

1 AN ACT concerning taxes.

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

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

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

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

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

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

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

29 (3) In the case of an individual, trust or estate,  
30 for taxable years beginning after June 30, 1989, an  
31 amount equal to 3% of the taxpayer's net income for the

1 taxable year.

2 (4) (Blank).

3 (5) (Blank).

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

7 (7) In the case of a corporation, for taxable years  
8 beginning prior to July 1, 1989 and ending after June 30,  
9 1989, an amount equal to the sum of (i) 4% of the  
10 taxpayer's net income for the period prior to July 1,  
11 1989, as calculated under Section 202.3, and (ii) 4.8% of  
12 the taxpayer's net income for the period after June 30,  
13 1989, as calculated under Section 202.3.

14 (8) In the case of a corporation, for taxable years  
15 beginning after June 30, 1989, an amount equal to 4.8% of  
16 the taxpayer's net income for the taxable year.

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

30 (d) Additional Personal Property Tax Replacement Income  
31 Tax Rates. The personal property tax replacement income tax  
32 imposed by this subsection and subsection (c) of this Section  
33 in the case of a corporation, other than a Subchapter S  
34 corporation and except as adjusted by subsection (d-1), shall

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

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

33 (1) For the purposes of subsection (d-1), in no  
34 event shall the sum of the rates of tax imposed by

1 subsections (b) and (d) be reduced below the rate at  
2 which the sum of:

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

6 (B) the privilege tax imposed by Section 409  
7 of the Illinois Insurance Code, the fire insurance  
8 company tax imposed by Section 12 of the Fire  
9 Investigation Act, and the fire department taxes  
10 imposed under Section 11-10-1 of the Illinois  
11 Municipal Code,

12 equals 1.25% of the net taxable premiums written for the  
13 taxable year, as described by subsection (1) of Section  
14 409 of the Illinois Insurance Code. This paragraph will  
15 in no event increase the rates imposed under subsections  
16 (b) and (d).

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

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

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

29 (1) A taxpayer shall be allowed a credit equal to  
30 .5% of the basis of qualified property placed in service  
31 during the taxable year, provided such property is placed  
32 in service on or after July 1, 1984. There shall be  
33 allowed an additional credit equal to .5% of the basis of  
34 qualified property placed in service during the taxable

1 year, provided such property is placed in service on or  
2 after July 1, 1986, and the taxpayer's base employment  
3 within Illinois has increased by 1% or more over the  
4 preceding year as determined by the taxpayer's employment  
5 records filed with the Illinois Department of Employment  
6 Security. Taxpayers who are new to Illinois shall be  
7 deemed to have met the 1% growth in base employment for  
8 the first year in which they file employment records with  
9 the Illinois Department of Employment Security. The  
10 provisions added to this Section by Public Act 85-1200  
11 (and restored by Public Act 87-895) shall be construed as  
12 declaratory of existing law and not as a new enactment.  
13 If, in any year, the increase in base employment within  
14 Illinois over the preceding year is less than 1%, the  
15 additional credit shall be limited to that percentage  
16 times a fraction, the numerator of which is .5% and the  
17 denominator of which is 1%, but shall not exceed .5%.  
18 The investment credit shall not be allowed to the extent  
19 that it would reduce a taxpayer's liability in any tax  
20 year below zero, nor may any credit for qualified  
21 property be allowed for any year other than the year in  
22 which the property was placed in service in Illinois. For  
23 tax years ending on or after December 31, 1987, and on or  
24 before December 31, 1988, the credit shall be allowed for  
25 the tax year in which the property is placed in service,  
26 or, if the amount of the credit exceeds the tax liability  
27 for that year, whether it exceeds the original liability  
28 or the liability as later amended, such excess may be  
29 carried forward and applied to the tax liability of the 5  
30 taxable years following the excess credit years if the  
31 taxpayer (i) makes investments which cause the creation  
32 of a minimum of 2,000 full-time equivalent jobs in  
33 Illinois, (ii) is located in an enterprise zone  
34 established pursuant to the Illinois Enterprise Zone Act

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

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

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

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

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

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

1 primarily engaged in manufacturing, or in mining  
2 coal or fluorite, or in retailing; and

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

7 (3) For purposes of this subsection (e),  
8 "manufacturing" means the material staging and production  
9 of tangible personal property by procedures commonly  
10 regarded as manufacturing, processing, fabrication, or  
11 assembling which changes some existing material into new  
12 shapes, new qualities, or new combinations. For purposes  
13 of this subsection (e) the term "mining" shall have the  
14 same meaning as the term "mining" in Section 613(c) of  
15 the Internal Revenue Code. For purposes of this  
16 subsection (e), the term "retailing" means the sale of  
17 tangible personal property or services rendered in  
18 conjunction with the sale of tangible consumer goods or  
19 commodities.

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

23 (5) If the basis of the property for federal income  
24 tax depreciation purposes is increased after it has been  
25 placed in service in Illinois by the taxpayer, the amount  
26 of such increase shall be deemed property placed in  
27 service on the date of such increase in basis.

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

31 (7) If during any taxable year, any property ceases  
32 to be qualified property in the hands of the taxpayer  
33 within 48 months after being placed in service, or the  
34 situs of any qualified property is moved outside Illinois

1 within 48 months after being placed in service, the  
2 Personal Property Tax Replacement Income Tax for such  
3 taxable year shall be increased. Such increase shall be  
4 determined by (i) recomputing the investment credit which  
5 would have been allowed for the year in which credit for  
6 such property was originally allowed by eliminating such  
7 property from such computation and, (ii) subtracting such  
8 recomputed credit from the amount of credit previously  
9 allowed. For the purposes of this paragraph (7), a  
10 reduction of the basis of qualified property resulting  
11 from a redetermination of the purchase price shall be  
12 deemed a disposition of qualified property to the extent  
13 of such reduction.

14 (8) Unless the investment credit is extended by  
15 law, the basis of qualified property shall not include  
16 costs incurred after December 31, 2003, except for costs  
17 incurred pursuant to a binding contract entered into on  
18 or before December 31, 2003.

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



1 credits shall be irrevocable.

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

16 (f) Investment credit; Enterprise Zone.

17 (1) A taxpayer shall be allowed a credit against  
18 the tax imposed by subsections (a) and (b) of this  
19 Section for investment in qualified property which is  
20 placed in service in an Enterprise Zone created pursuant  
21 to the Illinois Enterprise Zone Act. For partners,  
22 shareholders of Subchapter S corporations, and owners of  
23 limited liability companies, if the liability company is  
24 treated as a partnership for purposes of federal and  
25 State income taxation, there shall be allowed a credit  
26 under this subsection (f) to be determined in accordance  
27 with the determination of income and distributive share  
28 of income under Sections 702 and 704 and Subchapter S of  
29 the Internal Revenue Code. The credit shall be .5% of the  
30 basis for such property. The credit shall be available  
31 only in the taxable year in which the property is placed  
32 in service in the Enterprise Zone and shall not be  
33 allowed to the extent that it would reduce a taxpayer's  
34 liability for the tax imposed by subsections (a) and (b)

1 of this Section to below zero. For tax years ending on or  
2 after December 31, 1985, the credit shall be allowed for  
3 the tax year in which the property is placed in service,  
4 or, if the amount of the credit exceeds the tax liability  
5 for that year, whether it exceeds the original liability  
6 or the liability as later amended, such excess may be  
7 carried forward and applied to the tax liability of the 5  
8 taxable years following the excess credit year. The  
9 credit shall be applied to the earliest year for which  
10 there is a liability. If there is credit from more than  
11 one tax year that is available to offset a liability, the  
12 credit accruing first in time shall be applied first.

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

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

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

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

25 (D) is used in the Enterprise Zone by the  
26 taxpayer; and

27 (E) has not been previously used in Illinois  
28 in such a manner and by such a person as would  
29 qualify for the credit provided by this subsection  
30 (f) or subsection (e).

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

34 (4) If the basis of the property for federal income

1 tax depreciation purposes is increased after it has been  
2 placed in service in the Enterprise Zone by the taxpayer,  
3 the amount of such increase shall be deemed property  
4 placed in service on the date of such increase in basis.

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

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

25 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade  
26 Zone or Sub-Zone.

27 (1) A taxpayer conducting a trade or business in an  
28 enterprise zone or a High Impact Business designated by  
29 the Department of Commerce and Community Affairs  
30 conducting a trade or business in a federally designated  
31 Foreign Trade Zone or Sub-Zone shall be allowed a credit  
32 against the tax imposed by subsections (a) and (b) of  
33 this Section in the amount of \$500 per eligible employee  
34 hired to work in the zone during the taxable year.

1 (2) To qualify for the credit:

2 (A) the taxpayer must hire 5 or more eligible  
3 employees to work in an enterprise zone or federally  
4 designated Foreign Trade Zone or Sub-Zone during the  
5 taxable year;

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

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

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

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

26 (B) Hired after the enterprise zone or  
27 federally designated Foreign Trade Zone or Sub-Zone  
28 was designated or the trade or business was located  
29 in that zone, whichever is later.

30 (C) Employed in the enterprise zone or Foreign  
31 Trade Zone or Sub-Zone. An employee is employed in  
32 an enterprise zone or federally designated Foreign  
33 Trade Zone or Sub-Zone if his services are rendered  
34 there or it is the base of operations for the

1 services performed.

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

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

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

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

24 (h) Investment credit; High Impact Business.

25 (1) Subject to subsection (b) of Section 5.5 of the  
26 Illinois Enterprise Zone Act, a taxpayer shall be allowed  
27 a credit against the tax imposed by subsections (a) and  
28 (b) of this Section for investment in qualified property  
29 which is placed in service by a Department of Commerce  
30 and Community Affairs designated High Impact Business.  
31 The credit shall be .5% of the basis for such property.  
32 The credit shall not be available until the minimum  
33 investments in qualified property set forth in Section  
34 5.5 of the Illinois Enterprise Zone Act have been

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

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

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

30 (A) is tangible, whether new or used,  
31 including buildings and structural components of  
32 buildings;

33 (B) is depreciable pursuant to Section 167 of  
34 the Internal Revenue Code, except that "3-year

1 property" as defined in Section 168(c)(2)(A) of that  
2 Code is not eligible for the credit provided by this  
3 subsection (h);

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

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

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

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

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

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

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

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

16 (i) A credit shall be allowed against the tax imposed by  
17 subsections (a) and (b) of this Section for the tax imposed  
18 by subsections (c) and (d) of this Section. This credit  
19 shall be computed by multiplying the tax imposed by  
20 subsections (c) and (d) of this Section by a fraction, the  
21 numerator of which is base income allocable to Illinois and  
22 the denominator of which is Illinois base income, and further  
23 multiplying the product by the tax rate imposed by  
24 subsections (a) and (b) of this Section.

25 Any credit earned on or after December 31, 1986 under  
26 this subsection which is unused in the year the credit is  
27 computed because it exceeds the tax liability imposed by  
28 subsections (a) and (b) for that year (whether it exceeds the  
29 original liability or the liability as later amended) may be  
30 carried forward and applied to the tax liability imposed by  
31 subsections (a) and (b) of the 5 taxable years following the  
32 excess credit year. This credit shall be applied first to  
33 the earliest year for which there is a liability. If there  
34 is a credit under this subsection from more than one tax year



1 that is available to offset a liability the earliest credit  
2 arising under this subsection shall be applied first.

3 If, during any taxable year ending on or after December  
4 31, 1986, the tax imposed by subsections (c) and (d) of this  
5 Section for which a taxpayer has claimed a credit under this  
6 subsection (i) is reduced, the amount of credit for such tax  
7 shall also be reduced. Such reduction shall be determined by  
8 recomputing the credit to take into account the reduced tax  
9 imposed by subsection (c) and (d). If any portion of the  
10 reduced amount of credit has been carried to a different  
11 taxable year, an amended return shall be filed for such  
12 taxable year to reduce the amount of credit claimed.

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

32 Any credit allowed under this subsection which is unused  
33 in the year the credit is earned may be carried forward to  
34 each of the 5 taxable years following the year for which the

1 credit is first computed until it is used. This credit shall  
2 be applied first to the earliest year for which there is a  
3 liability. If there is a credit under this subsection from  
4 more than one tax year that is available to offset a  
5 liability the earliest credit arising under this subsection  
6 shall be applied first.

7 (k) Research and development credit.

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

23 For purposes of this subsection, "qualifying  
24 expenditures" means the qualifying expenditures as defined  
25 for the federal credit for increasing research activities  
26 which would be allowable under Section 41 of the Internal  
27 Revenue Code and which are conducted in this State,  
28 "qualifying expenditures for increasing research activities  
29 in this State" means the excess of qualifying expenditures  
30 for the taxable year in which incurred over qualifying  
31 expenditures for the base period, "qualifying expenditures  
32 for the base period" means the average of the qualifying  
33 expenditures for each year in the base period, and "base  
34 period" means the 3 taxable years immediately preceding the

1 taxable year for which the determination is being made.

2 Any credit in excess of the tax liability for the taxable  
3 year may be carried forward. A taxpayer may elect to have the  
4 unused credit shown on its final completed return carried  
5 over as a credit against the tax liability for the following  
6 5 taxable years or until it has been fully used, whichever  
7 occurs first.

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

20 Unless extended by law, the credit shall not include  
21 costs incurred after December 31, 2004, except for costs  
22 incurred pursuant to a binding contract entered into on or  
23 before December 31, 2004.

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

27 (1) Environmental Remediation Tax Credit.

28 (i) For tax years ending after December 31, 1997  
29 and on or before December 31, 2001, a taxpayer shall be  
30 allowed a credit against the tax imposed by subsections  
31 (a) and (b) of this Section for certain amounts paid for  
32 unreimbursed eligible remediation costs, as specified in  
33 this subsection. For purposes of this Section,  
34 "unreimbursed eligible remediation costs" means costs

1 approved by the Illinois Environmental Protection Agency  
2 ("Agency") under Section 58.14 of the Environmental  
3 Protection Act that were paid in performing environmental  
4 remediation at a site for which a No Further Remediation  
5 Letter was issued by the Agency and recorded under  
6 Section 58.10 of the Environmental Protection Act. The  
7 credit must be claimed for the taxable year in which  
8 Agency approval of the eligible remediation costs is  
9 granted. The credit is not available to any taxpayer if  
10 the taxpayer or any related party caused or contributed  
11 to, in any material respect, a release of regulated  
12 substances on, in, or under the site that was identified  
13 and addressed by the remedial action pursuant to the Site  
14 Remediation Program of the Environmental Protection Act.  
15 After the Pollution Control Board rules are adopted  
16 pursuant to the Illinois Administrative Procedure Act for  
17 the administration and enforcement of Section 58.9 of the  
18 Environmental Protection Act, determinations as to credit  
19 availability for purposes of this Section shall be made  
20 consistent with those rules. For purposes of this  
21 Section, "taxpayer" includes a person whose tax  
22 attributes the taxpayer has succeeded to under Section  
23 381 of the Internal Revenue Code and "related party"  
24 includes the persons disallowed a deduction for losses by  
25 paragraphs (b), (c), and (f)(1) of Section 267 of the  
26 Internal Revenue Code by virtue of being a related  
27 taxpayer, as well as any of its partners. The credit  
28 allowed against the tax imposed by subsections (a) and  
29 (b) shall be equal to 25% of the unreimbursed eligible  
30 remediation costs in excess of \$100,000 per site, except  
31 that the \$100,000 threshold shall not apply to any site  
32 contained in an enterprise zone as determined by the  
33 Department of Commerce and Community Affairs. The total  
34 credit allowed shall not exceed \$40,000 per year with a

1 maximum total of \$150,000 per site. For partners and  
2 shareholders of subchapter S corporations, there shall be  
3 allowed a credit under this subsection to be determined  
4 in accordance with the determination of income and  
5 distributive share of income under Sections 702 and 704  
6 and of subchapter S of the Internal Revenue Code.

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

33 (iii) For purposes of this Section, the term "site"  
34 shall have the same meaning as under Section 58.2 of the

1 Environmental Protection Act.

2 (m) Education expense credit.

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

15 For purposes of this subsection;

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

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

27 "School" means any public or nonpublic elementary or  
28 secondary school in Illinois that is in compliance with Title  
29 VI of the Civil Rights Act of 1964 and attendance at which  
30 satisfies the requirements of Section 26-1 of the School  
31 Code, except that nothing shall be construed to require a  
32 child to attend any particular public or nonpublic school to  
33 qualify for the credit under this Section.

34 "Custodian" means, with respect to qualifying pupils, an

1 Illinois resident who is a parent, the parents, a legal  
2 guardian, or the legal guardians of the qualifying pupils.

3 (Source: P.A. 90-123, eff. 7-21-97; 90-458, eff. 8-17-97;  
4 90-605, eff. 6-30-98; 90-655, eff. 7-30-98; 90-717, eff.  
5 8-7-98; 90-792, eff. 1-1-99; 91-9, eff. 1-1-00; 91-357, eff.  
6 7-29-99; 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860,  
7 eff. 6-22-00; 91-913, eff. 1-1-01; revised 10-24-00.)