

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois 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.

17 (d) "Designated Zone Organization" means an association or
18 entity: (1) the members of which are substantially all
19 residents of the Enterprise Zone; (2) the board of directors of
20 which is elected by the members of the organization; (3) which
21 satisfies the criteria set forth in Section 501(c) (3) or
22 501(c) (4) of the Internal Revenue Code; and (4) which exists
23 primarily for the purpose of performing within such area or

1 zone for the benefit of the residents and businesses thereof
2 any of the functions set forth in Section 8 of this Act.

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

16 (f) "Rule" means each agency statement of general
17 applicability that implements, applies, interprets or
18 prescribes law or policy, but does not include (i) statements
19 concerning only the internal management of an agency and not
20 affecting private rights or procedures available to persons or
21 entities outside the agency, (ii) intra-agency memoranda, or
22 (iii) the prescription of standardized forms.

23 (g) "Board" means the Enterprise Zone Board created in
24 Section 5.2.1.

25 (h) "Local labor market area" means an economically
26 integrated area within which individuals can reside and find

1 employment within a reasonable distance or can readily change
2 jobs without changing their place of residence.

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

12 (j) "Full-time retained job" means any employee defined as
13 having a full-time or full-time equivalent job preserved at a
14 specific facility or site, the continuance of which is
15 threatened by a specific and demonstrable threat, which shall
16 be specified in the application for development assistance. A
17 recipient who employs labor or services at a specific site or
18 facility under contract with another may declare one retained
19 employee per year for every 1,750 man hours worked per year
20 under that contract, even if different individuals perform
21 on-site labor or services.

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

23 (20 ILCS 655/4) (from Ch. 67 1/2, par. 604)

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

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

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

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

16 (d) (blank); ~~satisfies any additional criteria established~~
17 ~~by regulation of the Department consistent with the purposes of~~
18 ~~this Act; and~~

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

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

26 (1) all or part of the local labor market area has had

1 an annual average unemployment rate of at least 120% of the
2 State's annual average unemployment rate for the most
3 recent calendar year or the most recent fiscal year as
4 reported by the Department of Employment Security;

5 (2) designation will result in the development of
6 substantial employment opportunities by creating or
7 retaining a minimum aggregate of 1,000 full-time
8 equivalent jobs due to an aggregate investment of
9 \$100,000,000 or more, and will help alleviate the effects
10 of poverty and unemployment within the local labor market
11 area;

12 (3) all or part of the local labor market area has a
13 poverty rate of at least 20% according to the latest
14 federal decennial census, 50% or more of children in the
15 local labor market area participate in the federal free
16 lunch program according to reported statistics from the
17 State Board of Education, or 20% or more households in the
18 local labor market area receive food stamps according to
19 the latest federal decennial census;

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

25 (5) the local labor market area contains a presence of
26 large employers that have downsized over the years, the

1 labor market area has experienced plant closures in the 5
2 years prior to the date of application affecting more than
3 50 workers, or the local labor market area has experienced
4 State or federal facility closures in the 5 years prior to
5 the date of application affecting more than 50 workers;

6 (6) based on data from Multiple Listing Service
7 information or other suitable sources, the local labor
8 market area contains a high floor vacancy rate of
9 industrial or commercial properties, vacant or demolished
10 commercial and industrial structures are prevalent in the
11 local labor market area, or industrial structures in the
12 local labor market area are not used because of age,
13 deterioration, relocation of the former occupants, or
14 cessation of operation;

15 (7) the applicant demonstrates a substantial plan for
16 using the designation to improve the State and local
17 government tax base, including income, sales, and property
18 taxes;

19 (8) significant public infrastructure is present in
20 the local labor market area in addition to a plan for
21 infrastructure development and improvement;

22 (9) high schools or community colleges located within
23 the local labor market area are engaged in ACT Work Keys,
24 Manufacturing Skills Standard Certification, or other
25 industry-based credentials that prepare students for
26 careers; or

1 (10) the change in equalized assessed valuation of
2 industrial and/or commercial properties in the 5 years
3 prior to the date of application is equal to or less than
4 50% of the State average change in equalized assessed
5 valuation for industrial and/or commercial properties, as
6 applicable, for the same period of time.

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

15 (2) Any criteria established by the Department or by law
16 which utilize the rate of unemployment for a particular area
17 shall provide that all persons who are not presently employed
18 and have exhausted all unemployment benefits shall be
19 considered unemployed, whether or not such persons are actively
20 seeking employment.

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

22 (20 ILCS 655/4.1 new)

23 Sec. 4.1. Department recommendations.

24 (a) For all applications that qualify under Section 4 of
25 this Act, the Department shall issue recommendations by

1 assigning a score to each applicant. The scores will be
2 determined by the Department, based on the extent to which an
3 applicant meets the criteria points under subsection (f) of
4 Section 4 of this Act. Scores will be determined using the
5 following scoring system:

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

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

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

15 (4) Up to 30 points for the extent to which the
16 applicant meets the criteria in item (4) of subsection (f)
17 of Section 4 of this Act.

18 (5) Up to 50 points for the extent to which the
19 applicant meets the criteria in item (5) of subsection (f)
20 of Section 4 of this Act.

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

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

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

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

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

10 (b) After assigning a score for each of the individual
11 criteria using the point system as described in subsection (a),
12 the Department shall then take the sum of the scores for each
13 applicant and assign a final score. The Department shall then
14 submit this information to the Board, as required in subsection
15 (c) of Section 5.2, as its recommendation.

16 (20 ILCS 655/5.2) (from Ch. 67 1/2, par. 607)

17 Sec. 5.2. Department Review of Enterprise Zone
18 Applications.

19 (a) All applications which are to be considered and acted
20 upon by the Department during a calendar year must be received
21 by the Department no later than December 31 of the preceding
22 calendar year.

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

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

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

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

13 (c) No later than June 30 ~~May 1~~, the Department shall
14 notify all applicant municipalities and counties of the
15 Department's determination of the qualification of their
16 respective designated enterprise zone areas, and shall send
17 qualifying applications, including the applicant's scores for
18 items (1) through (10) of subsection (a) of Section 4.1 and the
19 applicant's final score under that Section, to the Board.

20 (d) If any such designated area is found to be qualified to
21 be an enterprise zone by the Department under subsection (c) of
22 this Section, the Department shall, no later than July 15 ~~May~~
23 ~~15~~, send a letter of notification to each member of the General
24 Assembly whose legislative district or representative district
25 contains all or part of the designated area and publish a
26 notice in at least one newspaper of general circulation within

1 the proposed zone area to notify the general public of the
2 application and their opportunity to comment. Such notice shall
3 include a description of the area and a brief summary of the
4 application and shall indicate locations where the applicant
5 has provided copies of the application for public inspection.
6 The notice shall also indicate appropriate procedures for the
7 filing of written comments from zone residents, business, civic
8 and other organizations and property owners to the Department.

9 (e) (Blank). ~~By July 1 of each calendar year, the~~
10 ~~Department shall either approve or deny all applications filed~~
11 ~~by December 31 of the preceding calendar year. If approval of~~
12 ~~an application filed by December 31 of any calendar year is not~~
13 ~~received by July 1 of the following calendar year, the~~
14 ~~application shall be considered denied. If an application is~~
15 ~~denied, the Department shall inform the county or municipality~~
16 ~~of the specific reasons for the denial.~~

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

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

22 ~~(2) Areas which have evidenced with widest support from the~~
23 ~~county or municipality seeking to have such areas designated as~~
24 ~~Enterprise Zones, community residents, local business, labor~~
25 ~~and neighborhood organizations and where there are plans for~~
26 ~~the disposal of publicly owned real property as described in~~

1 ~~Section 10; and~~

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

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

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

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

24 (g) (Blank). ~~At least 2/5 of all new enterprise zones~~
25 ~~approved and certified by the Department during any calendar~~
26 ~~year shall be located wholly or partially within counties with~~

1 ~~unemployment rates of or above 8% for at least one month during~~
2 ~~the 12-month calendar year preceding the calendar year in which~~
3 ~~the applications are to be considered and acted upon by the~~
4 ~~Department.~~

5 (h) (Blank). ~~The Department's determination of whether to~~
6 ~~certify an enterprise zone shall be based on the purposes of~~
7 ~~this Act, the criteria set forth in Section 4 and subsections~~
8 ~~(f) and (g) of Section 5.2, and any additional criteria adopted~~
9 ~~by regulation of the Department under paragraph (d) of Section~~
10 ~~4.~~

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

12 (20 ILCS 655/5.2.1 new)

13 Sec. 5.2.1. Enterprise Zone Board.

14 (a) An Enterprise Zone Board is hereby created within the
15 Department.

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

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

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

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

23 Board members shall serve without compensation but may be
24 reimbursed for necessary expenses incurred in the performance
25 of their duties.

1 (c) Each member appointed under item (3) of subsection (b)
2 shall have at least 5 years of experience in business, economic
3 development, or site location. Of the members appointed under
4 item (3) of subsection (b): one member shall reside in Cook
5 County; one member shall reside in DuPage, Kane, Lake, McHenry,
6 or Will County; and one member shall reside in a county other
7 than Cook, DuPage, Kane, Lake, McHenry, or Will.

8 (d) Of the initial members appointed under item (3) of
9 subsection (b): one member shall serve for a term of 2 years;
10 one member shall serve for a term of 3 years; and one member
11 shall serve for a term of 4 years. Thereafter, all members
12 appointed under item (3) of subsection (b) shall serve for
13 terms of 4 years. Members appointed under item (3) of
14 subsection (b) may be reappointed. The Governor may remove a
15 member appointed under item (3) of subsection (b) for
16 incompetence, neglect of duty, or malfeasance in office.

17 (e) By September 30, 2014, and September 30 of each year
18 thereafter, all applications filed by December 31 of the
19 preceding calendar year and deemed qualified by the Department
20 shall be approved or denied by the Board. If such application
21 is not approved by September 30, the application shall be
22 considered denied. If an application is denied, the Board shall
23 inform the applicant of the specific reasons for the denial.

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

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

5 (20 ILCS 655/5.3) (from Ch. 67 1/2, par. 608)

6 Sec. 5.3. Certification of Enterprise Zones; Effective
7 date.

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

20 (b) An Enterprise Zone shall be effective on January 1 of
21 the first calendar year after Department ~~upon its~~
22 certification. The Department shall transmit a copy of the
23 certification to the Department of Revenue, and to the
24 designating municipality or county.

25 Upon certification of an Enterprise Zone, the terms and

1 provisions of the designating ordinance shall be in effect, and
2 may not be amended or repealed except in accordance with
3 Section 5.4.

4 (c) With the exception of Enterprise Zones scheduled to
5 expire before December 31, 2018, an ~~An~~ Enterprise Zone
6 designated before the effective date of this amendatory Act of
7 the 97th General Assembly shall be in effect for 30 calendar
8 years, or for a lesser number of years specified in the
9 certified designating ordinance. Each Enterprise Zone in
10 existence on the effective date of this amendatory Act of the
11 97th General Assembly that is scheduled to expire before July
12 1, 2016 will have its termination date extended until July 1,
13 2016. An Enterprise Zone designated on or after the effective
14 date of this amendatory Act of the 97th General Assembly shall
15 be in effect for a term of 15 calendar years, or for a lesser
16 number of years specified in the certified designating
17 ordinance. An enterprise zone designated on or after the
18 effective date of this amendatory Act of the 97th General
19 Assembly shall be subject to review by the Board after 13 years
20 for an additional 10-year designation. Enterprise Zones shall
21 terminate at midnight of December 31 of the final calendar year
22 of the certified term, except as provided in Section 5.4.

23 (d) No more than 12 Enterprise Zones may be certified by
24 the Department in calendar year 1984, no more than 12
25 Enterprise Zones may be certified by the Department in calendar
26 year 1985, no more than 13 Enterprise Zones may be certified by

1 the Department in calendar year 1986, no more than 15
2 Enterprise Zones may be certified by the Department in calendar
3 year 1987, and no more than 20 Enterprise Zones may be
4 certified by the Department in calendar year 1990. In other
5 calendar years, no more than 13 Enterprise Zones may be
6 certified by the Department. The Department may also designate
7 up to 8 additional Enterprise Zones outside the regular
8 application cycle if warranted by the extreme economic
9 circumstances as determined by the Department. The Department
10 may also designate one additional Enterprise Zone outside the
11 regular application cycle if an aircraft manufacturer agrees to
12 locate an aircraft manufacturing facility in the proposed
13 Enterprise Zone. Notwithstanding any other provision of this
14 Act, no more than 89 Enterprise Zones may be certified by the
15 Department for the 10 calendar years commencing with 1983. The
16 7 additional Enterprise Zones authorized by Public Act 86-15
17 shall not lie within municipalities or unincorporated areas of
18 counties that abut or are contiguous to Enterprise Zones
19 certified pursuant to this Section prior to June 30, 1989. The
20 7 additional Enterprise Zones (excluding the additional
21 Enterprise Zone which may be designated outside the regular
22 application cycle) authorized by Public Act 86-1030 shall not
23 lie within municipalities or unincorporated areas of counties
24 that abut or are contiguous to Enterprise Zones certified
25 pursuant to this Section prior to February 28, 1990. Beginning
26 in calendar year 2004 and until December 31, 2008, one

1 additional enterprise zone may be certified by the Department.
2 In any calendar year, the Department may not certify more than
3 3 Zones located within the same municipality. The Department
4 may certify Enterprise Zones in each of the 10 calendar years
5 commencing with 1983. The Department may not certify more than
6 a total of 18 Enterprise Zones located within the same county
7 (whether within municipalities or within unincorporated
8 territory) for the 10 calendar years commencing with 1983.
9 Thereafter, the Department may not certify any additional
10 Enterprise Zones, but may amend and rescind certifications of
11 existing Enterprise Zones in accordance with Section 5.4.

12 (e) Notwithstanding any other provision of law, if (i) the
13 county board of any county in which a current military base is
14 located, in part or in whole, or in which a military base that
15 has been closed within 20 years of the effective date of this
16 amendatory Act of 1998 is located, in part or in whole, adopts
17 a designating ordinance in accordance with Section 5 of this
18 Act to designate the military base in that county as an
19 enterprise zone and (ii) the property otherwise meets the
20 qualifications for an enterprise zone as prescribed in Section
21 4 of this Act, then the Department may certify the designating
22 ordinance or ordinances, as the case may be.

23 (f) Applications for Enterprise Zones that are scheduled to
24 expire in 2016, 2017, or 2018, including Enterprise Zones that
25 have been extended until 2016 by this amendatory Act of the
26 97th General Assembly, shall be submitted to the Department no

1 later than the date established by the Department by rule
2 pursuant to Section 5.2. At that time, the Zone becomes
3 available for either the previously designated area or a
4 different area to compete for designation. No preference for
5 designation as a Zone will be given to the previously
6 designated area.

7 For Enterprise Zones that are scheduled to expire on or
8 after January 1, 2019, an application process shall begin 2
9 years prior to the year in which the Zone expires. At that
10 time, the Zone becomes available for either the previously
11 designated area or a different area to compete for designation.
12 No preference for designation as a Zone will be given to the
13 previously designated area.

14 Each Enterprise Zone that reapplies for certification but
15 does not receive a new certification shall expire on its
16 scheduled termination date.

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

19 (20 ILCS 655/5.5) (from Ch. 67 1/2, par. 609.1)

20 Sec. 5.5. High Impact Business.

21 (a) In order to respond to unique opportunities to assist
22 in the encouragement, development, growth and expansion of the
23 private sector through large scale investment and development
24 projects, the Department is authorized to receive and approve
25 applications for the designation of "High Impact Businesses" in

1 Illinois subject to the following conditions:

2 (1) such applications may be submitted at any time
3 during the year;

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

7 (3) the business intends to do one or more of the
8 following:

9 (A) the business intends to make a minimum
10 investment of \$12,000,000 which will be placed in
11 service in qualified property and intends to create 500
12 full-time equivalent jobs at a designated location in
13 Illinois or intends to make a minimum investment of
14 \$30,000,000 which will be placed in service in
15 qualified property and intends to retain 1,500
16 full-time retained jobs at a designated location in
17 Illinois. The business must certify in writing that the
18 investments would not be placed in service in qualified
19 property and the job creation or job retention would
20 not occur without the tax credits and exemptions set
21 forth in subsection (b) of this Section. The terms
22 "placed in service" and "qualified property" have the
23 same meanings as described in subsection (h) of Section
24 201 of the Illinois Income Tax Act; or

25 (B) the business intends to establish a new
26 electric generating facility at a designated location

1 in Illinois. "New electric generating facility", for
2 purposes of this Section, means a newly-constructed
3 electric generation plant or a newly-constructed
4 generation capacity expansion at an existing electric
5 generation plant, including the transmission lines and
6 associated equipment that transfers electricity from
7 points of supply to points of delivery, and for which
8 such new foundation construction commenced not sooner
9 than July 1, 2001. Such facility shall be designed to
10 provide baseload electric generation and shall operate
11 on a continuous basis throughout the year; and (i)
12 shall have an aggregate rated generating capacity of at
13 least 1,000 megawatts for all new units at one site if
14 it uses natural gas as its primary fuel and foundation
15 construction of the facility is commenced on or before
16 December 31, 2004, or shall have an aggregate rated
17 generating capacity of at least 400 megawatts for all
18 new units at one site if it uses coal or gases derived
19 from coal as its primary fuel and shall support the
20 creation of at least 150 new Illinois coal mining jobs,
21 or (ii) shall be funded through a federal Department of
22 Energy grant before December 31, 2010 and shall support
23 the creation of Illinois coal-mining jobs, or (iii)
24 shall use coal gasification or integrated
25 gasification-combined cycle units that generate
26 electricity or chemicals, or both, and shall support

1 the creation of Illinois coal-mining jobs. The
2 business must certify in writing that the investments
3 necessary to establish a new electric generating
4 facility would not be placed in service and the job
5 creation in the case of a coal-fueled plant would not
6 occur without the tax credits and exemptions set forth
7 in subsection (b-5) of this Section. The term "placed
8 in service" has the same meaning as described in
9 subsection (h) of Section 201 of the Illinois Income
10 Tax Act; or

11 (B-5) the business intends to establish a new
12 gasification facility at a designated location in
13 Illinois. As used in this Section, "new gasification
14 facility" means a newly constructed coal gasification
15 facility that generates chemical feedstocks or
16 transportation fuels derived from coal (which may
17 include, but are not limited to, methane, methanol, and
18 nitrogen fertilizer), that supports the creation or
19 retention of Illinois coal-mining jobs, and that
20 qualifies for financial assistance from the Department
21 before December 31, 2010. A new gasification facility
22 does not include a pilot project located within
23 Jefferson County or within a county adjacent to
24 Jefferson County for synthetic natural gas from coal;
25 or

26 (C) the business intends to establish production

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

19 (D) the business intends to construct new
20 transmission facilities or upgrade existing
21 transmission facilities at designated locations in
22 Illinois, for which construction commenced not sooner
23 than July 1, 2001. For the purposes of this Section,
24 "transmission facilities" means transmission lines
25 with a voltage rating of 115 kilovolts or above,
26 including associated equipment, that transfer

1 electricity from points of supply to points of delivery
2 and that transmit a majority of the electricity
3 generated by a new electric generating facility
4 designated as a High Impact Business in accordance with
5 this Section. The business must certify in writing that
6 the investments necessary to construct new
7 transmission facilities or upgrade existing
8 transmission facilities would not be placed in service
9 without the tax credits and exemptions set forth in
10 subsection (b-5) of this Section. The term "placed in
11 service" has the same meaning as described in
12 subsection (h) of Section 201 of the Illinois Income
13 Tax Act; or

14 (E) the business intends to establish a new wind
15 power facility at a designated location in Illinois.
16 For purposes of this Section, "new wind power facility"
17 means a newly constructed electric generation
18 facility, or a newly constructed expansion of an
19 existing electric generation facility, placed in
20 service on or after July 1, 2009, that generates
21 electricity using wind energy devices, and such
22 facility shall be deemed to include all associated
23 transmission lines, substations, and other equipment
24 related to the generation of electricity from wind
25 energy devices. For purposes of this Section, "wind
26 energy device" means any device, with a nameplate

1 capacity of at least 0.5 megawatts, that is used in the
2 process of converting kinetic energy from the wind to
3 generate electricity; and

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

8 (b) Businesses designated as High Impact Businesses
9 pursuant to subdivision (a) (3) (A) of this Section shall qualify
10 for the credits and exemptions described in the following Acts:
11 Section 9-222 and Section 9-222.1A of the Public Utilities Act,
12 subsection (h) of Section 201 of the Illinois Income Tax Act,
13 and Section 1d of the Retailers' Occupation Tax Act; provided
14 that these credits and exemptions described in these Acts shall
15 not be authorized until the minimum investments set forth in
16 subdivision (a) (3) (A) of this Section have been placed in
17 service in qualified properties and, in the case of the
18 exemptions described in the Public Utilities Act and Section 1d
19 of the Retailers' Occupation Tax Act, the minimum full-time
20 equivalent jobs or full-time retained jobs set forth in
21 subdivision (a) (3) (A) of this Section have been created or
22 retained. Businesses designated as High Impact Businesses
23 under this Section shall also qualify for the exemption
24 described in Section 5l of the Retailers' Occupation Tax Act.
25 The credit provided in subsection (h) of Section 201 of the
26 Illinois Income Tax Act shall be applicable to investments in

1 qualified property as set forth in subdivision (a)(3)(A) of
2 this Section.

3 (b-5) Businesses designated as High Impact Businesses
4 pursuant to subdivisions (a)(3)(B), (a)(3)(B-5), (a)(3)(C),
5 and (a)(3)(D) of this Section shall qualify for the credits and
6 exemptions described in the following Acts: Section 51 of the
7 Retailers' Occupation Tax Act, Section 9-222 and Section
8 9-222.1A of the Public Utilities Act, and subsection (h) of
9 Section 201 of the Illinois Income Tax Act; however, the
10 credits and exemptions authorized under Section 9-222 and
11 Section 9-222.1A of the Public Utilities Act, and subsection
12 (h) of Section 201 of the Illinois Income Tax Act shall not be
13 authorized until the new electric generating facility, the new
14 gasification facility, the new transmission facility, or the
15 new, expanded, or reopened coal mine is operational, except
16 that a new electric generating facility whose primary fuel
17 source is natural gas is eligible only for the exemption under
18 Section 51 of the Retailers' Occupation Tax Act.

19 (b-6) Businesses designated as High Impact Businesses
20 pursuant to subdivision (a)(3)(E) of this Section shall qualify
21 for the exemptions described in Section 51 of the Retailers'
22 Occupation Tax Act; any business so designated as a High Impact
23 Business being, for purposes of this Section, a "Wind Energy
24 Business".

25 (c) High Impact Businesses located in federally designated
26 foreign trade zones or sub-zones are also eligible for

1 additional credits, exemptions and deductions as described in
2 the following Acts: Section 9-221 and Section 9-222.1 of the
3 Public Utilities Act; and subsection (g) of Section 201, and
4 Section 203 of the Illinois Income Tax Act.

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

11 (e) Except for new wind power facilities contemplated under
12 subdivision (a)(3)(E) of this Section, new proposed facilities
13 which apply for designation as High Impact Business must
14 provide the Department with proof of alternative non-Illinois
15 sites which would receive the proposed investment and job
16 creation in the event that the business is not designated as a
17 High Impact Business.

18 (f) Except for businesses contemplated under subdivision
19 (a)(3)(E) of this Section, in the event that a business is
20 designated a High Impact Business and it is later determined
21 after reasonable notice and an opportunity for a hearing as
22 provided under the Illinois Administrative Procedure Act, that
23 the business would have placed in service in qualified property
24 the investments and created or retained the requisite number of
25 jobs without the benefits of the High Impact Business
26 designation, the Department shall be required to immediately

1 revoke the designation and notify the Director of the
2 Department of Revenue who shall begin proceedings to recover
3 all wrongfully exempted State taxes with interest. The business
4 shall also be ineligible for all State funded Department
5 programs for a period of 10 years.

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

18 (h) Prior to designating a business, the Department shall
19 provide the members of the General Assembly and Commission on
20 Government Forecasting and Accountability with a report
21 setting forth the terms and conditions of the designation and
22 guarantees that have been received by the Department in
23 relation to the proposed business being designated.

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

25 (20 ILCS 655/6) (from Ch. 67 1/2, par. 610)

1 Sec. 6. Powers and Duties of Department.

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

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

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

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

20 (B) Specific Duties:

21 (1) The Department shall provide information and
22 appropriate assistance to persons desiring to locate and
23 engage in business in an enterprise zone, to persons
24 engaged in business in an enterprise zone and to designated
25 zone organizations operating there.

26 (2) The Department shall, in cooperation with

1 appropriate units of local government and State agencies,
2 coordinate and streamline existing State business
3 assistance programs and permit and license application
4 procedures for Enterprise Zone businesses.

5 (3) The Department shall publicize existing tax
6 incentives and economic development programs within the
7 Zone and upon request, offer technical assistance in
8 abatement and alternative revenue source development to
9 local units of government which have enterprise Zones
10 within their jurisdiction.

11 (4) The Department shall work together with the
12 responsible State and Federal agencies to promote the
13 coordination of other relevant programs, including but not
14 limited to housing, community and economic development,
15 small business, banking, financial assistance, and
16 employment training programs which are carried on in an
17 Enterprise Zone.

18 (5) In order to stimulate employment opportunities for
19 Zone residents, the Department, in cooperation with the
20 Department of Human Services and the Department of
21 Employment Security, is to initiate a test of the following
22 2 programs within the 12 month period following designation
23 and approval by the Department of the first enterprise
24 zones: (i) the use of aid to families with dependent
25 children benefits payable under Article IV of the Illinois
26 Public Aid Code, General Assistance benefits payable under

1 Article VI of the Illinois Public Aid Code, the
2 unemployment insurance benefits payable under the
3 Unemployment Insurance Act as training or employment
4 subsidies leading to unsubsidized employment; and (ii) a
5 program for voucher reimbursement of the cost of training
6 zone residents eligible under the Targeted Jobs Tax Credit
7 provisions of the Internal Revenue Code for employment in
8 private industry. These programs shall not be designed to
9 subsidize businesses, but are intended to open up job and
10 training opportunities not otherwise available. Nothing in
11 this paragraph (5) shall be deemed to require zone
12 businesses to utilize these programs. These programs
13 should be designed (i) for those individuals whose
14 opportunities for job-finding are minimal without program
15 participation, (ii) to minimize the period of benefit
16 collection by such individuals, and (iii) to accelerate the
17 transition of those individuals to unsubsidized
18 employment. The Department is to seek agreement with
19 business, organized labor and the appropriate State
20 Department and agencies on the design, operation and
21 evaluation of the test programs.

22 A report with recommendations including representative
23 comments of these groups shall be submitted by the Department
24 to the county or municipality which designated the area as an
25 Enterprise Zone, Governor and General Assembly not later than
26 12 months after such test programs have commenced, or not later

1 than 3 months following the termination of such test programs,
2 whichever first occurs.

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

4 (20 ILCS 655/8.1 new)

5 Sec. 8.1. Accounting.

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

18 (b) Each person required to file a return under the Gas
19 Revenue Tax Act, the Gas Use Tax Act, the Electricity Excise
20 Tax Act, or the Telecommunications Excise Tax Act shall file,
21 on or before March 30 of each year, a report with the
22 Department of Revenue, in the manner and form required by the
23 Department of Revenue, itemizing the amount of the deduction
24 taken under each Act, respectively, due to the location of a
25 business in an Enterprise Zone or its designation as a High

1 Impact Business. The report shall be itemized by business and
2 the business location address.

3 (c) Employers shall report their job creation, retention,
4 and capital investment numbers within the zone annually to the
5 administrator, which will compile the information and report it
6 to the Department of Revenue no later than March 30 of each
7 calendar year. High Impact Businesses shall report their job
8 creation, retention, and capital investment numbers directly
9 to the Department of Revenue no later than March 30 of each
10 year.

11 (d) The Department of Revenue will aggregate and collect
12 the tax, job, and capital investment data by Enterprise Zone
13 and High Impact Business and report this information, formatted
14 to exclude company-specific proprietary information, to the
15 Department by May 1, 2013, and by May 1 of every calendar year
16 thereafter. The Department will include this information in
17 their required reports under Section 6 of this Act.

18 (e) The Department of Revenue, in its discretion, may
19 require that the reports filed under this Section be submitted
20 electronically.

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

24 (20 ILCS 655/8.2 new)

25 Sec. 8.2. Zone Administrator.

1 (a) Each Zone Administrator designated under Section 8 of
2 this Act shall post a copy of the boundaries of the Enterprise
3 Zone on its official Internet website and shall provide an
4 electronic copy to the Department. The Department shall post
5 each copy of the boundaries of an Enterprise Zone that it
6 receives from a Zone Administrator on its official Internet
7 website.

8 (b) The Zone Administrator shall collect and aggregate the
9 following information:

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

12 (2) within 60 days after the end of the project, the
13 estimated cost of each building project, broken down into
14 labor and materials.

15 (c) By April 1 of each year, each Zone Administrator shall
16 file a copy of its fee schedule with the Department, and the
17 Department shall review and approve the fee schedule. Zone
18 Administrators shall charge no more than 0.5% of the cost of
19 building materials of the project associated with the specific
20 Enterprise Zone, with a maximum fee of no more than \$50,000.

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

23 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

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

1 Sec. 201. Tax Imposed.

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

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

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

16 (2) In the case of an individual, trust or estate, for
17 taxable years beginning prior to July 1, 1989 and ending
18 after June 30, 1989, an amount equal to the sum of (i) 2
19 1/2% of the taxpayer's net income for the period prior to
20 July 1, 1989, as calculated under Section 202.3, and (ii)
21 3% of the taxpayer's net income for the period after June
22 30, 1989, as calculated under Section 202.3.

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

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

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

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

19 (5.2) In the case of an individual, trust, or estate,
20 for taxable years beginning on or after January 1, 2015,
21 and ending prior to January 1, 2025, an amount equal to
22 3.75% of the taxpayer's net income for the taxable year.

23 (5.3) In the case of an individual, trust, or estate,
24 for taxable years beginning prior to January 1, 2025, and
25 ending after December 31, 2024, an amount equal to the sum
26 of (i) 3.75% of the taxpayer's net income for the period

1 prior to January 1, 2025, as calculated under Section
2 202.5, and (ii) 3.25% of the taxpayer's net income for the
3 period after December 31, 2024, as calculated under Section
4 202.5.

5 (5.4) In the case of an individual, trust, or estate,
6 for taxable years beginning on or after January 1, 2025, an
7 amount equal to 3.25% of the taxpayer's net income for the
8 taxable year.

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

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

19 (8) In the case of a corporation, for taxable years
20 beginning after June 30, 1989, and ending prior to January
21 1, 2011, an amount equal to 4.8% of the taxpayer's net
22 income for the taxable year.

23 (9) In the case of a corporation, for taxable years
24 beginning prior to January 1, 2011, and ending after
25 December 31, 2010, an amount equal to the sum of (i) 4.8%
26 of the taxpayer's net income for the period prior to

1 January 1, 2011, as calculated under Section 202.5, and
2 (ii) 7% of the taxpayer's net income for the period after
3 December 31, 2010, as calculated under Section 202.5.

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

8 (11) In the case of a corporation, for taxable years
9 beginning prior to January 1, 2015, and ending after
10 December 31, 2014, an amount equal to the sum of (i) 7% of
11 the taxpayer's net income for the period prior to January
12 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
13 of the taxpayer's net income for the period after December
14 31, 2014, as calculated under Section 202.5.

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

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

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

1 beginning on or after January 1, 2025, an amount equal to
2 4.8% of the taxpayer's net income for the taxable year.

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

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

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

1 partnership, trust or a Subchapter S corporation shall be an
2 additional amount equal to 1.5% of such taxpayer's net income
3 for the taxable year.

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

1 a mutual insurer under common management.

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

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

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

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

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

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

6 (1) A taxpayer shall be allowed a credit equal to .5%
7 of the basis of qualified property placed in service during
8 the taxable year, provided such property is placed in
9 service on or after July 1, 1984. There shall be allowed an
10 additional credit equal to .5% of the basis of qualified
11 property placed in service during the taxable year,
12 provided such property is placed in service on or after
13 July 1, 1986, and the taxpayer's base employment within
14 Illinois has increased by 1% or more over the preceding
15 year as determined by the taxpayer's employment records
16 filed with the Illinois Department of Employment Security.
17 Taxpayers who are new to Illinois shall be deemed to have
18 met the 1% growth in base employment for the first year in
19 which they file employment records with the Illinois
20 Department of Employment Security. The provisions added to
21 this Section by Public Act 85-1200 (and restored by Public
22 Act 87-895) shall be construed as declaratory of existing
23 law and not as a new enactment. If, in any year, the
24 increase in base employment within Illinois over the
25 preceding year is less than 1%, the additional credit shall
26 be limited to that percentage times a fraction, the

1 numerator of which is .5% and the denominator of which is
2 1%, but shall not exceed .5%. The investment credit shall
3 not be allowed to the extent that it would reduce a
4 taxpayer's liability in any tax year below zero, nor may
5 any credit for qualified property be allowed for any year
6 other than the year in which the property was placed in
7 service in Illinois. For tax years ending on or after
8 December 31, 1987, and on or before December 31, 1988, the
9 credit shall be allowed for the tax year in which the
10 property is placed in service, or, if the amount of the
11 credit exceeds the tax liability for that year, whether it
12 exceeds the original liability or the liability as later
13 amended, such excess may be carried forward and applied to
14 the tax liability of the 5 taxable years following the
15 excess credit years if the taxpayer (i) makes investments
16 which cause the creation of a minimum of 2,000 full-time
17 equivalent jobs in Illinois, (ii) is located in an
18 enterprise zone established pursuant to the Illinois
19 Enterprise Zone Act and (iii) is certified by the
20 Department of Commerce and Community Affairs (now
21 Department of Commerce and Economic Opportunity) as
22 complying with the requirements specified in clause (i) and
23 (ii) by July 1, 1986. The Department of Commerce and
24 Community Affairs (now Department of Commerce and Economic
25 Opportunity) shall notify the Department of Revenue of all
26 such certifications immediately. For tax years ending

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

12 (2) The term "qualified property" means property
13 which:

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

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

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

1 179(d) of the Internal Revenue Code;

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

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

12 (3) For purposes of this subsection (e),
13 "manufacturing" means the material staging and production
14 of tangible personal property by procedures commonly
15 regarded as manufacturing, processing, fabrication, or
16 assembling which changes some existing material into new
17 shapes, new qualities, or new combinations. For purposes of
18 this subsection (e) the term "mining" shall have the same
19 meaning as the term "mining" in Section 613(c) of the
20 Internal Revenue Code. For purposes of this subsection (e),
21 the term "retailing" means the sale of tangible personal
22 property for use or consumption and not for resale, or
23 services rendered in conjunction with the sale of tangible
24 personal property for use or consumption and not for
25 resale. For purposes of this subsection (e), "tangible
26 personal property" has the same meaning as when that term

1 is used in the Retailers' Occupation Tax Act, and, for
2 taxable years ending after December 31, 2008, does not
3 include the generation, transmission, or distribution of
4 electricity.

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

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

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

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

1 purposes of this paragraph (7), a reduction of the basis of
2 qualified property resulting from a redetermination of the
3 purchase price shall be deemed a disposition of qualified
4 property to the extent of such reduction.

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

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

26 For taxable years ending on or after December 31, 2000,

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

14 (f) Investment credit; Enterprise Zone; River Edge
15 Redevelopment Zone.

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

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

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

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

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 (f);

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

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

9 (E) has not been previously used in Illinois in
10 such a manner and by such a person as would qualify for
11 the credit provided by this subsection (f) or
12 subsection (e).

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

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

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

24 (6) If during any taxable year, any property ceases to
25 be qualified property in the hands of the taxpayer within
26 48 months after being placed in service, or the situs of

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

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

1 Security. If, in any year, the increase in base employment
2 within Illinois over the preceding year is less than 1%,
3 the additional credit shall be limited to that percentage
4 times a fraction, the numerator of which is 0.5% and the
5 denominator of which is 1%, but shall not exceed 0.5%.

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

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

18 (2) To qualify for the credit:

19 (A) the taxpayer must hire 5 or more eligible
20 employees to work in a ~~an enterprise zone,~~ River Edge
21 Redevelopment Zone~~7~~ or federally designated Foreign
22 Trade Zone or Sub-Zone during the taxable year;

23 (B) the taxpayer's total employment within the
24 ~~enterprise zone,~~ River Edge Redevelopment Zone~~7~~ or
25 federally designated Foreign Trade Zone or Sub-Zone
26 must increase by 5 or more full-time employees beyond

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

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

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

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

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

21 (C) Employed in the ~~enterprise zone~~, River Edge
22 Redevelopment Zone~~7~~ or Foreign Trade Zone or Sub-Zone.
23 An employee is employed in a ~~an enterprise zone or~~
24 federally designated Foreign Trade Zone or Sub-Zone if
25 his services are rendered there or it is the base of
26 operations for the services performed.

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

3 (4) For tax years ending on or after December 31, 1985
4 and prior to December 31, 1988, the credit shall be allowed
5 for the tax year in which the eligible employees are hired.
6 For tax years ending on or after December 31, 1988, the
7 credit shall be allowed for the tax year immediately
8 following the tax year in which the eligible employees are
9 hired. 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, earlier
17 credit shall be applied first.

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

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

23 (h) Investment credit; High Impact Business.

24 (1) Subject to subsections (b) and (b-5) of Section 5.5
25 of the Illinois Enterprise Zone Act, a taxpayer shall be
26 allowed a credit against the tax imposed by subsections (a)

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

1 for the tax year in which the property is placed in
2 service, or, if the amount of the credit exceeds the tax
3 liability for that year, whether it exceeds the original
4 liability or the liability as later amended, such excess
5 may be carried forward and applied to the tax liability of
6 the 5 taxable years following the excess credit year. The
7 credit shall be applied to the earliest year for which
8 there is a liability. If there is credit from more than one
9 tax year that is available to offset a liability, the
10 credit accruing first in time shall be applied first.

11 Changes made in this subdivision (h) (1) by Public Act
12 88-670 restore changes made by Public Act 85-1182 and
13 reflect existing law.

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

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

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

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

24 (D) is not eligible for the Enterprise Zone
25 Investment Credit provided by subsection (f) of this
26 Section.

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

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

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

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

1 redetermination of the purchase price shall be deemed a
2 disposition of qualified property to the extent of such
3 reduction.

4 (7) Beginning with tax years ending after December 31,
5 1996, if a taxpayer qualifies for the credit under this
6 subsection (h) and thereby is granted a tax abatement and
7 the taxpayer relocates its entire facility in violation of
8 the explicit terms and length of the contract under Section
9 18-183 of the Property Tax Code, the tax imposed under
10 subsections (a) and (b) of this Section shall be increased
11 for the taxable year in which the taxpayer relocated its
12 facility by an amount equal to the amount of credit
13 received by the taxpayer under this subsection (h).

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

24 Any credit earned on or after December 31, 1986 under this
25 subsection which is unused in the year the credit is computed
26 because it exceeds the tax liability imposed by subsections (a)

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

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

22 (j) Training expense credit. Beginning with tax years
23 ending on or after December 31, 1986 and prior to December 31,
24 2003, a taxpayer shall be allowed a credit against the tax
25 imposed by subsections (a) and (b) under this Section for all
26 amounts paid or accrued, on behalf of all persons employed by

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

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

25 (k) Research and development credit.

26 For tax years ending after July 1, 1990 and prior to

1 December 31, 2003, and beginning again for tax years ending on
2 or after December 31, 2004, and ending prior to January 1,
3 2011, a taxpayer shall be allowed a credit against the tax
4 imposed by subsections (a) and (b) of this Section for
5 increasing research activities in this State. The credit
6 allowed against the tax imposed by subsections (a) and (b)
7 shall be equal to 6 1/2% of the qualifying expenditures for
8 increasing research activities in this State. For partners,
9 shareholders of subchapter S corporations, and owners of
10 limited liability companies, if the liability company is
11 treated as a partnership for purposes of federal and State
12 income taxation, there shall be allowed a credit under this
13 subsection to be determined in accordance with the
14 determination of income and distributive share of income under
15 Sections 702 and 704 and subchapter S of the Internal Revenue
16 Code.

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

1 period, and "base period" means the 3 taxable years immediately
2 preceding the taxable year for which the determination is being
3 made.

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

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

26 No inference shall be drawn from this amendatory Act of the

1 91st General Assembly in construing this Section for taxable
2 years beginning before January 1, 1999.

3 (1) Environmental Remediation Tax Credit.

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

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

25 (ii) A credit allowed under this subsection that is
26 unused in the year the credit is earned may be carried

1 forward to each of the 5 taxable years following the year
2 for which the credit is first earned until it is used. The
3 term "unused credit" does not include any amounts of
4 unreimbursed eligible remediation costs in excess of the
5 maximum credit per site authorized under paragraph (i).
6 This 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 (m) Education expense credit. Beginning with tax years
2 ending after December 31, 1999, a taxpayer who is the custodian
3 of one or more qualifying pupils shall be allowed a credit
4 against the tax imposed by subsections (a) and (b) of this
5 Section for qualified education expenses incurred on behalf of
6 the qualifying pupils. The credit shall be equal to 25% of
7 qualified education expenses, but in no event may the total
8 credit under this subsection claimed by a family that is the
9 custodian of qualifying pupils exceed \$500. In no event shall a
10 credit under this subsection reduce the taxpayer's liability
11 under this Act to less than zero. This subsection is exempt
12 from the provisions of Section 250 of this Act.

13 For purposes of this subsection:

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

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

25 "School" means any public or nonpublic elementary or
26 secondary school in Illinois that is in compliance with Title

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

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

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

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

1 related party caused or contributed to, in any material
2 respect, a release of regulated substances on, in, or under
3 the site that was identified and addressed by the remedial
4 action pursuant to the Site Remediation Program of the
5 Environmental Protection Act. Determinations as to credit
6 availability for purposes of this Section shall be made
7 consistent with rules adopted by the Pollution Control
8 Board pursuant to the Illinois Administrative Procedure
9 Act for the administration and enforcement of Section 58.9
10 of the Environmental Protection Act. For purposes of this
11 Section, "taxpayer" includes a person whose tax attributes
12 the taxpayer has succeeded to under Section 381 of the
13 Internal Revenue Code and "related party" includes the
14 persons disallowed a deduction for losses by paragraphs
15 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
16 Code by virtue of being a related taxpayer, as well as any
17 of its partners. The credit allowed against the tax imposed
18 by subsections (a) and (b) shall be equal to 25% of the
19 unreimbursed eligible remediation costs in excess of
20 \$100,000 per site.

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

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

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

20 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
21 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
22 1-13-11; 97-2, eff. 5-6-11.)

23 (Text of Section after amendment by P.A. 97-636)
24 Sec. 201. Tax Imposed.

25 (a) In general. A tax measured by net income is hereby

1 imposed on every individual, corporation, trust and estate for
2 each taxable year ending after July 31, 1969 on the privilege
3 of earning or receiving income in or as a resident of this
4 State. Such tax shall be in addition to all other occupation or
5 privilege taxes imposed by this State or by any municipal
6 corporation or political subdivision thereof.

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

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

14 (2) In the case of an individual, trust or estate, for
15 taxable years beginning prior to July 1, 1989 and ending
16 after June 30, 1989, an amount equal to the sum of (i) 2
17 1/2% of the taxpayer's net income for the period prior to
18 July 1, 1989, as calculated under Section 202.3, and (ii)
19 3% of the taxpayer's net income for the period after June
20 30, 1989, as calculated under Section 202.3.

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

25 (4) In the case of an individual, trust, or estate, for
26 taxable years beginning prior to January 1, 2011, and

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

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

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

17 (5.2) In the case of an individual, trust, or estate,
18 for taxable years beginning on or after January 1, 2015,
19 and ending prior to January 1, 2025, an amount equal to
20 3.75% of the taxpayer's net income for the taxable year.

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

1 period after December 31, 2024, as calculated under Section
2 202.5.

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

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

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

17 (8) In the case of a corporation, for taxable years
18 beginning after June 30, 1989, and ending prior to January
19 1, 2011, an amount equal to 4.8% of the taxpayer's net
20 income for the taxable year.

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

1 December 31, 2010, as calculated under Section 202.5.

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

6 (11) In the case of a corporation, for taxable years
7 beginning prior to January 1, 2015, and ending after
8 December 31, 2014, an amount equal to the sum of (i) 7% of
9 the taxpayer's net income for the period prior to January
10 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
11 of the taxpayer's net income for the period after December
12 31, 2014, as calculated under Section 202.5.

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

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

24 (14) In the case of a corporation, for taxable years
25 beginning on or after January 1, 2025, an amount equal to
26 4.8% of the taxpayer's net income for the taxable year.

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

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

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

1 for the taxable year.

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

26 (1) For the purposes of subsection (d-1), in no event

1 shall the sum of the rates of tax imposed by subsections
2 (b) and (d) be reduced below the rate at which the sum of:

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

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

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

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

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

4 (1) A taxpayer shall be allowed a credit equal to .5%
5 of the basis of qualified property placed in service during
6 the taxable year, provided such property is placed in
7 service on or after July 1, 1984. There shall be allowed an
8 additional credit equal to .5% of the basis of qualified
9 property placed in service during the taxable year,
10 provided such property is placed in service on or after
11 July 1, 1986, and the taxpayer's base employment within
12 Illinois has increased by 1% or more over the preceding
13 year as determined by the taxpayer's employment records
14 filed with the Illinois Department of Employment Security.
15 Taxpayers who are new to Illinois shall be deemed to have
16 met the 1% growth in base employment for the first year in
17 which they file employment records with the Illinois
18 Department of Employment Security. The provisions added to
19 this Section by Public Act 85-1200 (and restored by Public
20 Act 87-895) shall be construed as declaratory of existing
21 law and not as a new enactment. If, in any year, the
22 increase in base employment within Illinois over the
23 preceding year is less than 1%, the additional credit shall
24 be limited to that percentage times a fraction, the
25 numerator of which is .5% and the denominator of which is
26 1%, but shall not exceed .5%. The investment credit shall

1 not be allowed to the extent that it would reduce a
2 taxpayer's liability in any tax year below zero, nor may
3 any credit for qualified property be allowed for any year
4 other than the year in which the property was placed in
5 service in Illinois. For tax years ending on or after
6 December 31, 1987, and on or before December 31, 1988, the
7 credit shall be allowed for the tax year in which the
8 property is placed in service, or, if the amount of the
9 credit exceeds the tax liability for that year, whether it
10 exceeds the original liability or the liability as later
11 amended, such excess may be carried forward and applied to
12 the tax liability of the 5 taxable years following the
13 excess credit years if the taxpayer (i) makes investments
14 which cause the creation of a minimum of 2,000 full-time
15 equivalent jobs in Illinois, (ii) is located in an
16 enterprise zone established pursuant to the Illinois
17 Enterprise Zone Act and (iii) is certified by the
18 Department of Commerce and Community Affairs (now
19 Department of Commerce and Economic Opportunity) as
20 complying with the requirements specified in clause (i) and
21 (ii) by July 1, 1986. The Department of Commerce and
22 Community Affairs (now Department of Commerce and Economic
23 Opportunity) shall notify the Department of Revenue of all
24 such certifications immediately. For tax years ending
25 after December 31, 1988, the credit shall be allowed for
26 the tax year in which the property is placed in service,

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

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

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

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

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

26 (D) is used in Illinois by a taxpayer who is

1 primarily engaged in manufacturing, or in mining coal
2 or fluorite, or in retailing, or was placed in service
3 on or after July 1, 2006 in a River Edge Redevelopment
4 Zone established pursuant to the River Edge
5 Redevelopment Zone Act; and

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

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

1 include the generation, transmission, or distribution of
2 electricity.

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

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

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

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

1 purchase price shall be deemed a disposition of qualified
2 property to the extent of such reduction.

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

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

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

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

12 (f) Investment credit; Enterprise Zone; River Edge
13 Redevelopment Zone.

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

1 and distributive share of income under Sections 702 and 704
2 and Subchapter S of the Internal Revenue Code. The credit
3 shall be .5% of the basis for such property. The credit
4 shall be available only in the taxable year in which the
5 property is placed in service in the Enterprise Zone or
6 River Edge Redevelopment Zone and shall not be allowed to
7 the extent that it would reduce a taxpayer's liability for
8 the tax imposed by subsections (a) and (b) of this Section
9 to below zero. For tax years ending on or after December
10 31, 1985, the credit shall be allowed for the tax year in
11 which the property is placed in service, or, if the amount
12 of the credit exceeds the tax liability for that year,
13 whether it exceeds the original liability or the liability
14 as later amended, such excess may be carried forward and
15 applied to the tax liability of the 5 taxable years
16 following the excess credit year. The credit shall be
17 applied to the earliest year for which there is a
18 liability. If there is credit from more than one tax year
19 that is available to offset a liability, the credit
20 accruing first in time shall be applied first.

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 (f);

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

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

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

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

14 (4) If the basis of the property for federal income tax
15 depreciation purposes is increased after it has been placed
16 in service in the Enterprise Zone or River Edge
17 Redevelopment Zone 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 (5) The term "placed in service" shall have the same
21 meaning as under Section 46 of the Internal Revenue Code.

22 (6) 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 the Enterprise Zone
26 or River Edge Redevelopment Zone within 48 months after

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

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

1 the additional credit shall be limited to that percentage
2 times a fraction, the numerator of which is 0.5% and the
3 denominator of which is 1%, but shall not exceed 0.5%.

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

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

16 (2) To qualify for the credit:

17 (A) the taxpayer must hire 5 or more eligible
18 employees to work in a ~~an enterprise zone~~, River Edge
19 Redevelopment Zone~~7~~ or federally designated Foreign
20 Trade Zone or Sub-Zone during the taxable year;

21 (B) the taxpayer's total employment within the
22 ~~enterprise zone~~, River Edge Redevelopment Zone~~7~~ or
23 federally designated Foreign Trade Zone or Sub-Zone
24 must increase by 5 or more full-time employees beyond
25 the total employed in that zone at the end of the
26 previous tax year for which a jobs tax credit under

1 this Section was taken, or beyond the total employed by
2 the taxpayer as of December 31, 1985, whichever is
3 later; and

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

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

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

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

19 (C) Employed in the ~~enterprise zone~~, River Edge
20 Redevelopment Zone~~7~~ or Foreign Trade Zone or Sub-Zone.
21 An employee is employed in a ~~an enterprise zone or~~
22 federally designated Foreign Trade Zone or Sub-Zone if
23 his services are rendered there or it is the base of
24 operations for the services performed.

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

1 (4) For tax years ending on or after December 31, 1985
2 and prior to December 31, 1988, the credit shall be allowed
3 for the tax year in which the eligible employees are hired.
4 For tax years ending on or after December 31, 1988, the
5 credit shall be allowed for the tax year immediately
6 following the tax year in which the eligible employees are
7 hired. 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, earlier
15 credit shall be applied first.

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

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

21 (h) Investment credit; High Impact Business.

22 (1) Subject to subsections (b) and (b-5) of Section 5.5
23 of the Illinois Enterprise Zone Act, a taxpayer shall be
24 allowed a credit against the tax imposed by subsections (a)
25 and (b) of this Section for investment in qualified
26 property which is placed in service by a Department of

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

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

9 Changes made in this subdivision (h)(1) by Public Act
10 88-670 restore changes made by Public Act 85-1182 and
11 reflect existing law.

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

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

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

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

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

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

1 income tax purposes.

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

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

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

1 reduction.

2 (7) Beginning with tax years ending after December 31,
3 1996, if a taxpayer qualifies for the credit under this
4 subsection (h) and thereby is granted a tax abatement and
5 the taxpayer relocates its entire facility in violation of
6 the explicit terms and length of the contract under Section
7 18-183 of the Property Tax Code, the tax imposed under
8 subsections (a) and (b) of this Section shall be increased
9 for the taxable year in which the taxpayer relocated its
10 facility by an amount equal to the amount of credit
11 received by the taxpayer under this subsection (h).

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

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

1 forward and applied to the tax liability imposed by subsections
2 (a) and (b) of the 5 taxable years following the excess credit
3 year, provided that no credit may be carried forward to any
4 year ending on or after December 31, 2003. This credit shall be
5 applied first to the earliest year for which there is a
6 liability. If there is a credit under this subsection from more
7 than one tax year that is available to offset a liability the
8 earliest credit arising under this subsection shall be applied
9 first.

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

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

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

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

23 (k) Research and development credit.

24 For tax years ending after July 1, 1990 and prior to
25 December 31, 2003, and beginning again for tax years ending on
26 or after December 31, 2004, and ending prior to January 1,

1 2016, a taxpayer shall be allowed a credit against the tax
2 imposed by subsections (a) and (b) of this Section for
3 increasing research activities in this State. The credit
4 allowed against the tax imposed by subsections (a) and (b)
5 shall be equal to 6 1/2% of the qualifying expenditures for
6 increasing research activities in this State. For partners,
7 shareholders of subchapter S corporations, and owners of
8 limited liability companies, if the liability company is
9 treated as a partnership for purposes of federal and State
10 income taxation, there shall be allowed a credit under this
11 subsection to be determined in accordance with the
12 determination of income and distributive share of income under
13 Sections 702 and 704 and subchapter S of the Internal Revenue
14 Code.

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

1 made.

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

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

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

25 (1) Environmental Remediation Tax Credit.

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

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

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

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

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

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

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

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

9 For purposes of this subsection:

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

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

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

1 the credit under this Section.

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

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

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

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

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

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

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

16 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
17 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
18 1-13-11; 97-2, eff. 5-6-11; 97-636, eff. 6-1-12.)

19 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

20 Sec. 203. Base income defined.

21 (a) Individuals.

22 (1) In general. In the case of an individual, base
23 income means an amount equal to the taxpayer's adjusted
24 gross income for the taxable year as modified by paragraph
25 (2).

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

4 (A) An amount equal to all amounts paid or accrued
5 to the taxpayer as interest or dividends during the
6 taxable year to the extent excluded from gross income
7 in the computation of adjusted gross income, except
8 stock dividends of qualified public utilities
9 described in Section 305(e) of the Internal Revenue
10 Code;

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

15 (C) An amount equal to the amount received during
16 the taxable year as a recovery or refund of real
17 property taxes paid with respect to the taxpayer's
18 principal residence under the Revenue Act of 1939 and
19 for which a deduction was previously taken under
20 subparagraph (L) of this paragraph (2) prior to July 1,
21 1991, the retrospective application date of Article 4
22 of Public Act 87-17. In the case of multi-unit or
23 multi-use structures and farm dwellings, the taxes on
24 the taxpayer's principal residence shall be that
25 portion of the total taxes for the entire property
26 which is attributable to such principal residence;

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

5 (D-5) An amount, to the extent not included in
6 adjusted gross income, equal to the amount of money
7 withdrawn by the taxpayer in the taxable year from a
8 medical care savings account and the interest earned on
9 the account in the taxable year of a withdrawal
10 pursuant to subsection (b) of Section 20 of the Medical
11 Care Savings Account Act or subsection (b) of Section
12 20 of the Medical Care Savings Account Act of 2000;

13 (D-10) For taxable years ending after December 31,
14 1997, an amount equal to any eligible remediation costs
15 that the individual deducted in computing adjusted
16 gross income and for which the individual claims a
17 credit under subsection (l) of Section 201;

18 (D-15) 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 (D-16) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (D-15), then

1 an amount equal to the aggregate amount of the
2 deductions taken in all taxable years under
3 subparagraph (Z) 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 (Z), 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 (D-17) 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 that 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 under Sections 951 through 964
10 of the Internal Revenue Code and amounts included in
11 gross income under Section 78 of the Internal Revenue
12 Code) with respect to the stock of the same person to
13 whom the interest was paid, accrued, or incurred.

14 This paragraph shall not apply to the following:

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

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

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest
2 to a person that is not a related member, and

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

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

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

23 Nothing in this subsection shall preclude the
24 Director from making any other adjustment
25 otherwise allowed under Section 404 of this Act for
26 any tax year beginning after the effective date of

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

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

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

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

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

23 (iii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a person if the
26 taxpayer establishes by clear and convincing

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

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

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

1 included in base income of the unitary group for the
2 same taxable year and received by the taxpayer or by a
3 member of the taxpayer's unitary business group
4 (including amounts included in gross income under
5 Sections 951 through 964 of the Internal Revenue Code
6 and amounts included in gross income under Section 78
7 of the Internal Revenue Code) with respect to the stock
8 of the same person to whom the premiums and costs were
9 directly or indirectly paid, incurred, or accrued. The
10 preceding sentence does not apply to the extent that
11 the same dividends caused a reduction to the addition
12 modification required under Section 203(a) (2) (D-17) or
13 Section 203(a) (2) (D-18) of this Act.

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

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

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

1 out-of-state program distributes its offering
2 materials;

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

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

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

26 and by deducting from the total so obtained the sum of the

1 following amounts:

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

1 paid to a resident in 2001 or thereafter by reason of
2 being a member of the Illinois National Guard or,
3 beginning with taxable years ending on or after
4 December 31, 2007, the National Guard of any other
5 state. The provisions of this subparagraph (E) are
6 exempt from the provisions of Section 250;

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

18 (G) The valuation limitation amount;

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

22 (I) An amount equal to all amounts included in such
23 total pursuant to the provisions of Section 111 of the
24 Internal Revenue Code as a recovery of items previously
25 deducted from adjusted gross income in the computation
26 of taxable income;

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

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

20 (L) For taxable years ending after December 31,
21 1983, an amount equal to all social security benefits
22 and railroad retirement benefits included in such
23 total pursuant to Sections 72(r) and 86 of the Internal
24 Revenue Code;

25 (M) With the exception of any amounts subtracted
26 under subparagraph (N), an amount equal to the sum of

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

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

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

1 (P) An amount equal to the amount of the deduction
2 used to compute the federal income tax credit for
3 restoration of substantial amounts held under claim of
4 right for the taxable year pursuant to Section 1341 of
5 the Internal Revenue Code or of any itemized deduction
6 taken from adjusted gross income in the computation of
7 taxable income for restoration of substantial amounts
8 held under claim of right for the taxable year;

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

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

16 (S) An amount, to the extent included in adjusted
17 gross income, equal to the amount of a contribution
18 made in the taxable year on behalf of the taxpayer to a
19 medical care savings account established under the
20 Medical Care Savings Account Act or the Medical Care
21 Savings Account Act of 2000 to the extent the
22 contribution is accepted by the account administrator
23 as provided in that Act;

24 (T) An amount, to the extent included in adjusted
25 gross income, equal to the amount of interest earned in
26 the taxable year on a medical care savings account

1 established under the Medical Care Savings Account Act
2 or the Medical Care Savings Account Act of 2000 on
3 behalf of the taxpayer, other than interest added
4 pursuant to item (D-5) of this paragraph (2);

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

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

1 taxpayer is eligible to participate in any health
2 insurance or long-term care insurance plan of an
3 employer of the taxpayer or the taxpayer's spouse. The
4 amount of the health insurance and long-term care
5 insurance subtracted under this item (V) shall be
6 determined by multiplying total health insurance and
7 long-term care insurance premiums paid by the taxpayer
8 times a number that represents the fractional
9 percentage of eligible medical expenses under Section
10 213 of the Internal Revenue Code of 1986 not actually
11 deducted on the taxpayer's federal income tax return;

12 (W) For taxable years beginning on or after January
13 1, 1998, all amounts included in the taxpayer's federal
14 gross income in the taxable year from amounts converted
15 from a regular IRA to a Roth IRA. This paragraph is
16 exempt from the provisions of Section 250;

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

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

24 (Y) For taxable years beginning on or after January
25 1, 2002 and ending on or before December 31, 2004,
26 moneys contributed in the taxable year to a College

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

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

25 (1) "y" equals the amount of the depreciation
26 deduction taken for the taxable year on the

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

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

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

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

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

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

1 subparagraph (Z) is exempt from the provisions of
2 Section 250;

3 (AA) If the taxpayer sells, transfers, abandons,
4 or otherwise disposes of property for which the
5 taxpayer was required in any taxable year to make an
6 addition modification under subparagraph (D-15), then
7 an amount equal to that addition modification.

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

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

18 This subparagraph (AA) is exempt from the
19 provisions of Section 250;

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

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

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

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

1 required to apportion business income under different
2 subsections of Section 304, but not to exceed the
3 addition modification required to be made for the same
4 taxable year under Section 203(a)(2)(D-17) for
5 interest paid, accrued, or incurred, directly or
6 indirectly, to the same person. This subparagraph (DD)
7 is exempt from the provisions of Section 250;

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

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

3 (FF) An amount equal to any amount awarded to the
4 taxpayer during the taxable year by the Court of Claims
5 under subsection (c) of Section 8 of the Court of
6 Claims Act for time unjustly served in a State prison.
7 This subparagraph (FF) is exempt from the provisions of
8 Section 250; and

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

24 (b) Corporations.

25 (1) In general. In the case of a corporation, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

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

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

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

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

24 (D) The amount of any net operating loss deduction
25 taken in arriving at taxable income, other than a net
26 operating loss carried forward from a taxable year

1 ending prior to December 31, 1986;

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

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

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

25 For taxable years in which there is a net operating
26 loss carryback or carryforward from more than one other

1 taxable year ending prior to December 31, 1986, the
2 addition modification provided in this subparagraph
3 (E) shall be the sum of the amounts computed
4 independently under the preceding provisions of this
5 subparagraph (E) for each such taxable year;

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

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

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

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

1 was allowed in any taxable year to make a subtraction
2 modification under subparagraph (T), then an amount
3 equal to that subtraction modification.

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

26 (E-13) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 852 of the Internal Revenue Code, paid to shareholders
2 for the taxable year;

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

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

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

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

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

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

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

1 subparagraph (M) is exempt from the provisions of
2 Section 250;

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

1 calculated under the previous sentence;

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

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

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

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

24 (Q) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

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

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

26 (T) 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 (T) is exempt from the provisions of
9 Section 250;

10 (U) If the taxpayer sells, transfers, abandons, or
11 otherwise disposes of property for which the taxpayer
12 was required in any taxable year to make an addition
13 modification under subparagraph (E-10), then an amount
14 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 (E-10), 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 (U) is exempt from the
26 provisions of Section 250;

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

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

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

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

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

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

1 to income the amount subtracted by the taxpayer
2 pursuant to this subparagraph (Y). This subparagraph
3 (Y) is exempt from the provisions of Section 250; and

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

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

20 (c) Trusts and estates.

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

24 (2) Modifications. Subject to the provisions of
25 paragraph (3), the taxable income referred to in paragraph

1 (1) shall be modified by adding thereto the sum of the
2 following amounts:

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

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

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

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

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

1 subtraction modifications in such taxable year, with
2 the following limitations applied in the order that
3 they are listed:

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

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

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

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

1 or estate is claiming the same tax for purposes of the
2 Illinois foreign tax credit under Section 601 of this
3 Act;

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

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

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

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

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

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

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

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

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

10 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the
2 avoidance of Illinois income tax, and is paid
3 pursuant to a contract or agreement that
4 reflects an arm's-length interest rate and
5 terms; or

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

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

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

1 under Section 404 of this Act;

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

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

21 This paragraph shall not apply to the following:

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

1 to a tax on or measured by net income with respect
2 to such item; or

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

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

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

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

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

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

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the premiums and costs were
5 directly or indirectly paid, incurred, or accrued. The
6 preceding sentence does not apply to the extent that
7 the same dividends caused a reduction to the addition
8 modification required under Section 203(c)(2)(G-12) or
9 Section 203(c)(2)(G-13) of this Act;

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

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

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

1 (I) The valuation limitation amount;

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

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

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

1 Revenue Code and, for taxable years ending on or after
2 December 31, 2008, any amount included in gross income
3 under Section 87 of the Internal Revenue Code; the
4 provisions of this subparagraph are exempt from the
5 provisions of Section 250;

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

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

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

1 this subparagraph (O);

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

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

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

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

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

1 (2) for taxable years ending on or before
2 December 31, 2005, "x" equals "y" multiplied by 30
3 and then divided by 70 (or "y" multiplied by
4 0.429); and

5 (3) for taxable years ending after December
6 31, 2005:

7 (i) for property on which a bonus
8 depreciation deduction of 30% of the adjusted
9 basis was taken, "x" equals "y" multiplied by
10 30 and then divided by 70 (or "y" multiplied by
11 0.429); and

12 (ii) for property on which a bonus
13 depreciation deduction of 50% of the adjusted
14 basis was taken, "x" equals "y" multiplied by
15 1.0.

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

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

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

3 If the taxpayer continues to own property through
4 the last day of the last tax year for which the
5 taxpayer may claim a depreciation deduction for
6 federal income tax purposes and 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 The taxpayer is allowed to take the deduction under
11 this subparagraph only once with respect to any one
12 piece of property.

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

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

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

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

26 (V) An amount equal to the income from intangible

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

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

1 Section 250;

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

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

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

1 aside for charitable purposes pursuant to Internal Revenue
2 Code Section 642(c) during the taxable year.

3 (d) Partnerships.

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

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

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

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

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

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

24 (D-5) For taxable years 2001 and thereafter, an
25 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-6) 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-5), then
8 an amount equal to the aggregate amount of the
9 deductions taken in all taxable years under
10 subparagraph (O) 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 (O), 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-7) 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 the 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 pursuant to Sections 951
17 through 964 of the Internal Revenue Code and amounts
18 included in gross income under Section 78 of the
19 Internal Revenue Code) with respect to the stock of the
20 same person to whom the interest was paid, accrued, or
21 incurred.

22 This paragraph shall not apply to the following:

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

1 reporting, to a tax on or measured by net income
2 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

26 and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

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

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

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

24 (I) An amount equal to all amounts of income
25 distributable to an entity subject to the Personal
26 Property Tax Replacement Income Tax imposed by

1 subsections (c) and (d) of Section 201 of this Act
2 including amounts distributable to organizations
3 exempt from federal income tax by reason of Section
4 501(a) of the Internal Revenue Code; this subparagraph
5 (I) is exempt from the provisions of Section 250;

6 (J) With the exception of any amounts subtracted
7 under subparagraph (G), 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, (iii) 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 (K) An amount equal to those dividends included in
23 such total which were paid by a corporation which
24 conducts business operations in ~~an Enterprise Zone or~~
25 ~~zones created under the Illinois Enterprise Zone Act,~~
26 ~~enacted by the 82nd General Assembly, or a River Edge~~

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

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

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

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

24 (O) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

13 If the taxpayer continues to own property through
14 the last day of the last tax year for which the
15 taxpayer may claim a depreciation deduction for
16 federal income tax purposes and 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 The taxpayer is allowed to take the deduction under
21 this subparagraph only once with respect to any one
22 piece of property.

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

25 (Q) The amount of (i) any interest income (net of
26 the deductions allocable thereto) taken into account

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

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

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

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

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 corporation determined in accordance with the federal
2 Subchapter S rules as in effect on July 1, 1982; and

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

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

1 (f) Valuation limitation amount.

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

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

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

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

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

1 effect on that date), or (ii) the total gain realized
2 and reportable for federal income tax purposes in
3 respect of the sale, exchange or other disposition of
4 such property.

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

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

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

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

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

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

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

14 (35 ILCS 120/5k) (from Ch. 120, par. 444k)

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

16 (a) Each retailer who makes a qualified sale of building
17 materials to be incorporated into real estate in an enterprise
18 zone established by a county or municipality under the Illinois
19 Enterprise Zone Act by remodeling, rehabilitation or new
20 construction, may deduct receipts from such sales when
21 calculating the tax imposed by this Act. For purposes of this
22 Section, before July 1, 2013, "qualified sale" means a sale of
23 building materials that will be incorporated into real estate
24 as part of a building project for which a Certificate of

1 Eligibility for Sales Tax Exemption has been issued by the
2 administrator of the enterprise zone in which the building
3 project is located, and on and after July 1, 2013, "qualified
4 sale" means a sale of building materials that will be
5 incorporated into real estate as part of a building project for
6 which an Enterprise Zone Building Materials Exemption
7 Certificate has been issued to the purchaser by the Department.
8 A construction contractor or other entity shall not make
9 tax-free purchases unless it has an active Exemption
10 Certificate issued by the Department at the time of the
11 purchase.

12 (b) Before July 1, 2013, to ~~to~~ document the exemption
13 allowed under this Section, the retailer must obtain from the
14 purchaser a copy of the Certificate of Eligibility for Sales
15 Tax Exemption issued by the administrator of the enterprise
16 zone into which the building materials will be incorporated. On
17 and after July 1, 2013, to document the exemption allowed under
18 this Section, the retailer must obtain from the purchaser the
19 certification required under subsection (c), which must
20 contain the Enterprise Zone Building Materials Exemption
21 Certificate number issued to the purchaser by the Department.
22 Upon request from the enterprise zone administrator, the
23 Department shall issue an Enterprise Zone Building Materials
24 Exemption Certificate for each construction contractor or
25 other entity identified by the enterprise zone administrator.
26 The Department shall issue the Exemption Certificates directly

1 to each construction contractor or other entity. The Department
2 shall also provide the enterprise zone administrator with a
3 copy of each Exemption Certificate issued. The request for
4 Enterprise Zone Building Materials Exemption Certificates from
5 the enterprise zone administrator to the Department must
6 include the following information:

7 (1) the name and address of the construction contractor
8 or other entity;

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

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

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

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

19 (6) other reasonable information as the Department may
20 require.

21 The Department shall issue the Enterprise Zone Building
22 Materials Exemption Certificates within 3 business days after
23 receipt of request from the zone administrator. This
24 requirement does not apply in circumstances where the
25 Department, for reasonable cause, is unable to issue the
26 Exemption Certificate within 3 business days. The Department

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

22 The Department, in its discretion, may require that the
23 request for Enterprise Zone Building Materials Exemption
24 Certificates be submitted electronically. The Department may,
25 in its discretion, issue the Exemption Certificates
26 electronically. The Enterprise Zone Building Materials

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

1 subsection (b), the Department shall issue the rescission of
2 the Enterprise Zone Building Materials Exemption Certificate
3 to the construction contractor or other entity identified by
4 the enterprise zone administrator and provide a copy to the
5 enterprise zone administrator.

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

20 ~~(1) a statement that the building project identified in~~
21 ~~the Certificate meets all the requirements for the building~~
22 ~~material exemption contained in the enterprise zone~~
23 ~~ordinance of the jurisdiction in which the building project~~
24 ~~is located;~~

25 ~~(2) the location or address of the building project;~~

26 ~~and~~

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

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

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

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

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

12 (4) a description of the building materials being
13 purchased; ~~and~~

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

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

18 (d) The deduction allowed by this Section for the sale of
19 building materials may be limited, to the extent authorized by
20 ordinance, adopted after the effective date of this amendatory
21 Act of 1992, by the municipality or county that created the
22 enterprise zone into which the building materials will be
23 incorporated. The ordinance, however, may neither require nor
24 prohibit the purchase of building materials from any retailer
25 or class of retailers in order to qualify for the exemption
26 allowed under this Section. The provisions of this Section are

1 exempt from Section 2-70.

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

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

16 (35 ILCS 120/51) (from Ch. 120, par. 4441)

17 Sec. 51. Building materials exemption; High Impact
18 Business.

19 (a) Beginning January 1, 1995, each retailer who makes a
20 sale of building materials that will be incorporated into a
21 High Impact Business location as designated by the Department
22 of Commerce and Economic Opportunity under Section 5.5 of the
23 Illinois Enterprise Zone Act may deduct receipts from such
24 sales when calculating only the 6.25% State rate of tax imposed
25 by this Act. Beginning on the effective date of this amendatory

1 Act of 1995, a retailer may also deduct receipts from such
2 sales when calculating any applicable local taxes. However,
3 until the effective date of this amendatory Act of 1995, a
4 retailer may file claims for credit or refund to recover the
5 amount of any applicable local tax paid on such sales. No
6 retailer who is eligible for the deduction or credit under
7 Section 5k of this Act for making a sale of building materials
8 to be incorporated into real estate in an enterprise zone by
9 rehabilitation, remodeling or new construction shall be
10 eligible for the deduction or credit authorized under this
11 Section.

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

19 Upon request from the designated High Impact Business, the
20 Department shall issue a High Impact Business Building
21 Materials Exemption Certificate for each construction
22 contractor or other entity identified by the designated High
23 Impact Business. The Department shall issue the Exemption
24 Certificates directly to each construction contractor or other
25 entity. The Department shall also provide the designated High
26 Impact Business with a copy of each Exemption Certificate

1 issued. The request for Building Materials Exemption
2 Certificates from the designated High Impact Business to the
3 Department must include the following information:

4 (1) the name and address of the construction contractor
5 or other entity;

6 (2) the name and location or address of the designated
7 High Impact Business;

8 (3) the estimated amount of the exemption for each
9 construction contractor or other entity for which a request
10 for Exemption Certificate is made, based on a stated
11 estimated average tax rate and the percentage of the
12 contract that consists of materials;

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

15 (5) other reasonable information as the Department may
16 require.

17 The Department shall issue the High Impact Business
18 Building Materials Exemption Certificates within 3 business
19 days after receipt of request from the designated High Impact
20 Business. This requirement does not apply in circumstances
21 where the Department, for reasonable cause, is unable to issue
22 the Exemption Certificate within 3 business days. The
23 Department may refuse to issue an Exemption Certificate if the
24 owner, any partner, or a corporate officer, and in the case of
25 a limited liability company, any manager or member, of the
26 construction contractor or other entity is or has been the

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

18 The Department, in its discretion, may require that the
19 request for High Impact Business Building Materials Exemption
20 Certificates be submitted electronically. The Department may,
21 in its discretion, issue the Exemption Certificates
22 electronically. The High Impact Business Building Materials
23 Exemption Certificate number shall be designed in such a way
24 that the Department can identify from the unique number on the
25 Exemption Certificate issued to a given construction
26 contractor or other entity, the name of the designated High

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

26 If the Department of Revenue determines that a construction

1 contractor or other entity that was issued an Exemption
2 Certificate under this subsection (b) made a tax-exempt
3 purchase, as described in this Section, that was not eligible
4 for exemption under this Section or allowed another person to
5 make a tax-exempt purchase, as described in this Section, that
6 was not eligible for exemption under this Section, then, in
7 addition to any tax or other penalty imposed, the construction
8 contractor or other entity is subject to a penalty equal to the
9 tax that would have been paid by the retailer under this Act as
10 well as any applicable local retailers' occupation tax on the
11 purchase that was not eligible for the exemption.

12 (c) Notwithstanding anything to the contrary in this
13 Section, for High Impact Businesses for which projects are
14 already in existence and for which construction contracts are
15 already in place on July 1, 2013, the request for High Impact
16 Business Building Materials Exemption Certificates from the
17 High Impact Business to the Department for these pre-existing
18 construction contractors and other entities must include the
19 information required under subsection (b), but not including
20 the information listed in items (3) and (4). For any new
21 construction contract entered into on or after July 1, 2013,
22 however, all of the information in subsection (b) must be
23 provided.

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

25 Section 20. The River Edge Redevelopment Zone Act is

1 amended by changing Section 10-5.3 and by adding Section
2 10-10.2 as follows:

3 (65 ILCS 115/10-5.3)

4 Sec. 10-5.3. Certification of River Edge Redevelopment
5 Zones.

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

18 (b) A River Edge Redevelopment Zone shall be effective upon
19 its certification. The Department shall transmit a copy of the
20 certification to the Department of Revenue, and to the
21 designating municipality. Upon certification of a River Edge
22 Redevelopment Zone, the terms and provisions of the designating
23 ordinance shall be in effect, and may not be amended or
24 repealed except in accordance with Section 10-5.4.

25 (c) A River Edge Redevelopment Zone shall be in effect for

1 the period stated in the certificate, which shall in no event
2 exceed 30 calendar years. Zones shall terminate at midnight of
3 December 31 of the final calendar year of the certified term,
4 except as provided in Section 10-5.4.

5 (d) In calendar years 2006 and 2007, the Department may
6 certify one pilot River Edge Redevelopment Zone in the City of
7 East St. Louis, one pilot River Edge Redevelopment Zone in the
8 City of Rockford, and one pilot River Edge Redevelopment Zone
9 in the City of Aurora.

10 In calendar year 2009, the Department may certify one pilot
11 River Edge Redevelopment Zone in the City of Elgin.

12 On or after the effective date of this amendatory Act of
13 the 97th General Assembly, the Department may certify one
14 additional pilot River Edge Redevelopment Zone in the City of
15 Peoria.

16 Thereafter the Department may not certify any additional
17 River Edge Redevelopment Zones, but may amend and rescind
18 certifications of existing River Edge Redevelopment Zones in
19 accordance with Section 10-5.4, except that no River Edge
20 Redevelopment Zone may be extended on or after the effective
21 date of this amendatory Act of the 97th General Assembly. Each
22 River Edge Redevelopment Zone in existence on the effective
23 date of this amendatory Act of the 97th General Assembly shall
24 continue until its scheduled termination under this Act, unless
25 the Zone is decertified sooner. At the time of its term
26 expiration each River Edge Redevelopment Zone will become an

1 open enterprise zone, available for the previously designated
2 area or a different area to compete for designation as an
3 enterprise zone. No preference for designation as a Zone will
4 be given to the previously designated area.

5 (e) A municipality in which a River Edge Redevelopment Zone
6 has been certified must submit to the Department, within 60
7 days after the certification, a plan for encouraging the
8 participation by minority persons, females, persons with
9 disabilities, and veterans in the zone. The Department may
10 assist the municipality in developing and implementing the
11 plan. The terms "minority person", "female", and "person with a
12 disability" have the meanings set forth under Section 2 of the
13 Business Enterprise for Minorities, Females, and Persons with
14 Disabilities Act. "Veteran" means an Illinois resident who is a
15 veteran as defined in subsection (h) of Section 1491 of Title
16 10 of the United States Code.

17 (Source: P.A. 96-37, eff. 7-13-09; 97-203, eff. 7-28-11.)

18 (65 ILCS 115/10-10.2 new)

19 Sec. 10-10.2. Accounting.

20 (a) Any business receiving tax incentives due to its
21 location within a River Edge Redevelopment Zone must report the
22 total tax benefits received by the business, broken down by
23 incentive category, annually to the Department of Revenue.
24 Reports will be due no later than March 30 of each year and
25 shall cover the previous calendar year. The first report will

1 be for the 2012 calendar year and will be due no later than
2 March 30, 2013. Failure to report data shall result in
3 ineligibility to receive incentives. For the first offense, a
4 business shall be given 60 days to comply.

5 (b) Each person required to file a return under the Gas
6 Revenue Tax Act, the Gas Use Tax Act, the Electricity Excise
7 Tax Act, or the Telecommunications Excise Tax Act shall file,
8 on or before March 30 of each year, a report with the
9 Department of Revenue, in the manner and form required by the
10 Department of Revenue, itemizing the amount of the deduction
11 taken under each Act, respectively, due to the location of a
12 business in a River Edge Redevelopment Zone. The report shall
13 be itemized by business and the business location address.

14 (c) Employers shall report their job creation, retention,
15 and capital investment numbers within the River Edge
16 Redevelopment Zone annually to the administrator which will
17 compile the information and report it to the Department of
18 Revenue no later than March 30 of each calendar year.

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

26 (e) The Department of Revenue, in its discretion, may

1 require that the reports filed under this Section be submitted
2 electronically.

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

6 Section 95. No acceleration or delay. Where this Act makes
7 changes in a statute that is represented in this Act by text
8 that is not yet or no longer in effect (for example, a Section
9 represented by multiple versions), the use of that text does
10 not accelerate or delay the taking effect of (i) the changes
11 made by this Act or (ii) provisions derived from any other
12 Public Act.

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.