

Tax Expenditures

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From Comptroller's FY 2013 Tax Expenditure Detail Report (For Tax Year 2011) Taxpayers taking credit (* if three or less)

35 ILCS 5/

(In Thousands)
If less than 3 taxpayers took the credit/subtraction, and the line item is marked by *, a \$0 may appear for the category.

Section:

207 Illinois Net Operating Loss Deduction

0-NOL suspended for Tax Year 2011 (amount was \$218,957 in FY 12)

Effective 1986

A taxpayer with a net operating loss may apply the Illinois apportioned amount against income taxes in future years (carryforward). For tax years ending on or after December 31, 2003, a taxpayer may apply a net operating loss forward for 12 tax years (time periods have varied during the history of the deduction).

The State temporarily suspended the tax from January 1, 2011 to December 31, 2012, then reinstated it with a cap of \$100,000 for any taxable year ending on or after December 31, 2012 and prior to December 31, 2014. As part of the suspension, the State extended the carryforward period one year for each year the net operating loss is suspended or capped.

211, 704A Economic Development for a Growing Economy Tax Credit

\$45,085 62

Effective 2000

The State allows a credit, negotiated with DCEO, for businesses that create or expand Illinois facilities. The duration of the credit may not exceed 15 tax years. State statutes allow some taxpayers to claim the credit against wage withholdings.

203 (d-1) Foreign Insurer Rate Reduction

\$14,065 65

Effective 2000

This provision allows a taxpayer, which is a foreign insurance company (generally an insurance company not domiciled in Illinois) where the home state/country of that insurer imposes a retaliatory tax on Illinois companies doing business in that state/country, to reduce the applicable Illinois corporate income and replacement tax rates to levels the insurer's home state/country imposes on net income. However, the rates cannot be reduced to an amount where the total sum of taxes is less than 1.75% of the net taxable premiums written in Illinois.

213 Film Production Services Credit

\$18,753 14

Effective 2004

(see also the Film Production Services Tax Credit Act -35 ILCS 16/)
The State allows a credit, as determined by DCEO, equal to varying percentages of film production costs incurred in Illinois. This tax credit is transferable.

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201(k)	Research and Development Credit Effective 1991 (ended on 12/30/03 then reinstated in 2004)	\$30,696	258
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The State allows a credit equal to 6.5% of the increase in qualifying expenditures (as defined by the federal tax code) for Illinois research and development expenditures during the tax year over the average of the prior three tax years.

214	Affordable Housing Donation Credit Effective 2001	\$8,484	6
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The State allows a credit equal to 50% of donations to qualified low-income housing projects.

201(f)	Enterprise Zone Investment Credit Effective 1991	\$17,928	302
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A credit is allowed equal to .5% of the cost of property placed in service in an Enterprise Zone.

201 (f)	River Edge Redevelopment Zone Investment Credit Effective 2006	\$0	*
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A credit is allowed equal to .5% of the cost of property placed in service in a River Edge Redevelopment Zone. An additional .5% credit is available for taxpayers who increase base employment by at least 1% within a River Edge Redevelopment Zone.

203(b)(2)(K), 203(b)(2)(M), 203(b)(2)(N)	Enterprise Zone and River Edge Redevelopment Zone Dividend, Interest and Charitable Contribution Subtractions	\$1,588	72
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Effective 1983; (P.A. 97-905, signed into law 8/7/12, repealed the Enterprise zone dividend and interest income deductions for financial institutions.)

1) The Enterprise Zone and River Edge Redevelopment Zone Dividend subtraction modification is equal to those dividends paid by a corporation that conducts substantially all of its business operations in an Illinois Enterprise Zone or River Edge Redevelopment Zone or zones. The language allowing the subtraction for Enterprise Zone businesses was deleted in 2012.

2) The Enterprise Zone and River Edge Redevelopment Zone Interest subtraction is designated for financial organizations that make loans to borrowers that are secured by property that is eligible for the Enterprise Zone or River Edge Redevelopment Zone Investment credit. The language allowing the subtraction for loans secured by Enterprise Zone property was deleted in 2012.

3) The Enterprise Zone and River Edge Redevelopment Zone Charitable Contribution subtraction permits corporate taxpayers to deduct twice the contribution amount made to a charitable organization (as defined by IRC section 170) in a designated Illinois Enterprise Zone or River Edge Redevelopment Zone. The contribution must be used for a project approved by the Illinois Department of Commerce and Economic Opportunity.

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Code	Description	Amount	Count
201 (g)	Enterprise Zone, Foreign Trade Zone, River Edge Redevelopment Zone Job Tax Credit Effective 1986; (Public Act 97-905, signed into law 8/7/12, repealed the credit for Enterprise Zones.) The State provides a tax credit to taxpayers conducting a trade or business in an Illinois Enterprise Zone, a High Impact Business conducting business in a federally designated Foreign Trade Zone or Sub-Zone, or a River Edge Redevelopment Zone. \$500 per eligible employee. Excess credit may be carried forward five tax years	0	*
203(a)(2)(O), (b)(2)(P), (c)(2)(N), and (d)(2)(L)	Job Training Project Contribution Subtraction Effective 1986 The State allows a subtraction from income of an amount equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act.	\$24	10
203(a)(2)(K), (b)(2)(L), (c)(2)(O), and (d)(2)(M)	High Economic Impact Business Dividend Subtraction Effective 1986 This subtraction modification is equal to those dividends paid by a corporation that conducts business operations in a federally designated Foreign Trade Zone or Sub-Zone that is designated a High Impact Business located in Illinois.	\$93	11
203 (b) (M-1)	High Economic Impact Business Interest Subtraction Effective 1986 The subtraction (of interest earned from eligible loans) is designated for financial organizations that make loans to borrowers that secure the loans with property that are eligible for the High Impact Business Investment credit.	0	# included in High Economic Impact Business Dividend Subtraction
201(h)	High Economic Impact Business Investment Credit Effective 1986 This tax credit is provided to taxpayers that invest, and place in service, qualified property in a federally designated Foreign Trade Zone or Sub-Zone and designated as a High Impact Business by the Department of Commerce and Economic Opportunity. The credit is equal to .5% of the property placed in service during the taxable year.	\$0	*

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Line Item	Description	Amount	Count
209	TECH-PREP Youth Vocational Programs Credit Effective 1995 The State allows a credit equal to 20% of the payroll for instructors (as well as personal services rendered to the taxpayer by a TECH-PREP student) involved in TECH-PREP – a cooperative secondary school youth vocational program certified by the State Board of Education for training in certain technical skills for business and industry.	\$0	0
210	Dependent Care Assistance Program Credit Effective 1995 Manufacturers can take a credit equal to 5% of expenditures for workplace child care facilities for employees.	\$0	*
210.5	Employee Child Care Tax Credit Effective 2000 The State allows a corporation to take a credit equal to 30% of start-up costs plus 5% of operating expenses for a child care facility for children of its employees.	\$682	5
216	Credit For Hiring Ex-Felons Effective 2007 A credit of 5% of the wages paid to certain newly-hired ex-felons. The total credit allowed to a taxpayer with respect to each qualified ex-offender may not exceed \$1,500 for all taxable years.	\$0	*
217	Credit for Hiring Veteran Effective 2006 A credit of 10% of the wages paid to certain newly-hired veterans. The credit cannot exceed \$1,200 per employee per year.	\$149	23

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Section	Expenditure Name	Effective Year	Amount	Count
218	Student-Assistance Contribution Credit	Effective 2009	\$0	0
	The State allows employers to take a credit of 25% (maximum \$500 per employee) for contributions to college savings accounts of an employee. The credit may not exceed \$500 per contributing employee per taxable year.			
220	Angel Investment Credit	Effective 2010	\$0	*
	The State allows a credit of 25% of qualifying investments in a small business venture. The maximum amount of an applicant's investment that may be used as the basis for a credit is \$2 million for each investment made directly in a qualified new business venture. DCEO certifies applicants for the credit. Qualifications for such company: (A) it has fewer than 100 employees; (B) it has been in operation in Illinois for not more than 10 consecutive years prior to the year of certification; and (C) it has received not more than \$10 million in aggregate private equity investment in cash; (D) it has received not more than \$4 million in investments that qualified for tax credits under this Section. The aggregate amount of the tax credits that may be claimed for the program is limited to \$10 million per calendar year.			
221	River Edge Historic Preservation Credit	Effective 2011	\$0	0
	The State allows a credit of an amount equal to 25% of qualified expenditures incurred by a qualified taxpayer during the taxable year in the restoration and preservation of a qualified historic structure located in a River Edge Redevelopment Zone pursuant to a qualified rehabilitation plan, provided that the total amount of such expenditures (i) must equal \$5,000 or more and (ii) must exceed 50% of the purchase price of the property.			
201(n)	River Edge Redevelopment Zone Remediation Credit	Effective 2006	\$0	*
	A credit of 25% of unreimbursed eligible environmental remediation costs in excess of \$100,000 per site in a River Edge Redevelopment Zone.			
219	Historic Preservation Credit	Effective 2010	\$0	0
	(See also - Historic Preservation Tax Credit Pilot Program Act -35 ILCS 30/) Designed to facilitate the rehabilitation of a Peoria hotel, the taxpayer is allowed a credit of 25% of qualifying rehabilitation expenditures.			

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203(b)(2)(O)	Foreign Dividend Subtraction Effective 1982	\$360,295	2,373
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Corporations are allowed to subtract dividends received from foreign corporations in a manner that matches the federal deduction for dividends received from domestic corporations (a varying percentage [100%, 80%, 70%] of the value of the foreign dividend based on stock ownership).

20 ILCS 663/	New Markets Development Program Credit Effective 2009	\$0	*
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For qualified investments made between 2008 and 2017 in a community development entity. (Generally, as defined in the Internal Revenue Code, the primary mission of a Qualified Community Development Entity is serving, or providing investment capital for low-income communities or persons.) DCEO issues the credit, which a taxpayer may utilize on the second anniversary of the investment and the next four anniversaries. State statute limits the credit to \$20 million in any fiscal year.

Various	Interest on certain obligations of the the State of Illinois and Illinois local governments Downstate Illinois Sports Facilities Authority Eastern Illinois Economic Development Authority Export Development Act of 1983 Illinois Development Finance Authority Bonds issued by the Illinois Development Finance Authority or the Illinois Finance Authority under the Abestsos Abatement Finance Act Illinois Finance Authority Illinois Housing Development Authority Illinois Sports Facilities Authority Illinois Urban Development Authority Quad Cities Interstate Metropolitan Authority Quad Cities Regional Economic Development Authority Southeastern Illinois Economic Development Authority Southern Illinois Economic Development Authorityh Southwestern Illinois Economic Development Authority Upper Illinois River Valley Development Authority Western Illinois Economic Development Authority Will-Kankakee Regional Development Authority Bonds issued under Sections 7.8-7.87 of the Illinois Development Finance Authority Act Bonds issued under the Rural Bond Bank Act	\$234	
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Total of items marked *	\$4,666
Total	\$502,742

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Other Schedule M subtractions

- 35 ILCS 203 B (2) R Attorney in Fact (Effective 1999)
- 225 ILCS 45/4a Cemetery Pre-Need Sales (Effective 2010)
- 220 ILCS 5/8-508.1 Nuclear Decommissioning Trusts (Effective 1988)
- Other

\$1,095

The following items, effective after 2011, will be reflected in expenditures for future fiscal years.

217.1 Credit for Hiring Unemployed Veterans

Effective 2012

A credit of 20% of the wages paid to certain newly-hired, formerly-unemployed veterans. The credit cannot exceed \$5,000 per employee per year. The veteran must have been unemployed for an aggregate period of 4 weeks or more during the 6-week period ending on the Saturday immediately preceding the date he or she was hired by the taxpayer.

222 Live Theater Production Credit

Effective 2012

A tax credit, in an amount determined by DCEO, covering a percentage of live theater production costs incurred in Illinois.

223 Hospital Credit

Effective 2013

The State allows a credit for for-profit hospitals equal to the lesser of the costs of the hospital's charitable care or its property tax liabilities.

4/7/2014

Subtractions, deductions and other special tax items				Explanation
Item	Form	Line		
Special Apportionment Formulas:				
Insurance Companies	1120	Box G		
Regulated Exchanges	1120	Box G		
Financial Companies	1120	Box G		
Transportation Companies	1120	Box G		
Related party expense subtraction	1120	Line 19		The intention is to true-up intercompany
Distributive share of subtractions	1120	Line 20	Reported as part of other expenditures	Subtractions from pass-through entities that includes a number of different tax expenditures which are estimated and added to other subtractions
Business/Nonbusiness income distinction	1120	Step 4		The intention is to fairly allocate income based on the business' activities in Illinois, not to grant a tax break or exemption.
Lloyds Plan of operation income reported on Form IL-1023-C	Schedule M	Line 13	Income taxed on another form	Income taxed on Form 1023C
Interest income from US Treasuries	1120	Line 10	Federal pre-emption	
Exempt interest dividends paid by regulated investment companies	Schedule M	Line 11	Federal pre-emption	This is federally tax exempt interest paid by mutual funds. Normally dividends paid by mutual funds in Illinois is taxable.
Interest on bonds issued by U.S. overseas possessions	Schedule M	Line 12	Federal pre-emption	
Illinois special depreciation subtraction	1120	Line 18	Federal conformance	The intention is to decouple from federal bonus depreciation, not to grant a tax break or exemption. There is an offsetting addition.
Income for which you claimed a credit under IRC 1341	Schedule M	Line 14	Federal conformance	Federal law allows either a credit or a deduction for income received by a taxpayer that they then have to pay back in a subsequent tax year. The deducted amounts are already included in FTI; this subtraction ensures the taxpayer is treated equitably if they chose a federal credit.
Interest expenses relating to municipal income	Schedule M	Line 15a	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Interest and other expenses related to federally tax-exempt interest	Schedule M	Line 15b	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.

Bond premium amortization on federally tax-exempt bonds	Schedule M	Line 15c	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Expenses related to certain federal credits	Schedule M	Line 15d	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Reduction in insurance company reserves	Schedule M	Line 15e	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Reduction in depreciation related to railroad maintenance	Schedule M	Line 15f	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Gross income resulting from alternative energy credits	Schedule M	Line 15g	Federal conformance	This adds back federally disallowed deductions that were disallowed because they were received as a credit or for another reason.
Federally taxed Illinois state refund from prior years	Schedule M	Line 23	Federal conformance	The federal government requires that income from Illinois refunds be taxed because the taxes are deductible. This subtraction avoids double taxation of income already taxed in Illinois.
Dividends received, including IRC 78 Foreign Dividend Gross-up and subpart F income	Schedule M	Line 24	1120ST Only	
Contributions made to a job training project	Schedule M	Line 25	1120ST / 1065 Filers Only	
Reparations or other amounts received as a victim of persecution by Nazi Germany	Schedule M	Line 26	1041 Only	

Other items of note:
Against withholdings:
704A(h)

**Small Business Jobs Creation
Credit**
Effective 2010

(see also Small Business Jobs Creation Tax Credit Act -35 ILCS 25/)

A small businesses that increases its Illinois workforce may take a credit of \$2,500 against its wage withholding obligation for each additional employee. The credits awarded (in total under the program) may not exceed \$50 million per year.

Some EDGE credits may also apply against withholdings.

Against PPRT:

201(e)

Replacement Tax Investment Credit

Effective 1982

The State allows a credit against the Personal Property Tax Replacement Income Tax equal to .5% of qualifying business property placed in service by a manufacturer, retailer or coal or fluorite miner. A taxpayer who increases Illinois employment during the year may increase the credit rate up to 1%.

4/7/2014