



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

SB2596

Introduced 10/9/2013, by Sen. William E. Brady

SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Creates the Displaced Student Voucher Act and amends the Illinois Income Tax Act and the State aid formula provisions of the School Code. Establishes the Displaced Student Voucher Program, a pilot program that shall expire on June 20, 2023. Provides that under the program, the custodian of a Chicago school district pupil who would be attending a specified closed school if the school had not been closed is entitled to a voucher to pay for qualified education expenses at a participating Chicago nonpublic school. Requires the principal of each school in the Chicago school district to notify custodians of qualifying pupils of the availability of vouchers. Sets forth provisions concerning a request for a voucher, the issuance and payment of a voucher, the amount and renewal of a voucher, pupil assessment, the State longitudinal data system, and funding. Provides that students receiving vouchers are considered nonpublic school students who have been voluntarily placed in a private setting. Provides that the amount of a redeemed voucher shall not be considered base income and shall not be taxable for Illinois income tax purposes. Requires the State Board of Education to submit a report to the General Assembly. Provides criminal penalties for certain violations. Requires the State Board to adopt rules to implement the Act. Effective immediately.

LRB098 13046 OMW 47557 b

CORRECTIONAL
BUDGET AND
IMPACT NOTE ACT
MAY APPLY

FISCAL NOTE ACT
MAY APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning education.

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

4 Section 1. Short title. This Act may be cited as the
5 Displaced Student Voucher Act.

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

7 "Base year" means the 2012-2013 school year.

8 "Closed school" means one of the following schools in City
9 of Chicago School District 299:

- 10 (1) Alexander von Humboldt Elementary School.
- 11 (2) Alfred David Kohn Elementary School.
- 12 (3) Ana Roque de Duprey Elementary School.
- 13 (4) Anthony Overton Elementary School.
- 14 (5) Arna Wendell Bontemps Elementary School.
- 15 (6) Austin O. Sexton Elementary School.
- 16 (7) Benjamin Banneker Elementary School.
- 17 (8) Betsy Ross Elementary School.
- 18 (9) Crispus Attucks Elementary School.
- 19 (10) Dumas Technology Academy.
- 20 (11) Edward C. Delano Elementary School.
- 21 (12) Elaine O. Goodlow Elementary Magnet School.
- 22 (13) Elihu Yale Elementary School.
- 23 (14) Elizabeth Peabody Elementary School.

- 1 (15) Enrico Fermi Elementary School.
- 2 (16) Francis Parkman Elementary School.
- 3 (17) Francis Scott Key Elementary School.
- 4 (18) Garfield Park Preparatory Academy Elementary
- 5 School.
- 6 (19) Garrett A. Morgan Elementary School.
- 7 (20) Graeme Stewart Elementary School.
- 8 (21) Granville T Woods Math & Science Academy
- 9 Elementary School.
- 10 (22) Guglielmo Marconi Elementary Community Academy.
- 11 (23) Horatio May Elementary Community Academy.
- 12 (24) Ignance Paderewski Elementary Learning Academy.
- 13 (25) Jean D. Lafayette Elementary School.
- 14 (26) Jesse Owens Elementary Community Academy.
- 15 (27) John Calhoun North Elementary School.
- 16 (28) John P. Altgeld Elementary School.
- 17 (29) Joseph Stockton Elementary School.
- 18 (30) Kate S. Buckingham Special Education Center.
- 19 (31) Louis Armstrong Math & Science Elementary School.
- 20 (32) Lyman Trumbull Elementary School.
- 21 (33) Martin A. Ryerson Elementary School.
- 22 (34) Mary McLeod Bethune Elementary School.
- 23 (35) Matthew A. Henson Elementary School.
- 24 (36) Miriam G. Canter Middle School.
- 25 (37) Nathan R. Goldblatt Elementary School.
- 26 (38) Nathaniel Pope Elementary School.

- 1 (39) Near North Elementary School.
- 2 (40) Pershing West Middle School.
- 3 (41) Robert Emmet Elementary School.
- 4 (42) Robert H. Lawrence Elementary School.
- 5 (43) Songhai Elementary Learning Institute.
- 6 (44) Victor Herbert Elementary School.
- 7 (45) West Pullman Elementary School.
- 8 (46) William H. King Elementary School.
- 9 (47) William J. & Charles H. Mayo Elementary School.
- 10 (48) Williams Multiplex Elementary School.
- 11 (49) Williams Preparatory Academy Middle School.

12 "Custodian" means, with respect to a qualifying pupil, a
13 parent or legal guardian who is a resident of the City of
14 Chicago.

15 "Nonpublic school" means any State-recognized, nonpublic
16 school in the City of Chicago that elects to participate in the
17 Displaced Student Voucher Program established under this Act
18 and does not discriminate on the basis of race, color, or
19 national origin under Title VI of the Civil Rights Act of 1964
20 and attendance at which satisfies the requirements of Section
21 26-1 of the School Code, except that nothing in Section 26-1
22 shall be construed to require a child to attend any particular
23 nonpublic school.

24 "Program" means the Displaced Student Voucher Program
25 established under this Act.

26 "Qualified education expenses" means costs reasonably

1 incurred on behalf of a qualifying pupil for the services of a
2 participating nonpublic school in which the qualifying pupil is
3 enrolled during the regular school year. Qualified education
4 expenses does not include costs incurred for supplies or
5 extra-curricular activities.

6 "Qualifying pupil" means an individual who would be
7 attending a closed school if the school had not been closed
8 based on how City of Chicago School District 299 would have
9 determined who would have attended the school before it was
10 closed.

11 "Voucher" means a written instrument issued by the State
12 Board of Education directly to the custodian of a qualifying
13 pupil under this Act. The custodian may present the instrument
14 only to a participating nonpublic school as payment for
15 qualified education expenses incurred on behalf of the
16 qualifying pupil.

17 Section 15. Establishment of program. There is established
18 the Displaced Student Voucher Program, a pilot program that
19 shall expire on June 30, 2023. Under the program, after the
20 base year, a custodian of a qualifying pupil shall be entitled
21 to a voucher at any participating nonpublic school in which the
22 qualifying pupil is enrolled. A qualifying pupil shall be
23 entitled to enroll at and attend any participating nonpublic
24 school of his or her choice.

1 Section 20. Notification of vouchers. The principal of each
2 school in City of Chicago School District 299 shall notify
3 custodians of qualifying pupils that vouchers under this Act
4 are available for the next school year. Notification shall
5 occur in January of each school year.

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

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

24 (1) that the applying custodian be notified of the

1 voucher award by August 1 of the school year in which the
2 voucher is to be used;

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

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

9 (4) that the participating school present the voucher
10 instrument, with proof of service to the custodian of the
11 qualifying pupil, to the State Board of Education no later
12 than October 31 of the school year in which the voucher is
13 to be used;

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

18 (6) that participating schools must accept vouchers as
19 full payment for services and may not charge voucher pupils
20 tuition or any other educational expenses at a higher rate
21 than other pupils; and

22 (7) that if a student attending a nonpublic school
23 under the program is expelled or withdraws from the
24 nonpublic school or moves out of the boundaries of City of
25 Chicago School District 299 before the State Board of
26 Education has honored the voucher of the school, then the

1 State Board of Education shall pay the corresponding
2 prorated portion of the voucher amount to the nonpublic
3 school; and that if the State Board of Education has paid
4 the voucher amount to the nonpublic school and the pupil is
5 expelled, withdraws, or moves out of the boundaries of City
6 of Chicago School District 299, then the nonpublic school
7 shall refund the corresponding prorated portion of the
8 voucher to the State Board of Education. Any funds returned
9 to the State Board of Education must be distributed via the
10 general State aid claim to City of Chicago School District
11 299.

12 Section 35. Amount of voucher. A voucher for qualified
13 education expenses incurred through participating schools
14 during any school year after the base year shall be for the
15 lesser of (i) \$3,700 or (ii) the actual qualified education
16 expenses related to the qualifying pupil's enrollment.

17 Section 40. Renewal of voucher. Vouchers shall be renewable
18 every year so long as a qualifying pupil continues to reside in
19 the City of Chicago and the recognized nonpublic school elects
20 to continue participating in the program.

21 Section 45. Assessment. All pupils receiving services
22 obtained through vouchers shall be assessed annually in the
23 same manner as Illinois' public school students. The State

1 Board of Education may adopt rules with respect to the
2 assessment of such pupils, which may include, but is not
3 limited to, rules pertaining to test security, test
4 administration and location, and reporting procedures.

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

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

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

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

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

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

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

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

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

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

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

12 Sec. 203. Base income defined.

13 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (G) The valuation limitation amount;

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

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

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

1 Redevelopment Zone or zones. This subparagraph (J) is
2 exempt from the provisions of Section 250;

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

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

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

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

7 (N) An amount equal to all amounts included in such
8 total which are exempt from taxation by this State
9 either by reason of its statutes or Constitution or by
10 reason of the Constitution, treaties or statutes of the
11 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 (O) An amount equal to any contribution made to a
17 job training project established pursuant to the Tax
18 Increment Allocation Redevelopment Act;

19 (P) 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 or of any itemized deduction
24 taken from adjusted gross income in the computation of
25 taxable income for restoration of substantial amounts
26 held under claim of right for the taxable year;

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

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

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

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

23 (U) For one taxable year beginning on or after
24 January 1, 1994, an amount equal to the total amount of
25 tax imposed and paid under subsections (a) and (b) of
26 Section 201 of this Act on grant amounts received by

1 the taxpayer under the Nursing Home Grant Assistance
2 Act during the taxpayer's taxable years 1992 and 1993;

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

1 percentage of eligible medical expenses under Section
2 213 of the Internal Revenue Code of 1986 not actually
3 deducted on the taxpayer's federal income tax return;

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

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

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

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

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

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

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

24 (2) for taxable years ending on or before
25 December 31, 2005, "x" equals "y" multiplied by 30
26 and then divided by 70 (or "y" multiplied by

1 0.429); and

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

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

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

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

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

26 If the taxpayer continues to own property through

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

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

10 This subparagraph (AA) is exempt from the
11 provisions of Section 250;

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

15 (CC) 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 that 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 that
4 addition modification. This subparagraph (CC) is
5 exempt from the provisions of Section 250;

6 (DD) 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 that 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(a)(2)(D-17) for
23 interest paid, accrued, or incurred, directly or
24 indirectly, to the same person. This subparagraph (DD)
25 is exempt from the provisions of Section 250;

26 (EE) 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(a)(2)(D-18) for
17 intangible expenses and costs paid, accrued, or
18 incurred, directly or indirectly, to the same foreign
19 person. This subparagraph (EE) is exempt from the
20 provisions of Section 250;

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

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

16 (HH) For taxable years ending on or after December
17 31, 2013, an amount, to the extent that it is included
18 in adjusted gross income, equal to any voucher redeemed
19 under the Displaced Student Voucher Act. This
20 subparagraph is exempt from the provisions of Section
21 250.

22 (b) Corporations.

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

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

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

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

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

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

26 (E) For taxable years in which a net operating loss

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

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

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

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

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

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

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

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

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

1 equal to that subtraction modification.

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

5 (E-12) An amount equal to the amount otherwise
6 allowed as a deduction in computing base income for
7 interest paid, accrued, or incurred, directly or
8 indirectly, (i) for taxable years ending on or after
9 December 31, 2004, to a foreign person who would be a
10 member of the same unitary business group but for the
11 fact the foreign person's business activity outside
12 the United States is 80% or more of the foreign
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. The addition modification
21 required by this subparagraph shall be reduced to the
22 extent that dividends were included in base income of
23 the unitary group for the same taxable year and
24 received by the taxpayer or by a member of the
25 taxpayer's unitary business group (including amounts
26 included in gross income pursuant to Sections 951

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

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

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

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

24 (E-13) An amount equal to the amount of intangible
25 expenses and costs otherwise allowed as a deduction in
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004, to a
3 foreign person who would be a member of the same
4 unitary business group but for the fact that the
5 foreign person's business activity outside the United
6 States is 80% or more of that person's total business
7 activity and (ii) for taxable years ending on or after
8 December 31, 2008, to a person who would be a member of
9 the same unitary business group but for the fact that
10 the person is prohibited under Section 1501(a)(27)
11 from being included in the unitary business group
12 because he or she is ordinarily required to apportion
13 business income under different subsections of Section
14 304. The addition modification required by this
15 subparagraph shall be reduced to the extent that
16 dividends were included in base income of the unitary
17 group for the same taxable year and received by the
18 taxpayer or by a member of the taxpayer's unitary
19 business group (including amounts included in gross
20 income pursuant to Sections 951 through 964 of the
21 Internal Revenue Code and amounts included in gross
22 income under Section 78 of the Internal Revenue Code)
23 with respect to the stock of the same person to whom
24 the intangible expenses and costs were directly or
25 indirectly paid, incurred, or accrued. The preceding
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition
2 modification required under Section 203(b)(2)(E-12) of
3 this Act. As used in this subparagraph, the term
4 "intangible expenses and costs" includes (1) expenses,
5 losses, and costs for, or related to, the direct or
6 indirect acquisition, use, maintenance or management,
7 ownership, sale, exchange, or any other disposition of
8 intangible property; (2) losses incurred, directly or
9 indirectly, from factoring transactions or discounting
10 transactions; (3) royalty, patent, technical, and
11 copyright fees; (4) licensing fees; and (5) other
12 similar expenses and costs. For purposes of this
13 subparagraph, "intangible property" includes patents,
14 patent applications, trade names, trademarks, service
15 marks, copyrights, mask works, trade secrets, and
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

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

1 indirectly, if the taxpayer can establish, based
2 on a preponderance of the evidence, both of the
3 following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (M) For any taxpayer that is a financial
2 organization within the meaning of Section 304(c) of
3 this Act, an amount included in such total as interest
4 income from a loan or loans made by such taxpayer to a
5 borrower, to the extent that such a loan is secured by
6 property which is eligible for the River Edge
7 Redevelopment Zone Investment Credit. To determine the
8 portion of a loan or loans that is secured by property
9 eligible for a Section 201(f) investment credit to the
10 borrower, the entire principal amount of the loan or
11 loans between the taxpayer and the borrower should be
12 divided into the basis of the Section 201(f) investment
13 credit property which secures the loan or loans, using
14 for this purpose the original basis of such property on
15 the date that it was placed in service in the River
16 Edge Redevelopment Zone. The subtraction modification
17 available to taxpayer in any year under this subsection
18 shall be that portion of the total interest paid by the
19 borrower with respect to such loan attributable to the
20 eligible property as calculated under the previous
21 sentence. This subparagraph (M) is exempt from the
22 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 computation of taxable income;

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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

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

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

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

21 (I) The valuation limitation amount;

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

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

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

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

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

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

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

11 (O) 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 (M) of paragraph (2) of this subsection
18 shall not be eligible for the deduction provided under
19 this subparagraph (O);

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

25 (Q) For taxable year 1999 and thereafter, an amount
26 equal to the amount of any (i) distributions, to the

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

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

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

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

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

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

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

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

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

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

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (G-10), then an amount

1 equal to that addition modification.

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

5 This subparagraph (S) is exempt from the
6 provisions of Section 250;

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

24 (U) An amount equal to the interest income taken
25 into account for the taxable year (net of the
26 deductions allocable thereto) with respect to

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

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

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

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

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

25 (Y) For taxable years ending on or after December
26 31, 2011, in the case of a taxpayer who was required to

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

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

21 (d) Partnerships.

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

25 (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the 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) An amount equal to the amount of tax imposed by
8 this Act to the extent deducted from gross income for
9 the taxable year;

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

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

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

22 (D-6) If the taxpayer sells, transfers, abandons,
23 or otherwise disposes of property for which the
24 taxpayer was required in any taxable year to make an
25 addition modification under subparagraph (D-5), then
26 an amount equal to the aggregate amount of the

1 deductions taken in all taxable years under
2 subparagraph (O) with respect to that property.

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 allowed in any taxable year to make a subtraction
8 modification under subparagraph (O), then an amount
9 equal to that subtraction modification.

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

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

6 (D-8) 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 pursuant to Sections 951 through 964 of the
3 Internal Revenue Code and amounts included in gross
4 income under Section 78 of the Internal Revenue Code)
5 with respect to the stock of the same person to whom
6 the intangible expenses and costs were directly or
7 indirectly paid, incurred or accrued. The preceding
8 sentence shall not apply to the extent that the same
9 dividends caused a reduction to the addition
10 modification required under Section 203(d)(2)(D-7) of
11 this Act. As used in this subparagraph, the term
12 "intangible expenses and costs" includes (1) expenses,
13 losses, and costs for, or related to, the direct or
14 indirect acquisition, use, maintenance or management,
15 ownership, sale, exchange, or any other disposition of
16 intangible property; (2) losses incurred, directly or
17 indirectly, from factoring transactions or discounting
18 transactions; (3) royalty, patent, technical, and
19 copyright fees; (4) licensing fees; and (5) other
20 similar expenses and costs. For purposes of this
21 subparagraph, "intangible property" includes patents,
22 patent applications, trade names, trademarks, service
23 marks, copyrights, mask works, trade secrets, and
24 similar types of intangible 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-9) For taxable years ending on or after December
15 31, 2008, an amount equal to the amount of insurance
16 premium expenses and costs otherwise allowed as a
17 deduction in computing base income, and that were paid,
18 accrued, or incurred, directly or indirectly, to a
19 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(d)(2)(D-7) or
13 Section 203(d)(2)(D-8) of this Act;

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

18 and by deducting from the total so obtained the following
19 amounts:

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in
25 taxable income as modified by subparagraphs (A), (B),
26 (C) and (D) which are exempt from taxation by this

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

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

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

24 (J) With the exception of any amounts subtracted
25 under subparagraph (G), an amount equal to the sum of
26 all amounts disallowed as deductions by (i) Sections

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

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

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

25 (M) An amount equal to those dividends included in
26 such total that were paid by a corporation that

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

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

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

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

26 (2) for taxable years ending on or before

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

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

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

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

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

23 (P) If the taxpayer sells, transfers, abandons, or
24 otherwise disposes of property for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (D-5), then an amount

1 equal to that addition modification.

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

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

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

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

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

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

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

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

19 (T) For taxable years ending on or after December
20 31, 2011, in the case of a taxpayer who was required to
21 add back any insurance premiums under Section
22 203(d)(2)(D-9), such taxpayer may elect to subtract
23 that part of a reimbursement received from the
24 insurance company equal to the amount of the expense or
25 loss (including expenses incurred by the insurance
26 company) that would have been taken into account as a

1 deduction for federal income tax purposes if the
2 expense or loss had been uninsured. If a taxpayer makes
3 the election provided for by this subparagraph (T), the
4 insurer to which the premiums were paid must add back
5 to income the amount subtracted by the taxpayer
6 pursuant to this subparagraph (T). This subparagraph
7 (T) is exempt from the provisions of Section 250.

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

9 (1) In general. Subject to the provisions of paragraph
10 (2) and subsection (b) (3), for purposes of this Section
11 and Section 803(e), a taxpayer's gross income, adjusted
12 gross income, or taxable income for the taxable year shall
13 mean the amount of gross income, adjusted gross income or
14 taxable income properly reportable for federal income tax
15 purposes for the taxable year under the provisions of the
16 Internal Revenue Code. Taxable income may be less than
17 zero. However, for taxable years ending on or after
18 December 31, 1986, net operating loss carryforwards from
19 taxable years ending prior to December 31, 1986, may not
20 exceed the sum of federal taxable income for the taxable
21 year before net operating loss deduction, plus the excess
22 of addition modifications over subtraction modifications
23 for the taxable year. For taxable years ending prior to
24 December 31, 1986, taxable income may never be an amount in
25 excess of the net operating loss for the taxable year as

1 defined in subsections (c) and (d) of Section 172 of the
2 Internal Revenue Code, provided that when taxable income of
3 a corporation (other than a Subchapter S corporation),
4 trust, or estate is less than zero and addition
5 modifications, other than those provided by subparagraph
6 (E) of paragraph (2) of subsection (b) for corporations or
7 subparagraph (E) of paragraph (2) of subsection (c) for
8 trusts and estates, exceed subtraction modifications, an
9 addition modification must be made under those
10 subparagraphs for any other taxable year to which the
11 taxable income less than zero (net operating loss) is
12 applied under Section 172 of the Internal Revenue Code or
13 under subparagraph (E) of paragraph (2) of this subsection
14 (e) applied in conjunction with Section 172 of the Internal
15 Revenue Code.

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

19 (A) Certain life insurance companies. In the case
20 of a life insurance company subject to the tax imposed
21 by Section 801 of the Internal Revenue Code, life
22 insurance company taxable income, plus the amount of
23 distribution from pre-1984 policyholder surplus
24 accounts as calculated under Section 815a of the
25 Internal Revenue Code;

26 (B) Certain other insurance companies. In the case

1 of mutual insurance companies subject to the tax
2 imposed by Section 831 of the Internal Revenue Code,
3 insurance company taxable income;

4 (C) Regulated investment companies. In the case of
5 a regulated investment company subject to the tax
6 imposed by Section 852 of the Internal Revenue Code,
7 investment company taxable income;

8 (D) Real estate investment trusts. In the case of a
9 real estate investment trust subject to the tax imposed
10 by Section 857 of the Internal Revenue Code, real
11 estate investment trust taxable income;

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

24 (F) Cooperatives. In the case of a cooperative
25 corporation or association, the taxable income of such
26 organization determined in accordance with the

1 provisions of Section 1381 through 1388 of the Internal
2 Revenue Code, but without regard to the prohibition
3 against offsetting losses from patronage activities
4 against income from nonpatronage activities; except
5 that a cooperative corporation or association may make
6 an election to follow its federal income tax treatment
7 of patronage losses and nonpatronage losses. In the
8 event such election is made, such losses shall be
9 computed and carried over in a manner consistent with
10 subsection (a) of Section 207 of this Act and
11 apportioned by the apportionment factor reported by
12 the cooperative on its Illinois income tax return filed
13 for the taxable year in which the losses are incurred.
14 The election shall be effective for all taxable years
15 with original returns due on or after the date of the
16 election. In addition, the cooperative may file an
17 amended return or returns, as allowed under this Act,
18 to provide that the election shall be effective for
19 losses incurred or carried forward for taxable years
20 occurring prior to the date of the election. Once made,
21 the election may only be revoked upon approval of the
22 Director. The Department shall adopt rules setting
23 forth requirements for documenting the elections and
24 any resulting Illinois net loss and the standards to be
25 used by the Director in evaluating requests to revoke
26 elections. Public Act 96-932 is declaratory of

1 existing law;

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

18 (H) Partnerships. In the case of a partnership,
19 taxable income determined in accordance with Section
20 703 of the Internal Revenue Code, except that taxable
21 income shall take into account those items which are
22 required by Section 703(a)(1) to be separately stated
23 but which would be taken into account by an individual
24 in calculating his taxable income.

25 (3) Recapture of business expenses on disposition of
26 asset or business. Notwithstanding any other law to the

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

16 (f) Valuation limitation amount.

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

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

25 (B) The lesser of (i) the sum of the pre-August 1,

1 1969 appreciation amounts (to the extent consisting of
2 capital gain) for all property in respect of which such
3 gain was reported for federal income tax purposes for
4 the taxable year, or (ii) the net capital gain for the
5 taxable year, reduced in either case by any amount of
6 such gain included in the amount determined under
7 subsection (a) (2) (F) or (c) (2) (H).

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

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

20 (B) If the fair market value of property referred
21 to in paragraph (1) was not readily ascertainable on
22 August 1, 1969, the pre-August 1, 1969 appreciation
23 amount for such property is that amount which bears the
24 same ratio to the total gain reported in respect of the
25 property for federal income tax purposes for the
26 taxable year, as the number of full calendar months in

1 that part of the taxpayer's holding period for the
2 property ending July 31, 1969 bears to the number of
3 full calendar months in the taxpayer's entire holding
4 period for the property.

5 (C) The Department shall prescribe such
6 regulations as may be necessary to carry out the
7 purposes of this paragraph.

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

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

20 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
21 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
22 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
23 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
24 eff. 8-23-11; 97-905, eff. 8-7-12.)

1 Section 905. The School Code is amended by changing Section
2 18-8.05 as follows:

3 (105 ILCS 5/18-8.05)

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

7 (A) General Provisions.

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

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

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

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

1 entitled to receive State aid payments due upon a legal
2 claim which was filed while it was recognized.

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

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

11 (d) (Blank).

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

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

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

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

25 (b) "Available Local Resources": A computation of
26 local financial support, calculated on the basis of Average

1 Daily Attendance and derived as provided pursuant to
2 subsection (D).

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

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

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

16 (B) Foundation Level.

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

1 district.

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

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

19 (C) Average Daily Attendance.

20 (1) For purposes of calculating general State aid pursuant
21 to subsection (E), an Average Daily Attendance figure shall be
22 utilized. The Average Daily Attendance figure for formula
23 calculation purposes shall be the monthly average of the actual
24 number of pupils in attendance of each school district, as
25 further averaged for the best 3 months of pupil attendance for

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

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

15 (D) Available Local Resources.

16 (1) For purposes of calculating general State aid pursuant
17 to subsection (E), a representation of Available Local
18 Resources per pupil, as that term is defined and determined in
19 this subsection, shall be utilized. Available Local Resources
20 per pupil shall include a calculated dollar amount representing
21 local school district revenues from local property taxes and
22 from Corporate Personal Property Replacement Taxes, expressed
23 on the basis of pupils in Average Daily Attendance. Calculation
24 of Available Local Resources shall exclude any tax amnesty
25 funds received as a result of Public Act 93-26.

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

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

21 For partial elementary unit districts created pursuant to
22 Article 11E of this Code, local property tax revenues per pupil
23 shall be calculated as the product of the equalized assessed
24 valuation for property within the partial elementary unit
25 district for elementary purposes, as defined in Article 11E of
26 this Code, multiplied by 2.06% and divided by the district's

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

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

16 (E) Computation of General State Aid.

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

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

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

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

22 (5) The amount of general State aid allocated to a school
23 district for the 1999-2000 school year meeting the requirements
24 set forth in paragraph (4) of subsection (G) shall be increased
25 by an amount equal to the general State aid that would have
26 been received by the district for the 1998-1999 school year by

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

6 (F) Compilation of Average Daily Attendance.

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

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

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

25 (c) In districts in which some buildings, but not all,

1 hold year-round classes, for the non-year-round buildings,
2 days of attendance in August shall be added to the month of
3 September and any days of attendance in June shall be added
4 to the month of May. The average daily attendance for the
5 year-round buildings shall be computed as provided in
6 subdivision (b) of this paragraph (1). To calculate the
7 Average Daily Attendance for the district, the average
8 daily attendance for the year-round buildings shall be
9 multiplied by the days in session for the non-year-round
10 buildings for each month and added to the monthly
11 attendance of the non-year-round buildings.

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

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

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

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

10 (b) (Blank).

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

16 (d) A session of 3 or more clock hours may be counted
17 as a day of attendance (1) when the remainder of the school
18 day or at least 2 hours in the evening of that day is
19 utilized for an in-service training program for teachers,
20 up to a maximum of 5 days per school year, provided a
21 district conducts an in-service training program for
22 teachers in accordance with Section 10-22.39 of this Code;
23 or, in lieu of 4 such days, 2 full days may be used, in
24 which event each such day may be counted as a day required
25 for a legal school calendar pursuant to Section 10-19 of
26 this Code; (1.5) when, of the 5 days allowed under item

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

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

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

18 (f) A session of at least 4 clock hours may be counted
19 as a day of attendance for first grade pupils, and pupils
20 in full day kindergartens, and a session of 2 or more hours
21 may be counted as 1/2 day of attendance by pupils in
22 kindergartens which provide only 1/2 day of attendance.

23 (g) For children with disabilities who are below the
24 age of 6 years and who cannot attend 2 or more clock hours
25 because of their disability or immaturity, a session of not
26 less than one clock hour may be counted as 1/2 day of

1 attendance; however for such children whose educational
2 needs so require a session of 4 or more clock hours may be
3 counted as a full day of attendance.

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

21 (i) On the days when the Prairie State Achievement
22 Examination is administered under subsection (c) of
23 Section 2-3.64 of this Code, the day of attendance for a
24 pupil whose school day must be shortened to accommodate
25 required testing procedures may be less than 5 clock hours
26 and shall be counted towards the 176 days of actual pupil

1 attendance required under Section 10-19 of this Code,
2 provided that a sufficient number of minutes of school work
3 in excess of 5 clock hours are first completed on other
4 school days to compensate for the loss of school work on
5 the examination days.

6 (j) Pupils enrolled in a remote educational program
7 established under Section 10-29 of this Code may be counted
8 on the basis of one-fifth day of attendance for every clock
9 hour of instruction attended in the remote educational
10 program, provided that, in any month, the school district
11 may not claim for a student enrolled in a remote
12 educational program more days of attendance than the
13 maximum number of days of attendance the district can claim

14 (i) for students enrolled in a building holding year-round
15 classes if the student is classified as participating in
16 the remote educational program on a year-round schedule or
17 (ii) for students enrolled in a building not holding
18 year-round classes if the student is not classified as
19 participating in the remote educational program on a
20 year-round schedule.

21 (G) Equalized Assessed Valuation Data.

22 (1) For purposes of the calculation of Available Local
23 Resources required pursuant to subsection (D), the State Board
24 of Education shall secure from the Department of Revenue the
25 value as equalized or assessed by the Department of Revenue of

1 all taxable property of every school district, together with
2 (i) the applicable tax rate used in extending taxes for the
3 funds of the district as of September 30 of the previous year
4 and (ii) the limiting rate for all school districts subject to
5 property tax extension limitations as imposed under the
6 Property Tax Extension Limitation Law.

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

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

19 This equalized assessed valuation, as adjusted further by
20 the requirements of this subsection, shall be utilized in the
21 calculation of Available Local Resources.

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

24 (a) For the purposes of calculating State aid under
25 this Section, with respect to any part of a school district
26 within a redevelopment project area in respect to which a

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

21 (b) The real property equalized assessed valuation for
22 a school district shall be adjusted by subtracting from the
23 real property value as equalized or assessed by the
24 Department of Revenue for the district an amount computed
25 by dividing the amount of any abatement of taxes under
26 Section 18-170 of the Property Tax Code by 3.00% for a

1 district maintaining grades kindergarten through 12, by
2 2.30% for a district maintaining grades kindergarten
3 through 8, or by 1.05% for a district maintaining grades 9
4 through 12 and adjusted by an amount computed by dividing
5 the amount of any abatement of taxes under subsection (a)
6 of Section 18-165 of the Property Tax Code by the same
7 percentage rates for district type as specified in this
8 subparagraph (b).

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

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

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

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

21 "Preceding Tax Year": The property tax levy year
22 immediately preceding the Base Tax Year.

23 "Base Tax Year's Tax Extension": The product of the
24 equalized assessed valuation utilized by the County Clerk
25 in the Base Tax Year multiplied by the limiting rate as
26 calculated by the County Clerk and defined in the Property

1 Tax Extension Limitation Law.

2 "Preceding Tax Year's Tax Extension": The product of
3 the equalized assessed valuation utilized by the County
4 Clerk in the Preceding Tax Year multiplied by the Operating
5 Tax Rate as defined in subsection (A).

6 "Extension Limitation Ratio": A numerical ratio,
7 certified by the County Clerk, in which the numerator is
8 the Base Tax Year's Tax Extension and the denominator is
9 the Preceding Tax Year's Tax Extension.

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

12 If a school district is subject to property tax extension
13 limitations as imposed under the Property Tax Extension
14 Limitation Law, the State Board of Education shall calculate
15 the Extension Limitation Equalized Assessed Valuation of that
16 district. For the 1999-2000 school year, the Extension
17 Limitation Equalized Assessed Valuation of a school district as
18 calculated by the State Board of Education shall be equal to
19 the product of the district's 1996 Equalized Assessed Valuation
20 and the district's Extension Limitation Ratio. Except as
21 otherwise provided in this paragraph for a school district that
22 has approved or does approve an increase in its limiting rate,
23 for the 2000-2001 school year and each school year thereafter,
24 the Extension Limitation Equalized Assessed Valuation of a
25 school district as calculated by the State Board of Education
26 shall be equal to the product of the Equalized Assessed

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

1 Property Tax Extension Limitation Law.

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

6 (3.5) For the 2010-2011 school year and each school year
7 thereafter, if a school district's boundaries span multiple
8 counties, then the Department of Revenue shall send to the
9 State Board of Education, for the purpose of calculating
10 general State aid, the limiting rate and individual rates by
11 purpose for the county that contains the majority of the school
12 district's Equalized Assessed Valuation.

13 (4) For the purposes of calculating general State aid for
14 the 1999-2000 school year only, if a school district
15 experienced a triennial reassessment on the equalized assessed
16 valuation used in calculating its general State financial aid
17 apportionment for the 1998-1999 school year, the State Board of
18 Education shall calculate the Extension Limitation Equalized
19 Assessed Valuation that would have been used to calculate the
20 district's 1998-1999 general State aid. This amount shall equal
21 the product of the equalized assessed valuation used to
22 calculate general State aid for the 1997-1998 school year and
23 the district's Extension Limitation Ratio. If the Extension
24 Limitation Equalized Assessed Valuation of the school district
25 as calculated under this paragraph (4) is less than the
26 district's equalized assessed valuation utilized in

1 calculating the district's 1998-1999 general State aid
2 allocation, then for purposes of calculating the district's
3 general State aid pursuant to paragraph (5) of subsection (E),
4 that Extension Limitation Equalized Assessed Valuation shall
5 be utilized to calculate the district's Available Local
6 Resources.

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

19 (H) Supplemental General State Aid.

20 (1) In addition to the general State aid a school district
21 is allotted pursuant to subsection (E), qualifying school
22 districts shall receive a grant, paid in conjunction with a
23 district's payments of general State aid, for supplemental
24 general State aid based upon the concentration level of
25 children from low-income households within the school

1 district. Supplemental State aid grants provided for school
2 districts under this subsection shall be appropriated for
3 distribution to school districts as part of the same line item
4 in which the general State financial aid of school districts is
5 appropriated under this Section.

6 (1.5) This paragraph (1.5) applies only to those school
7 years preceding the 2003-2004 school year. For purposes of this
8 subsection (H), the term "Low-Income Concentration Level"
9 shall be the low-income eligible pupil count from the most
10 recently available federal census divided by the Average Daily
11 Attendance of the school district. If, however, (i) the
12 percentage decrease from the 2 most recent federal censuses in
13 the low-income eligible pupil count of a high school district
14 with fewer than 400 students exceeds by 75% or more the
15 percentage change in the total low-income eligible pupil count
16 of contiguous elementary school districts, whose boundaries
17 are coterminous with the high school district, or (ii) a high
18 school district within 2 counties and serving 5 elementary
19 school districts, whose boundaries are coterminous with the
20 high school district, has a percentage decrease from the 2 most
21 recent federal censuses in the low-income eligible pupil count
22 and there is a percentage increase in the total low-income
23 eligible pupil count of a majority of the elementary school
24 districts in excess of 50% from the 2 most recent federal
25 censuses, then the high school district's low-income eligible
26 pupil count from the earlier federal census shall be the number

1 used as the low-income eligible pupil count for the high school
2 district, for purposes of this subsection (H). The changes made
3 to this paragraph (1) by Public Act 92-28 shall apply to
4 supplemental general State aid grants for school years
5 preceding the 2003-2004 school year that are paid in fiscal
6 year 1999 or thereafter and to any State aid payments made in
7 fiscal year 1994 through fiscal year 1998 pursuant to
8 subsection 1(n) of Section 18-8 of this Code (which was
9 repealed on July 1, 1998), and any high school district that is
10 affected by Public Act 92-28 is entitled to a recomputation of
11 its supplemental general State aid grant or State aid paid in
12 any of those fiscal years. This recomputation shall not be
13 affected by any other funding.

14 (1.10) This paragraph (1.10) applies to the 2003-2004
15 school year and each school year thereafter. For purposes of
16 this subsection (H), the term "Low-Income Concentration Level"
17 shall, for each fiscal year, be the low-income eligible pupil
18 count as of July 1 of the immediately preceding fiscal year (as
19 determined by the Department of Human Services based on the
20 number of pupils who are eligible for at least one of the
21 following low income programs: Medicaid, the Children's Health
22 Insurance Program, TANF, or Food Stamps, excluding pupils who
23 are eligible for services provided by the Department of
24 Children and Family Services, averaged over the 2 immediately
25 preceding fiscal years for fiscal year 2004 and over the 3
26 immediately preceding fiscal years for each fiscal year

1 thereafter) divided by the Average Daily Attendance of the
2 school district.

3 (2) Supplemental general State aid pursuant to this
4 subsection (H) shall be provided as follows for the 1998-1999,
5 1999-2000, and 2000-2001 school years only:

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

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

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

18 (d) For any school district with a Low Income
19 Concentration Level of 60% or more, the grant for the
20 1998-99 school year shall be \$1,900 multiplied by the low
21 income eligible pupil count.

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

26 (f) For the 2000-2001 school year, the per pupil

1 amounts specified in subparagraphs (b), (c), and (d)
2 immediately above shall be \$1,273, \$1,640, and \$2,050,
3 respectively.

4 (2.5) Supplemental general State aid pursuant to this
5 subsection (H) shall be provided as follows for the 2002-2003
6 school year:

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

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

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

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

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

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

5 (2.10) Except as otherwise provided, supplemental general
6 State aid pursuant to this subsection (H) shall be provided as
7 follows for the 2003-2004 school year and each school year
8 thereafter:

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

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

18 For the 2003-2004 school year and each school year
19 thereafter through the 2008-2009 school year only, the grant
20 shall be no less than the grant for the 2002-2003 school year.
21 For the 2009-2010 school year only, the grant shall be no less
22 than the grant for the 2002-2003 school year multiplied by
23 0.66. For the 2010-2011 school year only, the grant shall be no
24 less than the grant for the 2002-2003 school year multiplied by
25 0.33. Notwithstanding the provisions of this paragraph to the
26 contrary, if for any school year supplemental general State aid

1 grants are prorated as provided in paragraph (1) of this
2 subsection (H), then the grants under this paragraph shall be
3 prorated.

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

22 (3) School districts with an Average Daily Attendance of
23 more than 1,000 and less than 50,000 that qualify for
24 supplemental general State aid pursuant to this subsection
25 shall submit a plan to the State Board of Education prior to
26 October 30 of each year for the use of the funds resulting from

1 this grant of supplemental general State aid for the
2 improvement of instruction in which priority is given to
3 meeting the education needs of disadvantaged children. Such
4 plan shall be submitted in accordance with rules and
5 regulations promulgated by the State Board of Education.

6 (4) School districts with an Average Daily Attendance of
7 50,000 or more that qualify for supplemental general State aid
8 pursuant to this subsection shall be required to distribute
9 from funds available pursuant to this Section, no less than
10 \$261,000,000 in accordance with the following requirements:

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

18 (b) The distribution of these portions of supplemental
19 and general State aid among attendance centers according to
20 these requirements shall not be compensated for or
21 contravened by adjustments of the total of other funds
22 appropriated to any attendance centers, and the Board of
23 Education shall utilize funding from one or several sources
24 in order to fully implement this provision annually prior
25 to the opening of school.

26 (c) Each attendance center shall be provided by the

1 school district a distribution of noncategorical funds and
2 other categorical funds to which an attendance center is
3 entitled under law in order that the general State aid and
4 supplemental general State aid provided by application of
5 this subsection supplements rather than supplants the
6 noncategorical funds and other categorical funds provided
7 by the school district to the attendance centers.

8 (d) Any funds made available under this subsection that
9 by reason of the provisions of this subsection are not
10 required to be allocated and provided to attendance centers
11 may be used and appropriated by the board of the district
12 for any lawful school purpose.

13 (e) Funds received by an attendance center pursuant to
14 this subsection shall be used by the attendance center at
15 the discretion of the principal and local school council
16 for programs to improve educational opportunities at
17 qualifying schools through the following programs and
18 services: early childhood education, reduced class size or
19 improved adult to student classroom ratio, enrichment
20 programs, remedial assistance, attendance improvement, and
21 other educationally beneficial expenditures which
22 supplement the regular and basic programs as determined by
23 the State Board of Education. Funds provided shall not be
24 expended for any political or lobbying purposes as defined
25 by board rule.

26 (f) Each district subject to the provisions of this

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

16 Upon notification by the State Board of Education that
17 the district has not submitted a plan prior to July 15 or a
18 modified plan within the time period specified herein, the
19 State aid funds affected by that plan or modified plan
20 shall be withheld by the State Board of Education until a
21 plan or modified plan is submitted.

22 If the district fails to distribute State aid to
23 attendance centers in accordance with an approved plan, the
24 plan for the following year shall allocate funds, in
25 addition to the funds otherwise required by this
26 subsection, to those attendance centers which were

1 underfunded during the previous year in amounts equal to
2 such underfunding.

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

23 The State Board of Education shall promulgate rules and
24 regulations to implement the provisions of this
25 subsection. No funds shall be released under this
26 subdivision (H) (4) to any district that has not submitted a

1 plan that has been approved by the State Board of
2 Education.

3 (H-5) Displaced Student Voucher Program Adjustments.

4 (1) Funding for City of Chicago School District 299 shall
5 be adjusted to account for the costs of the Displaced Student
6 Voucher Program established under the Displaced Student
7 Voucher Act.

8 (2) Beginning in Fiscal Year 2014 and each fiscal year
9 thereafter, the total cost of vouchers issued under the
10 Displaced Student Voucher Act shall be deducted from the
11 portion of general State aid City of Chicago School District
12 299 receives under this Section for that fiscal year.

13 (3) Beginning in Fiscal Year 2015, there shall be an
14 adjustment to the general State aid calculation for City of
15 Chicago School District 299 to provide funding for the
16 Displaced Student Voucher Program established under the
17 Displaced Student Voucher Act. The adjustment shall be (i)
18 \$3,700 if the students enrolled in nonpublic schools under a
19 voucher had been enrolled in the district, less (ii) \$3,700
20 excluding students enrolled in non-public schools under a
21 voucher.

22 (I) (Blank).

23 (J) (Blank).

1 (K) Grants to Laboratory and Alternative Schools.

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

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

20 As used in this Section, "alternative school" means a
21 public school which is created and operated by a Regional
22 Superintendent of Schools and approved by the State Board of
23 Education. Such alternative schools may offer courses of
24 instruction for which credit is given in regular school
25 programs, courses to prepare students for the high school

1 equivalency testing program or vocational and occupational
2 training. A regional superintendent of schools may contract
3 with a school district or a public community college district
4 to operate an alternative school. An alternative school serving
5 more than one educational service region may be established by
6 the regional superintendents of schools of the affected
7 educational service regions. An alternative school serving
8 more than one educational service region may be operated under
9 such terms as the regional superintendents of schools of those
10 educational service regions may agree.

11 Each laboratory and alternative school shall file, on forms
12 provided by the State Superintendent of Education, an annual
13 State aid claim which states the Average Daily Attendance of
14 the school's students by month. The best 3 months' Average
15 Daily Attendance shall be computed for each school. The general
16 State aid entitlement shall be computed by multiplying the
17 applicable Average Daily Attendance by the Foundation Level as
18 determined under this Section.

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

20 (1) For a school district operating under the financial
21 supervision of an Authority created under Article 34A, the
22 general State aid otherwise payable to that district under this
23 Section, but not the supplemental general State aid, shall be
24 reduced by an amount equal to the budget for the operations of
25 the Authority as certified by the Authority to the State Board

1 of Education, and an amount equal to such reduction shall be
2 paid to the Authority created for such district for its
3 operating expenses in the manner provided in Section 18-11. The
4 remainder of general State school aid for any such district
5 shall be paid in accordance with Article 34A when that Article
6 provides for a disposition other than that provided by this
7 Article.

8 (2) (Blank).

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

11 (M) Education Funding Advisory Board.

12 The Education Funding Advisory Board, hereinafter in this
13 subsection (M) referred to as the "Board", is hereby created.
14 The Board shall consist of 5 members who are appointed by the
15 Governor, by and with the advice and consent of the Senate. The
16 members appointed shall include representatives of education,
17 business, and the general public. One of the members so
18 appointed shall be designated by the Governor at the time the
19 appointment is made as the chairperson of the Board. The
20 initial members of the Board may be appointed any time after
21 the effective date of this amendatory Act of 1997. The regular
22 term of each member of the Board shall be for 4 years from the
23 third Monday of January of the year in which the term of the
24 member's appointment is to commence, except that of the 5
25 initial members appointed to serve on the Board, the member who

1 is appointed as the chairperson shall serve for a term that
2 commences on the date of his or her appointment and expires on
3 the third Monday of January, 2002, and the remaining 4 members,
4 by lots drawn at the first meeting of the Board that is held
5 after all 5 members are appointed, shall determine 2 of their
6 number to serve for terms that commence on the date of their
7 respective appointments and expire on the third Monday of
8 January, 2001, and 2 of their number to serve for terms that
9 commence on the date of their respective appointments and
10 expire on the third Monday of January, 2000. All members
11 appointed to serve on the Board shall serve until their
12 respective successors are appointed and confirmed. Vacancies
13 shall be filled in the same manner as original appointments. If
14 a vacancy in membership occurs at a time when the Senate is not
15 in session, the Governor shall make a temporary appointment
16 until the next meeting of the Senate, when he or she shall
17 appoint, by and with the advice and consent of the Senate, a
18 person to fill that membership for the unexpired term. If the
19 Senate is not in session when the initial appointments are
20 made, those appointments shall be made as in the case of
21 vacancies.

22 The Education Funding Advisory Board shall be deemed
23 established, and the initial members appointed by the Governor
24 to serve as members of the Board shall take office, on the date
25 that the Governor makes his or her appointment of the fifth
26 initial member of the Board, whether those initial members are

1 then serving pursuant to appointment and confirmation or
2 pursuant to temporary appointments that are made by the
3 Governor as in the case of vacancies.

4 The State Board of Education shall provide such staff
5 assistance to the Education Funding Advisory Board as is
6 reasonably required for the proper performance by the Board of
7 its responsibilities.

8 For school years after the 2000-2001 school year, the
9 Education Funding Advisory Board, in consultation with the
10 State Board of Education, shall make recommendations as
11 provided in this subsection (M) to the General Assembly for the
12 foundation level under subdivision (B)(3) of this Section and
13 for the supplemental general State aid grant level under
14 subsection (H) of this Section for districts with high
15 concentrations of children from poverty. The recommended
16 foundation level shall be determined based on a methodology
17 which incorporates the basic education expenditures of
18 low-spending schools exhibiting high academic performance. The
19 Education Funding Advisory Board shall make such
20 recommendations to the General Assembly on January 1 of odd
21 numbered years, beginning January 1, 2001.

22 (N) (Blank).

23 (O) References.

24 (1) References in other laws to the various subdivisions of

1 Section 18-8 as that Section existed before its repeal and
2 replacement by this Section 18-8.05 shall be deemed to refer to
3 the corresponding provisions of this Section 18-8.05, to the
4 extent that those references remain applicable.

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

8 (P) Public Act 93-838 and Public Act 93-808 make inconsistent
9 changes to this Section. Under Section 6 of the Statute on
10 Statutes there is an irreconcilable conflict between Public Act
11 93-808 and Public Act 93-838. Public Act 93-838, being the last
12 acted upon, is controlling. The text of Public Act 93-838 is
13 the law regardless of the text of Public Act 93-808.

14 (Source: P.A. 96-45, eff. 7-15-09; 96-152, eff. 8-7-09; 96-300,
15 eff. 8-11-09; 96-328, eff. 8-11-09; 96-640, eff. 8-24-09;
16 96-959, eff. 7-1-10; 96-1000, eff. 7-2-10; 96-1480, eff.
17 11-18-10; 97-339, eff. 8-12-11; 97-351, eff. 8-12-11; 97-742,
18 eff. 6-30-13; 97-813, eff. 7-13-12.)

19 Section 999. Effective date. This Act takes effect upon
20 becoming law.