



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB0113

Introduced 1/28/2015, by Sen. Matt Murphy

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/203
105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Creates the School Choice Act and amends the Illinois Income Tax Act and the State aid formula provisions of the School Code. Establishes the School Choice Program, a pilot program that expires on June 30, 2025. Provides that under the program, the custodian of a qualifying pupil is entitled to a School Choice Voucher to pay for qualified education expenses at a participating Chicago nonpublic elementary school. Requires the principal of each low-performing school and of each overcrowded 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. Provides that the Act is repealed on July 1, 2025. Effective June 30, 2015.

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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 School
5 Choice Act.

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

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

19 (2) Within Chicago and elsewhere in Illinois there are
20 many public and nonpublic schools and independent
21 education services competently and efficiently educating
22 or contributing to the education of children. Most pupils
23 in those schools or receiving those services perform at or

1 above relevant national standards, complete their
2 secondary education, and matriculate to institutions of
3 higher education at an extremely high rate. These services
4 and schools should be accessible to all and should enjoy a
5 cooperative relationship with public school districts,
6 schools, and employees of this State.

7 (3) Custodians of school age children in Chicago and
8 elsewhere in Illinois are frequently unable to enroll their
9 children in schools that will provide them a quality
10 education due to a lack of funds.

11 (4) Adopting a pilot school choice program for students
12 enrolled in the lowest performing schools in Chicago, with
13 the potential to expand elsewhere in Illinois, would enable
14 parents to select schools or services they believe will
15 provide a quality education for their children, empower
16 them to influence the educational policies and procedures
17 in the schools their children attend, and provide them with
18 at least a portion of the funds necessary to pay for a
19 quality education. Such a program would help alleviate the
20 crisis in the Chicago school system, assist Chicago
21 children in becoming productive members of society, and
22 test a new approach to education that could be expanded to
23 the rest of the State.

24 (5) The provisions of this Act are in the public
25 interest, for the public benefit, and serve a secular
26 public purpose.

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

2 "Base year" means the 2014-2015 school year.

3 "Custodian" means, with respect to a qualifying pupil, a
4 parent or legal guardian who is a resident of the City of
5 Chicago.

6 "Low-performing school" means a school in City of Chicago
7 School District 299 that enrolls students in any of grades
8 kindergarten through 8 and that is ranked within the lowest 10%
9 of schools in that district in terms of the percentage of
10 students meeting or exceeding standards on the Illinois
11 Standards Achievement Test.

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

21 "Overcrowded school" means a school in City of Chicago
22 School District 299 that (i) enrolls students in any of grades
23 kindergarten through 8, (ii) has a percentage of low-income
24 students of 70% or more, as identified in the most recently
25 available School Report Card published by the State Board of

1 Education, and (iii) is determined by the Chicago Board of
2 Education to be in the most severely overcrowded 5% of schools
3 in the district. On or before November 1 of each year, the
4 Chicago Board of Education shall file a report with the State
5 Board of Education on which schools in the district meet the
6 definition of "overcrowded school".

7 "Qualified education expenses" means costs reasonably
8 incurred on behalf of a qualifying pupil for the services of a
9 participating nonpublic school in which the qualifying pupil is
10 enrolled during the regular school year. Qualified education
11 expenses does not include costs incurred for supplies or
12 extra-curricular activities.

13 "Qualifying pupil" means an individual who:

14 (1) is a resident of the City of Chicago;

15 (2) is enrolled in any of grades kindergarten through 7
16 in a low-performing school or an overcrowded school or
17 would enter kindergarten in a low-performing school or
18 overcrowded school during the school year for which a
19 voucher is sought; and

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

23 "School Choice Voucher" means a written instrument issued
24 by the State Board of Education directly to the custodian of a
25 qualifying pupil.

26 The custodian may present the instrument only to a

1 participating nonpublic school as payment for qualified
2 education expenses incurred on behalf of the qualifying pupil.

3 Section 15. Establishment of program. There is established
4 the School Choice Program, a pilot program that shall expire on
5 June 30, 2025. Under the program, after the base year, a
6 custodian of a qualifying pupil shall be entitled to a School
7 Choice Voucher at any participating nonpublic school in which
8 the qualifying pupil is enrolled. A qualifying pupil shall be
9 entitled to enroll at and attend any participating nonpublic
10 school of his or her choice.

11 Section 20. Notification of vouchers. The principal of each
12 low-performing school and of each overcrowded school in City of
13 Chicago School District 299 shall notify custodians of
14 qualifying pupils that vouchers under this Act are available
15 for the next school year. Notification shall occur in January
16 of each school year.

17 Section 25. Request for voucher. A custodian who applies in
18 accordance with procedures established by the State Board of
19 Education shall receive a voucher for each qualifying pupil
20 enrolled in a nonpublic school under this Act within the dollar
21 limits set out in Section 35 of this Act. The procedure shall
22 require application for the voucher, with documentation as to
23 eligibility, between March 1 and May 1 prior to the school year

1 in which the voucher is to be used.

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

12 (1) that the applying custodian be notified of the
13 voucher award by August 1 of the school year in which the
14 voucher is to be used;

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

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

21 (4) that the participating school present the voucher
22 instrument, with proof of service to the custodian of the
23 qualifying pupil, to the State Board of Education no later
24 than October 31 of the school year in which the voucher is
25 to be used;

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

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

9 (7) that if a student attending a nonpublic school
10 under the School Choice Program is expelled or withdraws
11 from the nonpublic school or moves out of the boundaries of
12 City of Chicago School District 299 before the State Board
13 of Education has honored the voucher of the school, then
14 the State Board of Education shall pay the corresponding
15 prorated portion of the voucher amount to the nonpublic
16 school; and that if the State Board of Education has paid
17 the voucher amount to the nonpublic school and the pupil is
18 expelled, withdraws, or moves out of the boundaries of City
19 of Chicago School District 299, then the nonpublic school
20 shall refund the corresponding prorated portion of the
21 voucher to the State Board of Education. Any funds returned
22 to the State Board of Education must be distributed via the
23 general State aid claim to City of Chicago School District
24 299.

25 Section 35. Amount of voucher. A School Choice Voucher for

1 qualified education expenses incurred through participating
2 schools during any school year after the base year shall be for
3 the lesser of (i) \$3,700 or (ii) the actual qualified education
4 expenses related to the qualifying pupil's enrollment.

5 Section 40. Renewal of voucher. School Choice Vouchers
6 shall be renewable every year through grade 8 so long as the
7 pupil continues to reside in the City of Chicago and the
8 recognized nonpublic school elects to continue participating
9 in the School Choice Program.

10 Section 45. Assessment. All pupils receiving services
11 obtained through School Choice Vouchers shall be assessed
12 annually in the same manner as Illinois' public school
13 students. The State Board of Education may adopt rules with
14 respect to the assessment of such pupils, which may include,
15 but is not limited to, rules pertaining to test security, test
16 administration and location, and reporting procedures.

17 Section 50. Longitudinal data system. Recognized nonpublic
18 schools participating in this Act must participate in the
19 longitudinal data system established under the P-20
20 Longitudinal Education Data System Act by disclosing data to
21 the State Board of Education for those students attending a
22 nonpublic school on a School Choice Voucher issued under this
23 Act.

1 Section 51. Funding. Nonpublic schools participating in
2 the School Choice Program must report the attendance of
3 students with School Choice Vouchers to City of Chicago School
4 District 299 in the manner requested by the district. Students
5 enrolled in nonpublic schools under a School Choice Voucher
6 shall not be considered enrolled in City of Chicago School
7 District 299 for any purpose.

8 Section 52. Nonpublic school student. For the purposes of
9 this Act, students receiving a School Choice Voucher are
10 considered nonpublic school students who have been voluntarily
11 placed in a private setting by the parent or guardian.

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

16 Section 60. Report and expansion. On or before December 31,
17 2018, the State Board of Education shall submit a report to the
18 General Assembly reviewing the current status of the program
19 operating under this Act. This report shall include, but not be
20 limited to, the numbers of qualifying pupils receiving each
21 School Choice Voucher, the names of the schools from which and
22 to which pupils transferred, the financial ramifications of the

1 program, and the results of pupil assessments. In its report,
2 the State Board of Education shall assess whether the program
3 has been financially and academically beneficial and shall make
4 a recommendation on whether the program should be expanded to
5 other schools in the City of Chicago or to other areas of this
6 State.

7 Section 65. Penalties. It shall be a Class 3 felony to use
8 or attempt to use a voucher under this Act for any purpose
9 other than those permitted by this Act. It shall also be a
10 Class 3 felony for any person, with intent to defraud, to
11 knowingly forge, alter, or misrepresent information on a
12 voucher application or on any documents submitted in
13 application for a voucher, to deliver any such document knowing
14 it to have been thus forged, altered, or based on
15 misrepresentation, or to possess, with intent to issue or
16 deliver, any such document knowing it to have been thus forged,
17 altered, or based on misrepresentation.

18 Section 70. Rules. The State Board of Education shall adopt
19 rules to implement this Act. The creation of the School Choice
20 Program does not expand the regulatory authority of the State,
21 its officers, or any school district to impose any additional
22 regulation of nonpublic schools beyond those reasonably
23 necessary to enforce the requirements of the program.

1 Section 100. Expiration. This Act is repealed on July 1,
2 2025.

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

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

6 Sec. 203. Base income defined.

7 (a) Individuals.

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

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

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

22 (B) An amount equal to the amount of tax imposed by
23 this Act to the extent deducted from gross income in
24 the computation of adjusted gross income for the

1 taxable year;

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

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

18 (D-5) An amount, to the extent not included in
19 adjusted gross income, equal to the amount of money
20 withdrawn by the taxpayer in the taxable year from a
21 medical care savings account and the interest earned on
22 the account in the taxable year of a withdrawal
23 pursuant to subsection (b) of Section 20 of the Medical
24 Care Savings Account Act or subsection (b) of Section
25 20 of the Medical Care Savings Account Act of 2000;

26 (D-10) For taxable years ending after December 31,

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

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

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

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

23 (iii) the taxpayer can establish, based on
24 clear and convincing evidence, that the interest
25 paid, accrued, or incurred relates to a contract or
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is
2 not federal or Illinois tax avoidance; or

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

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

19 (D-18) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

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

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

12 This paragraph shall not apply to the following:

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

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

25 (a) the person during the same taxable
26 year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is
2 not a related member, and

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

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

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

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

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

1 of in-state qualified tuition programs at least
2 annually, an amount equal to the amount excluded from
3 gross income under Section 529(c)(3)(B).

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

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

23 (D-22) For taxable years beginning on or after
24 January 1, 2009, in the case of a nonqualified
25 withdrawal or refund of moneys from a qualified tuition
26 program under Section 529 of the Internal Revenue Code

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

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

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

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

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

20 (F) An amount equal to all amounts included in such
21 total pursuant to the provisions of Sections 402(a),
22 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
23 Internal Revenue Code, or included in such total as
24 distributions under the provisions of any retirement
25 or disability plan for employees of any governmental
26 agency or unit, or retirement payments to retired

1 partners, which payments are excluded in computing net
2 earnings from self employment by Section 1402 of the
3 Internal Revenue Code and regulations adopted pursuant
4 thereto;

5 (G) The valuation limitation amount;

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

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

14 (J) 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
19 substantially all of its operations in a River Edge
20 Redevelopment Zone or zones. This subparagraph (J) is
21 exempt from the provisions of Section 250;

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

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

5 (L) For taxable years ending after December 31,
6 1983, an amount equal to all social security benefits
7 and railroad retirement benefits included in such
8 total pursuant to Sections 72(r) and 86 of the Internal
9 Revenue Code;

10 (M) With the exception of any amounts subtracted
11 under subparagraph (N), an amount equal to the sum of
12 all amounts disallowed as deductions by (i) Sections
13 171(a) (2), and 265(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, 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 (N) An amount equal to all amounts included in such

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

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

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

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

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

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

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

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

22 (V) Beginning with tax years ending on or after
23 December 31, 1995 and ending with tax years ending on
24 or before December 31, 2004, an amount equal to the
25 amount paid by a taxpayer who is a self-employed
26 taxpayer, a partner of a partnership, or a shareholder

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

23 (W) For taxable years beginning on or after January
24 1, 1998, all amounts included in the taxpayer's federal
25 gross income in the taxable year from amounts converted
26 from a regular IRA to a Roth IRA. This paragraph is

1 exempt from the provisions of Section 250;

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

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

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

1 contributions made by an employee, shall be treated as
2 made by the employee. This subparagraph (Y) is exempt
3 from the provisions of Section 250;

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

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

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

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

23 (i) for property on which a bonus
24 depreciation deduction of 30% of the adjusted
25 basis was taken, "x" equals "y" multiplied by
26 30 and then divided by 70 (or "y" multiplied by

1 0.429); and
2 (ii) for property on which a bonus
3 depreciation deduction of 50% of the adjusted
4 basis was taken, "x" equals "y" multiplied by
5 1.0.

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

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

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 required in any taxable year to make an addition
24 modification under subparagraph (D-15), then an amount
25 equal to that addition modification.

26 The taxpayer is allowed to take the deduction under

1 this subparagraph only once with respect to any one
2 piece of property.

3 This subparagraph (AA) is exempt from the
4 provisions of Section 250;

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

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

25 (DD) An amount equal to the interest income taken
26 into account for the taxable year (net of the

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

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

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

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

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

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

9 (HH) For taxable years ending on or after December
10 31, 2015, an amount, to the extent that it is included
11 in adjusted gross income, equal to any voucher redeemed
12 under the School Choice Act. This subparagraph (HH) is
13 exempt from the provisions of Section 250.

14 (b) Corporations.

15 (1) In general. In the case of a corporation, 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. The taxable income referred to in
19 paragraph (1) shall be modified by adding thereto the sum
20 of the following amounts:

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

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

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

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

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

1 order that they are listed:

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

10 (ii) 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 not exceed the amount of
14 such carryback or carryforward;

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

22 (E-5) For taxable years ending after December 31,
23 1997, an amount equal to any eligible remediation costs
24 that the corporation deducted in computing adjusted
25 gross income and for which the corporation claims a
26 credit under subsection (1) of Section 201;

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

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

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

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

23 (E-12) An amount equal to the amount otherwise
24 allowed as a deduction in computing base income for
25 interest paid, accrued, or incurred, directly or
26 indirectly, (i) for taxable years ending on or after

1 December 31, 2004, to a foreign person who would be a
2 member of the same unitary business group but for the
3 fact the foreign person's business activity outside
4 the United States is 80% or more of the foreign
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. The addition modification
13 required by this subparagraph shall be reduced to the
14 extent that dividends were included in base income of
15 the unitary group for the same taxable year and
16 received by the taxpayer or by a member of the
17 taxpayer's unitary business group (including amounts
18 included in gross income pursuant to Sections 951
19 through 964 of the Internal Revenue Code and amounts
20 included in gross income under Section 78 of the
21 Internal Revenue Code) with respect to the stock of the
22 same person to whom the interest was paid, accrued, or
23 incurred.

24 This paragraph shall not apply to the following:

25 (i) an item of interest paid, accrued, or
26 incurred, directly or indirectly, to a person who

1 is subject in a foreign country or state, other
2 than a state which requires mandatory unitary
3 reporting, to a tax on or measured by net income
4 with respect to such interest; or

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

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

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

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

26 (iv) an item of interest paid, accrued, or

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

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

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

1 the same unitary business group but for the fact that
2 the person is prohibited under Section 1501(a)(27)
3 from being included in the unitary business group
4 because he or she is ordinarily required to apportion
5 business income under different subsections of Section
6 304. The addition modification required by this
7 subparagraph shall be reduced to the extent that
8 dividends were included in base income of the unitary
9 group for the same taxable year and received by the
10 taxpayer or by a member of the taxpayer's unitary
11 business group (including amounts included in gross
12 income pursuant to Sections 951 through 964 of the
13 Internal Revenue Code and amounts included in gross
14 income under Section 78 of the Internal Revenue Code)
15 with respect to the stock of the same person to whom
16 the intangible expenses and costs were directly or
17 indirectly paid, incurred, or accrued. The preceding
18 sentence shall not apply to the extent that the same
19 dividends caused a reduction to the addition
20 modification required under Section 203(b)(2)(E-12) of
21 this Act. As used in this subparagraph, the term
22 "intangible expenses and costs" includes (1) expenses,
23 losses, and costs for, or related to, the direct or
24 indirect acquisition, use, maintenance or management,
25 ownership, sale, exchange, or any other disposition of
26 intangible property; (2) losses incurred, directly or

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

9 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

7 (iii) any item of intangible expense or cost
8 paid, accrued, or incurred, directly or
9 indirectly, from a transaction with a person if the
10 taxpayer establishes by clear and convincing
11 evidence, that the adjustments are unreasonable;
12 or if the taxpayer and the Director agree in
13 writing to the application or use of an alternative
14 method 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-14) For taxable years ending on or after
25 December 31, 2008, an amount equal to the amount of
26 insurance premium expenses and costs otherwise allowed

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

24 (E-15) For taxable years beginning after December
25 31, 2008, any deduction for dividends paid by a captive
26 real estate investment trust that is allowed to a real

1 estate investment trust under Section 857(b)(2)(B) of
2 the Internal Revenue Code for dividends paid;

3 (E-16) An amount equal to the credit allowable to
4 the taxpayer under Section 218(a) of this Act,
5 determined without regard to Section 218(c) of this
6 Act;

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

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

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

14 (H) In the case of a regulated investment company,
15 an amount equal to the amount of exempt interest
16 dividends as defined in subsection (b)(5) of Section
17 852 of the Internal Revenue Code, paid to shareholders
18 for the taxable year;

19 (I) With the exception of any amounts subtracted
20 under subparagraph (J), an amount equal to the sum of
21 all amounts disallowed as deductions by (i) Sections
22 171(a)(2), and 265(a)(2) and amounts disallowed as
23 interest expense by Section 291(a)(3) of the Internal
24 Revenue Code, and all amounts of expenses allocable to
25 interest and disallowed as deductions by Section
26 265(a)(1) of the Internal Revenue Code; and (ii) for

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

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

1 of bond premium amortization;

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

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

19 (M) For any taxpayer that is a financial
20 organization within the meaning of Section 304(c) of
21 this Act, an amount included in such total as interest
22 income from a loan or loans made by such taxpayer to a
23 borrower, to the extent that such a loan is secured by
24 property which is eligible for the River Edge
25 Redevelopment Zone Investment Credit. To determine the
26 portion of a loan or loans that is secured by property

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

15 (M-1) For any taxpayer that is a financial
16 organization within the meaning of Section 304(c) of
17 this Act, an amount included in such total as interest
18 income from a loan or loans made by such taxpayer to a
19 borrower, to the extent that such a loan is secured by
20 property which is eligible for the High Impact Business
21 Investment Credit. To determine the portion of a loan
22 or loans that is secured by property eligible for a
23 Section 201(h) investment credit to the borrower, the
24 entire principal amount of the loan or loans between
25 the taxpayer and the borrower should be divided into
26 the basis of the Section 201(h) investment credit

1 property which secures the loan or loans, using for
2 this purpose the original basis of such property on the
3 date that it was placed in service in a federally
4 designated Foreign Trade Zone or Sub-Zone located in
5 Illinois. No taxpayer that is eligible for the
6 deduction provided in subparagraph (M) of paragraph
7 (2) of this subsection shall be eligible for the
8 deduction provided under this subparagraph (M-1). The
9 subtraction modification available to taxpayers in any
10 year under this subsection shall be that portion of the
11 total interest paid by the borrower with respect to
12 such loan attributable to the eligible property as
13 calculated under the previous sentence;

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

25 (O) An amount equal to: (i) 85% for taxable years
26 ending on or before December 31, 1992, or, a percentage

1 equal to the percentage allowable under Section
2 243(a)(1) of the Internal Revenue Code of 1986 for
3 taxable years ending after December 31, 1992, of the
4 amount by which dividends included in taxable income
5 and received from a corporation that is not created or
6 organized under the laws of the United States or any
7 state or political subdivision thereof, including, for
8 taxable years ending on or after December 31, 1988,
9 dividends received or deemed received or paid or deemed
10 paid under Sections 951 through 965 of the Internal
11 Revenue Code, exceed the amount of the modification
12 provided under subparagraph (G) of paragraph (2) of
13 this subsection (b) which is related to such dividends,
14 and including, for taxable years ending on or after
15 December 31, 2008, dividends received from a captive
16 real estate investment trust; plus (ii) 100% of the
17 amount by which dividends, included in taxable income
18 and received, including, for taxable years ending on or
19 after December 31, 1988, dividends received or deemed
20 received or paid or deemed paid under Sections 951
21 through 964 of the Internal Revenue Code and including,
22 for taxable years ending on or after December 31, 2008,
23 dividends received from a captive real estate
24 investment trust, from any such corporation specified
25 in clause (i) that would but for the provisions of
26 Section 1504 (b) (3) of the Internal Revenue Code be

1 treated as a member of the affiliated group which
2 includes the dividend recipient, exceed the amount of
3 the modification provided under subparagraph (G) of
4 paragraph (2) of this subsection (b) which is related
5 to such dividends. This subparagraph (O) is exempt from
6 the provisions of Section 250 of this Act;

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

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

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

1 Section 250;

2 (S) For taxable years ending on or after December
3 31, 1997, in the case of a Subchapter S corporation, an
4 amount equal to all amounts of income allocable to a
5 shareholder subject to the Personal Property Tax
6 Replacement Income Tax imposed by subsections (c) and
7 (d) of Section 201 of this Act, including amounts
8 allocable to organizations exempt from federal income
9 tax by reason of Section 501(a) of the Internal Revenue
10 Code. This subparagraph (S) is exempt from the
11 provisions of Section 250;

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

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

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

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

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

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

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

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

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

1 If the taxpayer continues to own property through
2 the last day of the last tax year for which the
3 taxpayer may claim a depreciation deduction for
4 federal income tax purposes and for which the taxpayer
5 was required in any taxable year to make an addition
6 modification under subparagraph (E-10), then an amount
7 equal to that addition modification.

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

11 This subparagraph (U) is exempt from the
12 provisions of Section 250;

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

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

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

1 addition modification required to be made for the same
2 taxable year under Section 203(b)(2)(E-12) for
3 interest paid, accrued, or incurred, directly or
4 indirectly, to the same person. This subparagraph (W)
5 is exempt from the provisions of Section 250;

6 (X) An amount equal to the income from intangible
7 property taken into account for the taxable year (net
8 of the 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(b)(2)(E-13) for
23 intangible expenses and costs paid, accrued, or
24 incurred, directly or indirectly, to the same foreign
25 person. This subparagraph (X) is exempt from the
26 provisions of Section 250;

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

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

24 (3) Special rule. For purposes of paragraph (2) (A),
25 "gross income" in the case of a life insurance company, for
26 tax years ending on and after December 31, 1994, and prior

1 to December 31, 2011, shall mean the gross investment
2 income for the taxable year and, for tax years ending on or
3 after December 31, 2011, shall mean all amounts included in
4 life insurance gross income under Section 803(a)(3) of the
5 Internal Revenue Code.

6 (c) Trusts and estates.

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

10 (2) Modifications. Subject to the provisions of
11 paragraph (3), the taxable income referred to in paragraph
12 (1) shall be modified by adding thereto the sum of the
13 following amounts:

14 (A) An amount equal to all amounts paid or accrued
15 to the taxpayer as interest or dividends during the
16 taxable year to the extent excluded from gross income
17 in the computation of taxable income;

18 (B) In the case of (i) an estate, \$600; (ii) a
19 trust which, under its governing instrument, is
20 required to distribute all of its income currently,
21 \$300; and (iii) any other trust, \$100, but in each such
22 case, only to the extent such amount was deducted in
23 the computation of taxable income;

24 (C) An amount equal to the amount of tax imposed by
25 this Act to the extent deducted from gross income in

1 the computation of taxable income for the taxable year;

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

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

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

24 (ii) 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 not exceed the amount of
2 such carryback or carryforward;

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

10 (F) For taxable years ending on or after January 1,
11 1989, an amount equal to the tax deducted pursuant to
12 Section 164 of the Internal Revenue Code if the trust
13 or estate is claiming the same tax for purposes of the
14 Illinois foreign tax credit under Section 601 of this
15 Act;

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

20 (G-5) For taxable years ending after December 31,
21 1997, an amount equal to any eligible remediation costs
22 that the trust or estate deducted in computing adjusted
23 gross income and for which the trust or estate claims a
24 credit under subsection (1) of Section 201;

25 (G-10) For taxable years 2001 and thereafter, an
26 amount equal to the bonus depreciation deduction taken

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

4 (G-11) If the taxpayer sells, transfers, abandons,
5 or otherwise disposes of property for which the
6 taxpayer was required in any taxable year to make an
7 addition modification under subparagraph (G-10), then
8 an amount equal to the aggregate amount of the
9 deductions taken in all taxable years under
10 subparagraph (R) with respect to that property.

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

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

21 (G-12) An amount equal to the amount otherwise
22 allowed as a deduction in computing base income for
23 interest paid, accrued, or incurred, directly or
24 indirectly, (i) for taxable years ending on or after
25 December 31, 2004, to a foreign person who would be a
26 member of the same unitary business group but for the

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

22 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

22 (G-14) For taxable years ending on or after
23 December 31, 2008, an amount equal to the amount of
24 insurance premium expenses and costs otherwise allowed
25 as a deduction in computing base income, and that were
26 paid, accrued, or incurred, directly or indirectly, to

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

22 (G-15) An amount equal to the credit allowable to
23 the taxpayer under Section 218(a) of this Act,
24 determined without regard to Section 218(c) of this
25 Act;

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

1 following amounts:

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

13 (I) The valuation limitation amount;

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

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

1 amortization;

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

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

26 (N) An amount equal to any contribution made to a

1 job training project established pursuant to the Tax
2 Increment Allocation Redevelopment Act;

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

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

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

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

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

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

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

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

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

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

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

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

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

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

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

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same foreign
3 person. This subparagraph (V) is exempt from the
4 provisions of Section 250;

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

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

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

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

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

13 (d) Partnerships.

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

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

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

24 (B) An amount equal to the amount of tax imposed by
25 this Act to the extent deducted from gross income for

1 the taxable year;

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

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

9 (D-5) 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 (D-6) 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 (D-5), then
18 an amount equal to the aggregate amount of the
19 deductions taken in all taxable years under
20 subparagraph (O) 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 (O), 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 (D-7) 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; and

24 (D-8) 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(d)(2)(D-7) 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 (D-9) For taxable years ending on or after December
7 31, 2008, an amount equal to the amount of insurance
8 premium expenses and costs otherwise allowed as a
9 deduction in computing base income, and that were paid,
10 accrued, or incurred, directly or indirectly, to a
11 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(d)(2)(D-7) or
5 Section 203(d)(2)(D-8) of this Act;

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

10 and by deducting from the total so obtained the following
11 amounts:

12 (E) The valuation limitation amount;

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

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

26 (H) Any income of the partnership which

1 constitutes personal service income as defined in
2 Section 1348 (b) (1) of the Internal Revenue Code (as
3 in effect December 31, 1981) or a reasonable allowance
4 for compensation paid or accrued for services rendered
5 by partners to the partnership, whichever is greater;
6 this subparagraph (H) is exempt from the provisions of
7 Section 250;

8 (I) An amount equal to all amounts of income
9 distributable to an entity subject to the Personal
10 Property Tax Replacement Income Tax imposed by
11 subsections (c) and (d) of Section 201 of this Act
12 including amounts distributable to organizations
13 exempt from federal income tax by reason of Section
14 501(a) of the Internal Revenue Code; this subparagraph
15 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

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

18 Section 905. The School Code is amended by changing Section
19 18-8.05 as follows:

20 (105 ILCS 5/18-8.05)

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

1 (A) General Provisions.

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

18 (2) In addition to general State financial aid, school
19 districts with specified levels or concentrations of pupils
20 from low income households are eligible to receive supplemental
21 general State financial aid grants as provided pursuant to
22 subsection (H). The supplemental State aid grants provided for
23 school districts under subsection (H) shall be appropriated for
24 distribution to school districts as part of the same line item
25 in which the general State financial aid of school districts is

1 appropriated under this Section.

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

5 (a) Any school district which fails for any given
6 school year to maintain school as required by law, or to
7 maintain a recognized school is not eligible to file for
8 such school year any claim upon the Common School Fund. In
9 case of nonrecognition of one or more attendance centers in
10 a school district otherwise operating recognized schools,
11 the claim of the district shall be reduced in the
12 proportion which the Average Daily Attendance in the
13 attendance center or centers bear to the Average Daily
14 Attendance in the school district. A "recognized school"
15 means any public school which meets the standards as
16 established for recognition by the State Board of
17 Education. A school district or attendance center not
18 having recognition status at the end of a school term is
19 entitled to receive State aid payments due upon a legal
20 claim which was filed while it was recognized.

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

24 (c) If a school district operates a full year school
25 under Section 10-19.1, the general State aid to the school
26 district shall be determined by the State Board of

1 Education in accordance with this Section as near as may be
2 applicable.

3 (d) (Blank).

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

8 School districts are not required to exert a minimum
9 Operating Tax Rate in order to qualify for assistance under
10 this Section.

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

13 (a) "Average Daily Attendance": A count of pupil
14 attendance in school, averaged as provided for in
15 subsection (C) and utilized in deriving per pupil financial
16 support levels.

17 (b) "Available Local Resources": A computation of
18 local financial support, calculated on the basis of Average
19 Daily Attendance and derived as provided pursuant to
20 subsection (D).

21 (c) "Corporate Personal Property Replacement Taxes":
22 Funds paid to local school districts pursuant to "An Act in
23 relation to the abolition of ad valorem personal property
24 tax and the replacement of revenues lost thereby, and
25 amending and repealing certain Acts and parts of Acts in
26 connection therewith", certified August 14, 1979, as

1 amended (Public Act 81-1st S.S.-1).

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

4 (e) "Operating Tax Rate": All school district property
5 taxes extended for all purposes, except Bond and Interest,
6 Summer School, Rent, Capital Improvement, and Vocational
7 Education Building purposes.

8 (B) Foundation Level.

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

19 (2) For the 1998-1999 school year, the Foundation Level of
20 support is \$4,225. For the 1999-2000 school year, the
21 Foundation Level of support is \$4,325. For the 2000-2001 school
22 year, the Foundation Level of support is \$4,425. For the
23 2001-2002 school year and 2002-2003 school year, the Foundation
24 Level of support is \$4,560. For the 2003-2004 school year, the
25 Foundation Level of support is \$4,810. For the 2004-2005 school

1 year, the Foundation Level of support is \$4,964. For the
2 2005-2006 school year, the Foundation Level of support is
3 \$5,164. For the 2006-2007 school year, the Foundation Level of
4 support is \$5,334. For the 2007-2008 school year, the
5 Foundation Level of support is \$5,734. For the 2008-2009 school
6 year, the Foundation Level of support is \$5,959.

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

11 (C) Average Daily Attendance.

12 (1) For purposes of calculating general State aid pursuant
13 to subsection (E), an Average Daily Attendance figure shall be
14 utilized. The Average Daily Attendance figure for formula
15 calculation purposes shall be the monthly average of the actual
16 number of pupils in attendance of each school district, as
17 further averaged for the best 3 months of pupil attendance for
18 each school district. In compiling the figures for the number
19 of pupils in attendance, school districts and the State Board
20 of Education shall, for purposes of general State aid funding,
21 conform attendance figures to the requirements of subsection
22 (F).

23 (2) The Average Daily Attendance figures utilized in
24 subsection (E) shall be the requisite attendance data for the
25 school year immediately preceding the school year for which

1 general State aid is being calculated or the average of the
2 attendance data for the 3 preceding school years, whichever is
3 greater. The Average Daily Attendance figures utilized in
4 subsection (H) shall be the requisite attendance data for the
5 school year immediately preceding the school year for which
6 general State aid is being calculated.

7 (D) Available Local Resources.

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

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

24 (3) For school districts maintaining grades kindergarten
25 through 12, local property tax revenues per pupil shall be

1 calculated as the product of the applicable equalized assessed
2 valuation for the district multiplied by 3.00%, and divided by
3 the district's Average Daily Attendance figure. For school
4 districts maintaining grades kindergarten through 8, local
5 property tax revenues per pupil shall be calculated as the
6 product of the applicable equalized assessed valuation for the
7 district multiplied by 2.30%, and divided by the district's
8 Average Daily Attendance figure. For school districts
9 maintaining grades 9 through 12, local property tax revenues
10 per pupil shall be the applicable equalized assessed valuation
11 of the district multiplied by 1.05%, and divided by the
12 district's Average Daily Attendance figure.

13 For partial elementary unit districts created pursuant to
14 Article 11E of this Code, local property tax revenues per pupil
15 shall be calculated as the product of the equalized assessed
16 valuation for property within the partial elementary unit
17 district for elementary purposes, as defined in Article 11E of
18 this Code, multiplied by 2.06% and divided by the district's
19 Average Daily Attendance figure, plus the product of the
20 equalized assessed valuation for property within the partial
21 elementary unit district for high school purposes, as defined
22 in Article 11E of this Code, multiplied by 0.94% and divided by
23 the district's Average Daily Attendance figure.

24 (4) The Corporate Personal Property Replacement Taxes paid
25 to each school district during the calendar year one year
26 before the calendar year in which a school year begins, divided

1 by the Average Daily Attendance figure for that district, shall
2 be added to the local property tax revenues per pupil as
3 derived by the application of the immediately preceding
4 paragraph (3). The sum of these per pupil figures for each
5 school district shall constitute Available Local Resources as
6 that term is utilized in subsection (E) in the calculation of
7 general State aid.

8 (E) Computation of General State Aid.

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

12 (2) For any school district for which Available Local
13 Resources per pupil is less than the product of 0.93 times the
14 Foundation Level, general State aid for that district shall be
15 calculated as an amount equal to the Foundation Level minus
16 Available Local Resources, multiplied by the Average Daily
17 Attendance of the school district.

18 (3) For any school district for which Available Local
19 Resources per pupil is equal to or greater than the product of
20 0.93 times the Foundation Level and less than the product of
21 1.75 times the Foundation Level, the general State aid per
22 pupil shall be a decimal proportion of the Foundation Level
23 derived using a linear algorithm. Under this linear algorithm,
24 the calculated general State aid per pupil shall decline in
25 direct linear fashion from 0.07 times the Foundation Level for

1 a school district with Available Local Resources equal to the
2 product of 0.93 times the Foundation Level, to 0.05 times the
3 Foundation Level for a school district with Available Local
4 Resources equal to the product of 1.75 times the Foundation
5 Level. The allocation of general State aid for school districts
6 subject to this paragraph 3 shall be the calculated general
7 State aid per pupil figure multiplied by the Average Daily
8 Attendance of the school district.

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

14 (5) The amount of general State aid allocated to a school
15 district for the 1999-2000 school year meeting the requirements
16 set forth in paragraph (4) of subsection (G) shall be increased
17 by an amount equal to the general State aid that would have
18 been received by the district for the 1998-1999 school year by
19 utilizing the Extension Limitation Equalized Assessed
20 Valuation as calculated in paragraph (4) of subsection (G) less
21 the general State aid allotted for the 1998-1999 school year.
22 This amount shall be deemed a one time increase, and shall not
23 affect any future general State aid allocations.

24 (F) Compilation of Average Daily Attendance.

25 (1) Each school district shall, by July 1 of each year,

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

10 (a) In districts that do not hold year-round classes,
11 days of attendance in August shall be added to the month of
12 September and any days of attendance in June shall be added
13 to the month of May.

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

18 (c) In districts in which some buildings, but not all,
19 hold year-round classes, for the non-year-round buildings,
20 days of attendance in August shall be added to the month of
21 September and any days of attendance in June shall be added
22 to the month of May. The average daily attendance for the
23 year-round buildings shall be computed as provided in
24 subdivision (b) of this paragraph (1). To calculate the
25 Average Daily Attendance for the district, the average
26 daily attendance for the year-round buildings shall be

1 multiplied by the days in session for the non-year-round
2 buildings for each month and added to the monthly
3 attendance of the non-year-round buildings.

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

13 Days of attendance by tuition pupils shall be accredited
14 only to the districts that pay the tuition to a recognized
15 school.

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

19 (a) Pupils regularly enrolled in a public school for
20 only a part of the school day may be counted on the basis
21 of 1/6 day for every class hour of instruction of 40
22 minutes or more attended pursuant to such enrollment,
23 unless a pupil is enrolled in a block-schedule format of 80
24 minutes or more of instruction, in which case the pupil may
25 be counted on the basis of the proportion of minutes of
26 school work completed each day to the minimum number of

1 minutes that school work is required to be held that day.

2 (b) (Blank).

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

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

1 following a full day of student attendance, as specified in
2 subsection (F)(1)(c), and a minimum of 3 clock hours of
3 parent-teacher conferences held on the day immediately
4 following evening parent-teacher conferences, or (iii)
5 multiple parent-teacher conferences held in the evenings
6 following full days of student attendance, as specified in
7 subsection (F)(1)(c), in which the time used for the
8 parent-teacher conferences is equivalent to a minimum of 5
9 clock hours; and (2) when days in addition to those
10 provided in items (1) and (1.5) are scheduled by a school
11 pursuant to its school improvement plan adopted under
12 Article 34 or its revised or amended school improvement
13 plan adopted under Article 2, provided that (i) such
14 sessions of 3 or more clock hours are scheduled to occur at
15 regular intervals, (ii) the remainder of the school days in
16 which such sessions occur are utilized for in-service
17 training programs or other staff development activities
18 for teachers, and (iii) a sufficient number of minutes of
19 school work under the direct supervision of teachers are
20 added to the school days between such regularly scheduled
21 sessions to accumulate not less than the number of minutes
22 by which such sessions of 3 or more clock hours fall short
23 of 5 clock hours. Any full days used for the purposes of
24 this paragraph shall not be considered for computing
25 average daily attendance. Days scheduled for in-service
26 training programs, staff development activities, or

1 parent-teacher conferences may be scheduled separately for
2 different grade levels and different attendance centers of
3 the district.

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

10 (f) A session of at least 4 clock hours may be counted
11 as a day of attendance for first grade pupils, and pupils
12 in full day kindergartens, and a session of 2 or more hours
13 may be counted as 1/2 day of attendance by pupils in
14 kindergartens which provide only 1/2 day of attendance.

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

22 (h) A recognized kindergarten which provides for only
23 1/2 day of attendance by each pupil shall not have more
24 than 1/2 day of attendance counted in any one day. However,
25 kindergartens may count 2 1/2 days of attendance in any 5
26 consecutive school days. When a pupil attends such a

1 kindergarten for 2 half days on any one school day, the
2 pupil shall have the following day as a day absent from
3 school, unless the school district obtains permission in
4 writing from the State Superintendent of Education.
5 Attendance at kindergartens which provide for a full day of
6 attendance by each pupil shall be counted the same as
7 attendance by first grade pupils. Only the first year of
8 attendance in one kindergarten shall be counted, except in
9 case of children who entered the kindergarten in their
10 fifth year whose educational development requires a second
11 year of kindergarten as determined under the rules and
12 regulations of the State Board of Education.

13 (i) On the days when the assessment that includes a
14 college and career ready determination is administered
15 under subsection (c) of Section 2-3.64a-5 of this Code, the
16 day of attendance for a pupil whose school day must be
17 shortened to accommodate required testing procedures may
18 be less than 5 clock hours and shall be counted towards the
19 176 days of actual pupil attendance required under Section
20 10-19 of this Code, provided that a sufficient number of
21 minutes of school work in excess of 5 clock hours are first
22 completed on other school days to compensate for the loss
23 of school work on the examination days.

24 (j) Pupils enrolled in a remote educational program
25 established under Section 10-29 of this Code may be counted
26 on the basis of one-fifth day of attendance for every clock

1 hour of instruction attended in the remote educational
2 program, provided that, in any month, the school district
3 may not claim for a student enrolled in a remote
4 educational program more days of attendance than the
5 maximum number of days of attendance the district can claim
6 (i) for students enrolled in a building holding year-round
7 classes if the student is classified as participating in
8 the remote educational program on a year-round schedule or
9 (ii) for students enrolled in a building not holding
10 year-round classes if the student is not classified as
11 participating in the remote educational program on a
12 year-round schedule.

13 (G) Equalized Assessed Valuation Data.

14 (1) For purposes of the calculation of Available Local
15 Resources required pursuant to subsection (D), the State Board
16 of Education shall secure from the Department of Revenue the
17 value as equalized or assessed by the Department of Revenue of
18 all taxable property of every school district, together with
19 (i) the applicable tax rate used in extending taxes for the
20 funds of the district as of September 30 of the previous year
21 and (ii) the limiting rate for all school districts subject to
22 property tax extension limitations as imposed under the
23 Property Tax Extension Limitation Law.

24 The Department of Revenue shall add to the equalized
25 assessed value of all taxable property of each school district

1 situated entirely or partially within a county that is or was
2 subject to the provisions of Section 15-176 or 15-177 of the
3 Property Tax Code (a) an amount equal to the total amount by
4 which the homestead exemption allowed under Section 15-176 or
5 15-177 of the Property Tax Code for real property situated in
6 that school district exceeds the total amount that would have
7 been allowed in that school district if the maximum reduction
8 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in
9 all other counties in tax year 2003 or (ii) \$5,000 in all
10 counties in tax year 2004 and thereafter and (b) an amount
11 equal to the aggregate amount for the taxable year of all
12 additional exemptions under Section 15-175 of the Property Tax
13 Code for owners with a household income of \$30,000 or less. The
14 county clerk of any county that is or was subject to the
15 provisions of Section 15-176 or 15-177 of the Property Tax Code
16 shall annually calculate and certify to the Department of
17 Revenue for each school district all homestead exemption
18 amounts under Section 15-176 or 15-177 of the Property Tax Code
19 and all amounts of additional exemptions under Section 15-175
20 of the Property Tax Code for owners with a household income of
21 \$30,000 or less. It is the intent of this paragraph that if the
22 general homestead exemption for a parcel of property is
23 determined under Section 15-176 or 15-177 of the Property Tax
24 Code rather than Section 15-175, then the calculation of
25 Available Local Resources shall not be affected by the
26 difference, if any, between the amount of the general homestead

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

11 This equalized assessed valuation, as adjusted further by
12 the requirements of this subsection, shall be utilized in the
13 calculation of Available Local Resources.

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

16 (a) For the purposes of calculating State aid under
17 this Section, with respect to any part of a school district
18 within a redevelopment project area in respect to which a
19 municipality has adopted tax increment allocation
20 financing pursuant to the Tax Increment Allocation
21 Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11
22 of the Illinois Municipal Code or the Industrial Jobs
23 Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the
24 Illinois Municipal Code, no part of the current equalized
25 assessed valuation of real property located in any such
26 project area which is attributable to an increase above the

1 total initial equalized assessed valuation of such
2 property shall be used as part of the equalized assessed
3 valuation of the district, until such time as all
4 redevelopment project costs have been paid, as provided in
5 Section 11-74.4-8 of the Tax Increment Allocation
6 Redevelopment Act or in Section 11-74.6-35 of the
7 Industrial Jobs Recovery Law. For the purpose of the
8 equalized assessed valuation of the district, the total
9 initial equalized assessed valuation or the current
10 equalized assessed valuation, whichever is lower, shall be
11 used until such time as all redevelopment project costs
12 have been paid.

13 (b) The real property equalized assessed valuation for
14 a school district shall be adjusted by subtracting from the
15 real property value as equalized or assessed by the
16 Department of Revenue for the district an amount computed
17 by dividing the amount of any abatement of taxes under
18 Section 18-170 of the Property Tax Code by 3.00% for a
19 district maintaining grades kindergarten through 12, by
20 2.30% for a district maintaining grades kindergarten
21 through 8, or by 1.05% for a district maintaining grades 9
22 through 12 and adjusted by an amount computed by dividing
23 the amount of any abatement of taxes under subsection (a)
24 of Section 18-165 of the Property Tax Code by the same
25 percentage rates for district type as specified in this
26 subparagraph (b).

1 (3) For the 1999-2000 school year and each school year
2 thereafter, if a school district meets all of the criteria of
3 this subsection (G) (3), the school district's Available Local
4 Resources shall be calculated under subsection (D) using the
5 district's Extension Limitation Equalized Assessed Valuation
6 as calculated under this subsection (G) (3).

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

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

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

13 "Preceding Tax Year": The property tax levy year
14 immediately preceding the Base Tax Year.

15 "Base Tax Year's Tax Extension": The product of the
16 equalized assessed valuation utilized by the County Clerk
17 in the Base Tax Year multiplied by the limiting rate as
18 calculated by the County Clerk and defined in the Property
19 Tax Extension Limitation Law.

20 "Preceding Tax Year's Tax Extension": The product of
21 the equalized assessed valuation utilized by the County
22 Clerk in the Preceding Tax Year multiplied by the Operating
23 Tax Rate as defined in subsection (A).

24 "Extension Limitation Ratio": A numerical ratio,
25 certified by the County Clerk, in which the numerator is
26 the Base Tax Year's Tax Extension and the denominator is

1 the Preceding Tax Year's Tax Extension.

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

4 If a school district is subject to property tax extension
5 limitations as imposed under the Property Tax Extension
6 Limitation Law, the State Board of Education shall calculate
7 the Extension Limitation Equalized Assessed Valuation of that
8 district. For the 1999-2000 school year, the Extension
9 Limitation Equalized Assessed Valuation of a school district as
10 calculated by the State Board of Education shall be equal to
11 the product of the district's 1996 Equalized Assessed Valuation
12 and the district's Extension Limitation Ratio. Except as
13 otherwise provided in this paragraph for a school district that
14 has approved or does approve an increase in its limiting rate,
15 for the 2000-2001 school year and each school year thereafter,
16 the Extension Limitation Equalized Assessed Valuation of a
17 school district as calculated by the State Board of Education
18 shall be equal to the product of the Equalized Assessed
19 Valuation last used in the calculation of general State aid and
20 the district's Extension Limitation Ratio. If the Extension
21 Limitation Equalized Assessed Valuation of a school district as
22 calculated under this subsection (G)(3) is less than the
23 district's equalized assessed valuation as calculated pursuant
24 to subsections (G)(1) and (G)(2), then for purposes of
25 calculating the district's general State aid for the Budget
26 Year pursuant to subsection (E), that Extension Limitation

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

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

24 (3.5) For the 2010-2011 school year and each school year
25 thereafter, if a school district's boundaries span multiple
26 counties, then the Department of Revenue shall send to the

1 State Board of Education, for the purpose of calculating
2 general State aid, the limiting rate and individual rates by
3 purpose for the county that contains the majority of the school
4 district's Equalized Assessed Valuation.

5 (4) For the purposes of calculating general State aid for
6 the 1999-2000 school year only, if a school district
7 experienced a triennial reassessment on the equalized assessed
8 valuation used in calculating its general State financial aid
9 apportionment for the 1998-1999 school year, the State Board of
10 Education shall calculate the Extension Limitation Equalized
11 Assessed Valuation that would have been used to calculate the
12 district's 1998-1999 general State aid. This amount shall equal
13 the product of the equalized assessed valuation used to
14 calculate general State aid for the 1997-1998 school year and
15 the district's Extension Limitation Ratio. If the Extension
16 Limitation Equalized Assessed Valuation of the school district
17 as calculated under this paragraph (4) is less than the
18 district's equalized assessed valuation utilized in
19 calculating the district's 1998-1999 general State aid
20 allocation, then for purposes of calculating the district's
21 general State aid pursuant to paragraph (5) of subsection (E),
22 that Extension Limitation Equalized Assessed Valuation shall
23 be utilized to calculate the district's Available Local
24 Resources.

25 (5) For school districts having a majority of their
26 equalized assessed valuation in any county except Cook, DuPage,

1 Kane, Lake, McHenry, or Will, if the amount of general State
2 aid allocated to the school district for the 1999-2000 school
3 year under the provisions of subsection (E), (H), and (J) of
4 this Section is less than the amount of general State aid
5 allocated to the district for the 1998-1999 school year under
6 these subsections, then the general State aid of the district
7 for the 1999-2000 school year only shall be increased by the
8 difference between these amounts. The total payments made under
9 this paragraph (5) shall not exceed \$14,000,000. Claims shall
10 be prorated if they exceed \$14,000,000.

11 (H) Supplemental General State Aid.

12 (1) In addition to the general State aid a school district
13 is allotted pursuant to subsection (E), qualifying school
14 districts shall receive a grant, paid in conjunction with a
15 district's payments of general State aid, for supplemental
16 general State aid based upon the concentration level of
17 children from low-income households within the school
18 district. Supplemental State aid grants provided for school
19 districts under this subsection shall be appropriated for
20 distribution to school districts as part of the same line item
21 in which the general State financial aid of school districts is
22 appropriated under this Section.

23 (1.5) This paragraph (1.5) applies only to those school
24 years preceding the 2003-2004 school year. For purposes of this
25 subsection (H), the term "Low-Income Concentration Level"

1 shall be the low-income eligible pupil count from the most
2 recently available federal census divided by the Average Daily
3 Attendance of the school district. If, however, (i) the
4 percentage decrease from the 2 most recent federal censuses in
5 the low-income eligible pupil count of a high school district
6 with fewer than 400 students exceeds by 75% or more the
7 percentage change in the total low-income eligible pupil count
8 of contiguous elementary school districts, whose boundaries
9 are coterminous with the high school district, or (ii) a high
10 school district within 2 counties and serving 5 elementary
11 school districts, whose boundaries are coterminous with the
12 high school district, has a percentage decrease from the 2 most
13 recent federal censuses in the low-income eligible pupil count
14 and there is a percentage increase in the total low-income
15 eligible pupil count of a majority of the elementary school
16 districts in excess of 50% from the 2 most recent federal
17 censuses, then the high school district's low-income eligible
18 pupil count from the earlier federal census shall be the number
19 used as the low-income eligible pupil count for the high school
20 district, for purposes of this subsection (H). The changes made
21 to this paragraph (1) by Public Act 92-28 shall apply to
22 supplemental general State aid grants for school years
23 preceding the 2003-2004 school year that are paid in fiscal
24 year 1999 or thereafter and to any State aid payments made in
25 fiscal year 1994 through fiscal year 1998 pursuant to
26 subsection 1(n) of Section 18-8 of this Code (which was

1 repealed on July 1, 1998), and any high school district that is
2 affected by Public Act 92-28 is entitled to a recomputation of
3 its supplemental general State aid grant or State aid paid in
4 any of those fiscal years. This recomputation shall not be
5 affected by any other funding.

6 (1.10) This paragraph (1.10) applies to the 2003-2004
7 school year and each school year thereafter. For purposes of
8 this subsection (H), the term "Low-Income Concentration Level"
9 shall, for each fiscal year, be the low-income eligible pupil
10 count as of July 1 of the immediately preceding fiscal year (as
11 determined by the Department of Human Services based on the
12 number of pupils who are eligible for at least one of the
13 following low income programs: Medicaid, the Children's Health
14 Insurance Program, TANF, or Food Stamps, excluding pupils who
15 are eligible for services provided by the Department of
16 Children and Family Services, averaged over the 2 immediately
17 preceding fiscal years for fiscal year 2004 and over the 3
18 immediately preceding fiscal years for each fiscal year
19 thereafter) divided by the Average Daily Attendance of the
20 school district.

21 (2) Supplemental general State aid pursuant to this
22 subsection (H) shall be provided as follows for the 1998-1999,
23 1999-2000, and 2000-2001 school years only:

24 (a) For any school district with a Low Income
25 Concentration Level of at least 20% and less than 35%, the
26 grant for any school year shall be \$800 multiplied by the

1 low income eligible pupil count.

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

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

10 (d) For any school district with a Low Income
11 Concentration Level of 60% or more, the grant for the
12 1998-99 school year shall be \$1,900 multiplied by the low
13 income eligible pupil count.

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

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

22 (2.5) Supplemental general State aid pursuant to this
23 subsection (H) shall be provided as follows for the 2002-2003
24 school year:

25 (a) For any school district with a Low Income
26 Concentration Level of less than 10%, the grant for each

1 school year shall be \$355 multiplied by the low income
2 eligible pupil count.

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

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

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

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

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

23 (2.10) Except as otherwise provided, supplemental general
24 State aid pursuant to this subsection (H) shall be provided as
25 follows for the 2003-2004 school year and each school year
26 thereafter:

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

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

10 For the 2003-2004 school year and each school year
11 thereafter through the 2008-2009 school year only, the grant
12 shall be no less than the grant for the 2002-2003 school year.
13 For the 2009-2010 school year only, the grant shall be no less
14 than the grant for the 2002-2003 school year multiplied by
15 0.66. For the 2010-2011 school year only, the grant shall be no
16 less than the grant for the 2002-2003 school year multiplied by
17 0.33. Notwithstanding the provisions of this paragraph to the
18 contrary, if for any school year supplemental general State aid
19 grants are prorated as provided in paragraph (1) of this
20 subsection (H), then the grants under this paragraph shall be
21 prorated.

22 For the 2003-2004 school year only, the grant shall be no
23 greater than the grant received during the 2002-2003 school
24 year added to the product of 0.25 multiplied by the difference
25 between the grant amount calculated under subsection (a) or (b)
26 of this paragraph (2.10), whichever is applicable, and the

1 grant received during the 2002-2003 school year. For the
2 2004-2005 school year only, the grant shall be no greater than
3 the grant received during the 2002-2003 school year added to
4 the product of 0.50 multiplied by the difference between the
5 grant amount calculated under subsection (a) or (b) of this
6 paragraph (2.10), whichever is applicable, and the grant
7 received during the 2002-2003 school year. For the 2005-2006
8 school year only, the grant shall be no greater than the grant
9 received during the 2002-2003 school year added to the product
10 of 0.75 multiplied by the difference between the grant amount
11 calculated under subsection (a) or (b) of this paragraph
12 (2.10), whichever is applicable, and the grant received during
13 the 2002-2003 school year.

14 (3) School districts with an Average Daily Attendance of
15 more than 1,000 and less than 50,000 that qualify for
16 supplemental general State aid pursuant to this subsection
17 shall submit a plan to the State Board of Education prior to
18 October 30 of each year for the use of the funds resulting from
19 this grant of supplemental general State aid for the
20 improvement of instruction in which priority is given to
21 meeting the education needs of disadvantaged children. Such
22 plan shall be submitted in accordance with rules and
23 regulations promulgated by the State Board of Education.

24 (4) School districts with an Average Daily Attendance of
25 50,000 or more that qualify for supplemental general State aid
26 pursuant to this subsection shall be required to distribute

1 from funds available pursuant to this Section, no less than
2 \$261,000,000 in accordance with the following requirements:

3 (a) The required amounts shall be distributed to the
4 attendance centers within the district in proportion to the
5 number of pupils enrolled at each attendance center who are
6 eligible to receive free or reduced-price lunches or
7 breakfasts under the federal Child Nutrition Act of 1966
8 and under the National School Lunch Act during the
9 immediately preceding school year.

10 (b) The distribution of these portions of supplemental
11 and general State aid among attendance centers according to
12 these requirements shall not be compensated for or
13 contravened by adjustments of the total of other funds
14 appropriated to any attendance centers, and the Board of
15 Education shall utilize funding from one or several sources
16 in order to fully implement this provision annually prior
17 to the opening of school.

18 (c) Each attendance center shall be provided by the
19 school district a distribution of noncategorical funds and
20 other categorical funds to which an attendance center is
21 entitled under law in order that the general State aid and
22 supplemental general State aid provided by application of
23 this subsection supplements rather than supplants the
24 noncategorical funds and other categorical funds provided
25 by the school district to the attendance centers.

26 (d) Any funds made available under this subsection that

1 by reason of the provisions of this subsection are not
2 required to be allocated and provided to attendance centers
3 may be used and appropriated by the board of the district
4 for any lawful school purpose.

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

18 (f) Each district subject to the provisions of this
19 subdivision (H)(4) shall submit an acceptable plan to meet
20 the educational needs of disadvantaged children, in
21 compliance with the requirements of this paragraph, to the
22 State Board of Education prior to July 15 of each year.
23 This plan shall be consistent with the decisions of local
24 school councils concerning the school expenditure plans
25 developed in accordance with part 4 of Section 34-2.3. The
26 State Board shall approve or reject the plan within 60 days

1 after its submission. If the plan is rejected, the district
2 shall give written notice of intent to modify the plan
3 within 15 days of the notification of rejection and then
4 submit a modified plan within 30 days after the date of the
5 written notice of intent to modify. Districts may amend
6 approved plans pursuant to rules promulgated by the State
7 Board of Education.

8 Upon notification by the State Board of Education that
9 the district has not submitted a plan prior to July 15 or a
10 modified plan within the time period specified herein, the
11 State aid funds affected by that plan or modified plan
12 shall be withheld by the State Board of Education until a
13 plan or modified plan is submitted.

14 If the district fails to distribute State aid to
15 attendance centers in accordance with an approved plan, the
16 plan for the following year shall allocate funds, in
17 addition to the funds otherwise required by this
18 subsection, to those attendance centers which were
19 underfunded during the previous year in amounts equal to
20 such underfunding.

21 For purposes of determining compliance with this
22 subsection in relation to the requirements of attendance
23 center funding, each district subject to the provisions of
24 this subsection shall submit as a separate document by
25 December 1 of each year a report of expenditure data for
26 the prior year in addition to any modification of its

1 current plan. If it is determined that there has been a
2 failure to comply with the expenditure provisions of this
3 subsection regarding contravention or supplanting, the
4 State Superintendent of Education shall, within 60 days of
5 receipt of the report, notify the district and any affected
6 local school council. The district shall within 45 days of
7 receipt of that notification inform the State
8 Superintendent of Education of the remedial or corrective
9 action to be taken, whether by amendment of the current
10 plan, if feasible, or by adjustment in the plan for the
11 following year. Failure to provide the expenditure report
12 or the notification of remedial or corrective action in a
13 timely manner shall result in a withholding of the affected
14 funds.

15 The State Board of Education shall promulgate rules and
16 regulations to implement the provisions of this
17 subsection. No funds shall be released under this
18 subdivision (H) (4) to any district that has not submitted a
19 plan that has been approved by the State Board of
20 Education.

21 (H-5) School Choice Program Adjustments.

22 (1) Funding for City of Chicago School District 299 shall
23 be adjusted to account for the costs of the School Choice
24 Program established under the School Choice Act.

25 (2) Beginning in Fiscal Year 2016 and each fiscal year

1 thereafter, the total cost of School Choice Vouchers issued
2 under the School Choice Act shall be deducted from the portion
3 of general State aid City of Chicago School District 299
4 receives under this Section for that fiscal year.

5 (3) Beginning in Fiscal Year 2017, there shall be an
6 adjustment to the general State aid calculation for City of
7 Chicago School District 299 to provide funding for the School
8 Choice Program established under the School Choice Act. The
9 adjustment shall be (i) \$3,700 if the students enrolled in
10 nonpublic schools under a School Choice Voucher had been
11 enrolled in the district, less (ii) \$3,700 excluding students
12 enrolled in non-public schools under a School Choice Voucher.

13 (I) (Blank).

14 (J) (Blank).

15 (K) Grants to Laboratory and Alternative Schools.

16 In calculating the amount to be paid to the governing board
17 of a public university that operates a laboratory school under
18 this Section or to any alternative school that is operated by a
19 regional superintendent of schools, the State Board of
20 Education shall require by rule such reporting requirements as
21 it deems necessary.

22 As used in this Section, "laboratory school" means a public
23 school which is created and operated by a public university and

1 approved by the State Board of Education. The governing board
2 of a public university which receives funds from the State
3 Board under this subsection (K) may not increase the number of
4 students enrolled in its laboratory school from a single
5 district, if that district is already sending 50 or more
6 students, except under a mutual agreement between the school
7 board of a student's district of residence and the university
8 which operates the laboratory school. A laboratory school may
9 not have more than 1,000 students, excluding students with
10 disabilities in a special education program.

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

1 Each laboratory and alternative school shall file, on forms
2 provided by the State Superintendent of Education, an annual
3 State aid claim which states the Average Daily Attendance of
4 the school's students by month. The best 3 months' Average
5 Daily Attendance shall be computed for each school. The general
6 State aid entitlement shall be computed by multiplying the
7 applicable Average Daily Attendance by the Foundation Level as
8 determined under this Section.

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

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

23 (2) (Blank).

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

1 (M) Education Funding Advisory Board.

2 The Education Funding Advisory Board, hereinafter in this
3 subsection (M) referred to as the "Board", is hereby created.
4 The Board shall consist of 5 members who are appointed by the
5 Governor, by and with the advice and consent of the Senate. The
6 members appointed shall include representatives of education,
7 business, and the general public. One of the members so
8 appointed shall be designated by the Governor at the time the
9 appointment is made as the chairperson of the Board. The
10 initial members of the Board may be appointed any time after
11 the effective date of this amendatory Act of 1997. The regular
12 term of each member of the Board shall be for 4 years from the
13 third Monday of January of the year in which the term of the
14 member's appointment is to commence, except that of the 5
15 initial members appointed to serve on the Board, the member who
16 is appointed as the chairperson shall serve for a term that
17 commences on the date of his or her appointment and expires on
18 the third Monday of January, 2002, and the remaining 4 members,
19 by lots drawn at the first meeting of the Board that is held
20 after all 5 members are appointed, shall determine 2 of their
21 number to serve for terms that commence on the date of their
22 respective appointments and expire on the third Monday of
23 January, 2001, and 2 of their number to serve for terms that
24 commence on the date of their respective appointments and
25 expire on the third Monday of January, 2000. All members

1 appointed to serve on the Board shall serve until their
2 respective successors are appointed and confirmed. Vacancies
3 shall be filled in the same manner as original appointments. If
4 a vacancy in membership occurs at a time when the Senate is not
5 in session, the Governor shall make a temporary appointment
6 until the next meeting of the Senate, when he or she shall
7 appoint, by and with the advice and consent of the Senate, a
8 person to fill that membership for the unexpired term. If the
9 Senate is not in session when the initial appointments are
10 made, those appointments shall be made as in the case of
11 vacancies.

12 The Education Funding Advisory Board shall be deemed
13 established, and the initial members appointed by the Governor
14 to serve as members of the Board shall take office, on the date
15 that the Governor makes his or her appointment of the fifth
16 initial member of the Board, whether those initial members are
17 then serving pursuant to appointment and confirmation or
18 pursuant to temporary appointments that are made by the
19 Governor as in the case of vacancies.

20 The State Board of Education shall provide such staff
21 assistance to the Education Funding Advisory Board as is
22 reasonably required for the proper performance by the Board of
23 its responsibilities.

24 For school years after the 2000-2001 school year, the
25 Education Funding Advisory Board, in consultation with the
26 State Board of Education, shall make recommendations as

1 provided in this subsection (M) to the General Assembly for the
2 foundation level under subdivision (B)(3) of this Section and
3 for the supplemental general State aid grant level under
4 subsection (H) of this Section for districts with high
5 concentrations of children from poverty. The recommended
6 foundation level shall be determined based on a methodology
7 which incorporates the basic education expenditures of
8 low-spending schools exhibiting high academic performance. The
9 Education Funding Advisory Board shall make such
10 recommendations to the General Assembly on January 1 of odd
11 numbered years, beginning January 1, 2001.

12 (N) (Blank).

13 (O) References.

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

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

22 (P) Public Act 93-838 and Public Act 93-808 make inconsistent
23 changes to this Section. Under Section 6 of the Statute on

1 Statutes there is an irreconcilable conflict between Public Act
2 93-808 and Public Act 93-838. Public Act 93-838, being the last
3 acted upon, is controlling. The text of Public Act 93-838 is
4 the law regardless of the text of Public Act 93-808.

5 (Source: P.A. 97-339, eff. 8-12-11; 97-351, eff. 8-12-11;
6 97-742, eff. 6-30-13; 97-813, eff. 7-13-12; 98-972, eff.
7 8-15-14.)

8 Section 999. Effective date. This Act takes effect June 30,
9 2015.