

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 Sections 201, 204, and 207 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) Personal Property Tax Replacement Income Tax.
18 Beginning on July 1, 1979 and thereafter, in addition to such
19 income tax, there is also hereby imposed the Personal
20 Property Tax Replacement Income Tax measured by net income on
21 every corporation (including Subchapter S corporations),
22 partnership and trust, for each taxable year ending after
23 June 30, 1979. Such taxes are imposed on the privilege of
24 earning or receiving income in or as a resident of this
25 State. The Personal Property Tax Replacement Income Tax
26 shall be in addition to the income tax imposed by subsections
27 (a) and (b) of this Section and in addition to all other
28 occupation or privilege taxes imposed by this State or by any
29 municipal corporation or political subdivision 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% for taxable years ending prior to December
13 31, 2003, or 1.75% for taxable years ending on or after
14 December 31, 2003, of the net taxable premiums written
15 for the taxable year, as described by subsection (1) of
16 Section 409 of the Illinois Insurance Code. This
17 paragraph will in no event increase the rates imposed
18 under subsections (b) and (d).

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

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

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

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

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

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

20 (2) The term "qualified property" means property
21 which:

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

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

34 (C) is acquired by purchase as defined in

1 Section 179(d) of the Internal Revenue Code;

2 (D) is used in Illinois by a taxpayer who is
3 primarily engaged in manufacturing, or in mining
4 coal or fluorite, or in retailing; and

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

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

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

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

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

33 (7) If during any taxable year, any property ceases
34 to be qualified property in the hands of the taxpayer

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

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

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

1 Personal Property Tax Replacement Income Tax return for
2 that taxable year. The election to pass through the
3 credits shall be irrevocable.

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

18 (f) Investment credit; Enterprise Zone.

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

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

16 (2) The term qualified property means property
17 which:

18 (A) is tangible, whether new or used,
19 including buildings and structural components of
20 buildings;

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

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

28 (D) is used in the Enterprise Zone by the
29 taxpayer; and

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

34 (3) The basis of qualified property shall be the

1 basis used to compute the depreciation deduction for
2 federal income tax purposes.

3 (4) If the basis of the property for federal income
4 tax depreciation purposes is increased after it has been
5 placed in service in the Enterprise Zone by the taxpayer,
6 the amount of such increase shall be deemed property
7 placed in service on the date of such increase in basis.

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

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

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

30 (1) A taxpayer conducting a trade or business in an
31 enterprise zone or a High Impact Business designated by
32 the Department of Commerce and Community Affairs
33 conducting a trade or business in a federally designated
34 Foreign Trade Zone or Sub-Zone shall be allowed a credit

1 against the tax imposed by subsections (a) and (b) of
2 this Section in the amount of \$500 per eligible employee
3 hired to work in the zone during the taxable year.

4 (2) To qualify for the credit:

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

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

17 (C) the eligible employees must be employed
18 180 consecutive days in order to be deemed hired for
19 purposes of this subsection.

20 (3) An "eligible employee" means an employee who
21 is:

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

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

33 (C) Employed in the enterprise zone or Foreign
34 Trade Zone or Sub-Zone. An employee is employed in

1 an enterprise zone or federally designated Foreign
2 Trade Zone or Sub-Zone if his services are rendered
3 there or it is the base of operations for the
4 services performed.

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

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

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

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

27 (h) Investment credit; High Impact Business.

28 (1) Subject to subsections (b) and (b-5) of Section
29 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
30 be allowed a credit against the tax imposed by
31 subsections (a) and (b) of this Section for investment in
32 qualified property which is placed in service by a
33 Department of Commerce and Community Affairs designated
34 High Impact Business. The credit shall be .5% of the

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

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

4 (2) The term qualified property means property
5 which:

6 (A) is tangible, whether new or used,
7 including buildings and structural components of
8 buildings;

9 (B) is depreciable pursuant to Section 167 of
10 the Internal Revenue Code, except that "3-year
11 property" as defined in Section 168(c)(2)(A) of that
12 Code is not eligible for the credit provided by this
13 subsection (h);

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

16 (D) is not eligible for the Enterprise Zone
17 Investment Credit provided by subsection (f) of this
18 Section.

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

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

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

31 (6) If during any taxable year ending on or before
32 December 31, 1996, any property ceases to be qualified
33 property in the hands of the taxpayer within 48 months
34 after being placed in service, or the situs of any

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

15 (7) Beginning with tax years ending after December
16 31, 1996, if a taxpayer qualifies for the credit under
17 this subsection (h) and thereby is granted a tax
18 abatement and the taxpayer relocates its entire facility
19 in violation of the explicit terms and length of the
20 contract under Section 18-183 of the Property Tax Code,
21 the tax imposed under subsections (a) and (b) of this
22 Section shall be increased for the taxable year in which
23 the taxpayer relocated its facility by an amount equal to
24 the amount of credit received by the taxpayer under this
25 subsection (h).

26 (i) Credit for Personal Property Tax Replacement Income
27 Tax. For tax years ending prior to December 31, 2003, a
28 credit shall be allowed against the tax imposed by
29 subsections (a) and (b) of this Section for the tax imposed
30 by subsections (c) and (d) of this Section. This credit
31 shall be computed by multiplying the tax imposed by
32 subsections (c) and (d) of this Section by a fraction, the
33 numerator of which is base income allocable to Illinois and
34 the denominator of which is Illinois base income, and further

1 multiplying the product by the tax rate imposed by
2 subsections (a) and (b) of this Section.

3 Any credit earned on or after December 31, 1986 under
4 this subsection which is unused in the year the credit is
5 computed because it exceeds the tax liability imposed by
6 subsections (a) and (b) for that year (whether it exceeds the
7 original liability or the liability as later amended) may be
8 carried forward and applied to the tax liability imposed by
9 subsections (a) and (b) of the 5 taxable years following the
10 excess credit year, provided that no credit may be carried
11 forward to any year ending on or after December 31, 2003.

12 This credit shall be applied first to the earliest year for
13 which there is a liability. If there is a credit under this
14 subsection from more than one tax year that is available to
15 offset a liability the earliest credit arising under this
16 subsection shall be applied first.

17 If, during any taxable year ending on or after December
18 31, 1986, the tax imposed by subsections (c) and (d) of this
19 Section for which a taxpayer has claimed a credit under this
20 subsection (i) is reduced, the amount of credit for such tax
21 shall also be reduced. Such reduction shall be determined by
22 recomputing the credit to take into account the reduced tax
23 imposed by subsections (c) and (d). If any portion of the
24 reduced amount of credit has been carried to a different
25 taxable year, an amended return shall be filed for such
26 taxable year to reduce the amount of credit claimed.

27 (j) Training expense credit. Beginning with tax years
28 ending on or after December 31, 1986 and prior to December
29 31, 2003, a taxpayer shall be allowed a credit against the
30 tax imposed by subsections (a) and (b) under this Section for
31 all amounts paid or accrued, on behalf of all persons
32 employed by the taxpayer in Illinois or Illinois residents
33 employed outside of Illinois by a taxpayer, for educational
34 or vocational training in semi-technical or technical fields

1 or semi-skilled or skilled fields, which were deducted from
2 gross income in the computation of taxable income. The
3 credit against the tax imposed by subsections (a) and (b)
4 shall be 1.6% of such training expenses. For partners,
5 shareholders of subchapter S corporations, and owners of
6 limited liability companies, if the liability company is
7 treated as a partnership for purposes of federal and State
8 income taxation, there shall be allowed a credit under this
9 subsection (j) to be determined in accordance with the
10 determination of income and distributive share of income
11 under Sections 702 and 704 and subchapter S of the Internal
12 Revenue Code.

13 Any credit allowed under this subsection which is unused
14 in the year the credit is earned may be carried forward to
15 each of the 5 taxable years following the year for which the
16 credit is first computed until it is used. This credit shall
17 be applied first to the earliest year for which there is a
18 liability. If there is a credit under this subsection from
19 more than one tax year that is available to offset a
20 liability the earliest credit arising under this subsection
21 shall be applied first. No carryforward credit may be
22 claimed in any tax year ending on or after December 31, 2003.

23 (k) Research and development credit.

24 For Beginning--with tax years ending after July 1, 1990
25 and prior to December 31, 2003, a taxpayer shall be allowed a
26 credit against the tax imposed by subsections (a) and (b) of
27 this Section for increasing research activities in this
28 State. The credit allowed against the tax imposed by
29 subsections (a) and (b) shall be equal to 6 1/2% of the
30 qualifying expenditures for increasing research activities in
31 this State. For partners, shareholders of subchapter S
32 corporations, and owners of limited liability companies, if
33 the liability company is treated as a partnership for
34 purposes of federal and State income taxation, there shall be

1 allowed a credit under this subsection to be determined in
2 accordance with the determination of income and distributive
3 share of income under Sections 702 and 704 and subchapter S
4 of the Internal Revenue Code.

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

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

25 If an unused credit is carried forward to a given year
26 from 2 or more earlier years, that credit arising in the
27 earliest year will be applied first against the tax liability
28 for the given year. If a tax liability for the given year
29 still remains, the credit from the next earliest year will
30 then be applied, and so on, until all credits have been used
31 or no tax liability for the given year remains. Any
32 remaining unused credit or credits then will be carried
33 forward to the next following year in which a tax liability
34 is incurred, except that no credit can be carried forward to

1 a year which is more than 5 years after the year in which the
2 expense for which the credit is given was incurred.

3 ~~Unless extended by law, the credit shall not include~~
4 ~~costs incurred after December 31, 2004, except for costs~~
5 ~~incurred pursuant to a binding contract entered into on or~~
6 ~~before December 31, 2004.~~

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

10 (1) Environmental Remediation Tax Credit.

11 (i) For tax years ending after December 31, 1997
12 and on or before December 31, 2001, a taxpayer shall be
13 allowed a credit against the tax imposed by subsections
14 (a) and (b) of this Section for certain amounts paid for
15 unreimbursed eligible remediation costs, as specified in
16 this subsection. For purposes of this Section,
17 "unreimbursed eligible remediation costs" means costs
18 approved by the Illinois Environmental Protection Agency
19 ("Agency") under Section 58.14 of the Environmental
20 Protection Act that were paid in performing environmental
21 remediation at a site for which a No Further Remediation
22 Letter was issued by the Agency and recorded under
23 Section 58.10 of the Environmental Protection Act. The
24 credit must be claimed for the taxable year in which
25 Agency approval of the eligible remediation costs is
26 granted. The credit is not available to any taxpayer if
27 the taxpayer or any related party caused or contributed
28 to, in any material respect, a release of regulated
29 substances on, in, or under the site that was identified
30 and addressed by the remedial action pursuant to the Site
31 Remediation Program of the Environmental Protection Act.
32 After the Pollution Control Board rules are adopted
33 pursuant to the Illinois Administrative Procedure Act for
34 the administration and enforcement of Section 58.9 of the

1 Environmental Protection Act, determinations as to credit
2 availability for purposes of this Section shall be made
3 consistent with those rules. For purposes of this
4 Section, "taxpayer" includes a person whose tax
5 attributes the taxpayer has succeeded to under Section
6 381 of the Internal Revenue Code and "related party"
7 includes the persons disallowed a deduction for losses by
8 paragraphs (b), (c), and (f)(1) of Section 267 of the
9 Internal Revenue Code by virtue of being a related
10 taxpayer, as well as any of its partners. The credit
11 allowed against the tax imposed by subsections (a) and
12 (b) shall be equal to 25% of the unreimbursed eligible
13 remediation costs in excess of \$100,000 per site, except
14 that the \$100,000 threshold shall not apply to any site
15 contained in an enterprise zone as determined by the
16 Department of Commerce and Community Affairs. The total
17 credit allowed shall not exceed \$40,000 per year with a
18 maximum total of \$150,000 per site. For partners and
19 shareholders of subchapter S corporations, there shall be
20 allowed a credit under this subsection to be determined
21 in accordance with the determination of income and
22 distributive share of income under Sections 702 and 704
23 and subchapter S of the Internal Revenue Code.

24 (ii) A credit allowed under this subsection that is
25 unused in the year the credit is earned may be carried
26 forward to each of the 5 taxable years following the year
27 for which the credit is first earned until it is used.
28 The term "unused credit" does not include any amounts of
29 unreimbursed eligible remediation costs in excess of the
30 maximum credit per site authorized under paragraph (i).
31 This credit shall be applied first to the earliest year
32 for which there is a liability. If there is a credit
33 under this subsection from more than one tax year that is
34 available to offset a liability, the earliest credit

1 arising under this subsection shall be applied first. A
2 credit allowed under this subsection may be sold to a
3 buyer as part of a sale of all or part of the remediation
4 site for which the credit was granted. The purchaser of
5 a remediation site and the tax credit shall succeed to
6 the unused credit and remaining carry-forward period of
7 the seller. To perfect the transfer, the assignor shall
8 record the transfer in the chain of title for the site
9 and provide written notice to the Director of the
10 Illinois Department of Revenue of the assignor's intent
11 to sell the remediation site and the amount of the tax
12 credit to be transferred as a portion of the sale. In no
13 event may a credit be transferred to any taxpayer if the
14 taxpayer or a related party would not be eligible under
15 the provisions of subsection (i).

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

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

32 For purposes of this subsection:

33 "Qualifying pupils" means individuals who (i) are
34 residents of the State of Illinois, (ii) are under the age of

1 21 at the close of the school year for which a credit is
2 sought, and (iii) during the school year for which a credit
3 is sought were full-time pupils enrolled in a kindergarten
4 through twelfth grade education program at any school, as
5 defined in this subsection.

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

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

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

20 (Source: P.A. 91-9, eff. 1-1-00; 91-357, eff. 7-29-99;
21 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860, eff.
22 6-22-00; 91-913, eff. 1-1-01; 92-12, eff. 7-1-01; 92-16, eff.
23 6-28-01; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02.)

24 (35 ILCS 5/204) (from Ch. 120, par. 2-204)

25 Sec. 204. Standard Exemption.

26 (a) Allowance of exemption. In computing net income
27 under this Act, there shall be allowed as an exemption the
28 sum of the amounts determined under subsections (b), (c) and
29 (d), multiplied by a fraction the numerator of which is the
30 amount of the taxpayer's base income allocable to this State
31 for the taxable year and the denominator of which is the
32 taxpayer's total base income for the taxable year.

33 (b) Basic amount. For the purpose of subsection (a) of

1 this Section, except as provided by subsection (a) of Section
2 205 and in this subsection, each taxpayer shall be allowed a
3 basic amount of \$1000, except that for corporations the basic
4 amount shall be zero for tax years ending on or after
5 December 31, 2003, and for individuals the basic amount shall
6 be:

7 (1) for taxable years ending on or after December
8 31, 1998 and prior to December 31, 1999, \$1,300;

9 (2) for taxable years ending on or after December
10 31, 1999 and prior to December 31, 2000, \$1,650;

11 (3) for taxable years ending on or after December
12 31, 2000, \$2,000.

13 For taxable years ending on or after December 31, 1992, a
14 taxpayer whose Illinois base income exceeds the basic amount
15 and who is claimed as a dependent on another person's tax
16 return under the Internal Revenue Code of 1986 shall not be
17 allowed any basic amount under this subsection.

18 (c) Additional amount for individuals. In the case of an
19 individual taxpayer, there shall be allowed for the purpose
20 of subsection (a), in addition to the basic amount provided
21 by subsection (b), an additional exemption equal to the basic
22 amount for each exemption in excess of one allowable to such
23 individual taxpayer for the taxable year under Section 151 of
24 the Internal Revenue Code.

25 (d) Additional exemptions for an individual taxpayer and
26 his or her spouse. In the case of an individual taxpayer and
27 his or her spouse, he or she shall each be allowed additional
28 exemptions as follows:

29 (1) Additional exemption for taxpayer or spouse 65
30 years of age or older.

31 (A) For taxpayer. An additional exemption of
32 \$1,000 for the taxpayer if he or she has attained
33 the age of 65 before the end of the taxable year.

34 (B) For spouse when a joint return is not

1 filed. An additional exemption of \$1,000 for the
2 spouse of the taxpayer if a joint return is not made
3 by the taxpayer and his spouse, and if the spouse
4 has attained the age of 65 before the end of such
5 taxable year, and, for the calendar year in which
6 the taxable year of the taxpayer begins, has no
7 gross income and is not the dependent of another
8 taxpayer.

9 (2) Additional exemption for blindness of taxpayer
10 or spouse.

11 (A) For taxpayer. An additional exemption of
12 \$1,000 for the taxpayer if he or she is blind at the
13 end of the taxable year.

14 (B) For spouse when a joint return is not
15 filed. An additional exemption of \$1,000 for the
16 spouse of the taxpayer if a separate return is made
17 by the taxpayer, and if the spouse is blind and, for
18 the calendar year in which the taxable year of the
19 taxpayer begins, has no gross income and is not the
20 dependent of another taxpayer. For purposes of this
21 paragraph, the determination of whether the spouse
22 is blind shall be made as of the end of the taxable
23 year of the taxpayer; except that if the spouse dies
24 during such taxable year such determination shall be
25 made as of the time of such death.

26 (C) Blindness defined. For purposes of this
27 subsection, an individual is blind only if his or
28 her central visual acuity does not exceed 20/200 in
29 the better eye with correcting lenses, or if his or
30 her visual acuity is greater than 20/200 but is
31 accompanied by a limitation in the fields of vision
32 such that the widest diameter of the visual fields
33 subtends an angle no greater than 20 degrees.

34 (e) Cross reference. See Article 3 for the manner of

1 determining base income allocable to this State.

2 (f) Application of Section 250. Section 250 does not
3 apply to the amendments to this Section made by Public Act
4 90-613.

5 (Source: P.A. 90-613, eff. 7-9-98; 91-357, eff. 7-29-99.)

6 (35 ILCS 5/207) (from Ch. 120, par. 2-207)
7 Sec. 207. Net Losses.

8 (a) If after applying all of the modifications provided
9 for in paragraph (2) of Section 203(b), paragraph (2) of
10 Section 203(c) and paragraph (2) of Section 203(d) and the
11 allocation and apportionment provisions of Article 3 of this
12 Act, the taxpayer's net income results in a loss;

13 (1) for any taxable year ending prior to December
14 31, 1999, such loss shall be allowed as a carryover or
15 carryback deduction in the manner allowed under Section
16 172 of the Internal Revenue Code; and

17 (2) for any taxable year ending on or after
18 December 31, 1999 and prior to December 31, 2003, such
19 loss shall be allowed as a carryback to each of the 2
20 taxable years preceding the taxable year of such loss and
21 shall be a net operating carryover to each of the 20
22 taxable years following the taxable year of such loss;
23 and

24 (3) for any taxable year ending on or after
25 December 31, 2003, such loss shall be allowed as a net
26 operating carryover to each of the 12 taxable years
27 following the taxable year of such loss.

28 (a-5) Election to relinquish carryback and order of
29 application of losses.

30 (A) For losses incurred in tax years ending
31 prior to December 31, 2003, the taxpayer may elect
32 to relinquish the entire carryback period with
33 respect to such loss. Such election shall be made

1 in the form and manner prescribed by the Department
2 and shall be made by the due date (including
3 extensions of time) for filing the taxpayer's return
4 for the taxable year in which such loss is incurred,
5 and such election, once made, shall be irrevocable.

6 (B) The entire amount of such loss shall be
7 carried to the earliest taxable year to which such
8 loss may be carried. The amount of such loss which
9 shall be carried to each of the other taxable years
10 shall be the excess, if any, of the amount of such
11 loss over the sum of the deductions for carryback or
12 carryover of such loss allowable for each of the
13 prior taxable years to which such loss may be
14 carried.

15 (b) Any loss determined under subsection (a) of this
16 Section must be carried back or carried forward in the same
17 manner for purposes of subsections (a) and (b) of Section 201
18 of this Act as for purposes of subsections (c) and (d) of
19 Section 201 of this Act.

20 (Source: P.A. 91-541, eff. 8-13-99.)

21 Section 10. The Illinois Insurance Code is amended by
22 changing Sections 445 and 531.13 as follows:

23 (215 ILCS 5/445) (from Ch. 73, par. 1057)

24 Sec. 445. Surplus line.

25 (1) Surplus line defined; surplus line insurer
26 requirements. Surplus line insurance is insurance on an
27 Illinois risk of the kinds specified in Classes 2 and 3 of
28 Section 4 of this Code procured from an unauthorized insurer
29 or a domestic surplus line insurer as defined in Section 445a
30 after the insurance producer representing the insured or the
31 surplus line producer is unable, after diligent effort, to
32 procure said insurance from insurers which are authorized to

1 transact business in this State other than domestic surplus
2 line insurers as defined in Section 445a.

3 Insurance producers may procure surplus line insurance
4 only if licensed as a surplus line producer under this
5 Section and may procure that insurance only from an
6 unauthorized insurer or from a domestic surplus line insurer
7 as defined in Section 445a:

8 (a) that based upon information available to the
9 surplus line producer has a policyholders surplus of not
10 less than \$15,000,000 determined in accordance with
11 accounting rules that are applicable to authorized
12 insurers; and

13 (b) that has standards of solvency and management
14 that are adequate for the protection of policyholders;
15 and

16 (c) where an unauthorized insurer does not meet the
17 standards set forth in (a) and (b) above, a surplus line
18 producer may, if necessary, procure insurance from that
19 insurer only if prior written warning of such fact or
20 condition is given to the insured by the insurance
21 producer or surplus line producer.

22 (2) Surplus line producer; license. Any licensed
23 producer who is a resident of this State, or any nonresident
24 who qualifies under Section 500-40, may be licensed as a
25 surplus line producer upon:

26 (a) completing a prelicensing course of study. The
27 course provided for by this Section shall be conducted
28 under rules and regulations prescribed by the Director.
29 The Director may administer the course or may make
30 arrangements, including contracting with an outside
31 educational service, for administering the course and
32 collecting the non-refundable application fee provided
33 for in this subsection. Any charges assessed by the
34 Director or the educational service for administering the

1 course shall be paid directly by the individual
2 applicants. Each applicant required to take the course
3 shall enclose with the application a non-refundable \$10
4 application fee payable to the Director plus a separate
5 course administration fee. An applicant who fails to
6 appear for the course as scheduled, or appears but fails
7 to complete the course, shall not be entitled to any
8 refund, and shall be required to submit a new request to
9 attend the course together with all the requisite fees
10 before being rescheduled for another course at a later
11 date; and

12 (b) payment of an annual license fee of \$200; and

13 (c) procurement of the surety bond required in
14 subsection (4) of this Section.

15 A surplus line producer so licensed shall keep a separate
16 account of the business transacted thereunder which shall be
17 open at all times to the inspection of the Director or his
18 representative.

19 The prelicensing course of study requirement in (a) above
20 shall not apply to insurance producers who were licensed
21 under the Illinois surplus line law on or before the
22 effective date of this amendatory Act of the 92nd General
23 Assembly.

24 (3) Taxes and reports.

25 (a) Surplus line tax and penalty for late payment.

26 A surplus line producer shall file with the Director
27 on or before February 1 and August 1 of each year a
28 report in the form prescribed by the Director on all
29 surplus line insurance procured from unauthorized
30 insurers during the preceding 6 month period ending
31 December 31 or June 30 respectively, and on the filing of
32 such report shall pay to the Director for the use and
33 benefit of the State a sum equal to 3.5% 3% of the gross
34 premiums less returned premiums upon all surplus line

1 insurance procured or cancelled during the preceding 6
2 months.

3 Any surplus line producer who fails to pay the full
4 amount due under this subsection is liable, in addition
5 to the amount due, for such penalty and interest charges
6 as are provided for under Section 412 of this Code. The
7 Director, through the Attorney General, may institute an
8 action in the name of the People of the State of
9 Illinois, in any court of competent jurisdiction, for the
10 recovery of the amount of such taxes and penalties due,
11 and prosecute the same to final judgment, and take such
12 steps as are necessary to collect the same.

13 (b) Fire Marshal Tax.

14 Each surplus line producer shall file with the
15 Director on or before March 31 of each year a report in
16 the form prescribed by the Director on all fire insurance
17 procured from unauthorized insurers subject to tax under
18 Section 12 of the Fire Investigation Act and shall pay to
19 the Director the fire marshal tax required thereunder.

20 (c) Taxes and fees charged to insured. The taxes
21 imposed under this subsection and the countersigning fees
22 charged by the Surplus Line Association of Illinois may
23 be charged to and collected from surplus line insureds.

24 (4) Bond. Each surplus line producer, as a condition to
25 receiving a surplus line producer's license, shall execute
26 and deliver to the Director a surety bond to the People of
27 the State in the penal sum of \$20,000, with a surety which is
28 authorized to transact business in this State, conditioned
29 that the surplus line producer will pay to the Director the
30 tax, interest and penalties levied under subsection (3) of
31 this Section.

32 (5) Submission of documents to Surplus Line Association
33 of Illinois. A surplus line producer shall submit every
34 insurance contract issued under his or her license to the

1 Surplus Line Association of Illinois for recording and
2 countersignature. The submission and countersignature may be
3 effected through electronic means. The submission shall set
4 forth:

5 (a) the name of the insured;

6 (b) the description and location of the insured
7 property or risk;

8 (c) the amount insured;

9 (d) the gross premiums charged or returned;

10 (e) the name of the unauthorized insurer or
11 domestic surplus line insurer as defined in Section 445a
12 from whom coverage has been procured;

13 (f) the kind or kinds of insurance procured; and

14 (g) amount of premium subject to tax required by
15 Section 12 of the Fire Investigation Act.

16 Proposals, endorsements, and other documents which
17 are incidental to the insurance but which do not affect
18 the premium charged are exempted from filing and
19 countersignature.

20 The submission of insuring contracts to the Surplus
21 Line Association of Illinois constitutes a certification
22 by the surplus line producer or by the insurance producer
23 who presented the risk to the surplus line producer for
24 placement as a surplus line risk that after diligent
25 effort the required insurance could not be procured from
26 insurers which are authorized to transact business in
27 this State other than domestic surplus line insurers as
28 defined in Section 445a and that such procurement was
29 otherwise in accordance with the surplus line law.

30 (6) Countersignature required. It shall be unlawful for
31 an insurance producer to deliver any unauthorized insurer
32 contract or domestic surplus line insurer contract unless
33 such insurance contract is countersigned by the Surplus Line
34 Association of Illinois.

1 (7) Inspection of records. A surplus line producer
2 shall maintain separate records of the business transacted
3 under his or her license, including complete copies of
4 surplus line insurance contracts maintained on paper or by
5 electronic means, which records shall be open at all times
6 for inspection by the Director and by the Surplus Line
7 Association of Illinois.

8 (8) Violations and penalties. The Director may suspend
9 or revoke or refuse to renew a surplus line producer license
10 for any violation of this Code. In addition to or in lieu of
11 suspension or revocation, the Director may subject a surplus
12 line producer to a civil penalty of up to \$1,000 for each
13 cause for suspension or revocation. Such penalty is
14 enforceable under subsection (5) of Section 403A of this
15 Code.

16 (9) Director may declare insurer ineligible. If the
17 Director determines that the further assumption of risks
18 might be hazardous to the policyholders of an unauthorized
19 insurer, the Director may order the Surplus Line Association
20 of Illinois not to countersign insurance contracts evidencing
21 insurance in such insurer and order surplus line producers to
22 cease procuring insurance from such insurer.

23 (10) Service of process upon Director. Insurance
24 contracts delivered under this Section from unauthorized
25 insurers shall contain a provision designating the Director
26 and his successors in office the true and lawful attorney of
27 the insurer upon whom may be served all lawful process in any
28 action, suit or proceeding arising out of such insurance.
29 Service of process made upon the Director to be valid
30 hereunder must state the name of the insured, the name of the
31 unauthorized insurer and identify the contract of insurance.
32 The Director at his option is authorized to forward a copy of
33 the process to the Surplus Line Association of Illinois for
34 delivery to the unauthorized insurer or the Director may

1 deliver the process to the unauthorized insurer by other
2 means which he considers to be reasonably prompt and certain.

3 (11) The Illinois Surplus Line law does not apply to
4 insurance of property and operations of railroads or aircraft
5 engaged in interstate or foreign commerce, insurance of
6 vessels, crafts or hulls, cargoes, marine builder's risks,
7 marine protection and indemnity, or other risks including
8 strikes and war risks insured under ocean or wet marine forms
9 of policies.

10 (12) Surplus line insurance procured under this Section,
11 including insurance procured from a domestic surplus line
12 insurer, is not subject to the provisions of the Illinois
13 Insurance Code other than Sections 123, 123.1, 401, 401.1,
14 402, 403, 403A, 408, 412, 445, 445.1, 445.2, 445.3, 445.4,
15 and all of the provisions of Article XXXI to the extent that
16 the provisions of Article XXXI are not inconsistent with the
17 terms of this Act.

18 (Source: P.A. 92-386, eff. 1-1-02.)

19 (215 ILCS 5/531.13) (from Ch. 73, par. 1065.80-13)

20 Sec. 531.13. Tax offset. In the event the aggregate
21 Class A, B and C assessments for all member insurers do not
22 exceed \$3,000,000 in any one calendar year, no member insurer
23 shall receive a tax offset. However, for any one calendar
24 year before 1998 in which the total of such assessments
25 exceeds \$3,000,000, the amount in excess of \$3,000,000 shall
26 be subject to a tax offset to the extent of 20% of the amount
27 of such assessment for each of the 5 calendar years following
28 the year in which such assessment was paid, and ending prior
29 to January 1, 2003, and each member insurer may offset the
30 proportionate amount of such excess paid by the insurer
31 against its liabilities for the tax imposed by subsections
32 (a) and (b) of Section 201 of the Illinois Income Tax Act.
33 The provisions of this Section shall expire and be given no

1 effect for any tax period commencing on and after January 1,
2 2003.

3 (Source: P.A. 90-583, eff. 5-29-98.)

4 Section 15. The Health Maintenance Organization Act is
5 amended by changing Section 6-13 as follows:

6 (215 ILCS 125/6-13) (from Ch. 111 1/2, par. 1418.13)

7 Sec. 6-13. Tax offset. In the event the aggregate Class
8 A and B assessments for all member organizations do not
9 exceed \$3,000,000 in any one calendar year, no member
10 organization shall receive a tax offset. However, in any one
11 calendar year in which the total of such assessments exceeds
12 \$3,000,000, the amount in excess of \$3,000,000 shall be
13 subject to a tax offset to the extent of 20% of the amount of
14 such assessment for each of the five calendar years following
15 the year in which such assessment was paid, and ending prior
16 to January 1, 2003, and each member organization may offset
17 the proportionate amount of such excess paid by the
18 organization against its liabilities for the tax imposed by
19 subsections (a) and (b) of Section 201 of the Illinois Income
20 Tax Act. The provisions of this Section shall expire and be
21 given no effect on and after January 1, 2004.

22 (Source: P.A. 85-20.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.