



Rep. John E. Bradley

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1 AMENDMENT TO SENATE BILL 3616

2 AMENDMENT NO. _____. Amend Senate Bill 3616 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Enterprise Zone Act is amended by
5 changing Sections 3, 4, 5.2, 5.3, 5.5, and 6 and by adding
6 Sections 4.1, 5.2.1, 8.1, and 8.2 as follows:

7 (20 ILCS 655/3) (from Ch. 67 1/2, par. 603)

8 Sec. 3. Definition. As used in this Act, the following
9 words shall have the meanings ascribed to them, unless the
10 context otherwise requires:

11 (a) "Department" means the Department of Commerce and
12 Economic Opportunity.

13 (b) "Enterprise Zone" means an area of the State certified
14 by the Department as an Enterprise Zone pursuant to this Act.

15 (c) "Depressed Area" means an area in which pervasive
16 poverty, unemployment and economic distress exist.

1 (d) "Designated Zone Organization" means an association or
2 entity: (1) the members of which are substantially all
3 residents of the Enterprise Zone; (2) the board of directors of
4 which is elected by the members of the organization; (3) which
5 satisfies the criteria set forth in Section 501(c) (3) or
6 501(c) (4) of the Internal Revenue Code; and (4) which exists
7 primarily for the purpose of performing within such area or
8 zone for the benefit of the residents and businesses thereof
9 any of the functions set forth in Section 8 of this Act.

10 (e) "Agency" means each officer, board, commission and
11 agency created by the Constitution, in the executive branch of
12 State government, other than the State Board of Elections; each
13 officer, department, board, commission, agency, institution,
14 authority, university, body politic and corporate of the State;
15 and each administrative unit or corporate outgrowth of the
16 State government which is created by or pursuant to statute,
17 other than units of local government and their officers, school
18 districts and boards of election commissioners; each
19 administrative unit or corporate outgrowth of the above and as
20 may be created by executive order of the Governor. No entity
21 shall be considered an "agency" for the purposes of this Act
22 unless authorized by law to make rules or regulations.

23 (f) "Rule" means each agency statement of general
24 applicability that implements, applies, interprets or
25 prescribes law or policy, but does not include (i) statements
26 concerning only the internal management of an agency and not

1 affecting private rights or procedures available to persons or
2 entities outside the agency, (ii) intra-agency memoranda, or
3 (iii) the prescription of standardized forms.

4 (g) "Board" means the Enterprise Zone Board created in
5 Section 5.2.1.

6 (h) "Local labor market area" means an economically
7 integrated area within which individuals can reside and find
8 employment within a reasonable distance or can readily change
9 jobs without changing their place of residence.

10 (i) "Full-time equivalent job" means a job in which the new
11 employee works for the recipient or for a corporation under
12 contract to the recipient at a rate of at least 35 hours per
13 week. A recipient who employs labor or services at a specific
14 site or facility under contract with another may declare one
15 full-time, permanent job for every 1,820 man hours worked per
16 year under that contract. Vacations, paid holidays, and sick
17 time are included in this computation. Overtime is not
18 considered a part of regular hours.

19 (j) "Full-time retained job" means any employee defined as
20 having a full-time or full-time equivalent job preserved at a
21 specific facility or site, the continuance of which is
22 threatened by a specific and demonstrable threat, which shall
23 be specified in the application for development assistance. A
24 recipient who employs labor or services at a specific site or
25 facility under contract with another may declare one retained
26 employee per year for every 1,750 man hours worked per year

1 under that contract, even if different individuals perform
2 on-site labor or services.

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

4 (20 ILCS 655/4) (from Ch. 67 1/2, par. 604)

5 Sec. 4. Qualifications for Enterprise Zones. (1) An area is
6 qualified to become an enterprise zone which:

7 (a) is a contiguous area, provided that a zone area may
8 exclude wholly surrounded territory within its boundaries;

9 (b) comprises a minimum of one-half square mile and not
10 more than 12 square miles, or 15 square miles if the zone is
11 located within the jurisdiction of 4 or more counties or
12 municipalities, in total area, exclusive of lakes and
13 waterways; however, in such cases where the enterprise zone is
14 a joint effort of three or more units of government, or two or
15 more units of government if situated in a township which is
16 divided by a municipality of 1,000,000 or more inhabitants, and
17 where the certification has been in effect at least one year,
18 the total area shall comprise a minimum of one-half square mile
19 and not more than thirteen square miles in total area exclusive
20 of lakes and waterways;

21 (c) (blank) ~~is a depressed area;~~

22 (d) (blank) ~~satisfies any additional criteria established~~
23 ~~by regulation of the Department consistent with the purposes of~~
24 ~~this Act; and~~

25 (e) is (1) entirely within a municipality or (2) entirely

1 within the unincorporated areas of a county, except where
2 reasonable need is established for such zone to cover portions
3 of more than one municipality or county or (3) both comprises
4 (i) all or part of a municipality and (ii) an unincorporated
5 area of a county; and -

6 (f) meets 3 or more of the following criteria:

7 (1) all or part of the local labor market area has had
8 an annual average unemployment rate of at least 120% of the
9 State's annual average unemployment rate for the most
10 recent calendar year or the most recent fiscal year as
11 reported by the Department of Employment Security;

12 (2) designation will result in the development of
13 substantial employment opportunities by creating or
14 retaining a minimum aggregate of 1,000 full-time
15 equivalent jobs due to an aggregate investment of
16 \$100,000,000 or more, and will help alleviate the effects
17 of poverty and unemployment within the local labor market
18 area;

19 (3) all or part of the local labor market area has a
20 poverty rate of at least 20% according to the latest
21 federal decennial census, 50% or more of children in the
22 local labor market area participate in the federal free
23 lunch program according to reported statistics from the
24 State Board of Education, or 20% or more households in the
25 local labor market area receive food stamps according to
26 the latest federal decennial census;

1 (4) an abandoned coal mine or a brownfield (as defined
2 in Section 58.2 of the Environmental Protection Act) is
3 located in the proposed zone area, or all or a portion of
4 the proposed zone was declared a federal disaster area in
5 the 3 years preceding the date of application;

6 (5) the local labor market area contains a presence of
7 large employers that have downsized over the years, the
8 labor market area has experienced plant closures in the 5
9 years prior to the date of application affecting more than
10 50 workers, or the local labor market area has experienced
11 State or federal facility closures in the 5 years prior to
12 the date of application affecting more than 50 workers;

13 (6) based on data from Multiple Listing Service
14 information or other suitable sources, the local labor
15 market area contains a high floor vacancy rate of
16 industrial or commercial properties, vacant or demolished
17 commercial and industrial structures are prevalent in the
18 local labor market area, or industrial structures in the
19 local labor market area are not used because of age,
20 deterioration, relocation of the former occupants, or
21 cessation of operation;

22 (7) the applicant demonstrates a substantial plan for
23 using the designation to improve the State and local
24 government tax base, including income, sales, and property
25 taxes;

26 (8) significant public infrastructure is present in

1 the local labor market area in addition to a plan for
2 infrastructure development and improvement;

3 (9) high schools or community colleges located within
4 the local labor market area are engaged in ACT Work Keys,
5 Manufacturing Skills Standard Certification, or other
6 industry-based credentials that prepare students for
7 careers; or

8 (10) the change in equalized assessed valuation of
9 industrial and/or commercial properties in the 5 years
10 prior to the date of application is equal to or less than
11 50% of the State average change in equalized assessed
12 valuation for industrial and/or commercial properties, as
13 applicable, for the same period of time.

14 As provided in Section 10-5.3 of the River Edge
15 Redevelopment Zone Act, upon the expiration of the term of each
16 River Edge Redevelopment Zone in existence on the effective
17 date of this amendatory Act of the 97th General Assembly, that
18 River Edge Redevelopment Zone will become available for its
19 previous designee or a new applicant to compete for designation
20 as an enterprise zone. No preference for designation will be
21 given to the previous designee of the zone.

22 (2) Any criteria established by the Department or by law
23 which utilize the rate of unemployment for a particular area
24 shall provide that all persons who are not presently employed
25 and have exhausted all unemployment benefits shall be
26 considered unemployed, whether or not such persons are actively

1 seeking employment.

2 (Source: P.A. 86-803.)

3 (20 ILCS 655/4.1 new)

4 Sec. 4.1. Department recommendations.

5 (a) For all applications that qualify under Section 4 of
6 this Act, the Department shall issue recommendations by
7 assigning a score to each applicant. The scores will be
8 determined by the Department, based on the extent to which an
9 applicant meets the criteria points under subsection (f) of
10 Section 4 of this Act. Scores will be determined using the
11 following scoring system:

12 (1) Up to 50 points for the extent to which the
13 applicant meets the criteria in item (1) of subsection (f)
14 of Section 4 of this Act.

15 (2) Up to 50 points for the extent to which the
16 applicant meets the criteria in item (2) of subsection (f)
17 of Section 4 of this Act.

18 (3) Up to 40 points for the extent to which the
19 applicant meets the criteria in item (3) of subsection (f)
20 of Section 4 of this Act.

21 (4) Up to 30 points for the extent to which the
22 applicant meets the criteria in item (4) of subsection (f)
23 of Section 4 of this Act.

24 (5) Up to 50 points for the extent to which the
25 applicant meets the criteria in item (5) of subsection (f)

1 of Section 4 of this Act.

2 (6) Up to 40 points for the extent to which the
3 applicant meets the criteria in item (6) of subsection (f)
4 of Section 4 of this Act.

5 (7) Up to 30 points for the extent to which the
6 applicant meets the criteria in item (7) of subsection (f)
7 of Section 4 of this Act.

8 (8) Up to 50 points for the extent to which the
9 applicant meets the criteria in item (8) of subsection (f)
10 of Section 4 of this Act.

11 (9) Up to 40 points for the extent to which the
12 applicant meets the criteria in item (9) of subsection (f)
13 of Section 4 of this Act.

14 (10) Up to 40 points for the extent to which the
15 applicant meets the criteria in item (10) of subsection (f)
16 of Section 4 of this Act.

17 (b) After assigning a score for each of the individual
18 criteria using the point system as described in subsection (a),
19 the Department shall then take the sum of the scores for each
20 applicant and assign a final score. The Department shall then
21 submit this information to the Board, as required in subsection
22 (c) of Section 5.2, as its recommendation.

23 (20 ILCS 655/5.2) (from Ch. 67 1/2, par. 607)

24 Sec. 5.2. Department Review of Enterprise Zone
25 Applications.

1 (a) All applications which are to be considered and acted
2 upon by the Department during a calendar year must be received
3 by the Department no later than December 31 of the preceding
4 calendar year.

5 Any application received ~~on or~~ after December 31 ~~January 1~~
6 of any calendar year shall be held by the Department for
7 consideration and action during the following calendar year.

8 Each enterprise zone application shall include a specific
9 definition of the applicant's local labor market area.

10 (a-5) The Department shall, no later than March 31, 2013,
11 develop an application process for an enterprise zone
12 application. The Department has emergency rulemaking authority
13 for the purpose of application development only until 9 months
14 after the effective date of this amendatory Act of the 97th
15 General Assembly.

16 (b) Upon receipt of an application from a county or
17 municipality the Department shall review the application to
18 determine whether the designated area qualifies as an
19 enterprise zone under Section 4 of this Act.

20 (c) No later than June 30 ~~May 1~~, the Department shall
21 notify all applicant municipalities and counties of the
22 Department's determination of the qualification of their
23 respective designated enterprise zone areas, and shall send
24 qualifying applications, including the applicant's scores for
25 items (1) through (10) of subsection (a) of Section 4.1 and the
26 applicant's final score under that Section, to the Board.

1 (d) If any such designated area is found to be qualified to
2 be an enterprise zone by the Department under subsection (c) of
3 this Section, the Department shall, no later than July 15 ~~May~~
4 ~~15~~, send a letter of notification to each member of the General
5 Assembly whose legislative district or representative district
6 contains all or part of the designated area and publish a
7 notice in at least one newspaper of general circulation within
8 the proposed zone area to notify the general public of the
9 application and their opportunity to comment. Such notice shall
10 include a description of the area and a brief summary of the
11 application and shall indicate locations where the applicant
12 has provided copies of the application for public inspection.
13 The notice shall also indicate appropriate procedures for the
14 filing of written comments from zone residents, business, civic
15 and other organizations and property owners to the Department.

16 (e) (Blank). ~~By July 1 of each calendar year, the~~
17 ~~Department shall either approve or deny all applications filed~~
18 ~~by December 31 of the preceding calendar year. If approval of~~
19 ~~an application filed by December 31 of any calendar year is not~~
20 ~~received by July 1 of the following calendar year, the~~
21 ~~application shall be considered denied. If an application is~~
22 ~~denied, the Department shall inform the county or municipality~~
23 ~~of the specific reasons for the denial.~~

24 (f) (Blank). ~~Preference in Designation. In determining~~
25 ~~which designated areas shall be approved and certified as~~
26 ~~Enterprise Zones, the Department shall give preference to:~~

1 ~~(1) Areas with high levels of poverty, unemployment, job~~
2 ~~and population loss, and general distress; and~~

3 ~~(2) Areas which have evidenced with widest support from the~~
4 ~~county or municipality seeking to have such areas designated as~~
5 ~~Enterprise Zones, community residents, local business, labor~~
6 ~~and neighborhood organizations and where there are plans for~~
7 ~~the disposal of publicly owned real property as described in~~
8 ~~Section 10; and~~

9 ~~(3) Areas for which a specific plan has been submitted to~~
10 ~~effect economic growth and expansion and neighborhood~~
11 ~~revitalization for the benefit of Zone residents and existing~~
12 ~~business through efforts which may include but need not be~~
13 ~~limited to a reduction of tax rates or fees, an increase in the~~
14 ~~level and efficiency of local services, and a simplification or~~
15 ~~streamlining of governmental requirements applicable to~~
16 ~~employers or employees, taking into account the resources~~
17 ~~available to the county or municipality seeking to have an area~~
18 ~~designated as an Enterprise Zone to make such efforts; and~~

19 ~~(4) Areas for which there is evidence of prior consultation~~
20 ~~between the county or municipality seeking designation of an~~
21 ~~area as an Enterprise Zone and business, labor and neighborhood~~
22 ~~organizations within the proposed Zone;~~

23 ~~(5) Areas for which a specific plan has been submitted~~
24 ~~which will or may be expected to benefit zone residents and~~
25 ~~workers by increasing their ownership opportunities and~~
26 ~~participation in enterprise zone development;~~

1 ~~(6) Areas in which specific governmental functions are to~~
2 ~~be performed by designated neighborhood organizations in~~
3 ~~partnership with the county or municipality seeking~~
4 ~~designation of an area as an Enterprise Zone.~~

5 (g) (Blank). ~~At least 2/5 of all new enterprise zones~~
6 ~~approved and certified by the Department during any calendar~~
7 ~~year shall be located wholly or partially within counties with~~
8 ~~unemployment rates of or above 8% for at least one month during~~
9 ~~the 12-month calendar year preceding the calendar year in which~~
10 ~~the applications are to be considered and acted upon by the~~
11 ~~Department.~~

12 (h) (Blank). ~~The Department's determination of whether to~~
13 ~~certify an enterprise zone shall be based on the purposes of~~
14 ~~this Act, the criteria set forth in Section 4 and subsections~~
15 ~~(f) and (g) of Section 5.2, and any additional criteria adopted~~
16 ~~by regulation of the Department under paragraph (d) of Section~~
17 ~~4.~~

18 (Source: P.A. 85-870.)

19 (20 ILCS 655/5.2.1 new)

20 Sec. 5.2.1. Enterprise Zone Board.

21 (a) An Enterprise Zone Board is hereby created within the
22 Department.

23 (b) The Board shall consist of the following 5 members:

24 (1) the Director of Commerce and Economic Opportunity,
25 or his or her designee, who shall serve as chairperson;

1 (2) the Director of Revenue, or his or her designee;
2 and

3 (3) three members appointed by the Governor, with the
4 advice and consent of the Senate.

5 Board members shall serve without compensation but may be
6 reimbursed for necessary expenses incurred in the performance
7 of their duties.

8 (c) Each member appointed under item (3) of subsection (b)
9 shall have at least 5 years of experience in business, economic
10 development, or site location. Of the members appointed under
11 item (3) of subsection (b): one member shall reside in Cook
12 County; one member shall reside in DuPage, Kane, Lake, McHenry,
13 or Will County; and one member shall reside in a county other
14 than Cook, DuPage, Kane, Lake, McHenry, or Will.

15 (d) Of the initial members appointed under item (3) of
16 subsection (b): one member shall serve for a term of 2 years;
17 one member shall serve for a term of 3 years; and one member
18 shall serve for a term of 4 years. Thereafter, all members
19 appointed under item (3) of subsection (b) shall serve for
20 terms of 4 years. Members appointed under item (3) of
21 subsection (b) may be reappointed. The Governor may remove a
22 member appointed under item (3) of subsection (b) for
23 incompetence, neglect of duty, or malfeasance in office.

24 (e) By September 30, 2014, and September 30 of each year
25 thereafter, all applications filed by December 31 of the
26 preceding calendar year and deemed qualified by the Department

1 shall be approved or denied by the Board. If such application
2 is not approved by September 30, the application shall be
3 considered denied. If an application is denied, the Board shall
4 inform the applicant of the specific reasons for the denial.

5 (f) A majority of the Board will determine whether an
6 application is approved or denied. The Board is not, at any
7 time, required to designate an enterprise zone.

8 (g) In determining which designated areas shall be approved
9 and certified as enterprise zones, the Board shall give
10 preference to the extent to which the area meets the criteria
11 set forth in Section 4.

12 (20 ILCS 655/5.3) (from Ch. 67 1/2, par. 608)

13 Sec. 5.3. Certification of Enterprise Zones; Effective
14 date.

15 (a) Certification of Board-approved ~~Approval of~~ designated
16 Enterprise Zones shall be made by the Department by
17 certification of the designating ordinance. The Department
18 shall promptly issue a certificate for each Enterprise Zone
19 upon ~~its~~ approval by the Board. The certificate shall be signed
20 by the Director of the Department, shall make specific
21 reference to the designating ordinance, which shall be attached
22 thereto, and shall be filed in the office of the Secretary of
23 State. A certified copy of the Enterprise Zone Certificate, or
24 a duplicate original thereof, shall be recorded in the office
25 of recorder of deeds of the county in which the Enterprise Zone

1 lies.

2 (b) An Enterprise Zone shall be effective on January 1 of
3 the first calendar year after Department ~~upon its~~
4 certification. The Department shall transmit a copy of the
5 certification to the Department of Revenue, and to the
6 designating municipality or county.

7 Upon certification of an Enterprise Zone, the terms and
8 provisions of the designating ordinance shall be in effect, and
9 may not be amended or repealed except in accordance with
10 Section 5.4.

11 (c) With the exception of Enterprise Zones scheduled to
12 expire before December 31, 2018, an ~~An~~ Enterprise Zone
13 designated before the effective date of this amendatory Act of
14 the 97th General Assembly shall be in effect for 30 calendar
15 years, or for a lesser number of years specified in the
16 certified designating ordinance. Each Enterprise Zone in
17 existence on the effective date of this amendatory Act of the
18 97th General Assembly that is scheduled to expire before July
19 1, 2016 will have its termination date extended until July 1,
20 2016. An Enterprise Zone designated on or after the effective
21 date of this amendatory act of the 97th General Assembly shall
22 be in effect for a term of 15 calendar years, or for a lesser
23 number of years specified in the certified designating
24 ordinance. An enterprise zone designated on or after the
25 effective date of this amendatory Act of the 97th General
26 Assembly shall be subject to review by the Board after 13 years

1 for an additional 10-year designation. Enterprise Zones shall
2 terminate at midnight of December 31 of the final calendar year
3 of the certified term, except as provided in Section 5.4.

4 (d) No more than 12 Enterprise Zones may be certified by
5 the Department in calendar year 1984, no more than 12
6 Enterprise Zones may be certified by the Department in calendar
7 year 1985, no more than 13 Enterprise Zones may be certified by
8 the Department in calendar year 1986, no more than 15
9 Enterprise Zones may be certified by the Department in calendar
10 year 1987, and no more than 20 Enterprise Zones may be
11 certified by the Department in calendar year 1990. In other
12 calendar years, no more than 13 Enterprise Zones may be
13 certified by the Department. The Department may also designate
14 up to 8 additional Enterprise Zones outside the regular
15 application cycle if warranted by the extreme economic
16 circumstances as determined by the Department. The Department
17 may also designate one additional Enterprise Zone outside the
18 regular application cycle if an aircraft manufacturer agrees to
19 locate an aircraft manufacturing facility in the proposed
20 Enterprise Zone. Notwithstanding any other provision of this
21 Act, no more than 89 Enterprise Zones may be certified by the
22 Department for the 10 calendar years commencing with 1983. The
23 7 additional Enterprise Zones authorized by Public Act 86-15
24 shall not lie within municipalities or unincorporated areas of
25 counties that abut or are contiguous to Enterprise Zones
26 certified pursuant to this Section prior to June 30, 1989. The

1 7 additional Enterprise Zones (excluding the additional
2 Enterprise Zone which may be designated outside the regular
3 application cycle) authorized by Public Act 86-1030 shall not
4 lie within municipalities or unincorporated areas of counties
5 that abut or are contiguous to Enterprise Zones certified
6 pursuant to this Section prior to February 28, 1990. Beginning
7 in calendar year 2004 and until December 31, 2008, one
8 additional enterprise zone may be certified by the Department.
9 In any calendar year, the Department may not certify more than
10 3 Zones located within the same municipality. The Department
11 may certify Enterprise Zones in each of the 10 calendar years
12 commencing with 1983. The Department may not certify more than
13 a total of 18 Enterprise Zones located within the same county
14 (whether within municipalities or within unincorporated
15 territory) for the 10 calendar years commencing with 1983.
16 Thereafter, the Department may not certify any additional
17 Enterprise Zones, but may amend and rescind certifications of
18 existing Enterprise Zones in accordance with Section 5.4.

19 (e) Notwithstanding any other provision of law, if (i) the
20 county board of any county in which a current military base is
21 located, in part or in whole, or in which a military base that
22 has been closed within 20 years of the effective date of this
23 amendatory Act of 1998 is located, in part or in whole, adopts
24 a designating ordinance in accordance with Section 5 of this
25 Act to designate the military base in that county as an
26 enterprise zone and (ii) the property otherwise meets the

1 qualifications for an enterprise zone as prescribed in Section
2 4 of this Act, then the Department may certify the designating
3 ordinance or ordinances, as the case may be.

4 (f) Applications for Enterprise Zones that are scheduled to
5 expire in 2016, 2017, or 2018, including Enterprise Zones that
6 have been extended until 2016 by this amendatory Act of the
7 97th General Assembly, shall be submitted to the Department no
8 later than the date established by the Department by rule
9 pursuant to Section 5.2. At that time, the Zone becomes
10 available for either the previously designated area or a
11 different area to compete for designation. No preference for
12 designation as a Zone will be given to the previously
13 designated area.

14 For Enterprise Zones that are scheduled to expire on or
15 after January 1, 2019, an application process shall begin 2
16 years prior to the year in which the Zone expires. At that
17 time, the Zone becomes available for either the previously
18 designated area or a different area to compete for designation.
19 No preference for designation as a Zone will be given to the
20 previously designated area.

21 Each Enterprise Zone that reapplies for certification but
22 does not receive a new certification shall expire on its
23 scheduled termination date.

24 (Source: P.A. 92-16, eff. 6-28-01; 92-777, eff. 1-1-03; 93-436,
25 eff. 1-1-04.)

1 (20 ILCS 655/5.5) (from Ch. 67 1/2, par. 609.1)

2 Sec. 5.5. High Impact Business.

3 (a) In order to respond to unique opportunities to assist
4 in the encouragement, development, growth and expansion of the
5 private sector through large scale investment and development
6 projects, the Department is authorized to receive and approve
7 applications for the designation of "High Impact Businesses" in
8 Illinois subject to the following conditions:

9 (1) such applications may be submitted at any time
10 during the year;

11 (2) such business is not located, at the time of
12 designation, in an enterprise zone designated pursuant to
13 this Act;

14 (3) the business intends to do one or more of the
15 following:

16 (A) the business intends to make a minimum
17 investment of \$12,000,000 which will be placed in
18 service in qualified property and intends to create 500
19 full-time equivalent jobs at a designated location in
20 Illinois or intends to make a minimum investment of
21 \$30,000,000 which will be placed in service in
22 qualified property and intends to retain 1,500
23 full-time retained jobs at a designated location in
24 Illinois. The business must certify in writing that the
25 investments would not be placed in service in qualified
26 property and the job creation or job retention would

1 not occur without the tax credits and exemptions set
2 forth in subsection (b) of this Section. The terms
3 "placed in service" and "qualified property" have the
4 same meanings as described in subsection (h) of Section
5 201 of the Illinois Income Tax Act; or

6 (B) the business intends to establish a new
7 electric generating facility at a designated location
8 in Illinois. "New electric generating facility", for
9 purposes of this Section, means a newly-constructed
10 electric generation plant or a newly-constructed
11 generation capacity expansion at an existing electric
12 generation plant, including the transmission lines and
13 associated equipment that transfers electricity from
14 points of supply to points of delivery, and for which
15 such new foundation construction commenced not sooner
16 than July 1, 2001. Such facility shall be designed to
17 provide baseload electric generation and shall operate
18 on a continuous basis throughout the year; and (i)
19 shall have an aggregate rated generating capacity of at
20 least 1,000 megawatts for all new units at one site if
21 it uses natural gas as its primary fuel and foundation
22 construction of the facility is commenced on or before
23 December 31, 2004, or shall have an aggregate rated
24 generating capacity of at least 400 megawatts for all
25 new units at one site if it uses coal or gases derived
26 from coal as its primary fuel and shall support the

1 creation of at least 150 new Illinois coal mining jobs,
2 or (ii) shall be funded through a federal Department of
3 Energy grant before December 31, 2010 and shall support
4 the creation of Illinois coal-mining jobs, or (iii)
5 shall use coal gasification or integrated
6 gasification-combined cycle units that generate
7 electricity or chemicals, or both, and shall support
8 the creation of Illinois coal-mining jobs. The
9 business must certify in writing that the investments
10 necessary to establish a new electric generating
11 facility would not be placed in service and the job
12 creation in the case of a coal-fueled plant would not
13 occur without the tax credits and exemptions set forth
14 in subsection (b-5) of this Section. The term "placed
15 in service" has the same meaning as described in
16 subsection (h) of Section 201 of the Illinois Income
17 Tax Act; or

18 (B-5) the business intends to establish a new
19 gasification facility at a designated location in
20 Illinois. As used in this Section, "new gasification
21 facility" means a newly constructed coal gasification
22 facility that generates chemical feedstocks or
23 transportation fuels derived from coal (which may
24 include, but are not limited to, methane, methanol, and
25 nitrogen fertilizer), that supports the creation or
26 retention of Illinois coal-mining jobs, and that

1 qualifies for financial assistance from the Department
2 before December 31, 2010. A new gasification facility
3 does not include a pilot project located within
4 Jefferson County or within a county adjacent to
5 Jefferson County for synthetic natural gas from coal;
6 or

7 (C) the business intends to establish production
8 operations at a new coal mine, re-establish production
9 operations at a closed coal mine, or expand production
10 at an existing coal mine at a designated location in
11 Illinois not sooner than July 1, 2001; provided that
12 the production operations result in the creation of 150
13 new Illinois coal mining jobs as described in
14 subdivision (a)(3)(B) of this Section, and further
15 provided that the coal extracted from such mine is
16 utilized as the predominant source for a new electric
17 generating facility. The business must certify in
18 writing that the investments necessary to establish a
19 new, expanded, or reopened coal mine would not be
20 placed in service and the job creation would not occur
21 without the tax credits and exemptions set forth in
22 subsection (b-5) of this Section. The term "placed in
23 service" has the same meaning as described in
24 subsection (h) of Section 201 of the Illinois Income
25 Tax Act; or

26 (D) the business intends to construct new

1 transmission facilities or upgrade existing
2 transmission facilities at designated locations in
3 Illinois, for which construction commenced not sooner
4 than July 1, 2001. For the purposes of this Section,
5 "transmission facilities" means transmission lines
6 with a voltage rating of 115 kilovolts or above,
7 including associated equipment, that transfer
8 electricity from points of supply to points of delivery
9 and that transmit a majority of the electricity
10 generated by a new electric generating facility
11 designated as a High Impact Business in accordance with
12 this Section. The business must certify in writing that
13 the investments necessary to construct new
14 transmission facilities or upgrade existing
15 transmission facilities would not be placed in service
16 without the tax credits and exemptions set forth in
17 subsection (b-5) of this Section. The term "placed in
18 service" has the same meaning as described in
19 subsection (h) of Section 201 of the Illinois Income
20 Tax Act; or

21 (E) the business intends to establish a new wind
22 power facility at a designated location in Illinois.
23 For purposes of this Section, "new wind power facility"
24 means a newly constructed electric generation
25 facility, or a newly constructed expansion of an
26 existing electric generation facility, placed in

1 service on or after July 1, 2009, that generates
2 electricity using wind energy devices, and such
3 facility shall be deemed to include all associated
4 transmission lines, substations, and other equipment
5 related to the generation of electricity from wind
6 energy devices. For purposes of this Section, "wind
7 energy device" means any device, with a nameplate
8 capacity of at least 0.5 megawatts, that is used in the
9 process of converting kinetic energy from the wind to
10 generate electricity; and

11 (4) no later than 90 days after an application is
12 submitted, the Department shall notify the applicant of the
13 Department's determination of the qualification of the
14 proposed High Impact Business under this Section.

15 (b) Businesses designated as High Impact Businesses
16 pursuant to subdivision (a) (3) (A) of this Section shall qualify
17 for the credits and exemptions described in the following Acts:
18 Section 9-222 and Section 9-222.1A of the Public Utilities Act,
19 subsection (h) of Section 201 of the Illinois Income Tax Act,
20 and Section 1d of the Retailers' Occupation Tax Act; provided
21 that these credits and exemptions described in these Acts shall
22 not be authorized until the minimum investments set forth in
23 subdivision (a) (3) (A) of this Section have been placed in
24 service in qualified properties and, in the case of the
25 exemptions described in the Public Utilities Act and Section 1d
26 of the Retailers' Occupation Tax Act, the minimum full-time

1 equivalent jobs or full-time retained jobs set forth in
2 subdivision (a) (3) (A) of this Section have been created or
3 retained. Businesses designated as High Impact Businesses
4 under this Section shall also qualify for the exemption
5 described in Section 51 of the Retailers' Occupation Tax Act.
6 The credit provided in subsection (h) of Section 201 of the
7 Illinois Income Tax Act shall be applicable to investments in
8 qualified property as set forth in subdivision (a) (3) (A) of
9 this Section.

10 (b-5) Businesses designated as High Impact Businesses
11 pursuant to subdivisions (a) (3) (B), (a) (3) (B-5), (a) (3) (C),
12 and (a) (3) (D) of this Section shall qualify for the credits and
13 exemptions described in the following Acts: Section 51 of the
14 Retailers' Occupation Tax Act, Section 9-222 and Section
15 9-222.1A of the Public Utilities Act, and subsection (h) of
16 Section 201 of the Illinois Income Tax Act; however, the
17 credits and exemptions authorized under Section 9-222 and
18 Section 9-222.1A of the Public Utilities Act, and subsection
19 (h) of Section 201 of the Illinois Income Tax Act shall not be
20 authorized until the new electric generating facility, the new
21 gasification facility, the new transmission facility, or the
22 new, expanded, or reopened coal mine is operational, except
23 that a new electric generating facility whose primary fuel
24 source is natural gas is eligible only for the exemption under
25 Section 51 of the Retailers' Occupation Tax Act.

26 (b-6) Businesses designated as High Impact Businesses

1 pursuant to subdivision (a) (3) (E) of this Section shall qualify
2 for the exemptions described in Section 51 of the Retailers'
3 Occupation Tax Act; any business so designated as a High Impact
4 Business being, for purposes of this Section, a "Wind Energy
5 Business".

6 (c) High Impact Businesses located in federally designated
7 foreign trade zones or sub-zones are also eligible for
8 additional credits, exemptions and deductions as described in
9 the following Acts: Section 9-221 and Section 9-222.1 of the
10 Public Utilities Act; and subsection (g) of Section 201, and
11 Section 203 of the Illinois Income Tax Act.

12 (d) Except for businesses contemplated under subdivision
13 (a) (3) (E) of this Section, existing Illinois businesses which
14 apply for designation as a High Impact Business must provide
15 the Department with the prospective plan for which 1,500
16 full-time retained jobs would be eliminated in the event that
17 the business is not designated.

18 (e) Except for new wind power facilities contemplated under
19 subdivision (a) (3) (E) of this Section, new proposed facilities
20 which apply for designation as High Impact Business must
21 provide the Department with proof of alternative non-Illinois
22 sites which would receive the proposed investment and job
23 creation in the event that the business is not designated as a
24 High Impact Business.

25 (f) Except for businesses contemplated under subdivision
26 (a) (3) (E) of this Section, in the event that a business is

1 designated a High Impact Business and it is later determined
2 after reasonable notice and an opportunity for a hearing as
3 provided under the Illinois Administrative Procedure Act, that
4 the business would have placed in service in qualified property
5 the investments and created or retained the requisite number of
6 jobs without the benefits of the High Impact Business
7 designation, the Department shall be required to immediately
8 revoke the designation and notify the Director of the
9 Department of Revenue who shall begin proceedings to recover
10 all wrongfully exempted State taxes with interest. The business
11 shall also be ineligible for all State funded Department
12 programs for a period of 10 years.

13 (g) The Department shall revoke a High Impact Business
14 designation if the participating business fails to comply with
15 the terms and conditions of the designation. However, the
16 penalties for new wind power facilities or Wind Energy
17 Businesses for failure to comply with any of the terms or
18 conditions of the Illinois Prevailing Wage Act shall be only
19 those penalties identified in the Illinois Prevailing Wage Act,
20 and the Department shall not revoke a High Impact Business
21 designation as a result of the failure to comply with any of
22 the terms or conditions of the Illinois Prevailing Wage Act in
23 relation to a new wind power facility or a Wind Energy
24 Business.

25 (h) Prior to designating a business, the Department shall
26 provide the members of the General Assembly and Commission on

1 Government Forecasting and Accountability with a report
2 setting forth the terms and conditions of the designation and
3 guarantees that have been received by the Department in
4 relation to the proposed business being designated.

5 (Source: P.A. 95-18, eff. 7-30-07; 96-28, eff. 7-1-09.)

6 (20 ILCS 655/6) (from Ch. 67 1/2, par. 610)

7 Sec. 6. Powers and Duties of Department.

8 (A) General Powers. The Department shall administer this
9 Act and shall have the following powers and duties:

10 (1) To monitor the implementation of this Act and
11 submit reports evaluating the effectiveness of the program
12 and any suggestions for legislation to the Governor and
13 General Assembly by October 1 of every year preceding a
14 regular Session of the General Assembly and to annually
15 report to the General Assembly initial and current
16 population, employment, per capita income, number of
17 business establishments, ~~and~~ dollar value of new
18 construction and improvements, and the aggregate value of
19 each tax incentive, based on information provided by the
20 Department of Revenue, for each Enterprise Zone.

21 (2) To promulgate all necessary rules and regulations
22 to carry out the purposes of this Act in accordance with
23 The Illinois Administrative Procedure Act.

24 (3) To assist municipalities and counties in obtaining
25 Federal status as an Enterprise Zone.

1 (B) Specific Duties:

2 (1) The Department shall provide information and
3 appropriate assistance to persons desiring to locate and
4 engage in business in an enterprise zone, to persons
5 engaged in business in an enterprise zone and to designated
6 zone organizations operating there.

7 (2) The Department shall, in cooperation with
8 appropriate units of local government and State agencies,
9 coordinate and streamline existing State business
10 assistance programs and permit and license application
11 procedures for Enterprise Zone businesses.

12 (3) The Department shall publicize existing tax
13 incentives and economic development programs within the
14 Zone and upon request, offer technical assistance in
15 abatement and alternative revenue source development to
16 local units of government which have enterprise Zones
17 within their jurisdiction.

18 (4) The Department shall work together with the
19 responsible State and Federal agencies to promote the
20 coordination of other relevant programs, including but not
21 limited to housing, community and economic development,
22 small business, banking, financial assistance, and
23 employment training programs which are carried on in an
24 Enterprise Zone.

25 (5) In order to stimulate employment opportunities for
26 Zone residents, the Department, in cooperation with the

1 Department of Human Services and the Department of
2 Employment Security, is to initiate a test of the following
3 2 programs within the 12 month period following designation
4 and approval by the Department of the first enterprise
5 zones: (i) the use of aid to families with dependent
6 children benefits payable under Article IV of the Illinois
7 Public Aid Code, General Assistance benefits payable under
8 Article VI of the Illinois Public Aid Code, the
9 unemployment insurance benefits payable under the
10 Unemployment Insurance Act as training or employment
11 subsidies leading to unsubsidized employment; and (ii) a
12 program for voucher reimbursement of the cost of training
13 zone residents eligible under the Targeted Jobs Tax Credit
14 provisions of the Internal Revenue Code for employment in
15 private industry. These programs shall not be designed to
16 subsidize businesses, but are intended to open up job and
17 training opportunities not otherwise available. Nothing in
18 this paragraph (5) shall be deemed to require zone
19 businesses to utilize these programs. These programs
20 should be designed (i) for those individuals whose
21 opportunities for job-finding are minimal without program
22 participation, (ii) to minimize the period of benefit
23 collection by such individuals, and (iii) to accelerate the
24 transition of those individuals to unsubsidized
25 employment. The Department is to seek agreement with
26 business, organized labor and the appropriate State

1 Department and agencies on the design, operation and
2 evaluation of the test programs.

3 A report with recommendations including representative
4 comments of these groups shall be submitted by the Department
5 to the county or municipality which designated the area as an
6 Enterprise Zone, Governor and General Assembly not later than
7 12 months after such test programs have commenced, or not later
8 than 3 months following the termination of such test programs,
9 whichever first occurs.

10 (Source: P.A. 89-507, eff. 7-1-97.)

11 (20 ILCS 655/8.1 new)

12 Sec. 8.1. Accounting.

13 (a) Any business receiving tax incentives due to its
14 location within an Enterprise Zone or its designation as a High
15 Impact Business must report the total Enterprise Zone or High
16 Impact Business tax benefits received by the business, broken
17 down by incentive category and enterprise zone, if applicable,
18 annually to the Department of Revenue. Reports will be due no
19 later than March 30 of each year and shall cover the previous
20 calendar year. The first report will be for the 2012 calendar
21 year and will be due no later than March 30, 2013. Failure to
22 report data shall result in ineligibility to receive
23 incentives. For the first offense, a business shall be given 60
24 days to comply.

25 (b) Each person required to file a return under the Gas

1 Revenue Tax Act, the Gas Use Tax Act, the Electricity Excise
2 Tax Act, or the Telecommunications Excise Tax Act shall file,
3 on or before March 30 of each year, a report with the
4 Department of Revenue, in the manner and form required by the
5 Department of Revenue, itemizing the amount of the deduction
6 taken under each Act, respectively, due to the location of a
7 business in an Enterprise Zone or its designation as a High
8 Impact Business. The report shall be itemized by business and
9 the business location address.

10 (c) Employers shall report their job creation, retention,
11 and capital investment numbers within the zone annually to the
12 administrator which will compile the information and report it
13 to the Department of Revenue no later than March 30 of each
14 calendar year. High Impact businesses shall report their job
15 creation, retention, and capital investment numbers directly
16 to the Department of Revenue no later than March 30 of each
17 year.

18 (d) The Department of Revenue will aggregate and collect
19 the tax, job, and capital investment data by Enterprise Zone
20 and High Impact Business and report this information, formatted
21 to exclude company-specific proprietary information, to the
22 Department by May 1, 2013, and by May 1 of every calendar year
23 thereafter. The Department will include this information in
24 their required reports under Section 6 of this Act.

25 (e) The Department of Revenue, in its discretion, may
26 require that the reports filed under this Section be submitted

1 electronically.

2 (f) The Department of Revenue shall have the authority to
3 adopt rules as are reasonable and necessary to implement the
4 provisions of this Section.

5 (20 ILCS 655/8.2 new)

6 Sec. 8.2. Zone Administrator.

7 (a) Each Zone Administrator designated under Section 8 of
8 this Act shall post a copy of the boundaries of the Enterprise
9 Zone on its official Internet website and shall provide an
10 electronic copy to the Department. The Department shall post
11 each copy of the boundaries of an Enterprise Zone that it
12 receives from a Zone Administrator on its official Internet
13 website.

14 (b) The Zone Administrator shall collect and aggregate the
15 following information:

16 (1) the estimated cost of each building project, broken
17 down into labor and materials; and

18 (2) within 60 days after the end of the project, the
19 estimated cost of each building project, broken down into
20 labor and materials.

21 (c) By April 1 of each year, each Zone Administrator shall
22 file a copy of its fee schedule with the Department, and the
23 Department shall review and approve the fee schedule. Zone
24 Administrators shall charge no more than 0.5% of the cost of
25 building materials of the project associated with the specific

1 Enterprise Zone, with a maximum fee of no more than \$50,000.

2 Section 10. The Illinois Income Tax Act is amended by
3 changing Sections 201 and 203 as follows:

4 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

5 (Text of Section before amendment by P.A. 97-636)

6 Sec. 201. Tax Imposed.

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

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

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

21 (2) In the case of an individual, trust or estate, for
22 taxable years beginning prior to July 1, 1989 and ending
23 after June 30, 1989, an amount equal to the sum of (i) 2
24 1/2% of the taxpayer's net income for the period prior to

1 July 1, 1989, as calculated under Section 202.3, and (ii)
2 3% of the taxpayer's net income for the period after June
3 30, 1989, as calculated under Section 202.3.

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

8 (4) In the case of an individual, trust, or estate, for
9 taxable years beginning prior to January 1, 2011, and
10 ending after December 31, 2010, an amount equal to the sum
11 of (i) 3% of the taxpayer's net income for the period prior
12 to January 1, 2011, as calculated under Section 202.5, and
13 (ii) 5% of the taxpayer's net income for the period after
14 December 31, 2010, as calculated under Section 202.5.

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

19 (5.1) In the case of an individual, trust, or estate,
20 for taxable years beginning prior to January 1, 2015, and
21 ending after December 31, 2014, an amount equal to the sum
22 of (i) 5% of the taxpayer's net income for the period prior
23 to January 1, 2015, as calculated under Section 202.5, and
24 (ii) 3.75% of the taxpayer's net income for the period
25 after December 31, 2014, as calculated under Section 202.5.

26 (5.2) In the case of an individual, trust, or estate,

1 for taxable years beginning on or after January 1, 2015,
2 and ending prior to January 1, 2025, an amount equal to
3 3.75% of the taxpayer's net income for the taxable year.

4 (5.3) In the case of an individual, trust, or estate,
5 for taxable years beginning prior to January 1, 2025, and
6 ending after December 31, 2024, an amount equal to the sum
7 of (i) 3.75% of the taxpayer's net income for the period
8 prior to January 1, 2025, as calculated under Section
9 202.5, and (ii) 3.25% of the taxpayer's net income for the
10 period after December 31, 2024, as calculated under Section
11 202.5.

12 (5.4) In the case of an individual, trust, or estate,
13 for taxable years beginning on or after January 1, 2025, an
14 amount equal to 3.25% of the taxpayer's net income for the
15 taxable year.

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

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

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

1 beginning after June 30, 1989, and ending prior to January
2 1, 2011, an amount equal to 4.8% of the taxpayer's net
3 income for the taxable year.

4 (9) In the case of a corporation, for taxable years
5 beginning prior to January 1, 2011, and ending after
6 December 31, 2010, an amount equal to the sum of (i) 4.8%
7 of the taxpayer's net income for the period prior to
8 January 1, 2011, as calculated under Section 202.5, and
9 (ii) 7% of the taxpayer's net income for the period after
10 December 31, 2010, as calculated under Section 202.5.

11 (10) In the case of a corporation, for taxable years
12 beginning on or after January 1, 2011, and ending prior to
13 January 1, 2015, an amount equal to 7% of the taxpayer's
14 net income for the taxable year.

15 (11) In the case of a corporation, for taxable years
16 beginning prior to January 1, 2015, and ending after
17 December 31, 2014, an amount equal to the sum of (i) 7% of
18 the taxpayer's net income for the period prior to January
19 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
20 of the taxpayer's net income for the period after December
21 31, 2014, as calculated under Section 202.5.

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

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

1 beginning prior to January 1, 2025, and ending after
2 December 31, 2024, an amount equal to the sum of (i) 5.25%
3 of the taxpayer's net income for the period prior to
4 January 1, 2025, as calculated under Section 202.5, and
5 (ii) 4.8% of the taxpayer's net income for the period after
6 December 31, 2024, as calculated under Section 202.5.

7 (14) In the case of a corporation, for taxable years
8 beginning on or after January 1, 2025, an amount equal to
9 4.8% of the taxpayer's net income for the taxable year.

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

12 (c) Personal Property Tax Replacement Income Tax.
13 Beginning on July 1, 1979 and thereafter, in addition to such
14 income tax, there is also hereby imposed the Personal Property
15 Tax Replacement Income Tax measured by net income on every
16 corporation (including Subchapter S corporations), partnership
17 and trust, for each taxable year ending after June 30, 1979.
18 Such taxes are imposed on the privilege of earning or receiving
19 income in or as a resident of this State. The Personal Property
20 Tax Replacement Income Tax shall be in addition to the income
21 tax imposed by subsections (a) and (b) of this Section and in
22 addition to all other occupation or privilege taxes imposed by
23 this State or by any municipal corporation or political
24 subdivision thereof.

25 (d) Additional Personal Property Tax Replacement Income
26 Tax Rates. The personal property tax replacement income tax

1 imposed by this subsection and subsection (c) of this Section
2 in the case of a corporation, other than a Subchapter S
3 corporation and except as adjusted by subsection (d-1), shall
4 be an additional amount equal to 2.85% of such taxpayer's net
5 income for the taxable year, except that beginning on January
6 1, 1981, and thereafter, the rate of 2.85% specified in this
7 subsection shall be reduced to 2.5%, and in the case of a
8 partnership, trust or a Subchapter S corporation shall be an
9 additional amount equal to 1.5% of such taxpayer's net income
10 for the taxable year.

11 (d-1) Rate reduction for certain foreign insurers. In the
12 case of a foreign insurer, as defined by Section 35A-5 of the
13 Illinois Insurance Code, whose state or country of domicile
14 imposes on insurers domiciled in Illinois a retaliatory tax
15 (excluding any insurer whose premiums from reinsurance assumed
16 are 50% or more of its total insurance premiums as determined
17 under paragraph (2) of subsection (b) of Section 304, except
18 that for purposes of this determination premiums from
19 reinsurance do not include premiums from inter-affiliate
20 reinsurance arrangements), beginning with taxable years ending
21 on or after December 31, 1999, the sum of the rates of tax
22 imposed by subsections (b) and (d) shall be reduced (but not
23 increased) to the rate at which the total amount of tax imposed
24 under this Act, net of all credits allowed under this Act,
25 shall equal (i) the total amount of tax that would be imposed
26 on the foreign insurer's net income allocable to Illinois for

1 the taxable year by such foreign insurer's state or country of
2 domicile if that net income were subject to all income taxes
3 and taxes measured by net income imposed by such foreign
4 insurer's state or country of domicile, net of all credits
5 allowed or (ii) a rate of zero if no such tax is imposed on such
6 income by the foreign insurer's state of domicile. For the
7 purposes of this subsection (d-1), an inter-affiliate includes
8 a mutual insurer under common management.

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

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

15 (B) the privilege tax imposed by Section 409 of the
16 Illinois Insurance Code, the fire insurance company
17 tax imposed by Section 12 of the Fire Investigation
18 Act, and the fire department taxes imposed under
19 Section 11-10-1 of the Illinois Municipal Code,
20 equals 1.25% for taxable years ending prior to December 31,
21 2003, or 1.75% for taxable years ending on or after
22 December 31, 2003, of the net taxable premiums written for
23 the taxable year, as described by subsection (1) of Section
24 409 of the Illinois Insurance Code. This paragraph will in
25 no event increase the rates imposed under subsections (b)
26 and (d).

1 (2) Any reduction in the rates of tax imposed by this
2 subsection shall be applied first against the rates imposed
3 by subsection (b) and only after the tax imposed by
4 subsection (a) net of all credits allowed under this
5 Section other than the credit allowed under subsection (i)
6 has been reduced to zero, against the rates imposed by
7 subsection (d).

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

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

13 (1) A taxpayer shall be allowed a credit equal to .5%
14 of the basis of qualified property placed in service during
15 the taxable year, provided such property is placed in
16 service on or after July 1, 1984. There shall be allowed an
17 additional credit equal to .5% of the basis of qualified
18 property placed in service during the taxable year,
19 provided such property is placed in service on or after
20 July 1, 1986, and the taxpayer's base employment within
21 Illinois has increased by 1% or more over the preceding
22 year as determined by the taxpayer's employment records
23 filed with the Illinois Department of Employment Security.
24 Taxpayers who are new to Illinois shall be deemed to have
25 met the 1% growth in base employment for the first year in
26 which they file employment records with the Illinois

1 Department of Employment Security. The provisions added to
2 this Section by Public Act 85-1200 (and restored by Public
3 Act 87-895) shall be construed as declaratory of existing
4 law and not as a new enactment. If, in any year, the
5 increase in base employment within Illinois over the
6 preceding year is less than 1%, the additional credit shall
7 be limited to that percentage times a fraction, the
8 numerator of which is .5% and the denominator of which is
9 1%, but shall not exceed .5%. The investment credit shall
10 not be allowed to the extent that it would reduce a
11 taxpayer's liability in any tax year below zero, nor may
12 any credit for qualified property be allowed for any year
13 other than the year in which the property was placed in
14 service in Illinois. For tax years ending on or after
15 December 31, 1987, and on or before December 31, 1988, the
16 credit shall be allowed for the tax year in which the
17 property is placed in service, or, if the amount of the
18 credit exceeds the tax liability for that year, whether it
19 exceeds the original liability or the liability as later
20 amended, such excess may be carried forward and applied to
21 the tax liability of the 5 taxable years following the
22 excess credit years if the taxpayer (i) makes investments
23 which cause the creation of a minimum of 2,000 full-time
24 equivalent jobs in Illinois, (ii) is located in an
25 enterprise zone established pursuant to the Illinois
26 Enterprise Zone Act and (iii) is certified by the

1 Department of Commerce and Community Affairs (now
2 Department of Commerce and Economic Opportunity) as
3 complying with the requirements specified in clause (i) and
4 (ii) by July 1, 1986. The Department of Commerce and
5 Community Affairs (now Department of Commerce and Economic
6 Opportunity) shall notify the Department of Revenue of all
7 such certifications immediately. For tax years ending
8 after December 31, 1988, the credit shall be allowed for
9 the tax year in which the property is placed in service,
10 or, if the amount of the credit exceeds the tax liability
11 for that year, whether it exceeds the original liability or
12 the liability as later amended, such excess may be carried
13 forward and applied to the tax liability of the 5 taxable
14 years following the excess credit years. The credit shall
15 be applied to the earliest year for which there is a
16 liability. If there is credit from more than one tax year
17 that is available to offset a liability, earlier credit
18 shall be applied first.

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

21 (A) is tangible, whether new or used, including
22 buildings and structural components of buildings and
23 signs that are real property, but not including land or
24 improvements to real property that are not a structural
25 component of a building such as landscaping, sewer
26 lines, local access roads, fencing, parking lots, and

1 other appurtenances;

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

7 (C) is acquired by purchase as defined in Section
8 179(d) of the Internal Revenue Code;

9 (D) is used in Illinois by a taxpayer who is
10 primarily engaged in manufacturing, or in mining coal
11 or fluorite, or in retailing, or was placed in service
12 on or after July 1, 2006 in a River Edge Redevelopment
13 Zone established pursuant to the River Edge
14 Redevelopment Zone Act; and

15 (E) has not previously been used in Illinois in
16 such a manner and by such a person as would qualify for
17 the credit provided by this subsection (e) or
18 subsection (f).

19 (3) For purposes of this subsection (e),
20 "manufacturing" means the material staging and production
21 of tangible personal property by procedures commonly
22 regarded as manufacturing, processing, fabrication, or
23 assembling which changes some existing material into new
24 shapes, new qualities, or new combinations. For purposes of
25 this subsection (e) the term "mining" shall have the same
26 meaning as the term "mining" in Section 613(c) of the

1 Internal Revenue Code. For purposes of this subsection (e),
2 the term "retailing" means the sale of tangible personal
3 property for use or consumption and not for resale, or
4 services rendered in conjunction with the sale of tangible
5 personal property for use or consumption and not for
6 resale. For purposes of this subsection (e), "tangible
7 personal property" has the same meaning as when that term
8 is used in the Retailers' Occupation Tax Act, and, for
9 taxable years ending after December 31, 2008, does not
10 include the generation, transmission, or distribution of
11 electricity.

12 (4) The basis of qualified property shall be the basis
13 used to compute the depreciation deduction for federal
14 income tax purposes.

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

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

22 (7) If during any taxable year, any property ceases to
23 be qualified property in the hands of the taxpayer within
24 48 months after being placed in service, or the situs of
25 any qualified property is moved outside Illinois within 48
26 months after being placed in service, the Personal Property

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

12 (8) Unless the investment credit is extended by law,
13 the basis of qualified property shall not include costs
14 incurred after December 31, 2013, except for costs incurred
15 pursuant to a binding contract entered into on or before
16 December 31, 2013.

17 (9) Each taxable year ending before December 31, 2000,
18 a partnership may elect to pass through to its partners the
19 credits to which the partnership is entitled under this
20 subsection (e) for the taxable year. A partner may use the
21 credit allocated to him or her under this paragraph only
22 against the tax imposed in subsections (c) and (d) of this
23 Section. If the partnership makes that election, those
24 credits shall be allocated among the partners in the
25 partnership in accordance with the rules set forth in
26 Section 704(b) of the Internal Revenue Code, and the rules

1 promulgated under that Section, and the allocated amount of
2 the credits shall be allowed to the partners for that
3 taxable year. The partnership shall make this election on
4 its Personal Property Tax Replacement Income Tax return for
5 that taxable year. The election to pass through the credits
6 shall be irrevocable.

7 For taxable years ending on or after December 31, 2000,
8 a partner that qualifies its partnership for a subtraction
9 under subparagraph (I) of paragraph (2) of subsection (d)
10 of Section 203 or a shareholder that qualifies a Subchapter
11 S corporation for a subtraction under subparagraph (S) of
12 paragraph (2) of subsection (b) of Section 203 shall be
13 allowed a credit under this subsection (e) equal to its
14 share of the credit earned under this subsection (e) during
15 the taxable year by the partnership or Subchapter S
16 corporation, determined in accordance with the
17 determination of income and distributive share of income
18 under Sections 702 and 704 and Subchapter S of the Internal
19 Revenue Code. This paragraph is exempt from the provisions
20 of Section 250.

21 (f) Investment credit; Enterprise Zone; River Edge
22 Redevelopment Zone.

23 (1) A taxpayer shall be allowed a credit against the
24 tax imposed by subsections (a) and (b) of this Section for
25 investment in qualified property which is placed in service
26 in an Enterprise Zone created pursuant to the Illinois

1 Enterprise Zone Act or, for property placed in service on
2 or after July 1, 2006, a River Edge Redevelopment Zone
3 established pursuant to the River Edge Redevelopment Zone
4 Act. For partners, shareholders of Subchapter S
5 corporations, and owners of limited liability companies,
6 if the liability company is treated as a partnership for
7 purposes of federal and State income taxation, there shall
8 be allowed a credit under this subsection (f) to be
9 determined in accordance with the determination of income
10 and distributive share of income under Sections 702 and 704
11 and Subchapter S of the Internal Revenue Code. The credit
12 shall be .5% of the basis for such property. The credit
13 shall be available only in the taxable year in which the
14 property is placed in service in the Enterprise Zone or
15 River Edge Redevelopment Zone and shall not be allowed to
16 the extent that it would reduce a taxpayer's liability for
17 the tax imposed by subsections (a) and (b) of this Section
18 to below zero. For tax years ending on or after December
19 31, 1985, the credit shall be allowed for the tax year in
20 which the property is placed in service, or, if the amount
21 of the credit exceeds the tax liability for that year,
22 whether it exceeds the original liability or the liability
23 as later amended, such excess may be carried forward and
24 applied to the tax liability of the 5 taxable years
25 following the excess credit year. The credit shall be
26 applied to the earliest year for which there is a

1 liability. If there is credit from more than one tax year
2 that is available to offset a liability, the credit
3 accruing first in time shall be applied first.

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

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

7 (B) is depreciable pursuant to Section 167 of the
8 Internal Revenue Code, except that "3-year property"
9 as defined in Section 168(c)(2)(A) of that Code is not
10 eligible for the credit provided by this subsection
11 (f);

12 (C) is acquired by purchase as defined in Section
13 179(d) of the Internal Revenue Code;

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

16 (E) has not been previously used in Illinois in
17 such a manner and by such a person as would qualify for
18 the credit provided by this subsection (f) or
19 subsection (e).

20 (3) The basis of qualified property shall be the basis
21 used to compute the depreciation deduction for federal
22 income tax purposes.

23 (4) If the basis of the property for federal income tax
24 depreciation purposes is increased after it has been placed
25 in service in the Enterprise Zone or River Edge
26 Redevelopment Zone by the taxpayer, the amount of such

1 increase shall be deemed property placed in service on the
2 date of such increase in basis.

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

5 (6) If during any taxable year, any property ceases to
6 be qualified property in the hands of the taxpayer within
7 48 months after being placed in service, or the situs of
8 any qualified property is moved outside the Enterprise Zone
9 or River Edge Redevelopment Zone within 48 months after
10 being placed in service, the tax imposed under subsections
11 (a) and (b) of this Section for such taxable year shall be
12 increased. Such increase shall be determined by (i)
13 recomputing the investment credit which would have been
14 allowed for the year in which credit for such property was
15 originally allowed by eliminating such property from such
16 computation, and (ii) subtracting such recomputed credit
17 from the amount of credit previously allowed. For the
18 purposes of this paragraph (6), a reduction of the basis of
19 qualified property resulting from a redetermination of the
20 purchase price shall be deemed a disposition of qualified
21 property to the extent of such reduction.

22 (7) There shall be allowed an additional credit equal
23 to 0.5% of the basis of qualified property placed in
24 service during the taxable year in a River Edge
25 Redevelopment Zone, provided such property is placed in
26 service on or after July 1, 2006, and the taxpayer's base

1 employment within Illinois has increased by 1% or more over
2 the preceding year as determined by the taxpayer's
3 employment records filed with the Illinois Department of
4 Employment Security. Taxpayers who are new to Illinois
5 shall be deemed to have met the 1% growth in base
6 employment for the first year in which they file employment
7 records with the Illinois Department of Employment
8 Security. If, in any year, the increase in base employment
9 within Illinois over the preceding year is less than 1%,
10 the additional credit shall be limited to that percentage
11 times a fraction, the numerator of which is 0.5% and the
12 denominator of which is 1%, but shall not exceed 0.5%.

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

15 (1) A taxpayer conducting a trade or business ~~in an~~
16 ~~enterprise zone or a High Impact Business designated by the~~
17 ~~Department of Commerce and Economic Opportunity or~~ for
18 taxable years ending on or after December 31, 2006, in a
19 River Edge Redevelopment Zone or conducting a trade or
20 business in a federally designated Foreign Trade Zone or
21 Sub-Zone shall be allowed a credit against the tax imposed
22 by subsections (a) and (b) of this Section in the amount of
23 \$500 per eligible employee hired to work in the zone during
24 the taxable year.

25 (2) To qualify for the credit:

26 (A) the taxpayer must hire 5 or more eligible

1 employees to work in a ~~an enterprise zone,~~ River Edge
2 Redevelopment Zone~~,~~ or federally designated Foreign
3 Trade Zone or Sub-Zone during the taxable year;

4 (B) the taxpayer's total employment within the
5 ~~enterprise zone,~~ River Edge Redevelopment Zone~~,~~ or
6 federally designated Foreign Trade Zone or Sub-Zone
7 must increase by 5 or more full-time employees beyond
8 the total employed in that zone at the end of the
9 previous tax year for which a jobs tax credit under
10 this Section was taken, or beyond the total employed by
11 the taxpayer as of December 31, 1985, whichever is
12 later; and

13 (C) the eligible employees must be employed 180
14 consecutive days in order to be deemed hired for
15 purposes of this subsection.

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

17 (A) Certified by the Department of Commerce and
18 Economic Opportunity as "eligible for services"
19 pursuant to regulations promulgated in accordance with
20 Title II of the Job Training Partnership Act, Training
21 Services for the Disadvantaged or Title III of the Job
22 Training Partnership Act, Employment and Training
23 Assistance for Dislocated Workers Program.

24 (B) Hired after the ~~enterprise zone,~~ River Edge
25 Redevelopment Zone~~,~~ or federally designated Foreign
26 Trade Zone or Sub-Zone was designated or the trade or

1 business was located in that zone, whichever is later.

2 (C) Employed in the ~~enterprise zone~~, River Edge
3 Redevelopment Zone~~7~~ or Foreign Trade Zone or Sub-Zone.
4 An employee is employed in a ~~an enterprise zone or~~
5 federally designated Foreign Trade Zone or Sub-Zone if
6 his services are rendered there or it is the base of
7 operations for the services performed.

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

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

25 (5) The Department of Revenue shall promulgate such
26 rules and regulations as may be deemed necessary to carry

1 out the purposes of this subsection (g).

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

4 (h) Investment credit; High Impact Business.

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

1 under subdivision (a) (3) (A) of Section 5.5 of the Illinois
2 Enterprise Zone Act shall be available only in the taxable
3 year in which the property is placed in service and shall
4 not be allowed to the extent that it would reduce a
5 taxpayer's liability for the tax imposed by subsections (a)
6 and (b) of this Section to below zero. For tax years ending
7 on or after December 31, 1987, the credit shall be allowed
8 for the tax year in which the property is placed in
9 service, or, if the amount of the credit exceeds the tax
10 liability for that year, whether it exceeds the original
11 liability or the liability as later amended, such excess
12 may be carried forward and applied to the tax liability of
13 the 5 taxable years following the excess credit year. The
14 credit shall be applied to the earliest year for which
15 there is a liability. If there is credit from more than one
16 tax year that is available to offset a liability, the
17 credit accruing first in time shall be applied first.

18 Changes made in this subdivision (h) (1) by Public Act
19 88-670 restore changes made by Public Act 85-1182 and
20 reflect existing law.

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

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

24 (B) is depreciable pursuant to Section 167 of the
25 Internal Revenue Code, except that "3-year property"
26 as defined in Section 168(c) (2) (A) of that Code is not

1 eligible for the credit provided by this subsection
2 (h);

3 (C) is acquired by purchase as defined in Section
4 179(d) of the Internal Revenue Code; and

5 (D) is not eligible for the Enterprise Zone
6 Investment Credit provided by subsection (f) of this
7 Section.

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

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

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

19 (6) If during any taxable year ending on or before
20 December 31, 1996, any property ceases to be qualified
21 property in the hands of the taxpayer within 48 months
22 after being placed in service, or the situs of any
23 qualified property is moved outside Illinois within 48
24 months after being placed in service, the tax imposed under
25 subsections (a) and (b) of this Section for such taxable
26 year shall be increased. Such increase shall be determined

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

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

21 (i) Credit for Personal Property Tax Replacement Income
22 Tax. For tax years ending prior to December 31, 2003, a credit
23 shall be allowed against the tax imposed by subsections (a) and
24 (b) of this Section for the tax imposed by subsections (c) and
25 (d) of this Section. This credit shall be computed by
26 multiplying the tax imposed by subsections (c) and (d) of this

1 Section by a fraction, the numerator of which is base income
2 allocable to Illinois and the denominator of which is Illinois
3 base income, and further multiplying the product by the tax
4 rate imposed by subsections (a) and (b) of this Section.

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

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

1 taxable year, an amended return shall be filed for such taxable
2 year to reduce the amount of credit claimed.

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

22 Any credit allowed under this subsection which is unused in
23 the year the credit is earned may be carried forward to each of
24 the 5 taxable years following the year for which the credit is
25 first computed until it is used. This credit shall be applied
26 first to the earliest year for which there is a liability. If

1 there is a credit under this subsection from more than one tax
2 year that is available to offset a liability the earliest
3 credit arising under this subsection shall be applied first. No
4 carryforward credit may be claimed in any tax year ending on or
5 after December 31, 2003.

6 (k) Research and development credit.

7 For tax years ending after July 1, 1990 and prior to
8 December 31, 2003, and beginning again for tax years ending on
9 or after December 31, 2004, and ending prior to January 1,
10 2011, a taxpayer shall be allowed a credit against the tax
11 imposed by subsections (a) and (b) of this Section for
12 increasing research activities in this State. The credit
13 allowed against the tax imposed by subsections (a) and (b)
14 shall be equal to 6 1/2% of the qualifying expenditures for
15 increasing research activities in this State. For partners,
16 shareholders of subchapter S corporations, and owners of
17 limited liability companies, if the liability company is
18 treated as a partnership for purposes of federal and State
19 income taxation, there shall be allowed a credit under this
20 subsection to be determined in accordance with the
21 determination of income and distributive share of income under
22 Sections 702 and 704 and subchapter S of the Internal Revenue
23 Code.

24 For purposes of this subsection, "qualifying expenditures"
25 means the qualifying expenditures as defined for the federal
26 credit for increasing research activities which would be

1 allowable under Section 41 of the Internal Revenue Code and
2 which are conducted in this State, "qualifying expenditures for
3 increasing research activities in this State" means the excess
4 of qualifying expenditures for the taxable year in which
5 incurred over qualifying expenditures for the base period,
6 "qualifying expenditures for the base period" means the average
7 of the qualifying expenditures for each year in the base
8 period, and "base period" means the 3 taxable years immediately
9 preceding the taxable year for which the determination is being
10 made.

11 Any credit in excess of the tax liability for the taxable
12 year may be carried forward. A taxpayer may elect to have the
13 unused credit shown on its final completed return carried over
14 as a credit against the tax liability for the following 5
15 taxable years or until it has been fully used, whichever occurs
16 first; provided that no credit earned in a tax year ending
17 prior to December 31, 2003 may be carried forward to any year
18 ending on or after December 31, 2003, and no credit may be
19 carried forward to any taxable year ending on or after January
20 1, 2011.

21 If an unused credit is carried forward to a given year from
22 2 or more earlier years, that credit arising in the earliest
23 year will be applied first against the tax liability for the
24 given year. If a tax liability for the given year still
25 remains, the credit from the next earliest year will then be
26 applied, and so on, until all credits have been used or no tax

1 liability for the given year remains. Any remaining unused
2 credit or credits then will be carried forward to the next
3 following year in which a tax liability is incurred, except
4 that no credit can be carried forward to a year which is more
5 than 5 years after the year in which the expense for which the
6 credit is given was incurred.

7 No inference shall be drawn from this amendatory Act of the
8 91st General Assembly in construing this Section for taxable
9 years beginning before January 1, 1999.

10 (1) Environmental Remediation Tax Credit.

11 (i) For tax years ending after December 31, 1997 and on
12 or before December 31, 2001, a taxpayer shall be allowed a
13 credit against the tax imposed by subsections (a) and (b)
14 of this Section for certain amounts paid for unreimbursed
15 eligible remediation costs, as specified in this
16 subsection. For purposes of this Section, "unreimbursed
17 eligible remediation costs" means costs approved by the
18 Illinois Environmental Protection Agency ("Agency") under
19 Section 58.14 of the Environmental Protection Act that were
20 paid in performing environmental remediation at a site for
21 which a No Further Remediation Letter was issued by the
22 Agency and recorded under Section 58.10 of the
23 Environmental Protection Act. The credit must be claimed
24 for the taxable year in which Agency approval of the
25 eligible remediation costs is granted. The credit is not
26 available to any taxpayer if the taxpayer or any related

1 party caused or contributed to, in any material respect, a
2 release of regulated substances on, in, or under the site
3 that was identified and addressed by the remedial action
4 pursuant to the Site Remediation Program of the
5 Environmental Protection Act. After the Pollution Control
6 Board rules are adopted pursuant to the Illinois
7 Administrative Procedure Act for the administration and
8 enforcement of Section 58.9 of the Environmental
9 Protection Act, determinations as to credit availability
10 for purposes of this Section shall be made consistent with
11 those rules. For purposes of this Section, "taxpayer"
12 includes a person whose tax attributes the taxpayer has
13 succeeded to under Section 381 of the Internal Revenue Code
14 and "related party" includes the persons disallowed a
15 deduction for losses by paragraphs (b), (c), and (f)(1) of
16 Section 267 of the Internal Revenue Code by virtue of being
17 a related taxpayer, as well as any of its partners. The
18 credit allowed against the tax imposed by subsections (a)
19 and (b) shall be equal to 25% of the unreimbursed eligible
20 remediation costs in excess of \$100,000 per site, except
21 that the \$100,000 threshold shall not apply to any site
22 contained in an enterprise zone as determined by the
23 Department of Commerce and Community Affairs (now
24 Department of Commerce and Economic Opportunity). The
25 total credit allowed shall not exceed \$40,000 per year with
26 a maximum total of \$150,000 per site. For partners and

1 shareholders of subchapter S corporations, there shall be
2 allowed a credit under this subsection to be determined in
3 accordance with the determination of income and
4 distributive share of income under Sections 702 and 704 and
5 subchapter S of the Internal Revenue Code.

6 (ii) A credit allowed under this subsection that is
7 unused in the year the credit is earned may be carried
8 forward to each of the 5 taxable years following the year
9 for which the credit is first earned until it is used. The
10 term "unused credit" does not include any amounts of
11 unreimbursed eligible remediation costs in excess of the
12 maximum credit per site authorized under paragraph (i).
13 This credit shall be applied first to the earliest year for
14 which there is a liability. If there is a credit under this
15 subsection from more than one tax year that is available to
16 offset a liability, the earliest credit arising under this
17 subsection shall be applied first. A credit allowed under
18 this subsection may be sold to a buyer as part of a sale of
19 all or part of the remediation site for which the credit
20 was granted. The purchaser of a remediation site and the
21 tax credit shall succeed to the unused credit and remaining
22 carry-forward period of the seller. To perfect the
23 transfer, the assignor shall record the transfer in the
24 chain of title for the site and provide written notice to
25 the Director of the Illinois Department of Revenue of the
26 assignor's intent to sell the remediation site and the

1 amount of the tax credit to be transferred as a portion of
2 the sale. In no event may a credit be transferred to any
3 taxpayer if the taxpayer or a related party would not be
4 eligible under the provisions of subsection (i).

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

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

20 For purposes of this subsection:

21 "Qualifying pupils" means individuals who (i) are
22 residents of the State of Illinois, (ii) are under the age of
23 21 at the close of the school year for which a credit is
24 sought, and (iii) during the school year for which a credit is
25 sought were full-time pupils enrolled in a kindergarten through
26 twelfth grade education program at any school, as defined in

1 this subsection.

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

6 "School" means any public or nonpublic elementary or
7 secondary school in Illinois that is in compliance with Title
8 VI of the Civil Rights Act of 1964 and attendance at which
9 satisfies the requirements of Section 26-1 of the School Code,
10 except that nothing shall be construed to require a child to
11 attend any particular public or nonpublic school to qualify for
12 the credit under this Section.

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

16 (n) River Edge Redevelopment Zone site remediation tax
17 credit.

18 (i) For tax years ending on or after December 31, 2006,
19 a taxpayer shall be allowed a credit against the tax
20 imposed by subsections (a) and (b) of this Section for
21 certain amounts paid for unreimbursed eligible remediation
22 costs, as specified in this subsection. For purposes of
23 this Section, "unreimbursed eligible remediation costs"
24 means costs approved by the Illinois Environmental
25 Protection Agency ("Agency") under Section 58.14a of the
26 Environmental Protection Act that were paid in performing

1 environmental remediation at a site within a River Edge
2 Redevelopment Zone for which a No Further Remediation
3 Letter was issued by the Agency and recorded under Section
4 58.10 of the Environmental Protection Act. The credit must
5 be claimed for the taxable year in which Agency approval of
6 the eligible remediation costs is granted. The credit is
7 not available to any taxpayer if the taxpayer or any
8 related party caused or contributed to, in any material
9 respect, a release of regulated substances on, in, or under
10 the site that was identified and addressed by the remedial
11 action pursuant to the Site Remediation Program of the
12 Environmental Protection Act. Determinations as to credit
13 availability for purposes of this Section shall be made
14 consistent with rules adopted by the Pollution Control
15 Board pursuant to the Illinois Administrative Procedure
16 Act for the administration and enforcement of Section 58.9
17 of the Environmental Protection Act. For purposes of this
18 Section, "taxpayer" includes a person whose tax attributes
19 the taxpayer has succeeded to under Section 381 of the
20 Internal Revenue Code and "related party" includes the
21 persons disallowed a deduction for losses by paragraphs
22 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
23 Code by virtue of being a related taxpayer, as well as any
24 of its partners. The credit allowed against the tax imposed
25 by subsections (a) and (b) shall be equal to 25% of the
26 unreimbursed eligible remediation costs in excess of

1 \$100,000 per site.

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

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

1 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
2 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
3 1-13-11; 97-2, eff. 5-6-11.)

4 (Text of Section after amendment by P.A. 97-636)

5 Sec. 201. Tax Imposed.

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

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

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

20 (2) In the case of an individual, trust or estate, for
21 taxable years beginning prior to July 1, 1989 and ending
22 after June 30, 1989, an amount equal to the sum of (i) 2
23 1/2% of the taxpayer's net income for the period prior to
24 July 1, 1989, as calculated under Section 202.3, and (ii)
25 3% of the taxpayer's net income for the period after June

1 30, 1989, as calculated under Section 202.3.

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

6 (4) In the case of an individual, trust, or estate, for
7 taxable years beginning prior to January 1, 2011, and
8 ending after December 31, 2010, an amount equal to the sum
9 of (i) 3% of the taxpayer's net income for the period prior
10 to January 1, 2011, as calculated under Section 202.5, and
11 (ii) 5% of the taxpayer's net income for the period after
12 December 31, 2010, as calculated under Section 202.5.

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

17 (5.1) In the case of an individual, trust, or estate,
18 for taxable years beginning prior to January 1, 2015, and
19 ending after December 31, 2014, an amount equal to the sum
20 of (i) 5% of the taxpayer's net income for the period prior
21 to January 1, 2015, as calculated under Section 202.5, and
22 (ii) 3.75% of the taxpayer's net income for the period
23 after December 31, 2014, as calculated under Section 202.5.

24 (5.2) In the case of an individual, trust, or estate,
25 for taxable years beginning on or after January 1, 2015,
26 and ending prior to January 1, 2025, an amount equal to

1 3.75% of the taxpayer's net income for the taxable year.

2 (5.3) In the case of an individual, trust, or estate,
3 for taxable years beginning prior to January 1, 2025, and
4 ending after December 31, 2024, an amount equal to the sum
5 of (i) 3.75% of the taxpayer's net income for the period
6 prior to January 1, 2025, as calculated under Section
7 202.5, and (ii) 3.25% of the taxpayer's net income for the
8 period after December 31, 2024, as calculated under Section
9 202.5.

10 (5.4) In the case of an individual, trust, or estate,
11 for taxable years beginning on or after January 1, 2025, an
12 amount equal to 3.25% of the taxpayer's net income for the
13 taxable year.

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

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

24 (8) In the case of a corporation, for taxable years
25 beginning after June 30, 1989, and ending prior to January
26 1, 2011, an amount equal to 4.8% of the taxpayer's net

1 income for the taxable year.

2 (9) In the case of a corporation, for taxable years
3 beginning prior to January 1, 2011, and ending after
4 December 31, 2010, an amount equal to the sum of (i) 4.8%
5 of the taxpayer's net income for the period prior to
6 January 1, 2011, as calculated under Section 202.5, and
7 (ii) 7% of the taxpayer's net income for the period after
8 December 31, 2010, as calculated under Section 202.5.

9 (10) In the case of a corporation, for taxable years
10 beginning on or after January 1, 2011, and ending prior to
11 January 1, 2015, an amount equal to 7% of the taxpayer's
12 net income for the taxable year.

13 (11) In the case of a corporation, for taxable years
14 beginning prior to January 1, 2015, and ending after
15 December 31, 2014, an amount equal to the sum of (i) 7% of
16 the taxpayer's net income for the period prior to January
17 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
18 of the taxpayer's net income for the period after December
19 31, 2014, as calculated under Section 202.5.

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

24 (13) In the case of a corporation, for taxable years
25 beginning prior to January 1, 2025, and ending after
26 December 31, 2024, an amount equal to the sum of (i) 5.25%

1 of the taxpayer's net income for the period prior to
2 January 1, 2025, as calculated under Section 202.5, and
3 (ii) 4.8% of the taxpayer's net income for the period after
4 December 31, 2024, as calculated under Section 202.5.

5 (14) In the case of a corporation, for taxable years
6 beginning on or after January 1, 2025, an amount equal to
7 4.8% of the taxpayer's net income for the taxable year.

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

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

23 (d) Additional Personal Property Tax Replacement Income
24 Tax Rates. The personal property tax replacement income tax
25 imposed by this subsection and subsection (c) of this Section
26 in the case of a corporation, other than a Subchapter S

1 corporation and except as adjusted by subsection (d-1), shall
2 be an additional amount equal to 2.85% of such taxpayer's net
3 income for the taxable year, except that beginning on January
4 1, 1981, and thereafter, the rate of 2.85% specified in this
5 subsection shall be reduced to 2.5%, and in the case of a
6 partnership, trust or a Subchapter S corporation shall be an
7 additional amount equal to 1.5% of such taxpayer's net income
8 for the taxable year.

9 (d-1) Rate reduction for certain foreign insurers. In the
10 case of a foreign insurer, as defined by Section 35A-5 of the
11 Illinois Insurance Code, whose state or country of domicile
12 imposes on insurers domiciled in Illinois a retaliatory tax
13 (excluding any insurer whose premiums from reinsurance assumed
14 are 50% or more of its total insurance premiums as determined
15 under paragraph (2) of subsection (b) of Section 304, except
16 that for purposes of this determination premiums from
17 reinsurance do not include premiums from inter-affiliate
18 reinsurance arrangements), beginning with taxable years ending
19 on or after December 31, 1999, the sum of the rates of tax
20 imposed by subsections (b) and (d) shall be reduced (but not
21 increased) to the rate at which the total amount of tax imposed
22 under this Act, net of all credits allowed under this Act,
23 shall equal (i) the total amount of tax that would be imposed
24 on the foreign insurer's net income allocable to Illinois for
25 the taxable year by such foreign insurer's state or country of
26 domicile if that net income were subject to all income taxes

1 and taxes measured by net income imposed by such foreign
2 insurer's state or country of domicile, net of all credits
3 allowed or (ii) a rate of zero if no such tax is imposed on such
4 income by the foreign insurer's state of domicile. For the
5 purposes of this subsection (d-1), an inter-affiliate includes
6 a mutual insurer under common management.

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

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

13 (B) the privilege tax imposed by Section 409 of the
14 Illinois Insurance Code, the fire insurance company
15 tax imposed by Section 12 of the Fire Investigation
16 Act, and the fire department taxes imposed under
17 Section 11-10-1 of the Illinois Municipal Code,
18 equals 1.25% for taxable years ending prior to December 31,
19 2003, or 1.75% for taxable years ending on or after
20 December 31, 2003, of the net taxable premiums written for
21 the taxable year, as described by subsection (1) of Section
22 409 of the Illinois Insurance Code. This paragraph will in
23 no event increase the rates imposed under subsections (b)
24 and (d).

25 (2) Any reduction in the rates of tax imposed by this
26 subsection shall be applied first against the rates imposed

1 by subsection (b) and only after the tax imposed by
2 subsection (a) net of all credits allowed under this
3 Section other than the credit allowed under subsection (i)
4 has been reduced to zero, against the rates imposed by
5 subsection (d).

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

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

11 (1) A taxpayer shall be allowed a credit equal to .5%
12 of the basis of qualified property placed in service during
13 the taxable year, provided such property is placed in
14 service on or after July 1, 1984. There shall be allowed an
15 additional credit equal to .5% of the basis of qualified
16 property placed in service during the taxable year,
17 provided such property is placed in service on or after
18 July 1, 1986, and the taxpayer's base employment within
19 Illinois has increased by 1% or more over the preceding
20 year as determined by the taxpayer's employment records
21 filed with the Illinois Department of Employment Security.
22 Taxpayers who are new to Illinois shall be deemed to have
23 met the 1% growth in base employment for the first year in
24 which they file employment records with the Illinois
25 Department of Employment Security. The provisions added to
26 this Section by Public Act 85-1200 (and restored by Public

1 Act 87-895) shall be construed as declaratory of existing
2 law and not as a new enactment. If, in any year, the
3 increase in base employment within Illinois over the
4 preceding year is less than 1%, the additional credit shall
5 be limited to that percentage times a fraction, the
6 numerator of which is .5% and the denominator of which is
7 1%, but shall not exceed .5%. The investment credit shall
8 not be allowed to the extent that it would reduce a
9 taxpayer's liability in any tax year below zero, nor may
10 any credit for qualified property be allowed for any year
11 other than the year in which the property was placed in
12 service in Illinois. For tax years ending on or after
13 December 31, 1987, and on or before December 31, 1988, the
14 credit shall be allowed for the tax year in which the
15 property is placed in service, or, if the amount of the
16 credit exceeds the tax liability for that year, whether it
17 exceeds the original liability or the liability as later
18 amended, such excess may be carried forward and applied to
19 the tax liability of the 5 taxable years following the
20 excess credit years if the taxpayer (i) makes investments
21 which cause the creation of a minimum of 2,000 full-time
22 equivalent jobs in Illinois, (ii) is located in an
23 enterprise zone established pursuant to the Illinois
24 Enterprise Zone Act and (iii) is certified by the
25 Department of Commerce and Community Affairs (now
26 Department of Commerce and Economic Opportunity) as

1 complying with the requirements specified in clause (i) and
2 (ii) by July 1, 1986. The Department of Commerce and
3 Community Affairs (now Department of Commerce and Economic
4 Opportunity) shall notify the Department of Revenue of all
5 such certifications immediately. For tax years ending
6 after December 31, 1988, the credit shall be allowed for
7 the tax year in which the property is placed in service,
8 or, if the amount of the credit exceeds the tax liability
9 for that year, whether it exceeds the original liability or
10 the liability as later amended, such excess may be carried
11 forward and applied to the tax liability of the 5 taxable
12 years following the excess credit years. The credit shall
13 be applied to the earliest year for which there is a
14 liability. If there is credit from more than one tax year
15 that is available to offset a liability, earlier credit
16 shall be applied first.

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

19 (A) is tangible, whether new or used, including
20 buildings and structural components of buildings and
21 signs that are real property, but not including land or
22 improvements to real property that are not a structural
23 component of a building such as landscaping, sewer
24 lines, local access roads, fencing, parking lots, and
25 other appurtenances;

26 (B) is depreciable pursuant to Section 167 of the

1 Internal Revenue Code, except that "3-year property"
2 as defined in Section 168(c)(2)(A) of that Code is not
3 eligible for the credit provided by this subsection
4 (e);

5 (C) is acquired by purchase as defined in Section
6 179(d) of the Internal Revenue Code;

7 (D) is used in Illinois by a taxpayer who is
8 primarily engaged in manufacturing, or in mining coal
9 or fluorite, or in retailing, or was placed in service
10 on or after July 1, 2006 in a River Edge Redevelopment
11 Zone established pursuant to the River Edge
12 Redevelopment Zone Act; and

13 (E) has not previously been used in Illinois in
14 such a manner and by such a person as would qualify for
15 the credit provided by this subsection (e) or
16 subsection (f).

17 (3) For purposes of this subsection (e),
18 "manufacturing" means the material staging and production
19 of tangible personal property by procedures commonly
20 regarded as manufacturing, processing, fabrication, or
21 assembling which changes some existing material into new
22 shapes, new qualities, or new combinations. For purposes of
23 this subsection (e) the term "mining" shall have the same
24 meaning as the term "mining" in Section 613(c) of the
25 Internal Revenue Code. For purposes of this subsection (e),
26 the term "retailing" means the sale of tangible personal

1 property for use or consumption and not for resale, or
2 services rendered in conjunction with the sale of tangible
3 personal property for use or consumption and not for
4 resale. For purposes of this subsection (e), "tangible
5 personal property" has the same meaning as when that term
6 is used in the Retailers' Occupation Tax Act, and, for
7 taxable years ending after December 31, 2008, does not
8 include the generation, transmission, or distribution of
9 electricity.

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

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

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

20 (7) If during any taxable year, any property ceases to
21 be qualified property in the hands of the taxpayer within
22 48 months after being placed in service, or the situs of
23 any qualified property is moved outside Illinois within 48
24 months after being placed in service, the Personal Property
25 Tax Replacement Income Tax for such taxable year shall be
26 increased. Such increase shall be determined by (i)

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

10 (8) Unless the investment credit is extended by law,
11 the basis of qualified property shall not include costs
12 incurred after December 31, 2018, except for costs incurred
13 pursuant to a binding contract entered into on or before
14 December 31, 2018.

15 (9) Each taxable year ending before December 31, 2000,
16 a partnership may elect to pass through to its partners the
17 credits to which the partnership is entitled under this
18 subsection (e) for the taxable year. A partner may use the
19 credit allocated to him or her under this paragraph only
20 against the tax imposed in subsections (c) and (d) of this
21 Section. If the partnership makes that election, those
22 credits shall be allocated among the partners in the
23 partnership in accordance with the rules set forth in
24 Section 704(b) of the Internal Revenue Code, and the rules
25 promulgated under that Section, and the allocated amount of
26 the credits shall be allowed to the partners for that

1 taxable year. The partnership shall make this election on
2 its Personal Property Tax Replacement Income Tax return for
3 that taxable year. The election to pass through the credits
4 shall be irrevocable.

5 For taxable years ending on or after December 31, 2000,
6 a partner that qualifies its partnership for a subtraction
7 under subparagraph (I) of paragraph (2) of subsection (d)
8 of Section 203 or a shareholder that qualifies a Subchapter
9 S corporation for a subtraction under subparagraph (S) of
10 paragraph (2) of subsection (b) of Section 203 shall be
11 allowed a credit under this subsection (e) equal to its
12 share of the credit earned under this subsection (e) during
13 the taxable year by the partnership or Subchapter S
14 corporation, determined in accordance with the
15 determination of income and distributive share of income
16 under Sections 702 and 704 and Subchapter S of the Internal
17 Revenue Code. This paragraph is exempt from the provisions
18 of Section 250.

19 (f) Investment credit; Enterprise Zone; River Edge
20 Redevelopment Zone.

21 (1) A taxpayer shall be allowed a credit against the
22 tax imposed by subsections (a) and (b) of this Section for
23 investment in qualified property which is placed in service
24 in an Enterprise Zone created pursuant to the Illinois
25 Enterprise Zone Act or, for property placed in service on
26 or after July 1, 2006, a River Edge Redevelopment Zone

1 established pursuant to the River Edge Redevelopment Zone
2 Act. For partners, shareholders of Subchapter S
3 corporations, and owners of limited liability companies,
4 if the liability company is treated as a partnership for
5 purposes of federal and State income taxation, there shall
6 be allowed a credit under this subsection (f) to be
7 determined in accordance with the determination of income
8 and distributive share of income under Sections 702 and 704
9 and Subchapter S of the Internal Revenue Code. The credit
10 shall be .5% of the basis for such property. The credit
11 shall be available only in the taxable year in which the
12 property is placed in service in the Enterprise Zone or
13 River Edge Redevelopment Zone and shall not be allowed to
14 the extent that it would reduce a taxpayer's liability for
15 the tax imposed by subsections (a) and (b) of this Section
16 to below zero. For tax years ending on or after December
17 31, 1985, the credit shall be allowed for the tax year in
18 which the property is placed in service, or, if the amount
19 of the credit exceeds the tax liability for that year,
20 whether it exceeds the original liability or the liability
21 as later amended, such excess may be carried forward and
22 applied to the tax liability of the 5 taxable years
23 following the excess credit year. The credit shall be
24 applied to the earliest year for which there is a
25 liability. If there is credit from more than one tax year
26 that is available to offset a liability, the credit

1 accruing first in time shall be applied first.

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

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

5 (B) is depreciable pursuant to Section 167 of the
6 Internal Revenue Code, except that "3-year property"
7 as defined in Section 168(c)(2)(A) of that Code is not
8 eligible for the credit provided by this subsection
9 (f);

10 (C) is acquired by purchase as defined in Section
11 179(d) of the Internal Revenue Code;

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

14 (E) has not been previously used in Illinois in
15 such a manner and by such a person as would qualify for
16 the credit provided by this subsection (f) or
17 subsection (e).

18 (3) The basis of qualified property shall be the basis
19 used to compute the depreciation deduction for federal
20 income tax purposes.

21 (4) If the basis of the property for federal income tax
22 depreciation purposes is increased after it has been placed
23 in service in the Enterprise Zone or River Edge
24 Redevelopment Zone by the taxpayer, the amount of such
25 increase shall be deemed property placed in service on the
26 date of such increase in basis.

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

3 (6) If during any taxable year, any property ceases to
4 be qualified property in the hands of the taxpayer within
5 48 months after being placed in service, or the situs of
6 any qualified property is moved outside the Enterprise Zone
7 or River Edge Redevelopment Zone within 48 months after
8 being placed in service, the tax imposed under subsections
9 (a) and (b) of this Section for such taxable year shall be
10 increased. Such increase shall be determined by (i)
11 recomputing the investment credit which would have been
12 allowed for the year in which credit for such property was
13 originally allowed by eliminating such property from such
14 computation, and (ii) subtracting such recomputed credit
15 from the amount of credit previously allowed. For the
16 purposes of this paragraph (6), a reduction of the basis of
17 qualified property resulting from a redetermination of the
18 purchase price shall be deemed a disposition of qualified
19 property to the extent of such reduction.

20 (7) There shall be allowed an additional credit equal
21 to 0.5% of the basis of qualified property placed in
22 service during the taxable year in a River Edge
23 Redevelopment Zone, provided such property is placed in
24 service on or after July 1, 2006, and the taxpayer's base
25 employment within Illinois has increased by 1% or more over
26 the preceding year as determined by the taxpayer's

1 employment records filed with the Illinois Department of
2 Employment Security. Taxpayers who are new to Illinois
3 shall be deemed to have met the 1% growth in base
4 employment for the first year in which they file employment
5 records with the Illinois Department of Employment
6 Security. If, in any year, the increase in base employment
7 within Illinois over the preceding year is less than 1%,
8 the additional credit shall be limited to that percentage
9 times a fraction, the numerator of which is 0.5% and the
10 denominator of which is 1%, but shall not exceed 0.5%.

11 (g) Jobs Tax Credit; ~~Enterprise Zone,~~ River Edge
12 Redevelopment Zone~~7~~ and Foreign Trade Zone or Sub-Zone.

13 (1) A taxpayer conducting a trade or business, ~~in an~~
14 ~~enterprise zone or a High Impact Business designated by the~~
15 ~~Department of Commerce and Economic Opportunity or~~ for
16 taxable years ending on or after December 31, 2006, in a
17 River Edge Redevelopment Zone or conducting a trade or
18 business in a federally designated Foreign Trade Zone or
19 Sub-Zone shall be allowed a credit against the tax imposed
20 by subsections (a) and (b) of this Section in the amount of
21 \$500 per eligible employee hired to work in the zone during
22 the taxable year.

23 (2) To qualify for the credit:

24 (A) the taxpayer must hire 5 or more eligible
25 employees to work in a ~~an enterprise zone,~~ River Edge
26 Redevelopment Zone~~7~~ or federally designated Foreign

1 Trade Zone or Sub-Zone during the taxable year;

2 (B) the taxpayer's total employment within the
3 ~~enterprise zone,~~ River Edge Redevelopment Zone,⁷ or
4 federally designated Foreign Trade Zone or Sub-Zone
5 must increase by 5 or more full-time employees beyond
6 the total employed in that zone at the end of the
7 previous tax year for which a jobs tax credit under
8 this Section was taken, or beyond the total employed by
9 the taxpayer as of December 31, 1985, whichever is
10 later; and

11 (C) the eligible employees must be employed 180
12 consecutive days in order to be deemed hired for
13 purposes of this subsection.

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

15 (A) Certified by the Department of Commerce and
16 Economic Opportunity as "eligible for services"
17 pursuant to regulations promulgated in accordance with
18 Title II of the Job Training Partnership Act, Training
19 Services for the Disadvantaged or Title III of the Job
20 Training Partnership Act, Employment and Training
21 Assistance for Dislocated Workers Program.

22 (B) Hired after the ~~enterprise zone,~~ River Edge
23 Redevelopment Zone,⁷ or federally designated Foreign
24 Trade Zone or Sub-Zone was designated or the trade or
25 business was located in that zone, whichever is later.

26 (C) Employed in the ~~enterprise zone,~~ River Edge

1 Redevelopment Zone~~7~~ or Foreign Trade Zone or Sub-Zone.

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

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

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

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

26 (6) The credit shall be available for eligible

1 employees hired on or after January 1, 1986.

2 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 base income, and further multiplying the product by the tax
2 rate imposed by subsections (a) and (b) of this Section.

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

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

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

20 Any credit allowed under this subsection which is unused in
21 the year the credit is earned may be carried forward to each of
22 the 5 taxable years following the year for which the credit is
23 first computed until it is used. This credit shall be applied
24 first to the earliest year for which there is a liability. If
25 there is a credit under this subsection from more than one tax
26 year that is available to offset a liability the earliest

1 credit arising under this subsection shall be applied first. No
2 carryforward credit may be claimed in any tax year ending on or
3 after December 31, 2003.

4 (k) Research and development credit.

5 For tax years ending after July 1, 1990 and prior to
6 December 31, 2003, and beginning again for tax years ending on
7 or after December 31, 2004, and ending prior to January 1,
8 2016, a taxpayer shall be allowed a credit against the tax
9 imposed by subsections (a) and (b) of this Section for
10 increasing research activities in this State. The credit
11 allowed against the tax imposed by subsections (a) and (b)
12 shall be equal to 6 1/2% of the qualifying expenditures for
13 increasing research activities in this State. For partners,
14 shareholders of subchapter S corporations, and owners of
15 limited liability companies, if the liability company is
16 treated as a partnership for purposes of federal and State
17 income taxation, there shall be allowed a credit under this
18 subsection to be determined in accordance with the
19 determination of income and distributive share of income under
20 Sections 702 and 704 and subchapter S of the Internal Revenue
21 Code.

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

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

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

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

1 than 5 years after the year in which the expense for which the
2 credit is given was incurred.

3 No inference shall be drawn from this amendatory Act of the
4 91st General Assembly in construing this Section for taxable
5 years beginning before January 1, 1999.

6 (1) Environmental Remediation Tax Credit.

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

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

1 subchapter S of the Internal Revenue Code.

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

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

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

16 For purposes of this subsection:

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

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

1 enrolled during the regular school year.

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

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

12 (n) River Edge Redevelopment Zone site remediation tax
13 credit.

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

1 be claimed for the taxable year in which Agency approval of
2 the eligible remediation costs is granted. The credit is
3 not available to any taxpayer if the taxpayer or any
4 related party caused or contributed to, in any material
5 respect, a release of regulated substances on, in, or under
6 the site that was identified and addressed by the remedial
7 action pursuant to the Site Remediation Program of the
8 Environmental Protection Act. Determinations as to credit
9 availability for purposes of this Section shall be made
10 consistent with rules adopted by the Pollution Control
11 Board pursuant to the Illinois Administrative Procedure
12 Act for the administration and enforcement of Section 58.9
13 of the Environmental Protection Act. For purposes of this
14 Section, "taxpayer" includes a person whose tax attributes
15 the taxpayer has succeeded to under Section 381 of the
16 Internal Revenue Code and "related party" includes the
17 persons disallowed a deduction for losses by paragraphs
18 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
19 Code by virtue of being a related taxpayer, as well as any
20 of its partners. The credit allowed against the tax imposed
21 by subsections (a) and (b) shall be equal to 25% of the
22 unreimbursed eligible remediation costs in excess of
23 \$100,000 per site.

24 (ii) A credit allowed under this subsection that is
25 unused in the year the credit is earned may be carried
26 forward to each of the 5 taxable years following the year

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

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

23 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
24 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
25 1-13-11; 97-2, eff. 5-6-11; 97-636, eff. 6-1-12.)

1 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

2 Sec. 203. Base income defined.

3 (a) Individuals.

4 (1) In general. In the case of an individual, base
5 income means an amount equal to the taxpayer's adjusted
6 gross income for the taxable year as modified by paragraph
7 (2).

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

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

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

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

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

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

12 (D-5) An amount, to the extent not included in
13 adjusted gross income, equal to the amount of money
14 withdrawn by the taxpayer in the taxable year from a
15 medical care savings account and the interest earned on
16 the account in the taxable year of a withdrawal
17 pursuant to subsection (b) of Section 20 of the Medical
18 Care Savings Account Act or subsection (b) of Section
19 20 of the Medical Care Savings Account Act of 2000;

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

25 (D-15) For taxable years 2001 and thereafter, an
26 amount equal to the bonus depreciation deduction taken

1 on the taxpayer's federal income tax return for the
2 taxable year under subsection (k) of Section 168 of the
3 Internal Revenue Code;

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

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

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

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

6 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

24 For the purposes of this subparagraph (D-20), a
25 qualified tuition program has made reasonable efforts
26 if it makes disclosures (which may use the term

1 "in-state program" or "in-state plan" and need not
2 specifically refer to Illinois or its qualified
3 programs by name) (i) directly to prospective
4 participants in its offering materials or makes a
5 public disclosure, such as a website posting; and (ii)
6 where applicable, to intermediaries selling the
7 out-of-state program in the same manner that the
8 out-of-state program distributes its offering
9 materials;

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

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

1 the withdrawal or refund did not result from the
2 beneficiary's death or disability;

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

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

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

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

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

25 (G) The valuation limitation amount;

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

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

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

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

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

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

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

22 (N) An amount equal to all amounts included in such
23 total which are exempt from taxation by this State
24 either by reason of its statutes or Constitution or by
25 reason of the Constitution, treaties or statutes of the
26 United States; provided that, in the case of any

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

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

8 (P) An amount equal to the amount of the deduction
9 used to compute the federal income tax credit for
10 restoration of substantial amounts held under claim of
11 right for the taxable year pursuant to Section 1341 of
12 the Internal Revenue Code or of any itemized deduction
13 taken from adjusted gross income in the computation of
14 taxable income for restoration of substantial amounts
15 held under claim of right for the taxable year;

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

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

23 (S) An amount, to the extent included in adjusted
24 gross income, equal to the amount of a contribution
25 made in the taxable year on behalf of the taxpayer to a
26 medical care savings account established under the

1 Medical Care Savings Account Act or the Medical Care
2 Savings Account Act of 2000 to the extent the
3 contribution is accepted by the account administrator
4 as provided in that Act;

5 (T) An amount, to the extent included in adjusted
6 gross income, equal to the amount of interest earned in
7 the taxable year on a medical care savings account
8 established under the Medical Care Savings Account Act
9 or the Medical Care Savings Account Act of 2000 on
10 behalf of the taxpayer, other than interest added
11 pursuant to item (D-5) of this paragraph (2);

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

18 (V) Beginning with tax years ending on or after
19 December 31, 1995 and ending with tax years ending on
20 or before December 31, 2004, an amount equal to the
21 amount paid by a taxpayer who is a self-employed
22 taxpayer, a partner of a partnership, or a shareholder
23 in a Subchapter S corporation for health insurance or
24 long-term care insurance for that taxpayer or that
25 taxpayer's spouse or dependents, to the extent that the
26 amount paid for that health insurance or long-term care

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

19 (W) For taxable years beginning on or after January
20 1, 1998, all amounts included in the taxpayer's federal
21 gross income in the taxable year from amounts converted
22 from a regular IRA to a Roth IRA. This paragraph is
23 exempt from the provisions of Section 250;

24 (X) For taxable year 1999 and thereafter, an amount
25 equal to the amount of any (i) distributions, to the
26 extent includible in gross income for federal income

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

1 not affected by the inclusion of items (i) and (ii) of
2 this paragraph in gross income for federal income tax
3 purposes. This paragraph is exempt from the provisions
4 of Section 250;

5 (Y) For taxable years beginning on or after January
6 1, 2002 and ending on or before December 31, 2004,
7 moneys contributed in the taxable year to a College
8 Savings Pool account under Section 16.5 of the State
9 Treasurer Act, except that amounts excluded from gross
10 income under Section 529(c)(3)(C)(i) of the Internal
11 Revenue Code shall not be considered moneys
12 contributed under this subparagraph (Y). For taxable
13 years beginning on or after January 1, 2005, a maximum
14 of \$10,000 contributed in the taxable year to (i) a
15 College Savings Pool account under Section 16.5 of the
16 State Treasurer Act or (ii) the Illinois Prepaid
17 Tuition Trust Fund, except that amounts excluded from
18 gross income under Section 529(c)(3)(C)(i) of the
19 Internal Revenue Code shall not be considered moneys
20 contributed under this subparagraph (Y). For purposes
21 of this subparagraph, contributions made by an
22 employer on behalf of an employee, or matching
23 contributions made by an employee, shall be treated as
24 made by the employee. This subparagraph (Y) is exempt
25 from the provisions of Section 250;

26 (Z) For taxable years 2001 and thereafter, for the

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

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

13 (2) for taxable years ending on or before
14 December 31, 2005, "x" equals "y" multiplied by 30
15 and then divided by 70 (or "y" multiplied by
16 0.429); and

17 (3) for taxable years ending after December
18 31, 2005:

19 (i) for property on which a bonus
20 depreciation deduction of 30% of the adjusted
21 basis was taken, "x" equals "y" multiplied by
22 30 and then divided by 70 (or "y" multiplied by
23 0.429); and

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

1 1.0.

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

10 (AA) 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 (D-15), then
14 an amount equal to that addition modification.

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

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

25 This subparagraph (AA) is exempt from the
26 provisions of Section 250;

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

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

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

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

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

1 unitary business group because he or she is ordinarily
2 required to apportion business income under different
3 subsections of Section 304, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(a)(2)(D-18) for
6 intangible expenses and costs paid, accrued, or
7 incurred, directly or indirectly, to the same foreign
8 person. This subparagraph (EE) is exempt from the
9 provisions of Section 250;

10 (FF) An amount equal to any amount awarded to the
11 taxpayer during the taxable year by the Court of Claims
12 under subsection (c) of Section 8 of the Court of
13 Claims Act for time unjustly served in a State prison.
14 This subparagraph (FF) is exempt from the provisions of
15 Section 250; and

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

1 the insurer to which the premiums were paid must add
2 back to income the amount subtracted by the taxpayer
3 pursuant to this subparagraph (GG). This subparagraph
4 (GG) is exempt from the provisions of Section 250.

5 (b) Corporations.

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

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

12 (A) An amount equal to all amounts paid or accrued
13 to the taxpayer as interest and all distributions
14 received from regulated investment companies during
15 the taxable year to the extent excluded from gross
16 income in the computation of taxable income;

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

20 (C) In the case of a regulated investment company,
21 an amount equal to the excess of (i) the net long-term
22 capital gain for the taxable year, over (ii) the amount
23 of the capital gain dividends designated as such in
24 accordance with Section 852(b)(3)(C) of the Internal
25 Revenue Code and any amount designated under Section

1 852(b)(3)(D) of the Internal Revenue Code,
2 attributable to the taxable year (this amendatory Act
3 of 1995 (Public Act 89-89) is declarative of existing
4 law and is not a new enactment);

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

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

19 (i) the addition modification relating to the
20 net operating loss carried back or forward to the
21 taxable year from any taxable year ending prior to
22 December 31, 1986 shall be reduced by the amount of
23 addition modification under this subparagraph (E)
24 which related to that net operating loss and which
25 was taken into account in calculating the base
26 income of an earlier taxable year, and

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

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

13 (E-5) For taxable years ending after December 31,
14 1997, an amount equal to any eligible remediation costs
15 that the corporation deducted in computing adjusted
16 gross income and for which the corporation claims a
17 credit under subsection (l) of Section 201;

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

23 (E-11) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (E-10), then

1 an amount equal to the aggregate amount of the
2 deductions taken in all taxable years under
3 subparagraph (T) with respect to that property.

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

26 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person if the

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

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

15 (E-14) For taxable years ending on or after
16 December 31, 2008, an amount equal to the amount of
17 insurance premium expenses and costs otherwise allowed
18 as a deduction in computing base income, and that were
19 paid, accrued, or incurred, directly or indirectly, to
20 a person who would be a member of the same unitary
21 business group but for the fact that the person is
22 prohibited under Section 1501(a)(27) from being
23 included in the unitary business group because he or
24 she is ordinarily required to apportion business
25 income under different subsections of Section 304. The
26 addition modification required by this subparagraph

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

15 (E-15) For taxable years beginning after December
16 31, 2008, any deduction for dividends paid by a captive
17 real estate investment trust that is allowed to a real
18 estate investment trust under Section 857(b)(2)(B) of
19 the Internal Revenue Code for dividends paid;

20 (E-16) An amount equal to the credit allowable to
21 the taxpayer under Section 218(a) of this Act,
22 determined without regard to Section 218(c) of this
23 Act;

24 and by deducting from the total so obtained the sum of the
25 following amounts:

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

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

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

5 (H) In the case of a regulated investment company,
6 an amount equal to the amount of exempt interest
7 dividends as defined in subsection (b) (5) of Section
8 852 of the Internal Revenue Code, paid to shareholders
9 for the taxable year;

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

1 tax-exempt interest of a life insurance company under
2 Section 807(a)(2)(B) of the Internal Revenue Code (in
3 the case of a life insurance company with gross income
4 from a decrease in reserves for the tax year) or
5 Section 807(b)(1)(B) of the Internal Revenue Code (in
6 the case of a life insurance company allowed a
7 deduction for an increase in reserves for the tax
8 year); the provisions of this subparagraph are exempt
9 from the provisions of Section 250;

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

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

1 zones. This subparagraph (K) is exempt from the
2 provisions of Section 250;

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

12 (M) For any taxpayer that is a financial
13 organization within the meaning of Section 304(c) of
14 this Act, an amount included in such total as interest
15 income from a loan or loans made by such taxpayer to a
16 borrower, to the extent that such a loan is secured by
17 property which is eligible for ~~the Enterprise Zone~~
18 ~~Investment Credit or~~ the River Edge Redevelopment Zone
19 Investment Credit. To determine the portion of a loan
20 or loans that is secured by property eligible for a
21 Section 201(f) investment credit to the borrower, the
22 entire principal amount of the loan or loans between
23 the taxpayer and the borrower should be divided into
24 the basis of the Section 201(f) investment credit
25 property which secures the loan or loans, using for
26 this purpose the original basis of such property on the

1 date that it was placed in service in ~~the Enterprise~~
2 ~~Zone~~ ~~or~~ the River Edge Redevelopment Zone. The
3 subtraction modification available to taxpayer in any
4 year under this subsection shall be that portion of the
5 total interest paid by the borrower with respect to
6 such loan attributable to the eligible property as
7 calculated under the previous sentence. This
8 subparagraph (M) is exempt from the provisions of
9 Section 250;

10 (M-1) For any taxpayer that is a financial
11 organization within the meaning of Section 304(c) of
12 this Act, an amount included in such total as interest
13 income from a loan or loans made by such taxpayer to a
14 borrower, to the extent that such a loan is secured by
15 property which is eligible for the High Impact Business
16 Investment Credit. To determine the portion of a loan
17 or loans that is secured by property eligible for a
18 Section 201(h) investment credit to the borrower, the
19 entire principal amount of the loan or loans between
20 the taxpayer and the borrower should be divided into
21 the basis of the Section 201(h) investment credit
22 property which secures the loan or loans, using for
23 this purpose the original basis of such property on the
24 date that it was placed in service in a federally
25 designated Foreign Trade Zone or Sub-Zone located in
26 Illinois. No taxpayer that is eligible for the

1 deduction provided in subparagraph (M) of paragraph
2 (2) of this subsection shall be eligible for the
3 deduction provided under this subparagraph (M-1). The
4 subtraction modification available to taxpayers in any
5 year under this subsection shall be that portion of the
6 total interest paid by the borrower with respect to
7 such loan attributable to the eligible property as
8 calculated under the previous sentence;

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

20 (O) An amount equal to: (i) 85% for taxable years
21 ending on or before December 31, 1992, or, a percentage
22 equal to the percentage allowable under Section
23 243(a)(1) of the Internal Revenue Code of 1986 for
24 taxable years ending after December 31, 1992, of the
25 amount by which dividends included in taxable income
26 and received from a corporation that is not created or

1 organized under the laws of the United States or any
2 state or political subdivision thereof, including, for
3 taxable years ending on or after December 31, 1988,
4 dividends received or deemed received or paid or deemed
5 paid under Sections 951 through 965 of the Internal
6 Revenue Code, exceed the amount of the modification
7 provided under subparagraph (G) of paragraph (2) of
8 this subsection (b) which is related to such dividends,
9 and including, for taxable years ending on or after
10 December 31, 2008, dividends received from a captive
11 real estate investment trust; plus (ii) 100% of the
12 amount by which dividends, included in taxable income
13 and received, including, for taxable years ending on or
14 after December 31, 1988, dividends received or deemed
15 received or paid or deemed paid under Sections 951
16 through 964 of the Internal Revenue Code and including,
17 for taxable years ending on or after December 31, 2008,
18 dividends received from a captive real estate
19 investment trust, from any such corporation specified
20 in clause (i) that would but for the provisions of
21 Section 1504 (b) (3) of the Internal Revenue Code be
22 treated as a member of the affiliated group which
23 includes the dividend recipient, exceed the amount of
24 the modification provided under subparagraph (G) of
25 paragraph (2) of this subsection (b) which is related
26 to such dividends. This subparagraph (O) is exempt from

1 the provisions of Section 250 of this Act;

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

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

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

23 (S) For taxable years ending on or after December
24 31, 1997, in the case of a Subchapter S corporation, an
25 amount equal to all amounts of income allocable to a
26 shareholder subject to the Personal Property Tax

1 Replacement Income Tax imposed by subsections (c) and
2 (d) of Section 201 of this Act, including amounts
3 allocable to organizations exempt from federal income
4 tax by reason of Section 501(a) of the Internal Revenue
5 Code. This subparagraph (S) is exempt from the
6 provisions of Section 250;

7 (T) For taxable years 2001 and thereafter, for the
8 taxable year in which the bonus depreciation deduction
9 is taken on the taxpayer's federal income tax return
10 under subsection (k) of Section 168 of the Internal
11 Revenue Code and for each applicable taxable year
12 thereafter, an amount equal to "x", where:

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

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

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

26 (i) for property on which a bonus

1 depreciation deduction of 30% of the adjusted
2 basis was taken, "x" equals "y" multiplied by
3 30 and then divided by 70 (or "y" multiplied by
4 0.429); and

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

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

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

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

1 modification under subparagraph (E-10), then an amount
2 equal to that addition modification.

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

6 This subparagraph (U) is exempt from the
7 provisions of Section 250;

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

1 addition modification with respect to such transaction
2 under Section 203(a)(2)(D-19), Section
3 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
4 203(d)(2)(D-9), but not to exceed the amount of that
5 addition modification. This subparagraph (V) is exempt
6 from the provisions of Section 250;

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

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

22 (Y) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(b)(2)(E-14), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

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

11 (Z) The difference between the nondeductible
12 controlled foreign corporation dividends under Section
13 965(e) (3) of the Internal Revenue Code over the taxable
14 income of the taxpayer, computed without regard to
15 Section 965(e) (2) (A) of the Internal Revenue Code, and
16 without regard to any net operating loss deduction.
17 This subparagraph (Z) is exempt from the provisions of
18 Section 250.

19 (3) Special rule. For purposes of paragraph (2) (A),
20 "gross income" in the case of a life insurance company, for
21 tax years ending on and after December 31, 1994, and prior
22 to December 31, 2011, shall mean the gross investment
23 income for the taxable year and, for tax years ending on or
24 after December 31, 2011, shall mean all amounts included in
25 life insurance gross income under Section 803(a) (3) of the
26 Internal Revenue Code.

1 (c) Trusts and estates.

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

5 (2) Modifications. Subject to the provisions of
6 paragraph (3), the taxable income referred to in paragraph
7 (1) shall be modified by adding thereto the sum of the
8 following amounts:

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

13 (B) In the case of (i) an estate, \$600; (ii) a
14 trust which, under its governing instrument, is
15 required to distribute all of its income currently,
16 \$300; and (iii) any other trust, \$100, but in each such
17 case, only to the extent such amount was deducted in
18 the computation of taxable income;

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

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

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

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

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

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

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

5 (F) For taxable years ending on or after January 1,
6 1989, an amount equal to the tax deducted pursuant to
7 Section 164 of the Internal Revenue Code if the trust
8 or estate is claiming the same tax for purposes of the
9 Illinois foreign tax credit under Section 601 of this
10 Act;

11 (G) An amount equal to the amount of the capital
12 gain deduction allowable under the Internal Revenue
13 Code, to the extent deducted from gross income in the
14 computation of taxable income;

15 (G-5) For taxable years ending after December 31,
16 1997, an amount equal to any eligible remediation costs
17 that the trust or estate deducted in computing adjusted
18 gross income and for which the trust or estate claims a
19 credit under subsection (l) of Section 201;

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

25 (G-11) If the taxpayer sells, transfers, abandons,
26 or otherwise disposes of property for which the

1 taxpayer was required in any taxable year to make an
2 addition modification under subparagraph (G-10), then
3 an amount equal to the aggregate amount of the
4 deductions taken in all taxable years under
5 subparagraph (R) with respect to that property.

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

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

16 (G-12) An amount equal to the amount otherwise
17 allowed as a deduction in computing base income for
18 interest paid, accrued, or incurred, directly or
19 indirectly, (i) for taxable years ending on or after
20 December 31, 2004, to a foreign person who would be a
21 member of the same unitary business group but for the
22 fact that the foreign person's business activity
23 outside the United States is 80% or more of the foreign
24 person's total business activity and (ii) for taxable
25 years ending on or after December 31, 2008, to a person
26 who would be a member of the same unitary business

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

17 This paragraph shall not apply to the following:

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

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

1 preponderance of the evidence, both of the
2 following:

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

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

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

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

26 Nothing in this subsection shall preclude the

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

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

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

1 trade secrets, and similar types of intangible assets.

2 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

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

17 (G-15) An amount equal to the credit allowable to
18 the taxpayer under Section 218(a) of this Act,
19 determined without regard to Section 218(c) of this
20 Act;

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

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

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

8 (I) The valuation limitation amount;

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

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

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

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

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

23 (N) An amount equal to any contribution made to a
24 job training project established pursuant to the Tax
25 Increment Allocation Redevelopment Act;

26 (O) 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 (M) of paragraph (2) of this subsection
7 shall not be eligible for the deduction provided under
8 this subparagraph (O);

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

14 (Q) For taxable year 1999 and thereafter, an amount
15 equal to the amount of any (i) distributions, to the
16 extent includible in gross income for federal income
17 tax purposes, made to the taxpayer because of his or
18 her status as a victim of persecution for racial or
19 religious reasons by Nazi Germany or any other Axis
20 regime or as an heir of the victim and (ii) items of
21 income, to the extent includible in gross income for
22 federal income tax purposes, attributable to, derived
23 from or in any way related to assets stolen from,
24 hidden from, or otherwise lost to a victim of
25 persecution for racial or religious reasons by Nazi
26 Germany or any other Axis regime immediately prior to,

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

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

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

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

12 (3) for taxable years ending after December
13 31, 2005:

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

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

23 The aggregate amount deducted under this
24 subparagraph in all taxable years for any one piece of
25 property may not exceed the amount of the bonus
26 depreciation deduction taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) of Section 168 of the Internal Revenue Code. This
3 subparagraph (R) is exempt from the provisions of
4 Section 250;

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

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

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

20 This subparagraph (S) is exempt from the
21 provisions of Section 250;

22 (T) The amount of (i) any interest income (net of
23 the deductions allocable thereto) taken into account
24 for the taxable year with respect to a transaction with
25 a taxpayer that is required to make an addition
26 modification with respect to such transaction under

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

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

1 subsections of Section 304, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(c)(2)(G-12) for
4 interest paid, accrued, or incurred, directly or
5 indirectly, to the same person. This subparagraph (U)
6 is exempt from the provisions of Section 250;

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

1 provisions of Section 250;

2 (W) in the case of an estate, an amount equal to
3 all amounts included in such total pursuant to the
4 provisions of Section 111 of the Internal Revenue Code
5 as a recovery of items previously deducted by the
6 decedent from adjusted gross income in the computation
7 of taxable income. This subparagraph (W) is exempt from
8 Section 250;

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

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

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

3 (3) Limitation. The amount of any modification
4 otherwise required under this subsection shall, under
5 regulations prescribed by the Department, be adjusted by
6 any amounts included therein which were properly paid,
7 credited, or required to be distributed, or permanently set
8 aside for charitable purposes pursuant to Internal Revenue
9 Code Section 642(c) during the taxable year.

10 (d) Partnerships.

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

14 (2) Modifications. The taxable income referred to in
15 paragraph (1) shall be modified by adding thereto the sum
16 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 taxable income;

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

24 (C) The amount of deductions allowed to the
25 partnership pursuant to Section 707 (c) of the Internal

1 Revenue Code in calculating its taxable income;

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

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

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

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

25 The taxpayer is required to make the addition
26 modification under this subparagraph only once with

1 respect to any one piece of property;

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

1 same person to whom the interest was paid, accrued, or
2 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; and

21 (D-8) 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 pursuant to Sections 951 through 964 of the
18 Internal Revenue Code and amounts included in gross
19 income under Section 78 of the Internal Revenue Code)
20 with respect to the stock of the same person to whom
21 the intangible expenses and costs were directly or
22 indirectly paid, incurred or accrued. The preceding
23 sentence shall not apply to the extent that the same
24 dividends caused a reduction to the addition
25 modification required under Section 203(d)(2)(D-7) of
26 this Act. As used in this subparagraph, the term

1 "intangible expenses and costs" includes (1) expenses,
2 losses, and costs for, or related to, the direct or
3 indirect acquisition, use, maintenance or management,
4 ownership, sale, exchange, or any other disposition of
5 intangible property; (2) losses incurred, directly or
6 indirectly, from factoring transactions or discounting
7 transactions; (3) royalty, patent, technical, and
8 copyright fees; (4) licensing fees; and (5) other
9 similar expenses and costs. For purposes of this
10 subparagraph, "intangible property" includes patents,
11 patent applications, trade names, trademarks, service
12 marks, copyrights, mask works, trade secrets, and
13 similar types of intangible 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-9) For taxable years ending on or after December
4 31, 2008, an amount equal to the amount of insurance
5 premium expenses and costs otherwise allowed as a
6 deduction in computing base income, and that were paid,
7 accrued, or incurred, directly or indirectly, to a
8 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(d) (2) (D-7) or
2 Section 203(d) (2) (D-8) of this Act;

3 (D-10) An amount equal to the credit allowable to
4 the taxpayer under Section 218(a) of this Act,
5 determined without regard to Section 218(c) of this
6 Act;

7 and by deducting from the total so obtained the following
8 amounts:

9 (E) The valuation limitation amount;

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

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

23 (H) Any income of the partnership which
24 constitutes personal service income as defined in
25 Section 1348 (b) (1) of the Internal Revenue Code (as
26 in effect December 31, 1981) or a reasonable allowance

1 for compensation paid or accrued for services rendered
2 by partners to the partnership, whichever is greater;
3 this subparagraph (H) is exempt from the provisions of
4 Section 250;

5 (I) An amount equal to all amounts of income
6 distributable to an entity subject to the Personal
7 Property Tax Replacement Income Tax imposed by
8 subsections (c) and (d) of Section 201 of this Act
9 including amounts distributable to organizations
10 exempt from federal income tax by reason of Section
11 501(a) of the Internal Revenue Code; this subparagraph
12 (I) is exempt from the provisions of Section 250;

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

1 provisions of this subparagraph are exempt from the
2 provisions of Section 250;

3 (K) An amount equal to those dividends included in
4 such total which were paid by a corporation which
5 conducts business operations in ~~an Enterprise Zone or~~
6 ~~zones created under the Illinois Enterprise Zone Act,~~
7 ~~enacted by the 82nd General Assembly, or~~ a River Edge
8 Redevelopment Zone or zones created under the River
9 Edge Redevelopment Zone Act and conducts substantially
10 all of its operations ~~in an Enterprise Zone or Zones or~~
11 from a River Edge Redevelopment Zone or zones. This
12 subparagraph (K) is exempt from the provisions of
13 Section 250;

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

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

26 (N) An amount equal to the amount of the deduction

1 used to compute the federal income tax credit for
2 restoration of substantial amounts held under claim of
3 right for the taxable year pursuant to Section 1341 of
4 the Internal Revenue Code;

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

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

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

22 (3) for taxable years ending after December
23 31, 2005:

24 (i) for property on which a bonus
25 depreciation deduction of 30% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 30 and then divided by 70 (or "y" multiplied by
2 0.429); and

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

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

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

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which the
22 taxpayer may claim a depreciation deduction for
23 federal income tax purposes and for which the taxpayer
24 was required in any taxable year to make an addition
25 modification under subparagraph (D-5), then an amount
26 equal to that addition modification.

1 The taxpayer is allowed to take the deduction under
2 this subparagraph only once with respect to any one
3 piece of property.

4 This subparagraph (P) is exempt from the
5 provisions of Section 250;

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

23 (R) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 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(d)(2)(D-7) for interest
14 paid, accrued, or incurred, directly or indirectly, to
15 the same person. This subparagraph (R) is exempt from
16 Section 250;

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

1 group but for the fact that the person is prohibited
2 under Section 1501(a)(27) from being included in the
3 unitary business group because he or she is ordinarily
4 required to apportion business income under different
5 subsections of Section 304, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(d)(2)(D-8) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same person.
10 This subparagraph (S) is exempt from Section 250; and

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

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

2 (1) In general. Subject to the provisions of paragraph
3 (2) and subsection (b) (3), for purposes of this Section
4 and Section 803(e), a taxpayer's gross income, adjusted
5 gross income, or taxable income for the taxable year shall
6 mean the amount of gross income, adjusted gross income or
7 taxable income properly reportable for federal income tax
8 purposes for the taxable year under the provisions of the
9 Internal Revenue Code. Taxable income may be less than
10 zero. However, for taxable years ending on or after
11 December 31, 1986, net operating loss carryforwards from
12 taxable years ending prior to December 31, 1986, may not
13 exceed the sum of federal taxable income for the taxable
14 year before net operating loss deduction, plus the excess
15 of addition modifications over subtraction modifications
16 for the taxable year. For taxable years ending prior to
17 December 31, 1986, taxable income may never be an amount in
18 excess of the net operating loss for the taxable year as
19 defined in subsections (c) and (d) of Section 172 of the
20 Internal Revenue Code, provided that when taxable income of
21 a corporation (other than a Subchapter S corporation),
22 trust, or estate is less than zero and addition
23 modifications, other than those provided by subparagraph
24 (E) of paragraph (2) of subsection (b) for corporations or
25 subparagraph (E) of paragraph (2) of subsection (c) for
26 trusts and estates, exceed subtraction modifications, an

1 addition modification must be made under those
2 subparagraphs for any other taxable year to which the
3 taxable income less than zero (net operating loss) is
4 applied under Section 172 of the Internal Revenue Code or
5 under subparagraph (E) of paragraph (2) of this subsection
6 (e) applied in conjunction with Section 172 of the Internal
7 Revenue Code.

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

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

18 (B) Certain other insurance companies. In the case
19 of mutual insurance companies subject to the tax
20 imposed by Section 831 of the Internal Revenue Code,
21 insurance company taxable income;

22 (C) Regulated investment companies. In the case of
23 a regulated investment company subject to the tax
24 imposed by Section 852 of the Internal Revenue Code,
25 investment company taxable income;

26 (D) Real estate investment trusts. In the case of a

1 real estate investment trust subject to the tax imposed
2 by Section 857 of the Internal Revenue Code, real
3 estate investment trust taxable income;

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

16 (F) Cooperatives. In the case of a cooperative
17 corporation or association, the taxable income of such
18 organization determined in accordance with the
19 provisions of Section 1381 through 1388 of the Internal
20 Revenue Code, but without regard to the prohibition
21 against offsetting losses from patronage activities
22 against income from nonpatronage activities; except
23 that a cooperative corporation or association may make
24 an election to follow its federal income tax treatment
25 of patronage losses and nonpatronage losses. In the
26 event such election is made, such losses shall be

1 computed and carried over in a manner consistent with
2 subsection (a) of Section 207 of this Act and
3 apportioned by the apportionment factor reported by
4 the cooperative on its Illinois income tax return filed
5 for the taxable year in which the losses are incurred.
6 The election shall be effective for all taxable years
7 with original returns due on or after the date of the
8 election. In addition, the cooperative may file an
9 amended return or returns, as allowed under this Act,
10 to provide that the election shall be effective for
11 losses incurred or carried forward for taxable years
12 occurring prior to the date of the election. Once made,
13 the election may only be revoked upon approval of the
14 Director. The Department shall adopt rules setting
15 forth requirements for documenting the elections and
16 any resulting Illinois net loss and the standards to be
17 used by the Director in evaluating requests to revoke
18 elections. Public Act 96-932 is declaratory of
19 existing law;

20 (G) Subchapter S corporations. In the case of: (i)
21 a Subchapter S corporation for which there is in effect
22 an election for the taxable year under Section 1362 of
23 the Internal Revenue Code, the taxable income of such
24 corporation determined in accordance with Section
25 1363(b) of the Internal Revenue Code, except that
26 taxable income shall take into account those items

1 which are required by Section 1363(b)(1) of the
2 Internal Revenue Code to be separately stated; and (ii)
3 a Subchapter S corporation for which there is in effect
4 a federal election to opt out of the provisions of the
5 Subchapter S Revision Act of 1982 and have applied
6 instead the prior federal Subchapter S rules as in
7 effect on July 1, 1982, the taxable income of such
8 corporation determined in accordance with the federal
9 Subchapter S rules as in effect on July 1, 1982; and

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

17 (3) Recapture of business expenses on disposition of
18 asset or business. Notwithstanding any other law to the
19 contrary, if in prior years income from an asset or
20 business has been classified as business income and in a
21 later year is demonstrated to be non-business income, then
22 all expenses, without limitation, deducted in such later
23 year and in the 2 immediately preceding taxable years
24 related to that asset or business that generated the
25 non-business income shall be added back and recaptured as
26 business income in the year of the disposition of the asset

1 or business. Such amount shall be apportioned to Illinois
2 using the greater of the apportionment fraction computed
3 for the business under Section 304 of this Act for the
4 taxable year or the average of the apportionment fractions
5 computed for the business under Section 304 of this Act for
6 the taxable year and for the 2 immediately preceding
7 taxable years.

8 (f) Valuation limitation amount.

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

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

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

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

1 (A) If the fair market value of property referred
2 to in paragraph (1) was readily ascertainable on August
3 1, 1969, the pre-August 1, 1969 appreciation amount for
4 such property is the lesser of (i) the excess of such
5 fair market value over the taxpayer's basis (for
6 determining gain) for such property on that date
7 (determined under the Internal Revenue Code as in
8 effect on that date), or (ii) the total gain realized
9 and reportable for federal income tax purposes in
10 respect of the sale, exchange or other disposition of
11 such property.

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

23 (C) The Department shall prescribe such
24 regulations as may be necessary to carry out the
25 purposes of this paragraph.

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

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

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

18 Section 15. The Retailers' Occupation Tax Act is amended by
19 changing Sections 5k and 5l as follows:

20 (35 ILCS 120/5k) (from Ch. 120, par. 444k)

21 Sec. 5k. Building materials exemption; enterprise zone.

22 (a) Each retailer who makes a qualified sale of building
23 materials to be incorporated into real estate in an enterprise

1 zone established by a county or municipality under the Illinois
2 Enterprise Zone Act by remodeling, rehabilitation or new
3 construction, may deduct receipts from such sales when
4 calculating the tax imposed by this Act. For purposes of this
5 Section, before July 1, 2013, "qualified sale" means a sale of
6 building materials that will be incorporated into real estate
7 as part of a building project for which a Certificate of
8 Eligibility for Sales Tax Exemption has been issued by the
9 administrator of the enterprise zone in which the building
10 project is located, and on and after July 1, 2013, "qualified
11 sale" means a sale of building materials that will be
12 incorporated into real estate as part of a building project for
13 which an Enterprise Zone Building Materials Exemption
14 Certificate has been issued to the purchaser by the Department.
15 A construction contractor or other entity shall not make
16 tax-free purchases unless it has an active Exemption
17 Certificate issued by the Department at the time of the
18 purchase.

19 (b) Before July 1, 2013, to ~~to~~ document the exemption
20 allowed under this Section, the retailer must obtain from the
21 purchaser a copy of the Certificate of Eligibility for Sales
22 Tax Exemption issued by the administrator of the enterprise
23 zone into which the building materials will be incorporated. On
24 and after July 1, 2013, to document the exemption allowed under
25 this Section, the retailer must obtain from the purchaser the
26 certification required under subsection (c), which must

1 contain the Enterprise Zone Building Materials Exemption
2 Certificate number issued to the purchaser by the Department.
3 Upon request from the enterprise zone administrator, the
4 Department shall issue an Enterprise Zone Building Materials
5 Exemption Certificate for each construction contractor or
6 other entity identified by the enterprise zone administrator.
7 The Department shall issue the Exemption Certificates directly
8 to each construction contractor or other entity. The Department
9 shall also provide the enterprise zone administrator with a
10 copy of each Exemption Certificate issued. The request for
11 Enterprise Zone Building Materials Exemption Certificates from
12 the enterprise zone administrator to the Department must
13 include the following information:

14 (1) the name and address of the construction contractor
15 or other entity;

16 (2) the name and number of the enterprise zone;

17 (3) the name and location or address of the building
18 project in the enterprise zone;

19 (4) the estimated amount of the exemption for each
20 construction contractor or other entity for which a request
21 for Exemption Certificate is made, based on a stated
22 estimated average tax rate and the percentage of the
23 contract that consists of materials;

24 (5) the period of time over which supplies for the
25 project are expected to be purchased; and

26 (6) other reasonable information as the Department may

1 require.

2 The Department shall issue the Enterprise Zone Building
3 Materials Exemption Certificates within 3 business days after
4 receipt of request from the zone administrator. This
5 requirement does not apply in circumstances where the
6 Department, for reasonable cause, is unable to issue the
7 Exemption Certificate within 3 business days. The Department
8 may refuse to issue an Exemption Certificate if the owner, any
9 partner, or a corporate officer, and in the case of a limited
10 liability company, any manager or member, of the construction
11 contractor or other entity is or has been the owner, a partner,
12 a corporate officer, and in the case of a limited liability
13 company, a manager or member, of a person that is in default
14 for moneys due to the Department under this Act or any other
15 tax or fee Act administered by the Department. The Enterprise
16 Zone Building Materials Exemption Certificate shall contain
17 language stating that if the construction contractor or other
18 entity who is issued the Exemption Certificate makes a
19 tax-exempt purchase, as described in this Section, that is not
20 eligible for exemption under this Section or allows another
21 person to make a tax-exempt purchase, as described in this
22 Section, that is not eligible for exemption under this Section,
23 then, in addition to any tax or other penalty imposed, the
24 construction contractor or other entity is subject to a penalty
25 equal to the tax that would have been paid by the retailer
26 under this Act as well as any applicable local retailers'

1 occupation tax on the purchase that is not eligible for the
2 exemption.

3 The Department, in its discretion, may require that the
4 request for Enterprise Zone Building Materials Exemption
5 Certificates be submitted electronically. The Department may,
6 in its discretion, issue the Exemption Certificates
7 electronically. The Enterprise Zone Building Materials
8 Exemption Certificate number shall be designed in such a way
9 that the Department can identify from the unique number on the
10 Exemption Certificate issued to a given construction
11 contractor or other entity, the name of the Enterprise Zone,
12 the project for which the Exemption Certificate is issued, and
13 the construction contractor or other entity to whom the
14 Exemption Certificate is issued. The Exemption Certificate
15 shall contain an expiration date, which shall be no more than 2
16 years after the date of issuance. At the request of the zone
17 administrator, the Department may renew an Exemption
18 Certificate. After the Department issues Exemption
19 Certificates for a given enterprise zone project, the
20 enterprise zone administrator may notify the Department of
21 additional construction contractors or other entities eligible
22 for an Enterprise Zone Building Materials Exemption
23 Certificate. Upon notification by the enterprise zone
24 administrator and subject to the other provisions of this
25 subsection (b), the Department shall issue an Enterprise Zone
26 Building Materials Exemption Certificate to each additional

1 construction contractor or other entity identified by the
2 enterprise zone administrator. An enterprise zone
3 administrator may notify the Department to rescind an
4 Enterprise Zone Building Materials Exemption Certificate
5 previously issued by the Department but that has not yet
6 expired. Upon notification by the enterprise zone
7 administrator and subject to the other provisions of this
8 subsection (b), the Department shall issue the rescission of
9 the Enterprise Zone Building Materials Exemption Certificate
10 to the construction contractor or other entity identified by
11 the enterprise zone administrator and provide a copy to the
12 enterprise zone administrator.

13 If the Department of Revenue determines that a construction
14 contractor or other entity that was issued an Exemption
15 Certificate under this subsection (b) made a tax-exempt
16 purchase, as described in this Section, that was not eligible
17 for exemption under this Section or allowed another person to
18 make a tax-exempt purchase, as described in this Section, that
19 was not eligible for exemption under this Section, then, in
20 addition to any tax or other penalty imposed, the construction
21 contractor or other entity is subject to a penalty equal to the
22 tax that would have been paid by the retailer under this Act as
23 well as any applicable local retailers' occupation tax on the
24 purchase that was not eligible for the exemption. ~~The~~
25 ~~Certificate of Eligibility for Sales Tax Exemption must~~
26 ~~contain:~~

1 ~~(1) a statement that the building project identified in~~
2 ~~the Certificate meets all the requirements for the building~~
3 ~~material exemption contained in the enterprise zone~~
4 ~~ordinance of the jurisdiction in which the building project~~
5 ~~is located;~~

6 ~~(2) the location or address of the building project;~~
7 ~~and~~

8 ~~(3) the signature of the administrator of the~~
9 ~~enterprise zone in which the building project is located.~~

10 (c) In addition, the retailer must obtain certification
11 from the purchaser that contains:

12 (1) a statement that the building materials are being
13 purchased for incorporation into real estate located in an
14 Illinois enterprise zone;

15 (2) the location or address of the real estate into
16 which the building materials will be incorporated;

17 (3) the name of the enterprise zone in which that real
18 estate is located;

19 (4) a description of the building materials being
20 purchased; ~~and~~

21 (5) on and after July 1, 2013, the purchaser's
22 Enterprise Zone Building Materials Exemption Certificate
23 number issued by the Department; and

24 (6) the purchaser's signature and date of purchase.

25 (d) The deduction allowed by this Section for the sale of
26 building materials may be limited, to the extent authorized by

1 ordinance, adopted after the effective date of this amendatory
2 Act of 1992, by the municipality or county that created the
3 enterprise zone into which the building materials will be
4 incorporated. The ordinance, however, may neither require nor
5 prohibit the purchase of building materials from any retailer
6 or class of retailers in order to qualify for the exemption
7 allowed under this Section. The provisions of this Section are
8 exempt from Section 2-70.

9 (e) Notwithstanding anything to the contrary in this
10 Section, for enterprise zone projects already in existence and
11 for which construction contracts are already in place on July,
12 1, 2013, the request for Enterprise Zone Building Materials
13 Exemption Certificates from the enterprise zone administrator
14 to the Department for these pre-existing construction
15 contractors and other entities must include the information
16 required under subsection (b), but not including the
17 information listed in items (4) and (5). For any new
18 construction contract entered into on or after July 1, 2013,
19 however, all of the information in subsection (b) must be
20 provided.

21 (Source: P.A. 91-51, eff. 6-30-99; 91-954, eff. 1-1-02; 92-484,
22 eff. 8-23-01; 92-779, eff. 8-6-02.)

23 (35 ILCS 120/51) (from Ch. 120, par. 4441)

24 Sec. 51. Building materials exemption; High Impact
25 Business.

1 (a) Beginning January 1, 1995, each retailer who makes a
2 sale of building materials that will be incorporated into a
3 High Impact Business location as designated by the Department
4 of Commerce and Economic Opportunity under Section 5.5 of the
5 Illinois Enterprise Zone Act may deduct receipts from such
6 sales when calculating only the 6.25% State rate of tax imposed
7 by this Act. Beginning on the effective date of this amendatory
8 Act of 1995, a retailer may also deduct receipts from such
9 sales when calculating any applicable local taxes. However,
10 until the effective date of this amendatory Act of 1995, a
11 retailer may file claims for credit or refund to recover the
12 amount of any applicable local tax paid on such sales. No
13 retailer who is eligible for the deduction or credit under
14 Section 5k of this Act for making a sale of building materials
15 to be incorporated into real estate in an enterprise zone by
16 rehabilitation, remodeling or new construction shall be
17 eligible for the deduction or credit authorized under this
18 Section.

19 (b) In addition to any other requirements to document the
20 exemption allowed under this Section, the retailer must obtain
21 from the purchaser the purchaser's High Impact Business
22 Building Materials Exemption Certificate number issued by the
23 Department. A construction contractor or other entity shall not
24 make tax-free purchases unless it has an active Exemption
25 Certificate issued by the Department at the time of purchase.

26 Upon request from the designated High Impact Business, the

1 Department shall issue a High Impact Business Building
2 Materials Exemption Certificate for each construction
3 contractor or other entity identified by the designated High
4 Impact Business. The Department shall issue the Exemption
5 Certificates directly to each construction contractor or other
6 entity. The Department shall also provide the designated High
7 Impact Business with a copy of each Exemption Certificate
8 issued. The request for Building Materials Exemption
9 Certificates from the designated High Impact Business to the
10 Department must include the following information:

11 (1) the name and address of the construction contractor
12 or other entity;

13 (2) the name and location or address of the designated
14 High Impact Business;

15 (3) the estimated amount of the exemption for each
16 construction contractor or other entity for which a request
17 for Exemption Certificate is made, based on a stated
18 estimated average tax rate and the percentage of the
19 contract that consists of materials;

20 (4) the period of time over which supplies for the
21 project are expected to be purchased; and

22 (5) other reasonable information as the Department may
23 require.

24 The Department shall issue the High Impact Business
25 Building Materials Exemption Certificates within 3 business
26 days after receipt of request from the designated High Impact

1 Business. This requirement does not apply in circumstances
2 where the Department, for reasonable cause, is unable to issue
3 the Exemption Certificate within 3 business days. The
4 Department may refuse to issue an Exemption Certificate if the
5 owner, any partner, or a corporate officer, and in the case of
6 a limited liability company, any manager or member, of the
7 construction contractor or other entity is or has been the
8 owner, a partner, a corporate officer, and in the case of a
9 limited liability company, a manager or member, of a person
10 that is in default for moneys due to the Department under this
11 Act or any other tax or fee Act administered by the Department.
12 The High Impact Business Building Materials Exemption
13 Certificate shall contain language stating that if the
14 construction contractor or other entity who is issued the
15 Exemption Certificate makes a tax-exempt purchase, as
16 described in this Section, that is not eligible for exemption
17 under this Section or allows another person to make a
18 tax-exempt purchase, as described in this Section, that is not
19 eligible for exemption under this Section, then, in addition to
20 any tax or other penalty imposed, the construction contractor
21 or other entity is subject to a penalty equal to the tax that
22 would have been paid by the retailer under this Act as well as
23 any applicable local retailers' occupation tax on the purchase
24 that is not eligible for the exemption.

25 The Department, in its discretion, may require that the
26 request for High Impact Business Building Materials Exemption

1 Certificates be submitted electronically. The Department may,
2 in its discretion, issue the Exemption Certificates
3 electronically. The High Impact Business Building Materials
4 Exemption Certificate number shall be designed in such a way
5 that the Department can identify from the unique number on the
6 Exemption Certificate issued to a given construction
7 contractor or other entity, the name of the designated High
8 Impact Business and the construction contractor or other entity
9 to whom the Exemption Certificate is issued. The Exemption
10 Certificate shall contain an expiration date, which shall be no
11 more than 2 years after the date of issuance. At the request of
12 the designated High Impact Business, the Department may renew
13 an Exemption Certificate. After the Department issues
14 Exemption Certificates for a given designated High Impact
15 Business, the designated High Impact Business may notify the
16 Department of additional construction contractors or other
17 entities eligible for a Building Materials Exemption
18 Certificate. Upon notification by the designated High Impact
19 Business and subject to the other provisions of this subsection
20 (b), the Department shall issue a High Impact Business Building
21 Materials Exemption Certificate to each additional
22 construction contractor or other entity identified by the
23 designated High Impact Business. A designated High Impact
24 Business may notify the Department to rescind a Building
25 Materials Exemption Certificate previously issued by the
26 Department but that has not yet expired. Upon notification by

1 the designated High Impact Business and subject to the other
2 provisions of this subsection (b), the Department shall issue
3 the rescission of the Building Materials Exemption Certificate
4 to the construction contractor or other entity identified by
5 the designated High Impact Business and provide a copy to the
6 designated High Impact Business.

7 If the Department of Revenue determines that a construction
8 contractor or other entity that was issued an Exemption
9 Certificate under this subsection (b) made a tax-exempt
10 purchase, as described in this Section, that was not eligible
11 for exemption under this Section or allowed another person to
12 make a tax-exempt purchase, as described in this Section, that
13 was not eligible for exemption under this Section, then, in
14 addition to any tax or other penalty imposed, the construction
15 contractor or other entity is subject to a penalty equal to the
16 tax that would have been paid by the retailer under this Act as
17 well as any applicable local retailers' occupation tax on the
18 purchase that was not eligible for the exemption.

19 (c) Notwithstanding anything to the contrary in this
20 Section, for High Impact Businesses for which projects are
21 already in existence and for which construction contracts are
22 already in place on July 1, 2013, the request for High Impact
23 Business Building Materials Exemption Certificates from the
24 High Impact Business to the Department for these pre-existing
25 construction contractors and other entities must include the
26 information required under subsection (b), but not including

1 the information listed in items (3) and (4). For any new
2 construction contract entered into on or after July 1, 2013,
3 however, all of the information in subsection (b) must be
4 provided.

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

6 Section 20. The River Edge Redevelopment Zone Act is
7 amended by changing Section 10-5.3 and by adding Section
8 10-10.2 as follows:

9 (65 ILCS 115/10-5.3)

10 Sec. 10-5.3. Certification of River Edge Redevelopment
11 Zones.

12 (a) Approval of designated River Edge Redevelopment Zones
13 shall be made by the Department by certification of the
14 designating ordinance. The Department shall promptly issue a
15 certificate for each zone upon its approval. The certificate
16 shall be signed by the Director of the Department, shall make
17 specific reference to the designating ordinance, which shall be
18 attached thereto, and shall be filed in the office of the
19 Secretary of State. A certified copy of the River Edge
20 Redevelopment Zone Certificate, or a duplicate original
21 thereof, shall be recorded in the office of the recorder of
22 deeds of the county in which the River Edge Redevelopment Zone
23 lies.

24 (b) A River Edge Redevelopment Zone shall be effective upon

1 its certification. The Department shall transmit a copy of the
2 certification to the Department of Revenue, and to the
3 designating municipality. Upon certification of a River Edge
4 Redevelopment Zone, the terms and provisions of the designating
5 ordinance shall be in effect, and may not be amended or
6 repealed except in accordance with Section 10-5.4.

7 (c) A River Edge Redevelopment Zone shall be in effect for
8 the period stated in the certificate, which shall in no event
9 exceed 30 calendar years. Zones shall terminate at midnight of
10 December 31 of the final calendar year of the certified term,
11 except as provided in Section 10-5.4.

12 (d) In calendar years 2006 and 2007, the Department may
13 certify one pilot River Edge Redevelopment Zone in the City of
14 East St. Louis, one pilot River Edge Redevelopment Zone in the
15 City of Rockford, and one pilot River Edge Redevelopment Zone
16 in the City of Aurora.

17 In calendar year 2009, the Department may certify one pilot
18 River Edge Redevelopment Zone in the City of Elgin.

19 On or after the effective date of this amendatory Act of
20 the 97th General Assembly, the Department may certify one
21 additional pilot River Edge Redevelopment Zone in the City of
22 Peoria.

23 Thereafter the Department may not certify any additional
24 River Edge Redevelopment Zones, but may amend and rescind
25 certifications of existing River Edge Redevelopment Zones in
26 accordance with Section 10-5.4, except that no River Edge

1 Redevelopment Zone may be extended on or after the effective
2 date of this amendatory Act of the 97th General Assembly. Each
3 River Edge Redevelopment Zone in existence on the effective
4 date of this amendatory Act of the 97th General Assembly shall
5 continue until its scheduled termination under this Act, unless
6 the Zone is decertified sooner. At the time of its term
7 expiration each River Edge Redevelopment Zone will become an
8 open enterprise zone, available for the previously designated
9 area or a different area to compete for designation as an
10 enterprise zone. No preference for designation as a Zone will
11 be given to the previously designated area.

12 (e) A municipality in which a River Edge Redevelopment Zone
13 has been certified must submit to the Department, within 60
14 days after the certification, a plan for encouraging the
15 participation by minority persons, females, persons with
16 disabilities, and veterans in the zone. The Department may
17 assist the municipality in developing and implementing the
18 plan. The terms "minority person", "female", and "person with a
19 disability" have the meanings set forth under Section 2 of the
20 Business Enterprise for Minorities, Females, and Persons with
21 Disabilities Act. "Veteran" means an Illinois resident who is a
22 veteran as defined in subsection (h) of Section 1491 of Title
23 10 of the United States Code.

24 (Source: P.A. 96-37, eff. 7-13-09; 97-203, eff. 7-28-11.)

1 Sec. 10-10.2. Accounting.

2 (a) Any business receiving tax incentives due to its
3 location within a River Edge Redevelopment Zone must report the
4 total tax benefits received by the business, broken down by
5 incentive category, annually to the Department of Revenue.
6 Reports will be due no later than March 30 of each year and
7 shall cover the previous calendar year. The first report will
8 be for the 2012 calendar year and will be due no later than
9 March 30, 2013. Failure to report data shall result in
10 ineligibility to receive incentives. For the first offense, a
11 business shall be given 60 days to comply.

12 (b) Each person required to file a return under the Gas
13 Revenue Tax Act, the Gas Use Tax Act, the Electricity Excise
14 Tax Act, or the Telecommunications Excise Tax Act shall file,
15 on or before March 30 of each year, a report with the
16 Department of Revenue, in the manner and form required by the
17 Department of Revenue, itemizing the amount of the deduction
18 taken under each Act, respectively, due to the location of a
19 business in a River Edge Redevelopment Zone. The report shall
20 be itemized by business and the business location address.

21 (c) Employers shall report their job creation, retention,
22 and capital investment numbers within the River Edge
23 Redevelopment Zone annually to the administrator which will
24 compile the information and report it to the Department of
25 Revenue no later than March 30 of each calendar year.

26 (d) The Department of Revenue will aggregate and collect

1 the tax, job, and capital investment data by River Edge
2 Redevelopment Zone and report this information, formatted to
3 exclude company-specific proprietary information, to the
4 Department by May 1, 2013, and by May 1 of every calendar year
5 thereafter. The Department will include this information in
6 their required reports under Section 6 of this Act.

7 (e) The Department of Revenue, in its discretion, may
8 require that the reports filed under this Section be submitted
9 electronically.

10 (f) The Department of Revenue shall have the authority to
11 adopt rules as are reasonable and necessary to implement the
12 provisions of this Section.

13 Section 95. No acceleration or delay. Where this Act makes
14 changes in a statute that is represented in this Act by text
15 that is not yet or no longer in effect (for example, a Section
16 represented by multiple versions), the use of that text does
17 not accelerate or delay the taking effect of (i) the changes
18 made by this Act or (ii) provisions derived from any other
19 Public Act.

20 Section 99. Effective date. This Act takes effect upon
21 becoming law."