day of the last tax year for which the  
21 taxpayer may claim a depreciation deduction for  
22 federal income tax purposes and for which the taxpayer  
23 was allowed in any taxable year to make a subtraction  
24 modification under subparagraph (R), then an amount  
25 equal to that subtraction modification.

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;

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

1 Internal Revenue Code) with respect to the stock of the  
2 same person to whom the interest was paid, accrued, or  
3 incurred.

4 This paragraph shall not apply to the following:

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

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

16 (a) the person, during the same taxable  
17 year, paid, accrued, or incurred, the interest  
18 to a person that is not a related member, and

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

26 (iii) the taxpayer can establish, based on

1 clear and convincing evidence, that the interest  
2 paid, accrued, or incurred relates to a contract or  
3 agreement entered into at arm's-length rates and  
4 terms and the principal purpose for the payment is  
5 not federal or Illinois tax avoidance; or

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

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

22 (G-13) An amount equal to the amount of intangible  
23 expenses and costs otherwise allowed as a deduction in  
24 computing base income, and that were paid, accrued, or  
25 incurred, directly or indirectly, (i) for taxable  
26 years ending on or after December 31, 2004, to a

1 foreign person who would be a member of the same  
2 unitary business group but for the fact that the  
3 foreign person's business activity outside the United  
4 States is 80% or more of that person's total business  
5 activity and (ii) for taxable years ending on or after  
6 December 31, 2008, to a person who would be a member of  
7 the same unitary business group but for the fact that  
8 the person is prohibited under Section 1501(a)(27)  
9 from being included in the unitary business group  
10 because he or she is ordinarily required to apportion  
11 business income under different subsections of Section  
12 304. The addition modification required by this  
13 subparagraph shall be reduced to the extent that  
14 dividends were included in base income of the unitary  
15 group for the same taxable year and received by the  
16 taxpayer or by a member of the taxpayer's unitary  
17 business group (including amounts included in gross  
18 income pursuant to Sections 951 through 964 of the  
19 Internal Revenue Code and amounts included in gross  
20 income under Section 78 of the Internal Revenue Code)  
21 with respect to the stock of the same person to whom  
22 the intangible expenses and costs were directly or  
23 indirectly paid, incurred, or accrued. The preceding  
24 sentence shall not apply to the extent that the same  
25 dividends caused a reduction to the addition  
26 modification required under Section 203(c)(2)(G-12) of

1           this Act. As used in this subparagraph, the term  
2           "intangible expenses and costs" includes: (1)  
3           expenses, losses, and costs for or related to the  
4           direct or indirect acquisition, use, maintenance or  
5           management, ownership, sale, exchange, or any other  
6           disposition of intangible property; (2) losses  
7           incurred, directly or indirectly, from factoring  
8           transactions or discounting transactions; (3) royalty,  
9           patent, technical, and copyright fees; (4) licensing  
10          fees; and (5) other similar expenses and costs. For  
11          purposes of this subparagraph, "intangible property"  
12          includes patents, patent applications, trade names,  
13          trademarks, service marks, copyrights, mask works,  
14          trade secrets, and similar types of intangible assets.

15                 This paragraph shall not apply to the following:

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

23                         (ii) any item of intangible expense or cost  
24                         paid, accrued, or incurred, directly or  
25                         indirectly, if the taxpayer can establish, based  
26                         on a preponderance of the evidence, both of the

1 following:

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

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

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

21 Nothing in this subsection shall preclude the  
22 Director from making any other adjustment  
23 otherwise allowed under Section 404 of this Act for  
24 any tax year beginning after the effective date of  
25 this amendment provided such adjustment is made  
26 pursuant to regulation adopted by the Department

1           and such regulations provide methods and standards  
2           by which the Department will utilize its authority  
3           under Section 404 of this Act;

4           (G-14) For taxable years ending on or after  
5           December 31, 2008, an amount equal to the amount of  
6           insurance premium expenses and costs otherwise allowed  
7           as a deduction in computing base income, and that were  
8           paid, accrued, or incurred, directly or indirectly, to  
9           a person who would be a member of the same unitary  
10          business group but for the fact that the person is  
11          prohibited under Section 1501(a)(27) from being  
12          included in the unitary business group because he or  
13          she is ordinarily required to apportion business  
14          income under different subsections of Section 304. The  
15          addition modification required by this subparagraph  
16          shall be reduced to the extent that dividends were  
17          included in base income of the unitary group for the  
18          same taxable year and received by the taxpayer or by a  
19          member of the taxpayer's unitary business group  
20          (including amounts included in gross income under  
21          Sections 951 through 964 of the Internal Revenue Code  
22          and amounts included in gross income under Section 78  
23          of the Internal Revenue Code) with respect to the stock  
24          of the same person to whom the premiums and costs were  
25          directly or indirectly paid, incurred, or accrued. The  
26          preceding sentence does not apply to the extent that



1           the same dividends caused a reduction to the addition  
2           modification required under Section 203(c) (2) (G-12) or  
3           Section 203(c) (2) (G-13) of this Act;

4           (G-15) An amount equal to the credit allowable to  
5           the taxpayer under Section 218(a) of this Act,  
6           determined without regard to Section 218(c) of this  
7           Act;

8           and by deducting from the total so obtained the sum of the  
9           following amounts:

10           (H) An amount equal to all amounts included in such  
11           total pursuant to the provisions of Sections 402(a),  
12           402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
13           Internal Revenue Code or included in such total as  
14           distributions under the provisions of any retirement  
15           or disability plan for employees of any governmental  
16           agency or unit, or retirement payments to retired  
17           partners, which payments are excluded in computing net  
18           earnings from self employment by Section 1402 of the  
19           Internal Revenue Code and regulations adopted pursuant  
20           thereto;

21           (I) The valuation limitation amount;

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

25           (K) An amount equal to all amounts included in  
26           taxable income as modified by subparagraphs (A), (B),

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

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

26 (M) An amount equal to those dividends included in

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

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

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

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

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

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

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

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

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

25 (3) for taxable years ending after December  
26 31, 2005:

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

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

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

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

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

1 was required in any taxable year to make an addition  
2 modification under subparagraph (G-10), then an amount  
3 equal to that addition modification.

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

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

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

26 (U) An amount equal to the interest income taken

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

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



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

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

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

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

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

23          (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16                 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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

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



1 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

22 (E) The valuation limitation amount;

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

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

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

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

18 (I) An amount equal to all amounts of income  
19 distributable to an entity subject to the Personal  
20 Property Tax Replacement Income Tax imposed by  
21 subsections (c) and (d) of Section 201 of this Act  
22 including amounts distributable to organizations  
23 exempt from federal income tax by reason of Section  
24 501(a) of the Internal Revenue Code; this subparagraph  
25 (I) is exempt from the provisions of Section 250;

26 (J) With the exception of any amounts subtracted

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

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

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

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

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

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

24           (1) "y" equals the amount of the depreciation  
25 deduction taken for the taxable year on the  
26 taxpayer's federal income tax return on property

1           for which the bonus depreciation deduction was  
2           taken in any year under subsection (k) of Section  
3           168 of the Internal Revenue Code, but not including  
4           the bonus depreciation deduction;

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

9           (3) for taxable years ending after December  
10          31, 2005:

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

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

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

1 Section 250;

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

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

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

17 This subparagraph (P) is exempt from the  
18 provisions of Section 250;

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



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

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

1           paid, accrued, or incurred, directly or indirectly, to  
2           the same person. This subparagraph (R) is exempt from  
3           Section 250;

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

24          (T) For taxable years ending on or after December  
25          31, 2011, in the case of a taxpayer who was required to  
26          add back any insurance premiums under Section

1           203(d)(2)(D-9), such taxpayer may elect to subtract  
2           that part of a reimbursement received from the  
3           insurance company equal to the amount of the expense or  
4           loss (including expenses incurred by the insurance  
5           company) that would have been taken into account as a  
6           deduction for federal income tax purposes if the  
7           expense or loss had been uninsured. If a taxpayer makes  
8           the election provided for by this subparagraph (T), the  
9           insurer to which the premiums were paid must add back  
10          to income the amount subtracted by the taxpayer  
11          pursuant to this subparagraph (T). This subparagraph  
12          (T) is exempt from the provisions of Section 250.

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

14           (1) In general. Subject to the provisions of paragraph  
15          (2) and subsection (b) (3), for purposes of this Section  
16          and Section 803(e), a taxpayer's gross income, adjusted  
17          gross income, or taxable income for the taxable year shall  
18          mean the amount of gross income, adjusted gross income or  
19          taxable income properly reportable for federal income tax  
20          purposes for the taxable year under the provisions of the  
21          Internal Revenue Code. Taxable income may be less than  
22          zero. However, for taxable years ending on or after  
23          December 31, 1986, net operating loss carryforwards from  
24          taxable years ending prior to December 31, 1986, may not  
25          exceed the sum of federal taxable income for the taxable

1 year before net operating loss deduction, plus the excess  
2 of addition modifications over subtraction modifications  
3 for the taxable year. For taxable years ending prior to  
4 December 31, 1986, taxable income may never be an amount in  
5 excess of the net operating loss for the taxable year as  
6 defined in subsections (c) and (d) of Section 172 of the  
7 Internal Revenue Code, provided that when taxable income of  
8 a corporation (other than a Subchapter S corporation),  
9 trust, or estate is less than zero and addition  
10 modifications, other than those provided by subparagraph  
11 (E) of paragraph (2) of subsection (b) for corporations or  
12 subparagraph (E) of paragraph (2) of subsection (c) for  
13 trusts and estates, exceed subtraction modifications, an  
14 addition modification must be made under those  
15 subparagraphs for any other taxable year to which the  
16 taxable income less than zero (net operating loss) is  
17 applied under Section 172 of the Internal Revenue Code or  
18 under subparagraph (E) of paragraph (2) of this subsection  
19 (e) applied in conjunction with Section 172 of the Internal  
20 Revenue Code.

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

24 (A) Certain life insurance companies. In the case  
25 of a life insurance company subject to the tax imposed  
26 by Section 801 of the Internal Revenue Code, life

1 insurance company taxable income, plus the amount of  
2 distribution from pre-1984 policyholder surplus  
3 accounts as calculated under Section 815a of the  
4 Internal Revenue Code;

5 (B) Certain other insurance companies. In the case  
6 of mutual insurance companies subject to the tax  
7 imposed by Section 831 of the Internal Revenue Code,  
8 insurance company taxable income;

9 (C) Regulated investment companies. In the case of  
10 a regulated investment company subject to the tax  
11 imposed by Section 852 of the Internal Revenue Code,  
12 investment company taxable income;

13 (D) Real estate investment trusts. In the case of a  
14 real estate investment trust subject to the tax imposed  
15 by Section 857 of the Internal Revenue Code, real  
16 estate investment trust taxable income;

17 (E) Consolidated corporations. In the case of a  
18 corporation which is a member of an affiliated group of  
19 corporations filing a consolidated income tax return  
20 for the taxable year for federal income tax purposes,  
21 taxable income determined as if such corporation had  
22 filed a separate return for federal income tax purposes  
23 for the taxable year and each preceding taxable year  
24 for which it was a member of an affiliated group. For  
25 purposes of this subparagraph, the taxpayer's separate  
26 taxable income shall be determined as if the election

1 provided by Section 243(b) (2) of the Internal Revenue  
2 Code had been in effect for all such years;

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

1 Director. The Department shall adopt rules setting  
2 forth requirements for documenting the elections and  
3 any resulting Illinois net loss and the standards to be  
4 used by the Director in evaluating requests to revoke  
5 elections. Public Act 96-932 is declaratory of  
6 existing law;

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

23 (H) Partnerships. In the case of a partnership,  
24 taxable income determined in accordance with Section  
25 703 of the Internal Revenue Code, except that taxable  
26 income shall take into account those items which are

1           required by Section 703(a)(1) to be separately stated  
2           but which would be taken into account by an individual  
3           in calculating his taxable income.

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

21          (f) Valuation limitation amount.

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

25                         (A) The sum of the pre-August 1, 1969 appreciation



1 amounts (to the extent consisting of gain reportable  
2 under the provisions of Section 1245 or 1250 of the  
3 Internal Revenue Code) for all property in respect of  
4 which such gain was reported for the taxable year; plus

5 (B) The lesser of (i) the sum of the pre-August 1,  
6 1969 appreciation amounts (to the extent consisting of  
7 capital gain) for all property in respect of which such  
8 gain was reported for federal income tax purposes for  
9 the taxable year, or (ii) the net capital gain for the  
10 taxable year, reduced in either case by any amount of  
11 such gain included in the amount determined under  
12 subsection (a) (2) (F) or (c) (2) (H).

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

14 (A) If the fair market value of property referred  
15 to in paragraph (1) was readily ascertainable on August  
16 1, 1969, the pre-August 1, 1969 appreciation amount for  
17 such property is the lesser of (i) the excess of such  
18 fair market value over the taxpayer's basis (for  
19 determining gain) for such property on that date  
20 (determined under the Internal Revenue Code as in  
21 effect on that date), or (ii) the total gain realized  
22 and reportable for federal income tax purposes in  
23 respect of the sale, exchange or other disposition of  
24 such property.

25 (B) If the fair market value of property referred  
26 to in paragraph (1) was not readily ascertainable on

1 August 1, 1969, the pre-August 1, 1969 appreciation  
2 amount for such property is that amount which bears the  
3 same ratio to the total gain reported in respect of the  
4 property for federal income tax purposes for the  
5 taxable year, as the number of full calendar months in  
6 that part of the taxpayer's holding period for the  
7 property ending July 31, 1969 bears to the number of  
8 full calendar months in the taxpayer's entire holding  
9 period for the property.

10 (C) The Department shall prescribe such  
11 regulations as may be necessary to carry out the  
12 purposes of this paragraph.

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

16 (h) Legislative intention. Except as expressly provided by  
17 this Section there shall be no modifications or limitations on  
18 the amounts of income, gain, loss or deduction taken into  
19 account in determining gross income, adjusted gross income or  
20 taxable income for federal income tax purposes for the taxable  
21 year, or in the amount of such items entering into the  
22 computation of base income and net income under this Act for  
23 such taxable year, whether in respect of property values as of  
24 August 1, 1969 or otherwise.

1 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
2 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
3 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
4 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
5 eff. 8-23-11.)

6 (35 ILCS 5/223 new)

7 Sec. 223. Educational Improvement Tax Credit.

8 (a) The General Assembly finds and declares that the  
9 Constitution of the State of Illinois provides that a  
10 "fundamental goal of the People of the State is the educational  
11 development of all persons to the limits of their capacities",  
12 and that the educational development of every school student  
13 serves the public purposes of the State. In order to enable  
14 Illinois students to develop "to the limit of their  
15 capacities", all students must have access to expanded  
16 educational opportunities. This Section is in the public  
17 interest, for the public benefit, and serves a secular purpose.

18 (b) An educational improvement tax credit program is hereby  
19 established to enhance the educational opportunities available  
20 to all students in this State. For tax years beginning on or  
21 after January 1, 2013, a taxpayer shall be allowed a credit,  
22 not in excess of \$100,000, against the tax imposed by  
23 subsections (a) and (b) of Section 201 of this Act for  
24 contributions to the School Choice Voucher Fund in the taxable  
25 year in which the contribution is made. The credit shall not

1 exceed 90% of each dollar contributed during the taxable year  
2 by the taxpayer. For partners, shareholders of Subchapter S  
3 corporations, and owners of limited liability companies, if the  
4 limited liability company is treated as a partnership for  
5 purposes of federal and State income taxation, there shall be  
6 allowed a credit under this Section to be determined in  
7 accordance with the determination of income and distributive  
8 share of income under Section 702 and 704 and Subchapter S of  
9 the Internal Revenue Code.

10 (c) In no event may any credit be claimed for amounts  
11 deducted pursuant to Section 170 of the Internal Revenue Code  
12 in arriving at taxable income.

13 (d) In no event shall a credit under this Section reduce  
14 the taxpayer's liability to less than zero.

15 (e) No tax credit established by this Section is allowed if  
16 the taxpayer designates a contribution to the School Choice  
17 Voucher Fund for the direct benefit of any particular  
18 qualifying student.

19 (f) By December 31 of each year, the State Treasurer shall  
20 report to the Illinois State Board of Education the number of  
21 qualifying scholarships available for qualified education  
22 expenses.

23 (g) A tax credit granted under this Section that is not  
24 used in the taxable year in which the contribution was made  
25 shall not be carried forward or carried back and is not  
26 refundable or transferable.

1       (h) A taxpayer must apply annually to the Department of  
2 Revenue and receive approval for a tax credit under this  
3 Section prior to making a contribution to the Fund. Applicants  
4 must be submitted to the Department of Revenue no later than  
5 March 31 each year for contributions to be made for tax years  
6 ending on or after July 1 of that same year. On May 1 of each  
7 year, the Department of Revenue shall, on a random basis,  
8 select applications until the total aggregate amount of all  
9 requested tax credits equals the maximum provided for in  
10 subsection (m). The Department of Revenue shall adopt rules  
11 pursuant to the requirements of the Illinois Administrative  
12 Procedure Act that set forth the information the Department of  
13 Revenue can require on the tax credit application and the  
14 manner in which the tax credit lottery is to be conducted.

15       (i) The total aggregate amount of all approved tax credits  
16 shall not exceed \$30,000,000 in any State fiscal year.

17       (j) Funding for each school district from which a  
18 qualifying student uses a scholarship awarded by the Fund to  
19 attend a nonpublic school shall be adjusted to account for the  
20 costs of the Educational Improvement Tax Credit established  
21 under this Section. Beginning in Fiscal Year 2012 and  
22 thereafter, the total cost of such scholarships used in each  
23 district shall be deducted from the portion of general state  
24 aid the district receives for that fiscal year.

25       (k) For purposes of this Section: "contribution" means a  
26 donation of cash.

1       (1) This Section is exempt from the provisions of Section  
2       250.

3       Section 905. The School Code is amended by changing Section  
4       18-8.05 as follows:

5             (105 ILCS 5/18-8.05)

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

9       (A) General Provisions.

10       (1) The provisions of this Section apply to the 1998-1999  
11       and subsequent school years. The system of general State  
12       financial aid provided for in this Section is designed to  
13       assure that, through a combination of State financial aid and  
14       required local resources, the financial support provided each  
15       pupil in Average Daily Attendance equals or exceeds a  
16       prescribed per pupil Foundation Level. This formula approach  
17       imputes a level of per pupil Available Local Resources and  
18       provides for the basis to calculate a per pupil level of  
19       general State financial aid that, when added to Available Local  
20       Resources, equals or exceeds the Foundation Level. The amount  
21       of per pupil general State financial aid for school districts,  
22       in general, varies in inverse relation to Available Local  
23       Resources. Per pupil amounts are based upon each school

1 district's Average Daily Attendance as that term is defined in  
2 this Section.

3 (2) In addition to general State financial aid, school  
4 districts with specified levels or concentrations of pupils  
5 from low income households are eligible to receive supplemental  
6 general State financial aid grants as provided pursuant to  
7 subsection (H). The supplemental State aid grants provided for  
8 school districts under subsection (H) shall be appropriated for  
9 distribution to school districts as part of the same line item  
10 in which the general State financial aid of school districts is  
11 appropriated under this Section.

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

15 (a) Any school district which fails for any given  
16 school year to maintain school as required by law, or to  
17 maintain a recognized school is not eligible to file for  
18 such school year any claim upon the Common School Fund. In  
19 case of nonrecognition of one or more attendance centers in  
20 a school district otherwise operating recognized schools,  
21 the claim of the district shall be reduced in the  
22 proportion which the Average Daily Attendance in the  
23 attendance center or centers bear to the Average Daily  
24 Attendance in the school district. A "recognized school"  
25 means any public school which meets the standards as  
26 established for recognition by the State Board of

1 Education. A school district or attendance center not  
2 having recognition status at the end of a school term is  
3 entitled to receive State aid payments due upon a legal  
4 claim which was filed while it was recognized.

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

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

13 (d) (Blank).

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

18 School districts are not required to exert a minimum  
19 Operating Tax Rate in order to qualify for assistance under  
20 this Section.

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

23 (a) "Average Daily Attendance": A count of pupil  
24 attendance in school, averaged as provided for in  
25 subsection (C) and utilized in deriving per pupil financial  
26 support levels.



1           (b) "Available Local Resources": A computation of  
2           local financial support, calculated on the basis of Average  
3           Daily Attendance and derived as provided pursuant to  
4           subsection (D).

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

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

14          (e) "Operating Tax Rate": All school district property  
15          taxes extended for all purposes, except Bond and Interest,  
16          Summer School, Rent, Capital Improvement, and Vocational  
17          Education Building purposes.

18          (B) Foundation Level.

19           (1) The Foundation Level is a figure established by the  
20           State representing the minimum level of per pupil financial  
21           support that should be available to provide for the basic  
22           education of each pupil in Average Daily Attendance. As set  
23           forth in this Section, each school district is assumed to exert  
24           a sufficient local taxing effort such that, in combination with  
25           the aggregate of general State financial aid provided the

1 district, an aggregate of State and local resources are  
2 available to meet the basic education needs of pupils in the  
3 district.

4 (2) For the 1998-1999 school year, the Foundation Level of  
5 support is \$4,225. For the 1999-2000 school year, the  
6 Foundation Level of support is \$4,325. For the 2000-2001 school  
7 year, the Foundation Level of support is \$4,425. For the  
8 2001-2002 school year and 2002-2003 school year, the Foundation  
9 Level of support is \$4,560. For the 2003-2004 school year, the  
10 Foundation Level of support is \$4,810. For the 2004-2005 school  
11 year, the Foundation Level of support is \$4,964. For the  
12 2005-2006 school year, the Foundation Level of support is  
13 \$5,164. For the 2006-2007 school year, the Foundation Level of  
14 support is \$5,334. For the 2007-2008 school year, the  
15 Foundation Level of support is \$5,734. For the 2008-2009 school  
16 year, the Foundation Level of support is \$5,959.

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

21 (C) Average Daily Attendance.

22 (1) For purposes of calculating general State aid pursuant  
23 to subsection (E), an Average Daily Attendance figure shall be  
24 utilized. The Average Daily Attendance figure for formula  
25 calculation purposes shall be the monthly average of the actual

1 number of pupils in attendance of each school district, as  
2 further averaged for the best 3 months of pupil attendance for  
3 each school district. In compiling the figures for the number  
4 of pupils in attendance, school districts and the State Board  
5 of Education shall, for purposes of general State aid funding,  
6 conform attendance figures to the requirements of subsection  
7 (F).

8 (2) The Average Daily Attendance figures utilized in  
9 subsection (E) shall be the requisite attendance data for the  
10 school year immediately preceding the school year for which  
11 general State aid is being calculated or the average of the  
12 attendance data for the 3 preceding school years, whichever is  
13 greater. The Average Daily Attendance figures utilized in  
14 subsection (H) shall be the requisite attendance data for the  
15 school year immediately preceding the school year for which  
16 general State aid is being calculated.

17 (D) Available Local Resources.

18 (1) For purposes of calculating general State aid pursuant  
19 to subsection (E), a representation of Available Local  
20 Resources per pupil, as that term is defined and determined in  
21 this subsection, shall be utilized. Available Local Resources  
22 per pupil shall include a calculated dollar amount representing  
23 local school district revenues from local property taxes and  
24 from Corporate Personal Property Replacement Taxes, expressed  
25 on the basis of pupils in Average Daily Attendance. Calculation

1 of Available Local Resources shall exclude any tax amnesty  
2 funds received as a result of Public Act 93-26.

3 (2) In determining a school district's revenue from local  
4 property taxes, the State Board of Education shall utilize the  
5 equalized assessed valuation of all taxable property of each  
6 school district as of September 30 of the previous year. The  
7 equalized assessed valuation utilized shall be obtained and  
8 determined as provided in subsection (G).

9 (3) For school districts maintaining grades kindergarten  
10 through 12, local property tax revenues per pupil shall be  
11 calculated as the product of the applicable equalized assessed  
12 valuation for the district multiplied by 3.00%, and divided by  
13 the district's Average Daily Attendance figure. For school  
14 districts maintaining grades kindergarten through 8, local  
15 property tax revenues per pupil shall be calculated as the  
16 product of the applicable equalized assessed valuation for the  
17 district multiplied by 2.30%, and divided by the district's  
18 Average Daily Attendance figure. For school districts  
19 maintaining grades 9 through 12, local property tax revenues  
20 per pupil shall be the applicable equalized assessed valuation  
21 of the district multiplied by 1.05%, and divided by the  
22 district's Average Daily Attendance figure.

23 For partial elementary unit districts created pursuant to  
24 Article 11E of this Code, local property tax revenues per pupil  
25 shall be calculated as the product of the equalized assessed  
26 valuation for property within the partial elementary unit

1 district for elementary purposes, as defined in Article 11E of  
2 this Code, multiplied by 2.06% and divided by the district's  
3 Average Daily Attendance figure, plus the product of the  
4 equalized assessed valuation for property within the partial  
5 elementary unit district for high school purposes, as defined  
6 in Article 11E of this Code, multiplied by 0.94% and divided by  
7 the district's Average Daily Attendance figure.

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

18 (E) Computation of General State Aid.

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

22 (2) For any school district for which Available Local  
23 Resources per pupil is less than the product of 0.93 times the  
24 Foundation Level, general State aid for that district shall be  
25 calculated as an amount equal to the Foundation Level minus

1 Available Local Resources, multiplied by the Average Daily  
2 Attendance of the school district.

3 (3) For any school district for which Available Local  
4 Resources per pupil is equal to or greater than the product of  
5 0.93 times the Foundation Level and less than the product of  
6 1.75 times the Foundation Level, the general State aid per  
7 pupil shall be a decimal proportion of the Foundation Level  
8 derived using a linear algorithm. Under this linear algorithm,  
9 the calculated general State aid per pupil shall decline in  
10 direct linear fashion from 0.07 times the Foundation Level for  
11 a school district with Available Local Resources equal to the  
12 product of 0.93 times the Foundation Level, to 0.05 times the  
13 Foundation Level for a school district with Available Local  
14 Resources equal to the product of 1.75 times the Foundation  
15 Level. The allocation of general State aid for school districts  
16 subject to this paragraph 3 shall be the calculated general  
17 State aid per pupil figure multiplied by the Average Daily  
18 Attendance of the school district.

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

24 (5) The amount of general State aid allocated to a school  
25 district for the 1999-2000 school year meeting the requirements  
26 set forth in paragraph (4) of subsection (G) shall be increased

1 by an amount equal to the general State aid that would have  
2 been received by the district for the 1998-1999 school year by  
3 utilizing the Extension Limitation Equalized Assessed  
4 Valuation as calculated in paragraph (4) of subsection (G) less  
5 the general State aid allotted for the 1998-1999 school year.  
6 This amount shall be deemed a one time increase, and shall not  
7 affect any future general State aid allocations.

8 (F) Compilation of Average Daily Attendance.

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

19 (a) In districts that do not hold year-round classes,  
20 days of attendance in August shall be added to the month of  
21 September and any days of attendance in June shall be added  
22 to the month of May.

23 (b) In districts in which all buildings hold year-round  
24 classes, days of attendance in July and August shall be  
25 added to the month of September and any days of attendance

1 in June shall be added to the month of May.

2 (c) In districts in which some buildings, but not all,  
3 hold year-round classes, for the non-year-round buildings,  
4 days of attendance in August shall be added to the month of  
5 September and any days of attendance in June shall be added  
6 to the month of May. The average daily attendance for the  
7 year-round buildings shall be computed as provided in  
8 subdivision (b) of this paragraph (1). To calculate the  
9 Average Daily Attendance for the district, the average  
10 daily attendance for the year-round buildings shall be  
11 multiplied by the days in session for the non-year-round  
12 buildings for each month and added to the monthly  
13 attendance of the non-year-round buildings.

14 Except as otherwise provided in this Section, days of  
15 attendance by pupils shall be counted only for sessions of not  
16 less than 5 clock hours of school work per day under direct  
17 supervision of: (i) teachers, or (ii) non-teaching personnel or  
18 volunteer personnel when engaging in non-teaching duties and  
19 supervising in those instances specified in subsection (a) of  
20 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils  
21 of legal school age and in kindergarten and grades 1 through  
22 12.

23 Days of attendance by tuition pupils shall be accredited  
24 only to the districts that pay the tuition to a recognized  
25 school.

26 (2) Days of attendance by pupils of less than 5 clock hours



1 of school shall be subject to the following provisions in the  
2 compilation of Average Daily Attendance.

3 (a) Pupils regularly enrolled in a public school for  
4 only a part of the school day may be counted on the basis  
5 of 1/6 day for every class hour of instruction of 40  
6 minutes or more attended pursuant to such enrollment,  
7 unless a pupil is enrolled in a block-schedule format of 80  
8 minutes or more of instruction, in which case the pupil may  
9 be counted on the basis of the proportion of minutes of  
10 school work completed each day to the minimum number of  
11 minutes that school work is required to be held that day.

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

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

21 (d) A session of 3 or more clock hours may be counted  
22 as a day of attendance (1) when the remainder of the school  
23 day or at least 2 hours in the evening of that day is  
24 utilized for an in-service training program for teachers,  
25 up to a maximum of 5 days per school year, provided a  
26 district conducts an in-service training program for

1 teachers in accordance with Section 10-22.39 of this Code;  
2 or, in lieu of 4 such days, 2 full days may be used, in  
3 which event each such day may be counted as a day required  
4 for a legal school calendar pursuant to Section 10-19 of  
5 this Code; (1.5) when, of the 5 days allowed under item  
6 (1), a maximum of 4 days are used for parent-teacher  
7 conferences, or, in lieu of 4 such days, 2 full days are  
8 used, in which case each such day may be counted as a  
9 calendar day required under Section 10-19 of this Code,  
10 provided that the full-day, parent-teacher conference  
11 consists of (i) a minimum of 5 clock hours of  
12 parent-teacher conferences, (ii) both a minimum of 2 clock  
13 hours of parent-teacher conferences held in the evening  
14 following a full day of student attendance, as specified in  
15 subsection (F)(1)(c), and a minimum of 3 clock hours of  
16 parent-teacher conferences held on the day immediately  
17 following evening parent-teacher conferences, or (iii)  
18 multiple parent-teacher conferences held in the evenings  
19 following full days of student attendance, as specified in  
20 subsection (F)(1)(c), in which the time used for the  
21 parent-teacher conferences is equivalent to a minimum of 5  
22 clock hours; and (2) when days in addition to those  
23 provided in items (1) and (1.5) are scheduled by a school  
24 pursuant to its school improvement plan adopted under  
25 Article 34 or its revised or amended school improvement  
26 plan adopted under Article 2, provided that (i) such

1 sessions of 3 or more clock hours are scheduled to occur at  
2 regular intervals, (ii) the remainder of the school days in  
3 which such sessions occur are utilized for in-service  
4 training programs or other staff development activities  
5 for teachers, and (iii) a sufficient number of minutes of  
6 school work under the direct supervision of teachers are  
7 added to the school days between such regularly scheduled  
8 sessions to accumulate not less than the number of minutes  
9 by which such sessions of 3 or more clock hours fall short  
10 of 5 clock hours. Any full days used for the purposes of  
11 this paragraph shall not be considered for computing  
12 average daily attendance. Days scheduled for in-service  
13 training programs, staff development activities, or  
14 parent-teacher conferences may be scheduled separately for  
15 different grade levels and different attendance centers of  
16 the district.

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

23 (f) A session of at least 4 clock hours may be counted  
24 as a day of attendance for first grade pupils, and pupils  
25 in full day kindergartens, and a session of 2 or more hours  
26 may be counted as 1/2 day of attendance by pupils in

1 kindergartens which provide only 1/2 day of attendance.

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

9 (h) A recognized kindergarten which provides for only  
10 1/2 day of attendance by each pupil shall not have more  
11 than 1/2 day of attendance counted in any one day. However,  
12 kindergartens may count 2 1/2 days of attendance in any 5  
13 consecutive school days. When a pupil attends such a  
14 kindergarten for 2 half days on any one school day, the  
15 pupil shall have the following day as a day absent from  
16 school, unless the school district obtains permission in  
17 writing from the State Superintendent of Education.  
18 Attendance at kindergartens which provide for a full day of  
19 attendance by each pupil shall be counted the same as  
20 attendance by first grade pupils. Only the first year of  
21 attendance in one kindergarten shall be counted, except in  
22 case of children who entered the kindergarten in their  
23 fifth year whose educational development requires a second  
24 year of kindergarten as determined under the rules and  
25 regulations of the State Board of Education.

26 (i) On the days when the Prairie State Achievement

1 Examination is administered under subsection (c) of  
2 Section 2-3.64 of this Code, the day of attendance for a  
3 pupil whose school day must be shortened to accommodate  
4 required testing procedures may be less than 5 clock hours  
5 and shall be counted towards the 176 days of actual pupil  
6 attendance required under Section 10-19 of this Code,  
7 provided that a sufficient number of minutes of school work  
8 in excess of 5 clock hours are first completed on other  
9 school days to compensate for the loss of school work on  
10 the examination days.

11 (j) Pupils enrolled in a remote educational program  
12 established under Section 10-29 of this Code may be counted  
13 on the basis of one-fifth day of attendance for every clock  
14 hour of instruction attended in the remote educational  
15 program, provided that, in any month, the school district  
16 may not claim for a student enrolled in a remote  
17 educational program more days of attendance than the  
18 maximum number of days of attendance the district can claim  
19 (i) for students enrolled in a building holding year-round  
20 classes if the student is classified as participating in  
21 the remote educational program on a year-round schedule or  
22 (ii) for students enrolled in a building not holding  
23 year-round classes if the student is not classified as  
24 participating in the remote educational program on a  
25 year-round schedule.

1 (G) Equalized Assessed Valuation Data.

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

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

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

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

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

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

26           (b) The real property equalized assessed valuation for



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

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

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

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

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

26 "Preceding Tax Year": The property tax levy year

1 immediately preceding the Base Tax Year.

2 "Base Tax Year's Tax Extension": The product of the  
3 equalized assessed valuation utilized by the County Clerk  
4 in the Base Tax Year multiplied by the limiting rate as  
5 calculated by the County Clerk and defined in the Property  
6 Tax Extension Limitation Law.

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

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

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

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

1 has approved or does approve an increase in its limiting rate,  
2 for the 2000-2001 school year and each school year thereafter,  
3 the Extension Limitation Equalized Assessed Valuation of a  
4 school district as calculated by the State Board of Education  
5 shall be equal to the product of the Equalized Assessed  
6 Valuation last used in the calculation of general State aid and  
7 the district's Extension Limitation Ratio. If the Extension  
8 Limitation Equalized Assessed Valuation of a school district as  
9 calculated under this subsection (G)(3) is less than the  
10 district's equalized assessed valuation as calculated pursuant  
11 to subsections (G)(1) and (G)(2), then for purposes of  
12 calculating the district's general State aid for the Budget  
13 Year pursuant to subsection (E), that Extension Limitation  
14 Equalized Assessed Valuation shall be utilized to calculate the  
15 district's Available Local Resources under subsection (D). For  
16 the 2009-2010 school year and each school year thereafter, if a  
17 school district has approved or does approve an increase in its  
18 limiting rate, pursuant to Section 18-190 of the Property Tax  
19 Code, affecting the Base Tax Year, the Extension Limitation  
20 Equalized Assessed Valuation of the school district, as  
21 calculated by the State Board of Education, shall be equal to  
22 the product of the Equalized Assessed Valuation last used in  
23 the calculation of general State aid times an amount equal to  
24 one plus the percentage increase, if any, in the Consumer Price  
25 Index for all Urban Consumers for all items published by the  
26 United States Department of Labor for the 12-month calendar

1 year preceding the Base Tax Year, plus the Equalized Assessed  
2 Valuation of new property, annexed property, and recovered tax  
3 increment value and minus the Equalized Assessed Valuation of  
4 disconnected property. New property and recovered tax  
5 increment value shall have the meanings set forth in the  
6 Property Tax Extension Limitation Law.

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

11 (3.5) For the 2010-2011 school year and each school year  
12 thereafter, if a school district's boundaries span multiple  
13 counties, then the Department of Revenue shall send to the  
14 State Board of Education, for the purpose of calculating  
15 general State aid, the limiting rate and individual rates by  
16 purpose for the county that contains the majority of the school  
17 district's Equalized Assessed Valuation.

18 (4) For the purposes of calculating general State aid for  
19 the 1999-2000 school year only, if a school district  
20 experienced a triennial reassessment on the equalized assessed  
21 valuation used in calculating its general State financial aid  
22 apportionment for the 1998-1999 school year, the State Board of  
23 Education shall calculate the Extension Limitation Equalized  
24 Assessed Valuation that would have been used to calculate the  
25 district's 1998-1999 general State aid. This amount shall equal  
26 the product of the equalized assessed valuation used to

1 calculate general State aid for the 1997-1998 school year and  
2 the district's Extension Limitation Ratio. If the Extension  
3 Limitation Equalized Assessed Valuation of the school district  
4 as calculated under this paragraph (4) is less than the  
5 district's equalized assessed valuation utilized in  
6 calculating the district's 1998-1999 general State aid  
7 allocation, then for purposes of calculating the district's  
8 general State aid pursuant to paragraph (5) of subsection (E),  
9 that Extension Limitation Equalized Assessed Valuation shall  
10 be utilized to calculate the district's Available Local  
11 Resources.

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

24 (H) Supplemental General State Aid.

25 (1) In addition to the general State aid a school district

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

1 the low income eligible pupil count.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 funds.

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

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

9 (1) Funding for each district shall be adjusted to account  
10 for the costs of the School Choice Voucher Program established  
11 under the School Choice Act.

12 (2) Beginning in Fiscal Year 2013 and thereafter, the total  
13 cost of the School Choice Vouchers issued under the School  
14 Choice Act shall be deducted from the portion of general state  
15 aid the district receives under this Section for that fiscal  
16 year.

17 (3) Beginning in Fiscal Year 2014, there will be an  
18 adjustment to the general state aid calculation for each  
19 applicable school district to provide funding for the school  
20 choice voucher program. The adjustment shall be (a) the sum of  
21 the district's general state aid calculation pursuant to  
22 subsection (B) and the district's supplemental general state  
23 aid calculation pursuant to subsection (H) if the students  
24 enrolled in nonpublic schools under a school choice voucher had  
25 been enrolled in the district, less (b) the sum of the  
26 district's general state aid calculation pursuant to



1 subsection (B) and the district's supplemental general state  
2 aid calculation pursuant to subsection (H) excluding students  
3 enrolled in non-public schools under a school choice voucher.

4 (I) (Blank).

5 (J) (Blank).

6 (K) Grants to Laboratory and Alternative Schools.

7 In calculating the amount to be paid to the governing board  
8 of a public university that operates a laboratory school under  
9 this Section or to any alternative school that is operated by a  
10 regional superintendent of schools, the State Board of  
11 Education shall require by rule such reporting requirements as  
12 it deems necessary.

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

1 disabilities in a special education program.

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

18 Each laboratory and alternative school shall file, on forms  
19 provided by the State Superintendent of Education, an annual  
20 State aid claim which states the Average Daily Attendance of  
21 the school's students by month. The best 3 months' Average  
22 Daily Attendance shall be computed for each school. The general  
23 State aid entitlement shall be computed by multiplying the  
24 applicable Average Daily Attendance by the Foundation Level as  
25 determined under this Section.

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

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

15 (2) (Blank).

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

18 (M) Education Funding Advisory Board.

19 The Education Funding Advisory Board, hereinafter in this  
20 subsection (M) referred to as the "Board", is hereby created.  
21 The Board shall consist of 5 members who are appointed by the  
22 Governor, by and with the advice and consent of the Senate. The  
23 members appointed shall include representatives of education,  
24 business, and the general public. One of the members so  
25 appointed shall be designated by the Governor at the time the

1 appointment is made as the chairperson of the Board. The  
2 initial members of the Board may be appointed any time after  
3 the effective date of this amendatory Act of 1997. The regular  
4 term of each member of the Board shall be for 4 years from the  
5 third Monday of January of the year in which the term of the  
6 member's appointment is to commence, except that of the 5  
7 initial members appointed to serve on the Board, the member who  
8 is appointed as the chairperson shall serve for a term that  
9 commences on the date of his or her appointment and expires on  
10 the third Monday of January, 2002, and the remaining 4 members,  
11 by lots drawn at the first meeting of the Board that is held  
12 after all 5 members are appointed, shall determine 2 of their  
13 number to serve for terms that commence on the date of their  
14 respective appointments and expire on the third Monday of  
15 January, 2001, and 2 of their number to serve for terms that  
16 commence on the date of their respective appointments and  
17 expire on the third Monday of January, 2000. All members  
18 appointed to serve on the Board shall serve until their  
19 respective successors are appointed and confirmed. Vacancies  
20 shall be filled in the same manner as original appointments. If  
21 a vacancy in membership occurs at a time when the Senate is not  
22 in session, the Governor shall make a temporary appointment  
23 until the next meeting of the Senate, when he or she shall  
24 appoint, by and with the advice and consent of the Senate, a  
25 person to fill that membership for the unexpired term. If the  
26 Senate is not in session when the initial appointments are

1 made, those appointments shall be made as in the case of  
2 vacancies.

3 The Education Funding Advisory Board shall be deemed  
4 established, and the initial members appointed by the Governor  
5 to serve as members of the Board shall take office, on the date  
6 that the Governor makes his or her appointment of the fifth  
7 initial member of the Board, whether those initial members are  
8 then serving pursuant to appointment and confirmation or  
9 pursuant to temporary appointments that are made by the  
10 Governor as in the case of vacancies.

11 The State Board of Education shall provide such staff  
12 assistance to the Education Funding Advisory Board as is  
13 reasonably required for the proper performance by the Board of  
14 its responsibilities.

15 For school years after the 2000-2001 school year, the  
16 Education Funding Advisory Board, in consultation with the  
17 State Board of Education, shall make recommendations as  
18 provided in this subsection (M) to the General Assembly for the  
19 foundation level under subdivision (B)(3) of this Section and  
20 for the supplemental general State aid grant level under  
21 subsection (H) of this Section for districts with high  
22 concentrations of children from poverty. The recommended  
23 foundation level shall be determined based on a methodology  
24 which incorporates the basic education expenditures of  
25 low-spending schools exhibiting high academic performance. The  
26 Education Funding Advisory Board shall make such

1 recommendations to the General Assembly on January 1 of odd  
2 numbered years, beginning January 1, 2001.

3 (N) (Blank).

4 (O) References.

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

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

13 (P) Public Act 93-838 and Public Act 93-808 make inconsistent  
14 changes to this Section. Under Section 6 of the Statute on  
15 Statutes there is an irreconcilable conflict between Public Act  
16 93-808 and Public Act 93-838. Public Act 93-838, being the last  
17 acted upon, is controlling. The text of Public Act 93-838 is  
18 the law regardless of the text of Public Act 93-808.

19 (Source: P.A. 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300,  
20 eff. 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09;  
21 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1480, eff.  
22 11-18-10; 97-339, eff. 8-12-11; 97-351, eff. 8-12-11; revised  
23 9-28-11.)

1           Section 999. Effective date. This Act takes effect June 30,  
2    2012.".