

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 201 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

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

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

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

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2
2 1/2% of the taxpayer's net income for the period prior to
3 July 1, 1989, as calculated under Section 202.3, and (ii)
4 3% of the taxpayer's net income for the period after June
5 30, 1989, as calculated under Section 202.3.

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

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

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

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

1 after December 31, 2014, as calculated under Section 202.5.

2 (5.2) Except as provided in paragraph (5.5), in ~~In~~ the
3 case of an individual, trust, or estate, for taxable years
4 beginning on or after January 1, 2015, and ending prior to
5 January 1, 2025, an amount equal to 3.75% of the taxpayer's
6 net income for the taxable year.

7 (5.3) Except as provided in paragraph (5.5), in ~~In~~ the
8 case of an individual, trust, or estate, for taxable years
9 beginning prior to January 1, 2025, and ending after
10 December 31, 2024, an amount equal to the sum of (i) 3.75%
11 of the taxpayer's net income for the period prior to
12 January 1, 2025, as calculated under Section 202.5, and
13 (ii) 3.25% of the taxpayer's net income for the period
14 after December 31, 2024, as calculated under Section 202.5.

15 (5.4) Except as provided in paragraph (5.5), in ~~In~~ the
16 case of an individual, trust, or estate, for taxable years
17 beginning on or after January 1, 2025, an amount equal to
18 3.25% of the taxpayer's net income for the taxable year.

19 (5.5) If and only if an amendment to the Illinois
20 Constitution allowing a graduated income tax is approved by
21 the voters at an election occurring in 2016, then, in the
22 case of an individual, trust, or estate, for taxable years
23 beginning on or after January 1, 2017:

24 (A) for taxpayers who are married filing a joint
25 return or head of household:

26 (i) an amount equal to 3.5% of the portion of

1 the taxpayer's net income for the taxable year that
2 is \$200,000 or less;

3 (ii) an amount equal to 3.75% of the portion of
4 the taxpayer's net income for the taxable year that
5 is more than \$200,000 but not more than \$750,000;

6 (iii) an amount equal to 8.75% of the portion
7 of the taxpayer's net income for the taxable year
8 that is more than \$750,000 but not more than
9 \$1,500,000; and

10 (iv) an amount equal to 9.75% of the portion of
11 the taxpayer's net income for the taxable year that
12 is more than \$1,500,000; and

13 (B) for all other taxpayers:

14 (i) an amount equal to 3.5% of the portion of
15 the taxpayer's net income for the taxable year that
16 is \$100,000 or less;

17 (ii) an amount equal to 3.75% of the portion of
18 the taxpayer's net income for the taxable year that
19 is more than \$100,000 but not more than \$500,000;

20 (iii) an amount equal to 8.75% of the portion
21 of the taxpayer's net income for the taxable year
22 that is more than \$500,000 but not more than
23 \$1,000,000; and

24 (iv) an amount equal to 9.75% of the portion of
25 the taxpayer's net income for the taxable year that
26 is more than \$1,000,000.

1 If and only if an amendment to the Illinois
2 Constitution allowing a graduated income tax is approved by
3 the voters at an election occurring in 2016, then, for
4 taxable years beginning prior to January 1, 2017 and ending
5 after December 31, 2016, in the case of an individual,
6 trust, or estate, an amount equal to the sum of (i) 3.75%
7 of the taxpayer's net income for the period prior to
8 January 1, 2017, as calculated under Section 202.5, and
9 (ii) the rate set forth for that taxpayer under
10 subparagraph (A) or (B) of this paragraph for the period
11 after December 31, 2016, as calculated under Section 202.5.

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

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

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

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

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

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

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

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

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

1 (ii) 4.8% of the taxpayer's net income for the period after
2 December 31, 2024, as calculated under Section 202.5.

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

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

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

21 (d) Additional Personal Property Tax Replacement Income
22 Tax Rates. The personal property tax replacement income tax
23 imposed by this subsection and subsection (c) of this Section
24 in the case of a corporation, other than a Subchapter S
25 corporation and except as adjusted by subsection (d-1), shall
26 be an additional amount equal to 2.85% of such taxpayer's net

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

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

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

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

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

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

23 (2) Any reduction in the rates of tax imposed by this
24 subsection shall be applied first against the rates imposed
25 by subsection (b) and only after the tax imposed by
26 subsection (a) net of all credits allowed under this

1 Section other than the credit allowed under subsection (i)
2 has been reduced to zero, against the rates imposed by
3 subsection (d).

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

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

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

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

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

15 (2) The term "qualified property" means property
16 which:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 that taxable year. The election to pass through the credits
2 shall be irrevocable.

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

17 (f) Investment credit; Enterprise Zone; River Edge
18 Redevelopment Zone.

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

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

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

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

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

8 (C) is acquired by purchase as defined in Section
9 179(d) of the Internal Revenue Code;

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

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

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

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

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

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

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

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

9 (g) (Blank).

10 (h) Investment credit; High Impact Business.

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

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

24 Changes made in this subdivision (h) (1) by Public Act
25 88-670 restore changes made by Public Act 85-1182 and
26 reflect existing law.

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

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

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

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

11 (D) is not eligible for the Enterprise Zone
12 Investment Credit provided by subsection (f) of this
13 Section.

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

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

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

25 (6) If during any taxable year ending on or before
26 December 31, 1996, any property ceases to be qualified

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

17 (7) Beginning with tax years ending after December 31,
18 1996, if a taxpayer qualifies for the credit under this
19 subsection (h) and thereby is granted a tax abatement and
20 the taxpayer relocates its entire facility in violation of
21 the explicit terms and length of the contract under Section
22 18-183 of the Property Tax Code, the tax imposed under
23 subsections (a) and (b) of this Section shall be increased
24 for the taxable year in which the taxpayer relocated its
25 facility by an amount equal to the amount of credit
26 received by the taxpayer under this subsection (h).

1 (i) Credit for Personal Property Tax Replacement Income
2 Tax. For tax years ending prior to December 31, 2003, a credit
3 shall be allowed against the tax imposed by subsections (a) and
4 (b) of this Section for the tax imposed by subsections (c) and
5 (d) of this Section. This credit shall be computed by
6 multiplying the tax imposed by subsections (c) and (d) of this
7 Section by a fraction, the numerator of which is base income
8 allocable to Illinois and the denominator of which is Illinois
9 base income, and further multiplying the product by the tax
10 rate imposed by subsections (a) and (b) of this Section.

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

25 If, during any taxable year ending on or after December 31,
26 1986, the tax imposed by subsections (c) and (d) of this

1 Section for which a taxpayer has claimed a credit under this
2 subsection (i) is reduced, the amount of credit for such tax
3 shall also be reduced. Such reduction shall be determined by
4 recomputing the credit to take into account the reduced tax
5 imposed by subsections (c) and (d). If any portion of the
6 reduced amount of credit has been carried to a different
7 taxable year, an amended return shall be filed for such taxable
8 year to reduce the amount of credit claimed.

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

1 Internal Revenue Code.

2 Any credit allowed under this subsection which is unused in
3 the year the credit is earned may be carried forward to each of
4 the 5 taxable years following the year for which the credit is
5 first computed until it is used. This credit shall be applied
6 first to the earliest year for which there is a liability. If
7 there is a credit under this subsection from more than one tax
8 year that is available to offset a liability the earliest
9 credit arising under this subsection shall be applied first. No
10 carryforward credit may be claimed in any tax year ending on or
11 after December 31, 2003.

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

1 income under Sections 702 and 704 and subchapter S of the
2 Internal Revenue Code.

3 For purposes of this subsection, "qualifying expenditures"
4 means the qualifying expenditures as defined for the federal
5 credit for increasing research activities which would be
6 allowable under Section 41 of the Internal Revenue Code and
7 which are conducted in this State, "qualifying expenditures for
8 increasing research activities in this State" means the excess
9 of qualifying expenditures for the taxable year in which
10 incurred over qualifying expenditures for the base period,
11 "qualifying expenditures for the base period" means the average
12 of the qualifying expenditures for each year in the base
13 period, and "base period" means the 3 taxable years immediately
14 preceding the taxable year for which the determination is being
15 made.

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

24 If an unused credit is carried forward to a given year from
25 2 or more earlier years, that credit arising in the earliest
26 year will be applied first against the tax liability for the

1 given year. If a tax liability for the given year still
2 remains, the credit from the next earliest year will then be
3 applied, and so on, until all credits have been used or no tax
4 liability for the given year remains. Any remaining unused
5 credit or credits then will be carried forward to the next
6 following year in which a tax liability is incurred, except
7 that no credit can be carried forward to a year which is more
8 than 5 years after the year in which the expense for which the
9 credit is given was incurred.

10 No inference shall be drawn from this amendatory Act of the
11 91st General Assembly in construing this Section for taxable
12 years beginning before January 1, 1999.

13 (1) Environmental Remediation Tax Credit.

14 (i) For tax years ending after December 31, 1997 and on
15 or before December 31, 2001, a taxpayer shall be allowed a
16 credit against the tax imposed by subsections (a) and (b)
17 of this Section for certain amounts paid for unreimbursed
18 eligible remediation costs, as specified in this
19 subsection. For purposes of this Section, "unreimbursed
20 eligible remediation costs" means costs approved by the
21 Illinois Environmental Protection Agency ("Agency") under
22 Section 58.14 of the Environmental Protection Act that were
23 paid in performing environmental remediation at a site for
24 which a No Further Remediation Letter was issued by the
25 Agency and recorded under Section 58.10 of the
26 Environmental Protection Act. The credit must be claimed

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

1 Department of Commerce and Economic Opportunity). The
2 total credit allowed shall not exceed \$40,000 per year with
3 a maximum total of \$150,000 per site. For partners and
4 shareholders of subchapter S corporations, there shall be
5 allowed a credit under this subsection to be determined in
6 accordance with the determination of income and
7 distributive share of income under Sections 702 and 704 and
8 subchapter S of the Internal Revenue Code.

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

1 chain of title for the site and provide written notice to
2 the Director of the Illinois Department of Revenue of the
3 assignor's intent to sell the remediation site and the
4 amount of the tax credit to be transferred as a portion of
5 the sale. In no event may a credit be transferred to any
6 taxpayer if the taxpayer or a related party would not be
7 eligible under the provisions of subsection (i).

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

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

23 For purposes of this subsection:

24 "Qualifying pupils" means individuals who (i) are
25 residents of the State of Illinois, (ii) are under the age of
26 21 at the close of the school year for which a credit is

1 sought, and (iii) during the school year for which a credit is
2 sought were full-time pupils enrolled in a kindergarten through
3 twelfth grade education program at any school, as defined in
4 this subsection.

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

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

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

19 (n) River Edge Redevelopment Zone site remediation tax
20 credit.

21 (i) For tax years ending on or after December 31, 2006,
22 a taxpayer shall be allowed a credit against the tax
23 imposed by subsections (a) and (b) of this Section for
24 certain amounts paid for unreimbursed eligible remediation
25 costs, as specified in this subsection. For purposes of
26 this Section, "unreimbursed eligible remediation costs"

1 means costs approved by the Illinois Environmental
2 Protection Agency ("Agency") under Section 58.14a of the
3 Environmental Protection Act that were paid in performing
4 environmental remediation at a site within a River Edge
5 Redevelopment Zone for which a No Further Remediation
6 Letter was issued by the Agency and recorded under Section
7 58.10 of the Environmental Protection Act. The credit must
8 be claimed for the taxable year in which Agency approval of
9 the eligible remediation costs is granted. The credit is
10 not available to any taxpayer if the taxpayer or any
11 related party caused or contributed to, in any material
12 respect, a release of regulated substances on, in, or under
13 the site that was identified and addressed by the remedial
14 action pursuant to the Site Remediation Program of the
15 Environmental Protection Act. Determinations as to credit
16 availability for purposes of this Section shall be made
17 consistent with rules adopted by the Pollution Control
18 Board pursuant to the Illinois Administrative Procedure
19 Act for the administration and enforcement of Section 58.9
20 of the Environmental Protection Act. For purposes of this
21 Section, "taxpayer" includes a person whose tax attributes
22 the taxpayer has succeeded to under Section 381 of the
23 Internal Revenue Code and "related party" includes the
24 persons disallowed a deduction for losses by paragraphs
25 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
26 Code by virtue of being a related taxpayer, as well as any

1 of its partners. The credit allowed against the tax imposed
2 by subsections (a) and (b) shall be equal to 25% of the
3 unreimbursed eligible remediation costs in excess of
4 \$100,000 per site.

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

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

4 (o) For each of taxable years during the Compassionate Use
5 of Medical Cannabis Pilot Program, a surcharge is imposed on
6 all taxpayers on income arising from the sale or exchange of
7 capital assets, depreciable business property, real property
8 used in the trade or business, and Section 197 intangibles of
9 an organization registrant under the Compassionate Use of
10 Medical Cannabis Pilot Program Act. The amount of the surcharge
11 is equal to the amount of federal income tax liability for the
12 taxable year attributable to those sales and exchanges. The
13 surcharge imposed does not apply if:

14 (1) the medical cannabis cultivation center
15 registration, medical cannabis dispensary registration, or
16 the property of a registration is transferred as a result
17 of any of the following:

18 (A) bankruptcy, a receivership, or a debt
19 adjustment initiated by or against the initial
20 registration or the substantial owners of the initial
21 registration;

22 (B) cancellation, revocation, or termination of
23 any registration by the Illinois Department of Public
24 Health;

25 (C) a determination by the Illinois Department of
26 Public Health that transfer of the registration is in

1 the best interests of Illinois qualifying patients as
2 defined by the Compassionate Use of Medical Cannabis
3 Pilot Program Act;

4 (D) the death of an owner of the equity interest in
5 a registrant;

6 (E) the acquisition of a controlling interest in
7 the stock or substantially all of the assets of a
8 publicly traded company;

9 (F) a transfer by a parent company to a wholly
10 owned subsidiary; or

11 (G) the transfer or sale to or by one person to
12 another person where both persons were initial owners
13 of the registration when the registration was issued;
14 or

15 (2) the cannabis cultivation center registration,
16 medical cannabis dispensary registration, or the
17 controlling interest in a registrant's property is
18 transferred in a transaction to lineal descendants in which
19 no gain or loss is recognized or as a result of a
20 transaction in accordance with Section 351 of the Internal
21 Revenue Code in which no gain or loss is recognized.

22 (Source: P.A. 97-2, eff. 5-6-11; 97-636, eff. 6-1-12; 97-905,
23 eff. 8-7-12; 98-109, eff. 7-25-13; 98-122, eff. 1-1-14; 98-756,
24 eff. 7-16-14.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.