



## 95TH GENERAL ASSEMBLY

### State of Illinois

### 2007 and 2008

#### SB0750

Introduced 2/8/2007, by Sen. James T. Meeks - Kimberly A. Lightford - Jacqueline Y. Collins - Rickey R. Hendon - Kwame Raoul, et al.

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the State Finance Act. Creates the School District Property Tax Relief Fund. Requires annual appropriations from the education appropriation minimum to the Fund. Requires the Department of Revenue to annually certify the amounts of property tax relief grants that school districts will receive from the Fund. Sets forth procedures for appropriating these grants. Amends the Illinois Income Tax Act. Increases the tax rate for individuals, trusts, and estates from 3% to 5% and increased the tax rate for corporations from 4.8% to 8%. Includes retirement income within the definition of "base income" for certain individuals. Eliminates certain corporate exemptions. Creates the Family Tax Credit. Amends the use and occupation tax Acts. Eliminates exemptions concerning newsprint and ink and concerning manufacturing and assembling machinery. Includes certain arts, entertainment, and recreation services within the definition of "sale at retail". Amends the Property Tax Code. Requires county clerks to abate the extensions for educational purposes by the amount of the property tax relief grants. Amends the Motor Fuel Tax Law. Deletes provisions concerning certain discounts. Amends the School Code. In the State aid formula provisions, increases the foundation level of support and grant amount for supplemental general State aid. Provides for an education appropriation minimum and supplemental State aid for rapidly expanding school districts. Effective immediately.

LRB095 11014 BDD 31327 b

FISCAL NOTE ACT  
MAY APPLY

HOUSING  
AFFORDABILITY  
IMPACT NOTE ACT  
MAY APPLY

1 AN ACT concerning education.

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

4 Section 5. The State Finance Act is amended by adding  
5 Section 5.675 and 6z-69 as follows:

6 (30 ILCS 105/5.675 new)

7 Sec. 5.675. The School District Property Tax Relief Fund.

8 (30 ILCS 105/6z-69 new)

9 Sec. 6z-69. School District Property Tax Relief Fund.

10 (a) The School District property Tax Relief Fund is created  
11 as a special Fund in the State treasury. All interest earned on  
12 moneys in the Fund shall be deposited into the Fund.

13 (b) As used in this Section:

14 "Department" means the Department of Revenue.

15 "Minimum property tax relief grant" means the minimum  
16 amount of property tax relief that will be distributed to each  
17 school district from the School District Property Tax Relief  
18 Fund in each fiscal year.

19 "High property tax effort school district" means each  
20 school district that has a total tax rate that is in the top  
21 25% of all total tax rates of all school districts.

22 "Supplemental percentage" means the average daily head

1 count of a particular high property tax effort school district  
2 in a fiscal year, divided by the head count total for that  
3 fiscal year.

4 "Head count total" means the aggregate average daily  
5 attendance of all high property tax effort school districts in  
6 the applicable fiscal year.

7 "Supplemental property tax relief grant" means the amount  
8 of property tax relief granted to each high property tax effort  
9 school district in each fiscal year that is in addition to the  
10 minimum property tax relief grant that the district receives.

11 (c) Beginning in fiscal year 2008, the General Assembly  
12 shall appropriate \$2.4 billion from the education  
13 appropriation minimum, as defined in Section 18-25 of the  
14 School Code, to the School District Property Tax Relief Fund.  
15 In each fiscal year thereafter, the General Assembly shall  
16 appropriate an amount from the education appropriation  
17 minimum, to the School District Property Tax Relief Fund equal  
18 to the amount appropriated to the School District Property Tax  
19 Relief Fund in the immediately preceding fiscal year, increased  
20 by the Employment Cost Index ("ECI") published by the U.S.  
21 Bureau of Labor Statistics for the immediately preceding fiscal  
22 year.

23 (d) Between November 15 and 17 beginning in fiscal year  
24 2008 and for every year thereafter, the Department must  
25 certify, no earlier than November 15 and no later than November  
26 17, the total amount of property tax relief each school

1 district will receive from the School District Property Tax  
2 Relief Fund. The relief shall be determined as follows:

3 (1) In each fiscal year commencing with fiscal year  
4 2008, the General Assembly shall appropriate 80% of the  
5 total amount appropriated to the School District Property  
6 Tax Relief Fund for that fiscal year to fund the aggregate  
7 amount of minimum property tax relief grants that will be  
8 distributed to all school districts. The Department then  
9 shall calculate the amount of minimum property tax relief  
10 grant to be distributed to each school district in each  
11 fiscal year as follows:

12 (A) for fiscal year 2008, each school district  
13 shall receive a minimum property tax relief grant in an  
14 amount equal to 20% of the total property taxes  
15 reported as payable for that school district in fiscal  
16 year 2002; and

17 (B) for each fiscal year thereafter, the minimum  
18 property tax relief grant for each school district must  
19 be increased by the percentage increase, if any, in the  
20 ECI published for the prior fiscal year.

21 (2) In each fiscal year commencing with fiscal year  
22 2008, the General Assembly shall appropriate 20% of the  
23 total amount appropriated to the School District Property  
24 Tax Relief Fund for that fiscal year to fund the aggregate  
25 amount of supplemental property tax relief grants that will  
26 be distributed to all high property tax effort school

1 districts. The Department shall calculate the amount of  
2 supplemental property tax relief grants payable to a  
3 particular high property tax effort school district in each  
4 fiscal year commencing in fiscal year 2008 and continuing  
5 in each fiscal year thereafter by multiplying the  
6 Supplemental Percentage of that high property tax effort  
7 school district for that fiscal year by the total amount  
8 appropriated to fund all the supplemental property tax  
9 relief grants in that fiscal year.

10 Section 10. The Illinois Income Tax Act is amended by  
11 changing Sections 201 and 203 and by adding Section 247 as  
12 follows:

13 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

14 Sec. 201. Tax Imposed.

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

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

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

5           (2) In the case of an individual, trust or estate, for  
6 taxable years beginning prior to July 1, 1989 and ending  
7 after June 30, 1989, an amount equal to the sum of (i) 2  
8 1/2% of the taxpayer's net income for the period prior to  
9 July 1, 1989, as calculated under Section 202.3, and (ii)  
10 3% of the taxpayer's net income for the period after June  
11 30, 1989, as calculated under Section 202.3.

12           (3) In the case of an individual, trust or estate, for  
13 taxable years beginning after June 30, 1989 and beginning  
14 on or before January 1, 2007, an amount equal to 3% of the  
15 taxpayer's net income for the taxable year.

16           (4) In the case of an individual, trust or estate, for  
17 taxable years beginning after January 1, 2007, an amount  
18 equal to 5% of the taxpayer's net income for the taxable  
19 year(Blank).

20           (5) (Blank).

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

24           (7) In the case of a corporation, for taxable years  
25 beginning prior to July 1, 1989 and ending after June 30,  
26 1989, an amount equal to the sum of (i) 4% of the

1 taxpayer's net income for the period prior to July 1, 1989,  
2 as calculated under Section 202.3, and (ii) 4.8% of the  
3 taxpayer's net income for the period after June 30, 1989,  
4 as calculated under Section 202.3.

5 (8) In the case of a corporation, for taxable years  
6 beginning after June 30, 1989 and beginning on or before  
7 January 1, 2007, an amount equal to 4.8% of the taxpayer's  
8 net income for the taxable year.

9 (9) In the case of a corporation, for taxable years  
10 beginning after January 1, 2007, an amount equal to 8% of  
11 the taxpayer's net income for the taxable year.

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

25 (d) Additional Personal Property Tax Replacement Income  
26 Tax Rates. The personal property tax replacement income tax

1 imposed by this subsection and subsection (c) of this Section  
2 in the case of a corporation, other than a Subchapter S  
3 corporation and except as adjusted by subsection (d-1), shall  
4 be an additional amount equal to 2.85% of such taxpayer's net  
5 income for the taxable year, except that beginning on January  
6 1, 1981, and thereafter, the rate of 2.85% specified in this  
7 subsection shall be reduced to 2.5%, and in the case of a  
8 partnership, trust or a Subchapter S corporation shall be an  
9 additional amount equal to 1.5% of such taxpayer's net income  
10 for the taxable year.

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



1 the taxable year by such foreign insurer's state or country of  
2 domicile if that net income were subject to all income taxes  
3 and taxes measured by net income imposed by such foreign  
4 insurer's state or country of domicile, net of all credits  
5 allowed or (ii) a rate of zero if no such tax is imposed on such  
6 income by the foreign insurer's state of domicile. For the  
7 purposes of this subsection (d-1), an inter-affiliate includes  
8 a mutual insurer under common management.

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

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

15 (B) the privilege tax imposed by Section 409 of the  
16 Illinois Insurance Code, the fire insurance company  
17 tax imposed by Section 12 of the Fire Investigation  
18 Act, and the fire department taxes imposed under  
19 Section 11-10-1 of the Illinois Municipal Code,  
20 equals 1.25% for taxable years ending prior to December 31,  
21 2003, or 1.75% for taxable years ending on or after  
22 December 31, 2003, of the net taxable premiums written for  
23 the taxable year, as described by subsection (1) of Section  
24 409 of the Illinois Insurance Code. This paragraph will in  
25 no event increase the rates imposed under subsections (b)  
26 and (d).

1           (2) Any reduction in the rates of tax imposed by this  
2 subsection shall be applied first against the rates imposed  
3 by subsection (b) and only after the tax imposed by  
4 subsection (a) net of all credits allowed under this  
5 Section other than the credit allowed under subsection (i)  
6 has been reduced to zero, against the rates imposed by  
7 subsection (d).

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

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

13           (1) A taxpayer shall be allowed a credit equal to .5%  
14 of the basis of qualified property placed in service during  
15 the taxable year, provided such property is placed in  
16 service on or after July 1, 1984. There shall be allowed an  
17 additional credit equal to .5% of the basis of qualified  
18 property placed in service during the taxable year,  
19 provided such property is placed in service on or after  
20 July 1, 1986, and the taxpayer's base employment within  
21 Illinois has increased by 1% or more over the preceding  
22 year as determined by the taxpayer's employment records  
23 filed with the Illinois Department of Employment Security.  
24 Taxpayers who are new to Illinois shall be deemed to have  
25 met the 1% growth in base employment for the first year in  
26 which they file employment records with the Illinois

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

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

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

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

1 other appurtenances;

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

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

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

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

19 (3) For purposes of this subsection (e),  
20 "manufacturing" means the material staging and production  
21 of tangible personal property by procedures commonly  
22 regarded as manufacturing, processing, fabrication, or  
23 assembling which changes some existing material into new  
24 shapes, new qualities, or new combinations. For purposes of  
25 this subsection (e) the term "mining" shall have the same  
26 meaning as the term "mining" in Section 613(c) of the

1 Internal Revenue Code. For purposes of this subsection (e),  
2 the term "retailing" means the sale of tangible personal  
3 property or services rendered in conjunction with the sale  
4 of tangible consumer goods or commodities.

5 (4) The basis of qualified property shall be the basis  
6 used to compute the depreciation deduction for federal  
7 income tax purposes.

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

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

15 (7) If during any taxable year, any property ceases to  
16 be qualified property in the hands of the taxpayer within  
17 48 months after being placed in service, or the situs of  
18 any qualified property is moved outside Illinois within 48  
19 months after being placed in service, the Personal Property  
20 Tax Replacement Income Tax for such taxable year shall be  
21 increased. Such increase shall be determined by (i)  
22 recomputing the investment credit which would have been  
23 allowed for the year in which credit for such property was  
24 originally allowed by eliminating such property from such  
25 computation and, (ii) subtracting such recomputed credit  
26 from the amount of credit previously allowed. For the

1 purposes of this paragraph (7), a reduction of the basis of  
2 qualified property resulting from a redetermination of the  
3 purchase price shall be deemed a disposition of qualified  
4 property to the extent of such reduction.

5 (8) Unless the investment credit is extended by law,  
6 the basis of qualified property shall not include costs  
7 incurred after December 31, 2008, except for costs incurred  
8 pursuant to a binding contract entered into on or before  
9 December 31, 2008.

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

26 For taxable years ending on or after December 31, 2000,

1 a partner that qualifies its partnership for a subtraction  
2 under subparagraph (I) of paragraph (2) of subsection (d)  
3 of Section 203 or a shareholder that qualifies a Subchapter  
4 S corporation for a subtraction under subparagraph (S) of  
5 paragraph (2) of subsection (b) of Section 203 shall be  
6 allowed a credit under this subsection (e) equal to its  
7 share of the credit earned under this subsection (e) during  
8 the taxable year by the partnership or Subchapter S  
9 corporation, 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. This paragraph is exempt from the provisions  
13 of Section 250.

14 (f) Investment credit; Enterprise Zone; River Edge  
15 Redevelopment Zone.

16 (1) A taxpayer shall be allowed a credit against the  
17 tax imposed by subsections (a) and (b) of this Section for  
18 investment in qualified property which is placed in service  
19 in an Enterprise Zone created pursuant to the Illinois  
20 Enterprise Zone Act or, for property placed in service on  
21 or after July 1, 2006, a River Edge Redevelopment Zone  
22 established pursuant to the River Edge Redevelopment Zone  
23 Act. For partners, shareholders of Subchapter S  
24 corporations, and owners of limited liability companies,  
25 if the liability company is treated as a partnership for  
26 purposes of federal and State income taxation, there shall



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

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

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

26 (B) is depreciable pursuant to Section 167 of the

1 Internal Revenue Code, except that "3-year property"  
2 as defined in Section 168(c)(2)(A) of that Code is not  
3 eligible for the credit provided by this subsection  
4 (f);

5 (C) is acquired by purchase as defined in Section  
6 179(d) of the Internal Revenue Code;

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

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

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

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

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

24 (6) If during any taxable year, any property ceases to  
25 be qualified property in the hands of the taxpayer within  
26 48 months after being placed in service, or the situs of

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

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

1 Security. If, in any year, the increase in base employment  
2 within Illinois over the preceding year is less than 1%,  
3 the additional credit shall be limited to that percentage  
4 times a fraction, the numerator of which is 0.5% and the  
5 denominator of which is 1%, but shall not exceed 0.5%.

6 (g) Jobs Tax Credit; Enterprise Zone, River Edge  
7 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

8 (1) A taxpayer conducting a trade or business in an  
9 enterprise zone or a High Impact Business designated by the  
10 Department of Commerce and Economic Opportunity or for  
11 taxable years ending on or after December 31, 2006, in a  
12 River Edge Redevelopment Zone conducting a trade or  
13 business in a federally designated Foreign Trade Zone or  
14 Sub-Zone shall be allowed a credit against the tax imposed  
15 by subsections (a) and (b) of this Section in the amount of  
16 \$500 per eligible employee hired to work in the zone during  
17 the taxable year.

18 (2) To qualify for the credit:

19 (A) the taxpayer must hire 5 or more eligible  
20 employees to work in an enterprise zone, River Edge  
21 Redevelopment Zone, or federally designated Foreign  
22 Trade Zone or Sub-Zone during the taxable year;

23 (B) the taxpayer's total employment within the  
24 enterprise zone, River Edge Redevelopment Zone, or  
25 federally designated Foreign Trade Zone or Sub-Zone  
26 must increase by 5 or more full-time employees beyond

1 the total employed in that zone at the end of the  
2 previous tax year for which a jobs tax credit under  
3 this Section was taken, or beyond the total employed by  
4 the taxpayer as of December 31, 1985, whichever is  
5 later; and

6 (C) the eligible employees must be employed 180  
7 consecutive days in order to be deemed hired for  
8 purposes of this subsection.

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

10 (A) Certified by the Department of Commerce and  
11 Economic Opportunity as "eligible for services"  
12 pursuant to regulations promulgated in accordance with  
13 Title II of the Job Training Partnership Act, Training  
14 Services for the Disadvantaged or Title III of the Job  
15 Training Partnership Act, Employment and Training  
16 Assistance for Dislocated Workers Program.

17 (B) Hired after the enterprise zone, River Edge  
18 Redevelopment Zone, or federally designated Foreign  
19 Trade Zone or Sub-Zone was designated or the trade or  
20 business was located in that zone, whichever is later.

21 (C) Employed in the enterprise zone, River Edge  
22 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.  
23 An employee is employed in an enterprise zone or  
24 federally designated Foreign Trade Zone or Sub-Zone if  
25 his services are rendered there or it is the base of  
26 operations for the services performed.

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

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

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

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

23 (h) Investment credit; High Impact Business.

24 (1) Subject to subsections (b) and (b-5) of Section 5.5  
25 of the Illinois Enterprise Zone Act, a taxpayer shall be  
26 allowed a credit against the tax imposed by subsections (a)

1 and (b) of this Section for investment in qualified  
2 property which is placed in service by a Department of  
3 Commerce and Economic Opportunity designated High Impact  
4 Business. The credit shall be .5% of the basis for such  
5 property. The credit shall not be available (i) until the  
6 minimum investments in qualified property set forth in  
7 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
8 Enterprise Zone Act have been satisfied or (ii) until the  
9 time authorized in subsection (b-5) of the Illinois  
10 Enterprise Zone Act for entities designated as High Impact  
11 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and  
12 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone  
13 Act, and shall not be allowed to the extent that it would  
14 reduce a taxpayer's liability for the tax imposed by  
15 subsections (a) and (b) of this Section to below zero. The  
16 credit applicable to such investments shall be taken in the  
17 taxable year in which such investments have been completed.  
18 The credit for additional investments beyond the minimum  
19 investment by a designated high impact business authorized  
20 under subdivision (a)(3)(A) of Section 5.5 of the Illinois  
21 Enterprise Zone Act shall be available only in the taxable  
22 year in which the property is placed in service and shall  
23 not be allowed to the extent that it would reduce a  
24 taxpayer's liability for the tax imposed by subsections (a)  
25 and (b) of this Section to below zero. For tax years ending  
26 on or after December 31, 1987, the credit shall be allowed

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

11 Changes made in this subdivision (h) (1) by Public Act  
12 88-670 restore changes made by Public Act 85-1182 and  
13 reflect existing law.

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

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

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

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

24 (D) is not eligible for the Enterprise Zone  
25 Investment Credit provided by subsection (f) of this  
26 Section.



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

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

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

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

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

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

14 (i) Credit for Personal Property Tax Replacement Income  
15 Tax. For tax years ending prior to December 31, 2003, a credit  
16 shall be allowed against the tax imposed by subsections (a) and  
17 (b) of this Section for the tax imposed by subsections (c) and  
18 (d) of this Section. This credit shall be computed by  
19 multiplying the tax imposed by subsections (c) and (d) of this  
20 Section by a fraction, the numerator of which is base income  
21 allocable to Illinois and the denominator of which is Illinois  
22 base income, and further multiplying the product by the tax  
23 rate imposed by subsections (a) and (b) of this Section.

24 Any credit earned on or after December 31, 1986 under this  
25 subsection which is unused in the year the credit is computed  
26 because it exceeds the tax liability imposed by subsections (a)

1 and (b) for that year (whether it exceeds the original  
2 liability or the liability as later amended) may be carried  
3 forward and applied to the tax liability imposed by subsections  
4 (a) and (b) of the 5 taxable years following the excess credit  
5 year, provided that no credit may be carried forward to any  
6 year ending on or after December 31, 2003. This credit shall be  
7 applied first to the earliest year for which there is a  
8 liability. If there is a credit under this subsection from more  
9 than one tax year that is available to offset a liability the  
10 earliest credit arising under this subsection shall be applied  
11 first.

12 If, during any taxable year ending on or after December 31,  
13 1986, the tax imposed by subsections (c) and (d) of this  
14 Section for which a taxpayer has claimed a credit under this  
15 subsection (i) is reduced, the amount of credit for such tax  
16 shall also be reduced. Such reduction shall be determined by  
17 recomputing the credit to take into account the reduced tax  
18 imposed by subsections (c) and (d). If any portion of the  
19 reduced amount of credit has been carried to a different  
20 taxable year, an amended return shall be filed for such taxable  
21 year to reduce the amount of credit claimed.

22 (j) Training expense credit. Beginning with tax years  
23 ending on or after December 31, 1986 and prior to December 31,  
24 2003, a taxpayer shall be allowed a credit against the tax  
25 imposed by subsections (a) and (b) under this Section for all  
26 amounts paid or accrued, on behalf of all persons employed by

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

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

25 (k) Research and development credit.

26 For tax years ending after July 1, 1990 and prior to

1 December 31, 2003, and beginning again for tax years ending on  
2 or after December 31, 2004, a taxpayer shall be allowed a  
3 credit against the tax imposed by subsections (a) and (b) of  
4 this Section for increasing research activities in this State.  
5 The credit allowed against the tax imposed by subsections (a)  
6 and (b) shall be equal to 6 1/2% of the qualifying expenditures  
7 for increasing research activities in this State. For partners,  
8 shareholders of subchapter S corporations, and owners of  
9 limited liability companies, if the liability company is  
10 treated as a partnership for purposes of federal and State  
11 income taxation, there shall be allowed a credit under this  
12 subsection to be determined in accordance with the  
13 determination of income and distributive share of income under  
14 Sections 702 and 704 and subchapter S of the Internal Revenue  
15 Code.

16 For purposes of this subsection, "qualifying expenditures"  
17 means the qualifying expenditures as defined for the federal  
18 credit for increasing research activities which would be  
19 allowable under Section 41 of the Internal Revenue Code and  
20 which are conducted in this State, "qualifying expenditures for  
21 increasing research activities in this State" means the excess  
22 of qualifying expenditures for the taxable year in which  
23 incurred over qualifying expenditures for the base period,  
24 "qualifying expenditures for the base period" means the average  
25 of the qualifying expenditures for each year in the base  
26 period, and "base period" means the 3 taxable years immediately

1 preceding the taxable year for which the determination is being  
2 made.

3 Any credit in excess of the tax liability for the taxable  
4 year may be carried forward. A taxpayer may elect to have the  
5 unused credit shown on its final completed return carried over  
6 as a credit against the tax liability for the following 5  
7 taxable years or until it has been fully used, whichever occurs  
8 first; provided that no credit earned in a tax year ending  
9 prior to December 31, 2003 may be carried forward to any year  
10 ending on or after December 31, 2003.

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

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

26 (1) Environmental Remediation Tax Credit.

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

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

22 (ii) A credit allowed under this subsection that is  
23 unused in the year the credit is earned may be carried  
24 forward to each of the 5 taxable years following the year  
25 for which the credit is first earned until it is used. The  
26 term "unused credit" does not include any amounts of



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

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

24 (m) Education expense credit. Beginning with tax years  
25 ending after December 31, 1999, a taxpayer who is the custodian  
26 of one or more qualifying pupils shall be allowed a credit

1 against the tax imposed by subsections (a) and (b) of this  
2 Section for qualified education expenses incurred on behalf of  
3 the qualifying pupils. The credit shall be equal to 25% of  
4 qualified education expenses, but in no event may the total  
5 credit under this subsection claimed by a family that is the  
6 custodian of qualifying pupils exceed \$500. In no event shall a  
7 credit under this subsection reduce the taxpayer's liability  
8 under this Act to less than zero. This subsection is exempt  
9 from the provisions of Section 250 of this Act.

10 For purposes of this subsection:

11 "Qualifying pupils" means individuals who (i) are  
12 residents of the State of Illinois, (ii) are under the age of  
13 21 at the close of the school year for which a credit is  
14 sought, and (iii) during the school year for which a credit is  
15 sought were full-time pupils enrolled in a kindergarten through  
16 twelfth grade education program at any school, as defined in  
17 this subsection.

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

22 "School" means any public or nonpublic elementary or  
23 secondary school in Illinois that is in compliance with Title  
24 VI of the Civil Rights Act of 1964 and attendance at which  
25 satisfies the requirements of Section 26-1 of the School Code,  
26 except that nothing shall be construed to require a child to

1 attend any particular public or nonpublic school to qualify for  
2 the credit under this Section.

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

6 (n) River Edge Redevelopment Zone site remediation tax  
7 credit.

8 (i) For tax years ending on or after December 31, 2006,  
9 a taxpayer shall be allowed a credit against the tax  
10 imposed by subsections (a) and (b) of this Section for  
11 certain amounts paid for unreimbursed eligible remediation  
12 costs, as specified in this subsection. For purposes of  
13 this Section, "unreimbursed eligible remediation costs"  
14 means costs approved by the Illinois Environmental  
15 Protection Agency ("Agency") under Section 58.14 of the  
16 Environmental Protection Act that were paid in performing  
17 environmental remediation at a site within a River Edge  
18 Redevelopment Zone for which a No Further Remediation  
19 Letter was issued by the Agency and recorded under Section  
20 58.10 of the Environmental Protection Act. The credit must  
21 be claimed for the taxable year in which Agency approval of  
22 the eligible remediation costs is granted. The credit is  
23 not available to any taxpayer if the taxpayer or any  
24 related party caused or contributed to, in any material  
25 respect, a release of regulated substances on, in, or under  
26 the site that was identified and addressed by the remedial

1           action pursuant to the Site Remediation Program of the  
2           Environmental Protection Act. Determinations as to credit  
3           availability for purposes of this Section shall be made  
4           consistent with rules adopted by the Pollution Control  
5           Board pursuant to the Illinois Administrative Procedure  
6           Act for the administration and enforcement of Section 58.9  
7           of the Environmental Protection Act. For purposes of this  
8           Section, "taxpayer" includes a person whose tax attributes  
9           the taxpayer has succeeded to under Section 381 of the  
10          Internal Revenue Code and "related party" includes the  
11          persons disallowed a deduction for losses by paragraphs  
12          (b), (c), and (f) (1) of Section 267 of the Internal Revenue  
13          Code by virtue of being a related taxpayer, as well as any  
14          of its partners. The credit allowed against the tax imposed  
15          by subsections (a) and (b) shall be equal to 25% of the  
16          unreimbursed eligible remediation costs in excess of  
17          \$100,000 per site.

18               (ii) A credit allowed under this subsection that is  
19               unused in the year the credit is earned may be carried  
20               forward to each of the 5 taxable years following the year  
21               for which the credit is first earned until it is used. This  
22               credit shall be applied first to the earliest year for  
23               which there is a liability. If there is a credit under this  
24               subsection from more than one tax year that is available to  
25               offset a liability, the earliest credit arising under this  
26               subsection shall be applied first. A credit allowed under

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

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

17                 (iv) This subsection is exempt from the provisions of  
18                 Section 250.

19           (Source: P.A. 93-29, eff. 6-20-03; 93-840, eff. 7-30-04;  
20           93-871, eff. 8-6-04; 94-1021, eff. 7-12-06.)

21           (35 ILCS 5/203) (from Ch. 120, par. 2-203)

22           Sec. 203. Base income defined.

23           (a) Individuals.

24                 (1) In general. In the case of an individual, base  
25                 income means an amount equal to the taxpayer's adjusted

1 gross income for the taxable year as modified by paragraph  
2 (2).

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

6 (A) An amount equal to all amounts paid or accrued  
7 to the taxpayer as interest or dividends during the  
8 taxable year to the extent excluded from gross income  
9 in the computation of adjusted gross income, except  
10 stock dividends of qualified public utilities  
11 described in Section 305(e) of the Internal Revenue  
12 Code;

13 (B) An amount equal to the amount of tax imposed by  
14 this Act to the extent deducted from gross income in  
15 the computation of adjusted gross income for the  
16 taxable year;

17 (C) An amount equal to the amount received during  
18 the taxable year as a recovery or refund of real  
19 property taxes paid with respect to the taxpayer's  
20 principal residence under the Revenue Act of 1939 and  
21 for which a deduction was previously taken under  
22 subparagraph (L) of this paragraph (2) prior to July 1,  
23 1991, the retrospective application date of Article 4  
24 of Public Act 87-17. In the case of multi-unit or  
25 multi-use structures and farm dwellings, the taxes on  
26 the taxpayer's principal residence shall be that

1           portion of the total taxes for the entire property  
2           which is attributable to such principal residence;

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

7           (D-5) An amount, to the extent not included in  
8           adjusted gross income, equal to the amount of money  
9           withdrawn by the taxpayer in the taxable year from a  
10          medical care savings account and the interest earned on  
11          the account in the taxable year of a withdrawal  
12          pursuant to subsection (b) of Section 20 of the Medical  
13          Care Savings Account Act or subsection (b) of Section  
14          20 of the Medical Care Savings Account Act of 2000;

15          (D-10) For taxable years ending after December 31,  
16          1997, an amount equal to any eligible remediation costs  
17          that the individual deducted in computing adjusted  
18          gross income and for which the individual claims a  
19          credit under subsection (l) of Section 201;

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

25          (D-16) If the taxpayer sells, transfers, abandons,  
26          or otherwise disposes of property for which the

1 taxpayer was required in any taxable year to make an  
2 addition modification under subparagraph (D-15), then  
3 an amount equal to the aggregate amount of the  
4 deductions taken in all taxable years under  
5 subparagraph (Z) with respect to that property;

6 If the taxpayer continues to own property through  
7 the last day of the last tax year for which the  
8 taxpayer may claim a depreciation deduction for  
9 federal income tax purposes and for which the taxpayer  
10 was allowed in any taxable year to make a subtraction  
11 modification under subparagraph (Z), then an amount  
12 equal to that subtraction modification.

13 The taxpayer is required to make the addition  
14 modification under this subparagraph only once with  
15 respect to any one piece of property;

16 (D-17) For taxable years ending on or after  
17 December 31, 2004, an amount equal to the amount  
18 otherwise allowed as a deduction in computing base  
19 income for interest paid, accrued, or incurred,  
20 directly or indirectly, to a foreign person who would  
21 be a member of the same unitary business group but for  
22 the fact that foreign person's business activity  
23 outside the United States is 80% or more of the foreign  
24 person's total business activity. The addition  
25 modification required by this subparagraph shall be  
26 reduced to the extent that dividends were included in



1 base income of the unitary group for the same taxable  
2 year and received by the taxpayer or by a member of the  
3 taxpayer's unitary business group (including amounts  
4 included in gross income under Sections 951 through 964  
5 of the Internal Revenue Code and amounts included in  
6 gross income under Section 78 of the Internal Revenue  
7 Code) with respect to the stock of the same person to  
8 whom the interest was paid, accrued, or incurred.

9 This paragraph shall not apply to the following:

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

16 (ii) an item of interest paid, accrued, or  
17 incurred, directly or indirectly, to a foreign  
18 person if the taxpayer can establish, based on a  
19 preponderance of the evidence, both of the  
20 following:

21 (a) the foreign person, during the same  
22 taxable year, paid, accrued, or incurred, the  
23 interest to a person that is not a related  
24 member, and

25 (b) the transaction giving rise to the  
26 interest expense between the taxpayer and the

1 foreign person did not have as a principal  
2 purpose the avoidance of Illinois income tax,  
3 and is paid pursuant to a contract or agreement  
4 that reflects an arm's-length interest rate  
5 and terms; or

6 (iii) the taxpayer can establish, based on  
7 clear and convincing evidence, that the interest  
8 paid, accrued, or incurred relates to a contract or  
9 agreement entered into at arm's-length rates and  
10 terms and the principal purpose for the payment is  
11 not federal or Illinois tax avoidance; or

12 (iv) an item of interest paid, accrued, or  
13 incurred, directly or indirectly, to a foreign  
14 person if the taxpayer establishes by clear and  
15 convincing evidence that the adjustments are  
16 unreasonable; or if the taxpayer and the Director  
17 agree in writing to the application or use of an  
18 alternative method of apportionment under Section  
19 304(f).

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

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

3           (D-18) For taxable years ending on or after  
4           December 31, 2004, an amount equal to the amount of  
5           intangible expenses and costs otherwise allowed as a  
6           deduction in computing base income, and that were paid,  
7           accrued, or incurred, directly or indirectly, to a  
8           foreign person who would be a member of the same  
9           unitary business group but for the fact that the  
10          foreign person's business activity outside the United  
11          States is 80% or more of that person's total business  
12          activity. The addition modification required by this  
13          subparagraph shall be reduced to the extent that  
14          dividends were included in base income of the unitary  
15          group for the same taxable year and received by the  
16          taxpayer or by a member of the taxpayer's unitary  
17          business group (including amounts included in gross  
18          income under Sections 951 through 964 of the Internal  
19          Revenue Code and amounts included in gross income under  
20          Section 78 of the Internal Revenue Code) with respect  
21          to the stock of the same person to whom the intangible  
22          expenses and costs were directly or indirectly paid,  
23          incurred, or accrued. The preceding sentence does not  
24          apply to the extent that the same dividends caused a  
25          reduction to the addition modification required under  
26          Section 203(a)(2)(D-17) of this Act. As used in this

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

15                 This paragraph shall not apply to the following:

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

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

1 following:

2 (a) the foreign person during the same  
3 taxable year paid, accrued, or incurred, the  
4 intangible expense or cost to a person that is  
5 not a related member, and

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

13 (iii) any item of intangible expense or cost  
14 paid, accrued, or incurred, directly or  
15 indirectly, from a transaction with a foreign  
16 person if the taxpayer establishes by clear and  
17 convincing evidence, that the adjustments are  
18 unreasonable; or if the taxpayer and the Director  
19 agree in writing to the application or use of an  
20 alternative method of apportionment under Section  
21 304(f);

22 Nothing in this subsection shall preclude the  
23 Director from making any other adjustment  
24 otherwise allowed under Section 404 of this Act for  
25 any tax year beginning after the effective date of  
26 this amendment provided such adjustment is made

1           pursuant to regulation adopted by the Department  
2           and such regulations provide methods and standards  
3           by which the Department will utilize its authority  
4           under Section 404 of this Act;

5           (D-20) For taxable years beginning on or after  
6           January 1, 2002, in the case of a distribution from a  
7           qualified tuition program under Section 529 of the  
8           Internal Revenue Code, other than (i) a distribution  
9           from a College Savings Pool created under Section 16.5  
10          of the State Treasurer Act or (ii) a distribution from  
11          the Illinois Prepaid Tuition Trust Fund, an amount  
12          equal to the amount excluded from gross income under  
13          Section 529(c) (3) (B);

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

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

1 performed pursuant to Sections 502 and 503, Title 32,  
2 United States Code as a member of the Illinois National  
3 Guard. For taxable years ending on or after December  
4 31, 2001, any amount included in such total in respect  
5 of any compensation (including but not limited to any  
6 compensation paid or accrued to a serviceman while a  
7 prisoner of war or missing in action) paid to a  
8 resident by reason of being a member of any component  
9 of the Armed Forces of the United States and in respect  
10 of any compensation paid or accrued to a resident who  
11 as a governmental employee was a prisoner of war or  
12 missing in action, and in respect of any compensation  
13 paid to a resident in 2001 or thereafter by reason of  
14 being a member of the Illinois National Guard. The  
15 provisions of this amendatory Act of the 92nd General  
16 Assembly are exempt from the provisions of Section 250;

17 (F) For taxable years beginning on or before  
18 January 1, 2007, an ~~An~~ amount equal to all amounts  
19 included in such total pursuant to the provisions of  
20 Sections 402(a), 402(c), 403(a), 403(b), 406(a),  
21 407(a), and 408 of the Internal Revenue Code, or  
22 included in such total as distributions under the  
23 provisions of any retirement or disability plan for  
24 employees of any governmental agency or unit, or  
25 retirement payments to retired partners, which  
26 payments are excluded in computing net earnings from

1 self employment by Section 1402 of the Internal Revenue  
2 Code and regulations adopted pursuant thereto;

3 (F-5) For taxable years beginning after January 1,  
4 2006, for those taxpayers who report an adjusted gross  
5 income of \$74,999 ("the retirement threshold amount")  
6 or less, an amount equal to all amounts included in  
7 such total pursuant to the provisions of Sections  
8 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
9 408 of the Internal Revenue Code, or included in such  
10 total as distributions under the provisions of any  
11 retirement or disability plan for employees of any  
12 governmental agency or unit, or retirement payments to  
13 retired partners, which payments are excluded in  
14 computing net earnings from self employment by Section  
15 1402 of the Internal Revenue Code and regulations  
16 adopted pursuant thereto, provided that the retirement  
17 threshold amount shall increase annually for each tax  
18 year by the percentage increase, if any, in the  
19 Consumer Price Index published by the U.S. Bureau of  
20 Labor Statistics from July of the immediately  
21 preceding tax year to June 30 of the then current tax  
22 year;

23 (G) The valuation limitation amount;

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



1           (I) An amount equal to all amounts included in such  
2 total pursuant to the provisions of Section 111 of the  
3 Internal Revenue Code as a recovery of items previously  
4 deducted from adjusted gross income in the computation  
5 of taxable income;

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

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

25           (L) For taxable years ending after December 31,  
26 1983, an amount equal to all social security benefits

1 and railroad retirement benefits included in such  
2 total pursuant to Sections 72(r) and 86 of the Internal  
3 Revenue Code;

4 (M) With the exception of any amounts subtracted  
5 under subparagraph (N), an amount equal to the sum of  
6 all amounts disallowed as deductions by (i) Sections  
7 171(a) (2), and 265(2) of the Internal Revenue Code of  
8 1954, as now or hereafter amended, and all amounts of  
9 expenses allocable to interest and disallowed as  
10 deductions by Section 265(1) of the Internal Revenue  
11 Code of 1954, as now or hereafter amended; and (ii) for  
12 taxable years ending on or after August 13, 1999,  
13 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
14 the Internal Revenue Code; the provisions of this  
15 subparagraph are exempt from the provisions of Section  
16 250;

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

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

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

3 (P) An amount equal to the amount of the deduction  
4 used to compute the federal income tax credit for  
5 restoration of substantial amounts held under claim of  
6 right for the taxable year pursuant to Section 1341 of  
7 the Internal Revenue Code of 1986;

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

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

15 (S) An amount, to the extent included in adjusted  
16 gross income, equal to the amount of a contribution  
17 made in the taxable year on behalf of the taxpayer to a  
18 medical care savings account established under the  
19 Medical Care Savings Account Act or the Medical Care  
20 Savings Account Act of 2000 to the extent the  
21 contribution is accepted by the account administrator  
22 as provided in that Act;

23 (T) An amount, to the extent included in adjusted  
24 gross income, equal to the amount of interest earned in  
25 the taxable year on a medical care savings account  
26 established under the Medical Care Savings Account Act

1 or the Medical Care Savings Account Act of 2000 on  
2 behalf of the taxpayer, other than interest added  
3 pursuant to item (D-5) of this paragraph (2);

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

10 (V) Beginning with tax years ending on or after  
11 December 31, 1995 and ending with tax years ending on  
12 or before December 31, 2004, an amount equal to the  
13 amount paid by a taxpayer who is a self-employed  
14 taxpayer, a partner of a partnership, or a shareholder  
15 in a Subchapter S corporation for health insurance or  
16 long-term care insurance for that taxpayer or that  
17 taxpayer's spouse or dependents, to the extent that the  
18 amount paid for that health insurance or long-term care  
19 insurance may be deducted under Section 213 of the  
20 Internal Revenue Code of 1986, has not been deducted on  
21 the federal income tax return of the taxpayer, and does  
22 not exceed the taxable income attributable to that  
23 taxpayer's income, self-employment income, or  
24 Subchapter S corporation income; except that no  
25 deduction shall be allowed under this item (V) if the  
26 taxpayer is eligible to participate in any health

1 insurance or long-term care insurance plan of an  
2 employer of the taxpayer or the taxpayer's spouse. The  
3 amount of the health insurance and long-term care  
4 insurance subtracted under this item (V) shall be  
5 determined by multiplying total health insurance and  
6 long-term care insurance premiums paid by the taxpayer  
7 times a number that represents the fractional  
8 percentage of eligible medical expenses under Section  
9 213 of the Internal Revenue Code of 1986 not actually  
10 deducted on the taxpayer's federal income tax return;

11 (W) For taxable years beginning on or after January  
12 1, 1998, all amounts included in the taxpayer's federal  
13 gross income in the taxable year from amounts converted  
14 from a regular IRA to a Roth IRA. This paragraph is  
15 exempt from the provisions of Section 250;

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

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

23 (Y) For taxable years beginning on or after January  
24 1, 2002 and ending on or before December 31, 2004,  
25 moneys contributed in the taxable year to a College  
26 Savings Pool account under Section 16.5 of the State

1           Treasurer Act, except that amounts excluded from gross  
2           income under Section 529(c)(3)(C)(i) of the Internal  
3           Revenue Code shall not be considered moneys  
4           contributed under this subparagraph (Y). For taxable  
5           years beginning on or after January 1, 2005, a maximum  
6           of \$10,000 contributed in the taxable year to (i) a  
7           College Savings Pool account under Section 16.5 of the  
8           State Treasurer Act or (ii) the Illinois Prepaid  
9           Tuition Trust Fund, except that amounts excluded from  
10          gross income under Section 529(c)(3)(C)(i) of the  
11          Internal Revenue Code shall not be considered moneys  
12          contributed under this subparagraph (Y). This  
13          subparagraph (Y) is exempt from the provisions of  
14          Section 250;

15                 (Z) For taxable years 2001 and thereafter, for the  
16                 taxable year in which the bonus depreciation deduction  
17                 is taken on the taxpayer's federal income tax return  
18                 under subsection (k) of Section 168 of the Internal  
19                 Revenue Code and for each applicable taxable year  
20                 thereafter, an amount equal to "x", where:

21                         (1) "y" equals the amount of the depreciation  
22                         deduction taken for the taxable year on the  
23                         taxpayer's federal income tax return on property  
24                         for which the bonus depreciation deduction was  
25                         taken in any year under subsection (k) of Section  
26                         168 of the Internal Revenue Code, but not including

1 the bonus depreciation deduction;

2 (2) for taxable years ending on or before  
3 December 31, 2005, "x" equals "y" multiplied by 30  
4 and then divided by 70 (or "y" multiplied by  
5 0.429); and

6 (3) for taxable years ending after December  
7 31, 2005:

8 (i) for property on which a bonus  
9 depreciation deduction of 30% of the adjusted  
10 basis was taken, "x" equals "y" multiplied by  
11 30 and then divided by 70 (or "y" multiplied by  
12 0.429); and

13 (ii) for property on which a bonus  
14 depreciation deduction of 50% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 1.0.

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

25 (AA) If the taxpayer sells, transfers, abandons,  
26 or otherwise disposes of property for which the



1 taxpayer was required in any taxable year to make an  
2 addition modification under subparagraph (D-15), then  
3 an amount equal to that addition modification.

4 If the taxpayer continues to own property through  
5 the last day of the last tax year for which the  
6 taxpayer may claim a depreciation deduction for  
7 federal income tax purposes and for which the taxpayer  
8 was required in any taxable year to make an addition  
9 modification under subparagraph (D-15), then an amount  
10 equal to that addition modification.

11 The taxpayer is allowed to take the deduction under  
12 this subparagraph only once with respect to any one  
13 piece of property.

14 This subparagraph (AA) is exempt from the  
15 provisions of Section 250;

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

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

1 income from intangible property (net of the deductions  
2 allocable thereto) taken into account for the taxable  
3 year with respect to a transaction with a taxpayer that  
4 is required to make an addition modification with  
5 respect to such transaction under Section  
6 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
7 203(d)(2)(D-8), but not to exceed the amount of that  
8 addition modification;

9 (DD) An amount equal to the interest income taken  
10 into account for the taxable year (net of the  
11 deductions allocable thereto) with respect to  
12 transactions with a foreign person who would be a  
13 member of the taxpayer's unitary business group but for  
14 the fact that the foreign person's business activity  
15 outside the United States is 80% or more of that  
16 person's total business activity, but not to exceed the  
17 addition modification required to be made for the same  
18 taxable year under Section 203(a)(2)(D-17) for  
19 interest paid, accrued, or incurred, directly or  
20 indirectly, to the same foreign person; and

21 (EE) An amount equal to the income from intangible  
22 property taken into account for the taxable year (net  
23 of the deductions allocable thereto) with respect to  
24 transactions with a foreign person who would be a  
25 member of the taxpayer's unitary business group but for  
26 the fact that the foreign person's business activity

1 outside the United States is 80% or more of that  
2 person's total business activity, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(a)(2)(D-18) for  
5 intangible expenses and costs paid, accrued, or  
6 incurred, directly or indirectly, to the same foreign  
7 person.

8 (b) Corporations.

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

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

15 (A) An amount equal to all amounts paid or accrued  
16 to the taxpayer as interest and all distributions  
17 received from regulated investment companies during  
18 the taxable year to the extent excluded from gross  
19 income in the computation of taxable income;

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

23 (C) In the case of a regulated investment company,  
24 an amount equal to the excess of (i) the net long-term  
25 capital gain for the taxable year, over (ii) the amount

1 of the capital gain dividends designated as such in  
2 accordance with Section 852(b)(3)(C) of the Internal  
3 Revenue Code and any amount designated under Section  
4 852(b)(3)(D) of the Internal Revenue Code,  
5 attributable to the taxable year (this amendatory Act  
6 of 1995 (Public Act 89-89) is declarative of existing  
7 law and is not a new enactment);

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

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

22 (i) the addition modification relating to the  
23 net operating loss carried back or forward to the  
24 taxable year from any taxable year ending prior to  
25 December 31, 1986 shall be reduced by the amount of  
26 addition modification under this subparagraph (E)

1           which related to that net operating loss and which  
2           was taken into account in calculating the base  
3           income of an earlier taxable year, and

4                   (ii) the addition modification relating to the  
5           net operating loss carried back or forward to the  
6           taxable year from any taxable year ending prior to  
7           December 31, 1986 shall not exceed the amount of  
8           such carryback or carryforward;

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

16                   (E-5) For taxable years ending after December 31,  
17          1997, an amount equal to any eligible remediation costs  
18          that the corporation deducted in computing adjusted  
19          gross income and for which the corporation claims a  
20          credit under subsection (l) of Section 201;

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

26                   (E-11) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the  
2 taxpayer was required in any taxable year to make an  
3 addition modification under subparagraph (E-10), then  
4 an amount equal to the aggregate amount of the  
5 deductions taken in all taxable years under  
6 subparagraph (T) with respect to that property.

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

14 The taxpayer is required to make the addition  
15 modification under this subparagraph only once with  
16 respect to any one piece of property;

17 (E-12) For taxable years ending on or after  
18 December 31, 2004, an amount equal to the amount  
19 otherwise allowed as a deduction in computing base  
20 income for interest paid, accrued, or incurred,  
21 directly or indirectly, to a foreign person who would  
22 be a member of the same unitary business group but for  
23 the fact the foreign person's business activity  
24 outside the United States is 80% or more of the foreign  
25 person's total business activity. The addition  
26 modification required by this subparagraph shall be

1 reduced to the extent that dividends were included in  
2 base income of the unitary group for the same taxable  
3 year and received by the taxpayer or by a member of the  
4 taxpayer's unitary business group (including amounts  
5 included in gross income pursuant to Sections 951  
6 through 964 of the Internal Revenue Code and amounts  
7 included in gross income under Section 78 of the  
8 Internal Revenue Code) with respect to the stock of the  
9 same person to whom the interest was paid, accrued, or  
10 incurred.

11 This paragraph shall not apply to the following:

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

18 (ii) an item of interest paid, accrued, or  
19 incurred, directly or indirectly, to a foreign  
20 person if the taxpayer can establish, based on a  
21 preponderance of the evidence, both of the  
22 following:

23 (a) the foreign person, during the same  
24 taxable year, paid, accrued, or incurred, the  
25 interest to a person that is not a related  
26 member, and

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

8           (iii) the taxpayer can establish, based on  
9           clear and convincing evidence, that the interest  
10          paid, accrued, or incurred relates to a contract or  
11          agreement entered into at arm's-length rates and  
12          terms and the principal purpose for the payment is  
13          not federal or Illinois tax avoidance; or

14          (iv) an item of interest paid, accrued, or  
15          incurred, directly or indirectly, to a foreign  
16          person if the taxpayer establishes by clear and  
17          convincing evidence that the adjustments are  
18          unreasonable; or if the taxpayer and the Director  
19          agree in writing to the application or use of an  
20          alternative method of apportionment under Section  
21          304(f).

22          Nothing in this subsection shall preclude the  
23          Director from making any other adjustment  
24          otherwise allowed under Section 404 of this Act for  
25          any tax year beginning after the effective date of  
26          this amendment provided such adjustment is made



1           pursuant to regulation adopted by the Department  
2           and such regulations provide methods and standards  
3           by which the Department will utilize its authority  
4           under Section 404 of this Act;

5           (E-13) For taxable years ending on or after  
6           December 31, 2004, an amount equal to the amount of  
7           intangible expenses and costs otherwise allowed as a  
8           deduction in computing base income, and that were paid,  
9           accrued, or incurred, directly or indirectly, to a  
10          foreign person who would be a member of the same  
11          unitary business group but for the fact that the  
12          foreign person's business activity outside the United  
13          States is 80% or more of that person's total business  
14          activity. The addition modification required by this  
15          subparagraph shall be reduced to the extent that  
16          dividends were included in base income of the unitary  
17          group for the same taxable year and received by the  
18          taxpayer or by a member of the taxpayer's unitary  
19          business group (including amounts included in gross  
20          income pursuant to Sections 951 through 964 of the  
21          Internal Revenue Code and amounts included in gross  
22          income under Section 78 of the Internal Revenue Code)  
23          with respect to the stock of the same person to whom  
24          the intangible expenses and costs were directly or  
25          indirectly paid, incurred, or accrued. The preceding  
26          sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition  
2 modification required under Section 203(b)(2)(E-12) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or

1 indirectly, if the taxpayer can establish, based  
2 on a preponderance of the evidence, both of the  
3 following:

4 (a) the foreign person during the same  
5 taxable year paid, accrued, or incurred, the  
6 intangible expense or cost to a person that is  
7 not a related member, and

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

15 (iii) any item of intangible expense or cost  
16 paid, accrued, or incurred, directly or  
17 indirectly, from a transaction with a foreign  
18 person if the taxpayer establishes by clear and  
19 convincing evidence, that the adjustments are  
20 unreasonable; or if the taxpayer and the Director  
21 agree in writing to the application or use of an  
22 alternative method of apportionment under Section  
23 304(f);

24 Nothing in this subsection shall preclude the  
25 Director from making any other adjustment  
26 otherwise allowed under Section 404 of this Act for

1           any tax year beginning after the effective date of  
2           this amendment provided such adjustment is made  
3           pursuant to regulation adopted by the Department  
4           and such regulations provide methods and standards  
5           by which the Department will utilize its authority  
6           under Section 404 of this Act;

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

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

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

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

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

1 Internal Revenue Code, as now or hereafter amended; and  
2 (ii) for taxable years ending on or after August 13,  
3 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
4 832(b)(5)(B)(i) of the Internal Revenue Code; the  
5 provisions of this subparagraph are exempt from the  
6 provisions of Section 250;

7 (J) An amount equal to all amounts included in such  
8 total which are exempt from taxation by this State  
9 either by reason of its statutes or Constitution or by  
10 reason of the Constitution, treaties or statutes of the  
11 United States; provided that, in the case of any  
12 statute of this State that exempts income derived from  
13 bonds or other obligations from the tax imposed under  
14 this Act, the amount exempted shall be the interest net  
15 of bond premium amortization;

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

26 (L) (Blank); ~~An amount equal to those dividends~~

1 ~~included in such total that were paid by a corporation~~  
2 ~~that conducts business operations in a federally~~  
3 ~~designated Foreign Trade Zone or Sub-Zone and that is~~  
4 ~~designated a High Impact Business located in Illinois;~~  
5 ~~provided that dividends eligible for the deduction~~  
6 ~~provided in subparagraph (K) of paragraph 2 of this~~  
7 ~~subsection shall not be eligible for the deduction~~  
8 ~~provided under this subparagraph (L);~~

9 (M) For any taxpayer that is a financial  
10 organization within the meaning of Section 304(c) of  
11 this Act, an amount included in such total as interest  
12 income from a loan or loans made by such taxpayer to a  
13 borrower, to the extent that such a loan is secured by  
14 property which is eligible for the Enterprise Zone  
15 Investment Credit or the River Edge Redevelopment Zone  
16 Investment Credit. To determine the portion of a loan  
17 or loans that is secured by property eligible for a  
18 Section 201(f) investment credit to the borrower, the  
19 entire principal amount of the loan or loans between  
20 the taxpayer and the borrower should be divided into  
21 the basis of the Section 201(f) investment credit  
22 property which secures the loan or loans, using for  
23 this purpose the original basis of such property on the  
24 date that it was placed in service in the Enterprise  
25 Zone or the River Edge Redevelopment Zone. The  
26 subtraction modification available to taxpayer in any

1 year under this subsection shall be that portion of the  
2 total interest paid by the borrower with respect to  
3 such loan attributable to the eligible property as  
4 calculated under the previous sentence. This  
5 subparagraph (M) is exempt from the provisions of  
6 Section 250;

7 (M-1) For any taxpayer that is a financial  
8 organization within the meaning of Section 304(c) of  
9 this Act, an amount included in such total as interest  
10 income from a loan or loans made by such taxpayer to a  
11 borrower, to the extent that such a loan is secured by  
12 property which is eligible for the High Impact Business  
13 Investment Credit. To determine the portion of a loan  
14 or loans that is secured by property eligible for a  
15 Section 201(h) investment credit to the borrower, the  
16 entire principal amount of the loan or loans between  
17 the taxpayer and the borrower should be divided into  
18 the basis of the Section 201(h) investment credit  
19 property which secures the loan or loans, using for  
20 this purpose the original basis of such property on the  
21 date that it was placed in service in a federally  
22 designated Foreign Trade Zone or Sub-Zone located in  
23 Illinois. No taxpayer that is eligible for the  
24 deduction provided in subparagraph (M) of paragraph  
25 (2) of this subsection shall be eligible for the  
26 deduction provided under this subparagraph (M-1). The

1 subtraction modification available to taxpayers in any  
2 year under this subsection shall be that portion of the  
3 total interest paid by the borrower with respect to  
4 such loan attributable to the eligible property as  
5 calculated under the previous sentence;

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

17 (O) An amount equal to: (i) 85% for taxable years  
18 ending on or before December 31, 1992, or, a percentage  
19 equal to the percentage allowable under Section  
20 243(a)(1) of the Internal Revenue Code of 1986 for  
21 taxable years ending after December 31, 1992, of the  
22 amount by which dividends included in taxable income  
23 and received from a corporation that is not created or  
24 organized under the laws of the United States or any  
25 state or political subdivision thereof, including, for  
26 taxable years ending on or after December 31, 1988,



1 dividends received or deemed received or paid or deemed  
2 paid under Sections 951 through 964 of the Internal  
3 Revenue Code, exceed the amount of the modification  
4 provided under subparagraph (G) of paragraph (2) of  
5 this subsection (b) which is related to such dividends;  
6 plus (ii) 100% of the amount by which dividends,  
7 included in taxable income and received, including,  
8 for taxable years ending on or after December 31, 1988,  
9 dividends received or deemed received or paid or deemed  
10 paid under Sections 951 through 964 of the Internal  
11 Revenue Code, from any such corporation specified in  
12 clause (i) that would but for the provisions of Section  
13 1504 (b) (3) of the Internal Revenue Code be treated as  
14 a member of the affiliated group which includes the  
15 dividend recipient, exceed the amount of the  
16 modification provided under subparagraph (G) of  
17 paragraph (2) of this subsection (b) which is related  
18 to such dividends;

19 (P) An amount equal to any contribution made to a  
20 job training project established pursuant to the Tax  
21 Increment Allocation Redevelopment Act;

22 (Q) An amount equal to the amount of the deduction  
23 used to compute the federal income tax credit for  
24 restoration of substantial amounts held under claim of  
25 right for the taxable year pursuant to Section 1341 of  
26 the Internal Revenue Code of 1986;

1           (R) On and after July 20, 1999, in the case of an  
2 attorney-in-fact with respect to whom an interinsurer  
3 or a reciprocal insurer has made the election under  
4 Section 835 of the Internal Revenue Code, 26 U.S.C.  
5 835, an amount equal to the excess, if any, of the  
6 amounts paid or incurred by that interinsurer or  
7 reciprocal insurer in the taxable year to the  
8 attorney-in-fact over the deduction allowed to that  
9 interinsurer or reciprocal insurer with respect to the  
10 attorney-in-fact under Section 835(b) of the Internal  
11 Revenue Code for the taxable year; the provisions of  
12 this subparagraph are exempt from the provisions of  
13 Section 250;

14           (S) For taxable years ending on or after December  
15 31, 1997, in the case of a Subchapter S corporation, an  
16 amount equal to all amounts of income allocable to a  
17 shareholder subject to the Personal Property Tax  
18 Replacement Income Tax imposed by subsections (c) and  
19 (d) of Section 201 of this Act, including amounts  
20 allocable to organizations exempt from federal income  
21 tax by reason of Section 501(a) of the Internal Revenue  
22 Code. This subparagraph (S) is exempt from the  
23 provisions of Section 250;

24           (T) For taxable years 2001 and thereafter, for the  
25 taxable year in which the bonus depreciation deduction  
26 is taken on the taxpayer's federal income tax return

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

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

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

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

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

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

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

15 (W) An amount equal to the interest income taken  
16 into account for the taxable year (net of the  
17 deductions allocable thereto) with respect to  
18 transactions with a foreign person who would be a  
19 member of the taxpayer's unitary business group but for  
20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity, but not to exceed the  
23 addition modification required to be made for the same  
24 taxable year under Section 203(b)(2)(E-12) for  
25 interest paid, accrued, or incurred, directly or  
26 indirectly, to the same foreign person; and

1           (X) An amount equal to the income from intangible  
2           property taken into account for the taxable year (net  
3           of the deductions allocable thereto) with respect to  
4           transactions with a foreign person who would be a  
5           member of the taxpayer's unitary business group but for  
6           the fact that the foreign person's business activity  
7           outside the United States is 80% or more of that  
8           person's total business activity, but not to exceed the  
9           addition modification required to be made for the same  
10          taxable year under Section 203(b)(2)(E-13) for  
11          intangible expenses and costs paid, accrued, or  
12          incurred, directly or indirectly, to the same foreign  
13          person.

14          (3) Special rule. For purposes of paragraph (2) (A),  
15          "gross income" in the case of a life insurance company, for  
16          tax years ending on and after December 31, 1994, shall mean  
17          the gross investment income for the taxable year.

18          (c) Trusts and estates.

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

22               (2) Modifications. Subject to the provisions of  
23               paragraph (3), the taxable income referred to in paragraph  
24               (1) shall be modified by adding thereto the sum of the  
25               following amounts:

1           (A) An amount equal to all amounts paid or accrued  
2 to the taxpayer as interest or dividends during the  
3 taxable year to the extent excluded from gross income  
4 in the computation of taxable income;

5           (B) In the case of (i) an estate, \$600; (ii) a  
6 trust which, under its governing instrument, is  
7 required to distribute all of its income currently,  
8 \$300; and (iii) any other trust, \$100, but in each such  
9 case, only to the extent such amount was deducted in  
10 the computation of taxable income;

11           (C) An amount equal to the amount of tax imposed by  
12 this Act to the extent deducted from gross income in  
13 the computation of taxable income for the taxable year;

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

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

1           they are listed:

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

10                   (ii) the addition modification relating to the  
11                   net operating loss carried back or forward to the  
12                   taxable year from any taxable year ending prior to  
13                   December 31, 1986 shall not exceed the amount of  
14                   such carryback or carryforward;

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

22                   (F) For taxable years ending on or after January 1,  
23                   1989, an amount equal to the tax deducted pursuant to  
24                   Section 164 of the Internal Revenue Code if the trust  
25                   or estate is claiming the same tax for purposes of the  
26                   Illinois foreign tax credit under Section 601 of this



1 Act;

2 (G) An amount equal to the amount of the capital  
3 gain deduction allowable under the Internal Revenue  
4 Code, to the extent deducted from gross income in the  
5 computation of taxable income;

6 (G-5) For taxable years ending after December 31,  
7 1997, an amount equal to any eligible remediation costs  
8 that the trust or estate deducted in computing adjusted  
9 gross income and for which the trust or estate claims a  
10 credit under subsection (l) of Section 201;

11 (G-10) For taxable years 2001 and thereafter, an  
12 amount equal to the bonus depreciation deduction taken  
13 on the taxpayer's federal income tax return for the  
14 taxable year under subsection (k) of Section 168 of the  
15 Internal Revenue Code; and

16 (G-11) If the taxpayer sells, transfers, abandons,  
17 or otherwise disposes of property for which the  
18 taxpayer was required in any taxable year to make an  
19 addition modification under subparagraph (G-10), then  
20 an amount equal to the aggregate amount of the  
21 deductions taken in all taxable years under  
22 subparagraph (R) with respect to that property.

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (R), then an amount  
3 equal to that subtraction modification.

4 The taxpayer is required to make the addition  
5 modification under this subparagraph only once with  
6 respect to any one piece of property;

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

1 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on  
25 clear and convincing evidence, that the interest  
26 paid, accrued, or incurred relates to a contract or

1 agreement entered into at arm's-length rates and  
2 terms and the principal purpose for the payment is  
3 not federal or Illinois tax avoidance; or

4 (iv) an item of interest paid, accrued, or  
5 incurred, directly or indirectly, to a foreign  
6 person if the taxpayer establishes by clear and  
7 convincing evidence that the adjustments are  
8 unreasonable; or if the taxpayer and the Director  
9 agree in writing to the application or use of an  
10 alternative method of apportionment under Section  
11 304(f).

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

21 (G-13) For taxable years ending on or after  
22 December 31, 2004, an amount equal to the amount of  
23 intangible expenses and costs otherwise allowed as a  
24 deduction in computing base income, and that were paid,  
25 accrued, or incurred, directly or indirectly, to a  
26 foreign person who would be a member of the same

1 unitary business group but for the fact that the  
2 foreign person's business activity outside the United  
3 States is 80% or more of that person's total business  
4 activity. The addition modification required by this  
5 subparagraph shall be reduced to the extent that  
6 dividends were included in base income of the unitary  
7 group for the same taxable year and received by the  
8 taxpayer or by a member of the taxpayer's unitary  
9 business group (including amounts included in gross  
10 income pursuant to Sections 951 through 964 of the  
11 Internal Revenue Code and amounts included in gross  
12 income under Section 78 of the Internal Revenue Code)  
13 with respect to the stock of the same person to whom  
14 the intangible expenses and costs were directly or  
15 indirectly paid, incurred, or accrued. The preceding  
16 sentence shall not apply to the extent that the same  
17 dividends caused a reduction to the addition  
18 modification required under Section 203(c)(2)(G-12) of  
19 this Act. As used in this subparagraph, the term  
20 "intangible expenses and costs" includes: (1)  
21 expenses, losses, and costs for or related to the  
22 direct or indirect acquisition, use, maintenance or  
23 management, ownership, sale, exchange, or any other  
24 disposition of intangible property; (2) losses  
25 incurred, directly or indirectly, from factoring  
26 transactions or discounting transactions; (3) royalty,

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

23 and by deducting from the total so obtained the sum of the  
24 following amounts:

25 (H) An amount equal to all amounts included in such  
26 total pursuant to the provisions of Sections 402(a),

1 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
2 Internal Revenue Code or included in such total as  
3 distributions under the provisions of any retirement  
4 or disability plan for employees of any governmental  
5 agency or unit, or retirement payments to retired  
6 partners, which payments are excluded in computing net  
7 earnings from self employment by Section 1402 of the  
8 Internal Revenue Code and regulations adopted pursuant  
9 thereto;

10 (I) The valuation limitation amount;

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

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

25 (L) With the exception of any amounts subtracted  
26 under subparagraph (K), an amount equal to the sum of



1 all amounts disallowed as deductions by (i) Sections  
2 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
3 as now or hereafter amended, and all amounts of  
4 expenses allocable to interest and disallowed as  
5 deductions by Section 265(1) of the Internal Revenue  
6 Code of 1954, as now or hereafter amended; and (ii) for  
7 taxable years ending on or after August 13, 1999,  
8 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
9 the Internal Revenue Code; the provisions of this  
10 subparagraph are exempt from the provisions of Section  
11 250;

12 (M) An amount equal to those dividends included in  
13 such total which were paid by a corporation which  
14 conducts business operations in an Enterprise Zone or  
15 zones created under the Illinois Enterprise Zone Act or  
16 a River Edge Redevelopment Zone or zones created under  
17 the River Edge Redevelopment Zone Act and conducts  
18 substantially all of its operations in an Enterprise  
19 Zone or Zones or a River Edge Redevelopment Zone or  
20 zones. This subparagraph (M) is exempt from the  
21 provisions of Section 250;

22 (N) An amount equal to any contribution made to a  
23 job training project established pursuant to the Tax  
24 Increment Allocation Redevelopment Act;

25 (O) An amount equal to those dividends included in  
26 such total that were paid by a corporation that

1 conducts business operations in a federally designated  
2 Foreign Trade Zone or Sub-Zone and that is designated a  
3 High Impact Business located in Illinois; provided  
4 that dividends eligible for the deduction provided in  
5 subparagraph (M) of paragraph (2) of this subsection  
6 shall not be eligible for the deduction provided under  
7 this subparagraph (O);

8 (P) An amount equal to the amount of the deduction  
9 used to compute the federal income tax credit for  
10 restoration of substantial amounts held under claim of  
11 right for the taxable year pursuant to Section 1341 of  
12 the Internal Revenue Code of 1986;

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

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

20 (R) For taxable years 2001 and thereafter, for the  
21 taxable year in which the bonus depreciation deduction  
22 is taken on the taxpayer's federal income tax return  
23 under subsection (k) of Section 168 of the Internal  
24 Revenue Code and for each applicable taxable year  
25 thereafter, an amount equal to "x", where:

26 (1) "y" equals the amount of the depreciation

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

7 (2) for taxable years ending on or before  
8 December 31, 2005, "x" equals "y" multiplied by 30  
9 and then divided by 70 (or "y" multiplied by  
10 0.429); and

11 (3) for taxable years ending after December  
12 31, 2005:

13 (i) for property on which a bonus  
14 depreciation deduction of 30% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 30 and then divided by 70 (or "y" multiplied by  
17 0.429); and

18 (ii) for property on which a bonus  
19 depreciation deduction of 50% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 1.0.

22 The aggregate amount deducted under this  
23 subparagraph in all taxable years for any one piece of  
24 property may not exceed the amount of the bonus  
25 depreciation deduction taken on that property on the  
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This  
2 subparagraph (R) is exempt from the provisions of  
3 Section 250;

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

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

16 The taxpayer is allowed to take the deduction under  
17 this subparagraph only once with respect to any one  
18 piece of property.

19 This subparagraph (S) is exempt from the  
20 provisions of Section 250;

21 (T) The amount of (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

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

11 (U) An amount equal to the interest income taken  
12 into account for the taxable year (net of the  
13 deductions allocable thereto) with respect to  
14 transactions with a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity, but not to exceed the  
19 addition modification required to be made for the same  
20 taxable year under Section 203(c)(2)(G-12) for  
21 interest paid, accrued, or incurred, directly or  
22 indirectly, to the same foreign person; and

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

1 member of the taxpayer's unitary business group but for  
2 the fact that the foreign person's business activity  
3 outside the United States is 80% or more of that  
4 person's total business activity, but not to exceed the  
5 addition modification required to be made for the same  
6 taxable year under Section 203(c)(2)(G-13) for  
7 intangible expenses and costs paid, accrued, or  
8 incurred, directly or indirectly, to the same foreign  
9 person.

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

17 (d) Partnerships.

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

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

24 (A) An amount equal to all amounts paid or accrued  
25 to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income  
2 in the computation of taxable income;

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

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

9 (D) An amount equal to the amount of the capital  
10 gain deduction allowable under the Internal Revenue  
11 Code, to the extent deducted from gross income in the  
12 computation of taxable income;

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

18 (D-6) If the taxpayer sells, transfers, abandons,  
19 or otherwise disposes of property for which the  
20 taxpayer was required in any taxable year to make an  
21 addition modification under subparagraph (D-5), then  
22 an amount equal to the aggregate amount of the  
23 deductions taken in all taxable years under  
24 subparagraph (D) with respect to that property.

25 If the taxpayer continues to own property through  
26 the last day of the last tax year for which the



1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the taxpayer  
3 was allowed in any taxable year to make a subtraction  
4 modification under subparagraph (O), then an amount  
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition  
7 modification under this subparagraph only once with  
8 respect to any one piece of property;

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

1 the interest was paid, accrued, or incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

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

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

22          (D-8) For taxable years ending on or after December  
23          31, 2004, an amount equal to the amount of intangible  
24          expenses and costs otherwise allowed as a deduction in  
25          computing base income, and that were paid, accrued, or  
26          incurred, directly or indirectly, to a foreign person

1           who would be a member of the same unitary business  
2           group but for the fact that the foreign person's  
3           business activity outside the United States is 80% or  
4           more of that person's total business activity. The  
5           addition modification required by this subparagraph  
6           shall be reduced to the extent that dividends were  
7           included in base income of the unitary group for the  
8           same taxable year and received by the taxpayer or by a  
9           member of the taxpayer's unitary business group  
10          (including amounts included in gross income pursuant  
11          to Sections 951 through 964 of the Internal Revenue  
12          Code and amounts included in gross income under Section  
13          78 of the Internal Revenue Code) with respect to the  
14          stock of the same person to whom the intangible  
15          expenses and costs were directly or indirectly paid,  
16          incurred or accrued. The preceding sentence shall not  
17          apply to the extent that the same dividends caused a  
18          reduction to the addition modification required under  
19          Section 203(d)(2)(D-7) of this Act. As used in this  
20          subparagraph, the term "intangible expenses and costs"  
21          includes (1) expenses, losses, and costs for, or  
22          related to, the direct or indirect acquisition, use,  
23          maintenance or management, ownership, sale, exchange,  
24          or any other disposition of intangible property; (2)  
25          losses incurred, directly or indirectly, from  
26          factoring transactions or discounting transactions;

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

8 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the  
26 intangible expense or cost between the

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

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

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

24 and by deducting from the total so obtained the following  
25 amounts:

26 (E) The valuation limitation amount;

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

4           (G) An amount equal to all amounts included in  
5 taxable income as modified by subparagraphs (A), (B),  
6 (C) and (D) which are exempt from taxation by this  
7 State either by reason of its statutes or Constitution  
8 or by reason of the Constitution, treaties or statutes  
9 of the United States; provided that, in the case of any  
10 statute of this State that exempts income derived from  
11 bonds or other obligations from the tax imposed under  
12 this Act, the amount exempted shall be the interest net  
13 of bond premium amortization;

14           (H) Any income of the partnership which  
15 constitutes personal service income as defined in  
16 Section 1348 (b) (1) of the Internal Revenue Code (as  
17 in effect December 31, 1981) or a reasonable allowance  
18 for compensation paid or accrued for services rendered  
19 by partners to the partnership, whichever is greater;

20           (I) An amount equal to all amounts of income  
21 distributable to an entity subject to the Personal  
22 Property Tax Replacement Income Tax imposed by  
23 subsections (c) and (d) of Section 201 of this Act  
24 including amounts distributable to organizations  
25 exempt from federal income tax by reason of Section  
26 501(a) of the Internal Revenue Code;

1           (J) With the exception of any amounts subtracted  
2 under subparagraph (G), an amount equal to the sum of  
3 all amounts disallowed as deductions by (i) Sections  
4 171(a) (2), and 265(2) of the Internal Revenue Code of  
5 1954, as now or hereafter amended, and all amounts of  
6 expenses allocable to interest and disallowed as  
7 deductions by Section 265(1) of the Internal Revenue  
8 Code, as now or hereafter amended; and (ii) for taxable  
9 years ending on or after August 13, 1999, Sections  
10 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the  
11 Internal Revenue Code; the provisions of this  
12 subparagraph are exempt from the provisions of Section  
13 250;

14           (K) An amount equal to those dividends included in  
15 such total which were paid by a corporation which  
16 conducts business operations in an Enterprise Zone or  
17 zones created under the Illinois Enterprise Zone Act,  
18 enacted by the 82nd General Assembly, or a River Edge  
19 Redevelopment Zone or zones created under the River  
20 Edge Redevelopment Zone Act and conducts substantially  
21 all of its operations in an Enterprise Zone or Zones or  
22 from a River Edge Redevelopment Zone or zones. This  
23 subparagraph (K) is exempt from the provisions of  
24 Section 250;

25           (L) An amount equal to any contribution made to a  
26 job training project established pursuant to the Real



1 Property Tax Increment Allocation Redevelopment Act;

2 (M) An amount equal to those dividends included in  
3 such total that were paid by a corporation that  
4 conducts business operations in a federally designated  
5 Foreign Trade Zone or Sub-Zone and that is designated a  
6 High Impact Business located in Illinois; provided  
7 that dividends eligible for the deduction provided in  
8 subparagraph (K) of paragraph (2) of this subsection  
9 shall not be eligible for the deduction provided under  
10 this subparagraph (M);

11 (N) An amount equal to the amount of the deduction  
12 used to compute the federal income tax credit for  
13 restoration of substantial amounts held under claim of  
14 right for the taxable year pursuant to Section 1341 of  
15 the Internal Revenue Code of 1986;

16 (O) For taxable years 2001 and thereafter, for the  
17 taxable year in which the bonus depreciation deduction  
18 is taken on the taxpayer's federal income tax return  
19 under subsection (k) of Section 168 of the Internal  
20 Revenue Code and for each applicable taxable year  
21 thereafter, an amount equal to "x", where:

22 (1) "y" equals the amount of the depreciation  
23 deduction taken for the taxable year on the  
24 taxpayer's federal income tax return on property  
25 for which the bonus depreciation deduction was  
26 taken in any year under subsection (k) of Section

1 168 of the Internal Revenue Code, but not including  
2 the bonus depreciation deduction;

3 (2) for taxable years ending on or before  
4 December 31, 2005, "x" equals "y" multiplied by 30  
5 and then divided by 70 (or "y" multiplied by  
6 0.429); and

7 (3) for taxable years ending after December  
8 31, 2005:

9 (i) for property on which a bonus  
10 depreciation deduction of 30% of the adjusted  
11 basis was taken, "x" equals "y" multiplied by  
12 30 and then divided by 70 (or "y" multiplied by  
13 0.429); and

14 (ii) for property on which a bonus  
15 depreciation deduction of 50% of the adjusted  
16 basis was taken, "x" equals "y" multiplied by  
17 1.0.

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

26 (P) If the taxpayer sells, transfers, abandons, or

1 otherwise disposes of property for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (D-5), then an amount  
4 equal to that addition modification.

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

12 The taxpayer is allowed to take the deduction under  
13 this subparagraph only once with respect to any one  
14 piece of property.

15 This subparagraph (P) is exempt from the  
16 provisions of Section 250;

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

1 year with respect to a transaction with a taxpayer that  
2 is required to make an addition modification with  
3 respect to such transaction under Section  
4 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
5 203(d)(2)(D-8), but not to exceed the amount of such  
6 addition modification;

7 (R) An amount equal to the interest income taken  
8 into account for the taxable year (net of the  
9 deductions allocable thereto) with respect to  
10 transactions with a foreign person who would be a  
11 member of the taxpayer's unitary business group but for  
12 the fact that the foreign person's business activity  
13 outside the United States is 80% or more of that  
14 person's total business activity, but not to exceed the  
15 addition modification required to be made for the same  
16 taxable year under Section 203(d)(2)(D-7) for interest  
17 paid, accrued, or incurred, directly or indirectly, to  
18 the same foreign person; and

19 (S) An amount equal to the income from intangible  
20 property taken into account for the taxable year (net  
21 of the deductions allocable thereto) with respect to  
22 transactions with a foreign person who would be a  
23 member of the taxpayer's unitary business group but for  
24 the fact that the foreign person's business activity  
25 outside the United States is 80% or more of that  
26 person's total business activity, but not to exceed the

1           addition modification required to be made for the same  
2           taxable year under Section 203(d)(2)(D-8) for  
3           intangible expenses and costs paid, accrued, or  
4           incurred, directly or indirectly, to the same foreign  
5           person.

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

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

1 a corporation (other than a Subchapter S corporation),  
2 trust, or estate is less than zero and addition  
3 modifications, other than those provided by subparagraph  
4 (E) of paragraph (2) of subsection (b) for corporations or  
5 subparagraph (E) of paragraph (2) of subsection (c) for  
6 trusts and estates, exceed subtraction modifications, an  
7 addition modification must be made under those  
8 subparagraphs for any other taxable year to which the  
9 taxable income less than zero (net operating loss) is  
10 applied under Section 172 of the Internal Revenue Code or  
11 under subparagraph (E) of paragraph (2) of this subsection  
12 (e) applied in conjunction with Section 172 of the Internal  
13 Revenue Code.

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

17 (A) Certain life insurance companies. In the case  
18 of a life insurance company subject to the tax imposed  
19 by Section 801 of the Internal Revenue Code, life  
20 insurance company taxable income, plus the amount of  
21 distribution from pre-1984 policyholder surplus  
22 accounts as calculated under Section 815a of the  
23 Internal Revenue Code;

24 (B) Certain other insurance companies. In the case  
25 of mutual insurance companies subject to the tax  
26 imposed by Section 831 of the Internal Revenue Code,

1 insurance company taxable income;

2 (C) Regulated investment companies. In the case of  
3 a regulated investment company subject to the tax  
4 imposed by Section 852 of the Internal Revenue Code,  
5 investment company taxable income;

6 (D) Real estate investment trusts. In the case of a  
7 real estate investment trust subject to the tax imposed  
8 by Section 857 of the Internal Revenue Code, real  
9 estate investment trust taxable income;

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

22 (F) Cooperatives. In the case of a cooperative  
23 corporation or association, the taxable income of such  
24 organization determined in accordance with the  
25 provisions of Section 1381 through 1388 of the Internal  
26 Revenue Code;

1           (G) Subchapter S corporations. In the case of: (i)  
2           a Subchapter S corporation for which there is in effect  
3           an election for the taxable year under Section 1362 of  
4           the Internal Revenue Code, the taxable income of such  
5           corporation determined in accordance with Section  
6           1363(b) of the Internal Revenue Code, except that  
7           taxable income shall take into account those items  
8           which are required by Section 1363(b)(1) of the  
9           Internal Revenue Code to be separately stated; and (ii)  
10          a Subchapter S corporation for which there is in effect  
11          a federal election to opt out of the provisions of the  
12          Subchapter S Revision Act of 1982 and have applied  
13          instead the prior federal Subchapter S rules as in  
14          effect on July 1, 1982, the taxable income of such  
15          corporation determined in accordance with the federal  
16          Subchapter S rules as in effect on July 1, 1982; and

17          (H) Partnerships. In the case of a partnership,  
18          taxable income determined in accordance with Section  
19          703 of the Internal Revenue Code, except that taxable  
20          income shall take into account those items which are  
21          required by Section 703(a)(1) to be separately stated  
22          but which would be taken into account by an individual  
23          in calculating his taxable income.

24          (3) Recapture of business expenses on disposition of  
25          asset or business. Notwithstanding any other law to the  
26          contrary, if in prior years income from an asset or



1 business has been classified as business income and in a  
2 later year is demonstrated to be non-business income, then  
3 all expenses, without limitation, deducted in such later  
4 year and in the 2 immediately preceding taxable years  
5 related to that asset or business that generated the  
6 non-business income shall be added back and recaptured as  
7 business income in the year of the disposition of the asset  
8 or business. Such amount shall be apportioned to Illinois  
9 using the greater of the apportionment fraction computed  
10 for the business under Section 304 of this Act for the  
11 taxable year or the average of the apportionment fractions  
12 computed for the business under Section 304 of this Act for  
13 the taxable year and for the 2 immediately preceding  
14 taxable years.

15 (f) Valuation limitation amount.

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

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

24 (B) The lesser of (i) the sum of the pre-August 1,  
25 1969 appreciation amounts (to the extent consisting of  
26 capital gain) for all property in respect of which such

1 gain was reported for federal income tax purposes for  
2 the taxable year, or (ii) the net capital gain for the  
3 taxable year, reduced in either case by any amount of  
4 such gain included in the amount determined under  
5 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

1 full calendar months in the taxpayer's entire holding  
2 period for the property.

3 (C) The Department shall prescribe such  
4 regulations as may be necessary to carry out the  
5 purposes of this paragraph.

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

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

18 (Source: P.A. 93-812, eff. 7-26-04; 93-840, eff. 7-30-04;  
19 94-776, eff. 5-19-06; 94-789, eff. 5-19-06; 94-1021, eff.  
20 7-12-06; 94-1074, eff. 12-26-06; revised 1-2-07.)

21 (35 ILCS 5/247 new)

22 Sec. 247. Family Tax Credit.

23 (a) For taxable years beginning after January 1, 2007, each

1 taxpayer who is a natural person or is a married couple filing  
 2 jointly that reports total annual income of \$47,000 or less  
 3 (the "eligibility cap"), is entitled to a refundable tax credit  
 4 known as the Family Tax Credit in those amounts identified in  
 5 subsection (b) of this Section. The Family Tax Credit may be  
 6 claimed only upon proper filing of an Illinois State income tax  
 7 return by an eligible taxpayer. The eligibility cap shall  
 8 increase for each tax year beginning after December 31, 2007,  
 9 by an amount equal to the percentage increase, if any, in the  
 10 Consumer Price Index ("CPI") published by the U.S. Bureau of  
 11 Labor Statistics for the immediately preceding tax year,  
 12 multiplied by the eligibility cap for that immediately  
 13 preceding tax year.

14 (b) The amount of Family Tax Credit an eligible taxpayer  
 15 may claim will vary in amount, based on the following table:

<u>Total Annual Income</u>	<u>Credit</u>
<u>Less than \$16,000</u>	<u>\$200</u>
<u>\$16,000 or more but less than \$29,000</u>	<u>\$350</u>
<u>\$29,000 or more but less than \$47,001</u>	<u>\$230</u>

21 The dollar ranges of Total Annual Income identified in each  
 22 category, as well as the value of the credit for that category,  
 23 shall increase in each tax year beginning after December 31,  
 24 2007 by an amount equal to the applicable Total Annual Income

1 category or credit amount, as the case may be, increased by the  
2 percentage increase, if any, in the CPI for the immediately  
3 preceding tax year. The Department of Revenue shall update the  
4 Total Annual Income category and credit amounts for the Family  
5 Tax Credit annually and distribute the updated table with the  
6 Illinois personal income tax returns.

7 (c) If the amount of the Family Tax Credit exceeds the  
8 income tax liability of an eligible taxpayer, the State shall  
9 refund to the taxpayer the difference between the Family Tax  
10 Credit and the taxpayer's income tax liability.

11 (d) This Section is exempt from the provisions of Section  
12 250 of this Act.

13 Section 15. The Use Tax Act is amended by changing Section  
14 2 as follows:

15 (35 ILCS 105/2) (from Ch. 120, par. 439.2)

16 Sec. 2. "Use" means the exercise by any person of any right  
17 or power over tangible personal property incident to the  
18 ownership of that property, except that it does not include the  
19 sale of such property in any form as tangible personal property  
20 in the regular course of business to the extent that such  
21 property is not first subjected to a use for which it was  
22 purchased, and does not include the use of such property by its  
23 owner for demonstration purposes: Provided that the property  
24 purchased is deemed to be purchased for the purpose of resale,

1 despite first being used, to the extent to which it is resold  
2 as an ingredient of an intentionally produced product or  
3 by-product of manufacturing. "Use" does not mean the  
4 demonstration use or interim use of tangible personal property  
5 by a retailer before he sells that tangible personal property.  
6 For watercraft or aircraft, if the period of demonstration use  
7 or interim use by the retailer exceeds 18 months, the retailer  
8 shall pay on the retailers' original cost price the tax imposed  
9 by this Act, and no credit for that tax is permitted if the  
10 watercraft or aircraft is subsequently sold by the retailer.  
11 "Use" does not mean the physical incorporation of tangible  
12 personal property, to the extent not first subjected to a use  
13 for which it was purchased, as an ingredient or constituent,  
14 into other tangible personal property (a) which is sold in the  
15 regular course of business or (b) which the person  
16 incorporating such ingredient or constituent therein has  
17 undertaken at the time of such purchase to cause to be  
18 transported in interstate commerce to destinations outside the  
19 State of Illinois: Provided that the property purchased is  
20 deemed to be purchased for the purpose of resale, despite first  
21 being used, to the extent to which it is resold as an  
22 ingredient of an intentionally produced product or by-product  
23 of manufacturing.

24 "Watercraft" means a Class 2, Class 3, or Class 4  
25 watercraft as defined in Section 3-2 of the Boat Registration  
26 and Safety Act, a personal watercraft, or any boat equipped

1 with an inboard motor.

2 "Purchase at retail" means the acquisition of the ownership  
3 of or title to tangible personal property through a sale at  
4 retail.

5 "Purchaser" means anyone who, through a sale at retail,  
6 acquires the ownership of tangible personal property for a  
7 valuable consideration.

8 "Sale at retail" means any transfer of the ownership of or  
9 title to tangible personal property to a purchaser, for the  
10 purpose of use, and not for the purpose of resale in any form  
11 as tangible personal property to the extent not first subjected  
12 to a use for which it was purchased, for a valuable  
13 consideration: Provided that the property purchased is deemed  
14 to be purchased for the purpose of resale, despite first being  
15 used, to the extent to which it is resold as an ingredient of  
16 an intentionally produced product or by-product of  
17 manufacturing. For this purpose, slag produced as an incident  
18 to manufacturing pig iron or steel and sold is considered to be  
19 an intentionally produced by-product of manufacturing. "Sale  
20 at retail" includes any such transfer made for resale unless  
21 made in compliance with Section 2c of the Retailers' Occupation  
22 Tax Act, as incorporated by reference into Section 12 of this  
23 Act. Transactions whereby the possession of the property is  
24 transferred but the seller retains the title as security for  
25 payment of the selling price are sales.

26 "Sale at retail" shall also be construed to include any

1 Illinois florist's sales transaction in which the purchase  
2 order is received in Illinois by a florist and the sale is for  
3 use or consumption, but the Illinois florist has a florist in  
4 another state deliver the property to the purchaser or the  
5 purchaser's donee in such other state.

6 Nonreusable tangible personal property that is used by  
7 persons engaged in the business of operating a restaurant,  
8 cafeteria, or drive-in is a sale for resale when it is  
9 transferred to customers in the ordinary course of business as  
10 part of the sale of food or beverages and is used to deliver,  
11 package, or consume food or beverages, regardless of where  
12 consumption of the food or beverages occurs. Examples of those  
13 items include, but are not limited to nonreusable, paper and  
14 plastic cups, plates, baskets, boxes, sleeves, buckets or other  
15 containers, utensils, straws, placemats, napkins, doggie bags,  
16 and wrapping or packaging materials that are transferred to  
17 customers as part of the sale of food or beverages in the  
18 ordinary course of business.

19 ~~The purchase, employment and transfer of such tangible~~  
20 ~~personal property as newsprint and ink for the primary purpose~~  
21 ~~of conveying news (with or without other information) is not a~~  
22 ~~purchase, use or sale of tangible personal property.~~

23 "Selling price" means the consideration for a sale valued  
24 in money whether received in money or otherwise, including  
25 cash, credits, property other than as hereinafter provided, and  
26 services, but not including the value of or credit given for



1 traded-in tangible personal property where the item that is  
2 traded-in is of like kind and character as that which is being  
3 sold, and shall be determined without any deduction on account  
4 of the cost of the property sold, the cost of materials used,  
5 labor or service cost or any other expense whatsoever, but does  
6 not include interest or finance charges which appear as  
7 separate items on the bill of sale or sales contract nor  
8 charges that are added to prices by sellers on account of the  
9 seller's tax liability under the "Retailers' Occupation Tax  
10 Act", or on account of the seller's duty to collect, from the  
11 purchaser, the tax that is imposed by this Act, or on account  
12 of the seller's tax liability under Section 8-11-1 of the  
13 Illinois Municipal Code, as heretofore and hereafter amended,  
14 or on account of the seller's tax liability under the "County  
15 Retailers' Occupation Tax Act". Effective December 1, 1985,  
16 "selling price" shall include charges that are added to prices  
17 by sellers on account of the seller's tax liability under the  
18 Cigarette Tax Act, on account of the seller's duty to collect,  
19 from the purchaser, the tax imposed under the Cigarette Use Tax  
20 Act, and on account of the seller's duty to collect, from the  
21 purchaser, any cigarette tax imposed by a home rule unit.

22 The phrase "like kind and character" shall be liberally  
23 construed (including but not limited to any form of motor  
24 vehicle for any form of motor vehicle, or any kind of farm or  
25 agricultural implement for any other kind of farm or  
26 agricultural implement), while not including a kind of item

1 which, if sold at retail by that retailer, would be exempt from  
2 retailers' occupation tax and use tax as an isolated or  
3 occasional sale.

4 "Department" means the Department of Revenue.

5 "Person" means any natural individual, firm, partnership,  
6 association, joint stock company, joint adventure, public or  
7 private corporation, limited liability company, or a receiver,  
8 executor, trustee, guardian or other representative appointed  
9 by order of any court.

10 "Retailer" means and includes every person engaged in the  
11 business of making sales at retail as defined in this Section.

12 A person who holds himself or herself out as being engaged  
13 (or who habitually engages) in selling tangible personal  
14 property at retail is a retailer hereunder with respect to such  
15 sales (and not primarily in a service occupation)  
16 notwithstanding the fact that such person designs and produces  
17 such tangible personal property on special order for the  
18 purchaser and in such a way as to render the property of value  
19 only to such purchaser, if such tangible personal property so  
20 produced on special order serves substantially the same  
21 function as stock or standard items of tangible personal  
22 property that are sold at retail.

23 A person whose activities are organized and conducted  
24 primarily as a not-for-profit service enterprise, and who  
25 engages in selling tangible personal property at retail  
26 (whether to the public or merely to members and their guests)

1 is a retailer with respect to such transactions, excepting only  
2 a person organized and operated exclusively for charitable,  
3 religious or educational purposes either (1), to the extent of  
4 sales by such person to its members, students, patients or  
5 inmates of tangible personal property to be used primarily for  
6 the purposes of such person, or (2), to the extent of sales by  
7 such person of tangible personal property which is not sold or  
8 offered for sale by persons organized for profit. The selling  
9 of school books and school supplies by schools at retail to  
10 students is not "primarily for the purposes of" the school  
11 which does such selling. This paragraph does not apply to nor  
12 subject to taxation occasional dinners, social or similar  
13 activities of a person organized and operated exclusively for  
14 charitable, religious or educational purposes, whether or not  
15 such activities are open to the public.

16 A person who is the recipient of a grant or contract under  
17 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and  
18 serves meals to participants in the federal Nutrition Program  
19 for the Elderly in return for contributions established in  
20 amount by the individual participant pursuant to a schedule of  
21 suggested fees as provided for in the federal Act is not a  
22 retailer under this Act with respect to such transactions.

23 Persons who engage in the business of transferring tangible  
24 personal property upon the redemption of trading stamps are  
25 retailers hereunder when engaged in such business.

26 The isolated or occasional sale of tangible personal

1 property at retail by a person who does not hold himself out as  
2 being engaged (or who does not habitually engage) in selling  
3 such tangible personal property at retail or a sale through a  
4 bulk vending machine does not make such person a retailer  
5 hereunder. However, any person who is engaged in a business  
6 which is not subject to the tax imposed by the "Retailers'  
7 Occupation Tax Act" because of involving the sale of or a  
8 contract to sell real estate or a construction contract to  
9 improve real estate, but who, in the course of conducting such  
10 business, transfers tangible personal property to users or  
11 consumers in the finished form in which it was purchased, and  
12 which does not become real estate, under any provision of a  
13 construction contract or real estate sale or real estate sales  
14 agreement entered into with some other person arising out of or  
15 because of such nontaxable business, is a retailer to the  
16 extent of the value of the tangible personal property so  
17 transferred. If, in such transaction, a separate charge is made  
18 for the tangible personal property so transferred, the value of  
19 such property, for the purposes of this Act, is the amount so  
20 separately charged, but not less than the cost of such property  
21 to the transferor; if no separate charge is made, the value of  
22 such property, for the purposes of this Act, is the cost to the  
23 transferor of such tangible personal property.

24 "Retailer maintaining a place of business in this State",  
25 or any like term, means and includes any of the following  
26 retailers:

1           1. A retailer having or maintaining within this State,  
2           directly or by a subsidiary, an office, distribution house,  
3           sales house, warehouse or other place of business, or any  
4           agent or other representative operating within this State  
5           under the authority of the retailer or its subsidiary,  
6           irrespective of whether such place of business or agent or  
7           other representative is located here permanently or  
8           temporarily, or whether such retailer or subsidiary is  
9           licensed to do business in this State. However, the  
10          ownership of property that is located at the premises of a  
11          printer with which the retailer has contracted for printing  
12          and that consists of the final printed product, property  
13          that becomes a part of the final printed product, or copy  
14          from which the printed product is produced shall not result  
15          in the retailer being deemed to have or maintain an office,  
16          distribution house, sales house, warehouse, or other place  
17          of business within this State.

18          2. A retailer soliciting orders for tangible personal  
19          property by means of a telecommunication or television  
20          shopping system (which utilizes toll free numbers) which is  
21          intended by the retailer to be broadcast by cable  
22          television or other means of broadcasting, to consumers  
23          located in this State.

24          3. A retailer, pursuant to a contract with a  
25          broadcaster or publisher located in this State, soliciting  
26          orders for tangible personal property by means of

1 advertising which is disseminated primarily to consumers  
2 located in this State and only secondarily to bordering  
3 jurisdictions.

4 4. A retailer soliciting orders for tangible personal  
5 property by mail if the solicitations are substantial and  
6 recurring and if the retailer benefits from any banking,  
7 financing, debt collection, telecommunication, or  
8 marketing activities occurring in this State or benefits  
9 from the location in this State of authorized installation,  
10 servicing, or repair facilities.

11 5. A retailer that is owned or controlled by the same  
12 interests that own or control any retailer engaging in  
13 business in the same or similar line of business in this  
14 State.

15 6. A retailer having a franchisee or licensee operating  
16 under its trade name if the franchisee or licensee is  
17 required to collect the tax under this Section.

18 7. A retailer, pursuant to a contract with a cable  
19 television operator located in this State, soliciting  
20 orders for tangible personal property by means of  
21 advertising which is transmitted or distributed over a  
22 cable television system in this State.

23 8. A retailer engaging in activities in Illinois, which  
24 activities in the state in which the retail business  
25 engaging in such activities is located would constitute  
26 maintaining a place of business in that state.

1 "Bulk vending machine" means a vending machine, containing  
2 unsorted confections, nuts, toys, or other items designed  
3 primarily to be used or played with by children which, when a  
4 coin or coins of a denomination not larger than \$0.50 are  
5 inserted, are dispensed in equal portions, at random and  
6 without selection by the customer.

7 (Source: P.A. 94-1074, eff. 12-26-06.)

8 (35 ILCS 105/3-50 rep.) (from Ch. 120, par. 439.3-50)

9 Section 17. The Use Tax Act is amended by repealing Section  
10 3-50.

11 Section 20. The Service Use Tax Act is amended by changing  
12 Section 2 as follows:

13 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

14 Sec. 2. "Use" means the exercise by any person of any right  
15 or power over tangible personal property incident to the  
16 ownership of that property, but does not include the sale or  
17 use for demonstration by him of that property in any form as  
18 tangible personal property in the regular course of business.  
19 "Use" does not mean the interim use of tangible personal  
20 property nor the physical incorporation of tangible personal  
21 property, as an ingredient or constituent, into other tangible  
22 personal property, (a) which is sold in the regular course of  
23 business or (b) which the person incorporating such ingredient

1 or constituent therein has undertaken at the time of such  
2 purchase to cause to be transported in interstate commerce to  
3 destinations outside the State of Illinois.

4 "Purchased from a serviceman" means the acquisition of the  
5 ownership of, or title to, tangible personal property through a  
6 sale of service.

7 "Purchaser" means any person who, through a sale of  
8 service, acquires the ownership of, or title to, any tangible  
9 personal property.

10 "Cost price" means the consideration paid by the serviceman  
11 for a purchase valued in money, whether paid in money or  
12 otherwise, including cash, credits and services, and shall be  
13 determined without any deduction on account of the supplier's  
14 cost of the property sold or on account of any other expense  
15 incurred by the supplier. When a serviceman contracts out part  
16 or all of the services required in his sale of service, it  
17 shall be presumed that the cost price to the serviceman of the  
18 property transferred to him or her by his or her subcontractor  
19 is equal to 50% of the subcontractor's charges to the  
20 serviceman in the absence of proof of the consideration paid by  
21 the subcontractor for the purchase of such property.

22 "Selling price" means the consideration for a sale valued  
23 in money whether received in money or otherwise, including  
24 cash, credits and service, and shall be determined without any  
25 deduction on account of the serviceman's cost of the property  
26 sold, the cost of materials used, labor or service cost or any



1 other expense whatsoever, but does not include interest or  
2 finance charges which appear as separate items on the bill of  
3 sale or sales contract nor charges that are added to prices by  
4 sellers on account of the seller's duty to collect, from the  
5 purchaser, the tax that is imposed by this Act.

6 "Department" means the Department of Revenue.

7 "Person" means any natural individual, firm, partnership,  
8 association, joint stock company, joint venture, public or  
9 private corporation, limited liability company, and any  
10 receiver, executor, trustee, guardian or other representative  
11 appointed by order of any court.

12 "Sale of service" means any transaction except:

13 (1) a retail sale of tangible personal property taxable  
14 under the Retailers' Occupation Tax Act or under the Use  
15 Tax Act.

16 (2) a sale of tangible personal property for the  
17 purpose of resale made in compliance with Section 2c of the  
18 Retailers' Occupation Tax Act.

19 (3) except as hereinafter provided, a sale or transfer  
20 of tangible personal property as an incident to the  
21 rendering of service for or by any governmental body, or  
22 for or by any corporation, society, association,  
23 foundation or institution organized and operated  
24 exclusively for charitable, religious or educational  
25 purposes or any not-for-profit corporation, society,  
26 association, foundation, institution or organization which

1 has no compensated officers or employees and which is  
2 organized and operated primarily for the recreation of  
3 persons 55 years of age or older. A limited liability  
4 company may qualify for the exemption under this paragraph  
5 only if the limited liability company is organized and  
6 operated exclusively for educational purposes.

7 (4) a sale or transfer of tangible personal property as  
8 an incident to the rendering of service for interstate  
9 carriers for hire for use as rolling stock moving in  
10 interstate commerce or by lessors under a lease of one year  
11 or longer, executed or in effect at the time of purchase of  
12 personal property, to interstate carriers for hire for use  
13 as rolling stock moving in interstate commerce so long as  
14 so used by such interstate carriers for hire, and equipment  
15 operated by a telecommunications provider, licensed as a  
16 common carrier by the Federal Communications Commission,  
17 which is permanently installed in or affixed to aircraft  
18 moving in interstate commerce.

19 (4a) a sale or transfer of tangible personal property  
20 as an incident to the rendering of service for owners,  
21 lessors, or shippers of tangible personal property which is  
22 utilized by interstate carriers for hire for use as rolling  
23 stock moving in interstate commerce so long as so used by  
24 interstate carriers for hire, and equipment operated by a  
25 telecommunications provider, licensed as a common carrier  
26 by the Federal Communications Commission, which is

1 permanently installed in or affixed to aircraft moving in  
2 interstate commerce.

3 (4a-5) on and after July 1, 2003 and through June 30,  
4 2004, a sale or transfer of a motor vehicle of the second  
5 division with a gross vehicle weight in excess of 8,000  
6 pounds as an incident to the rendering of service if that  
7 motor vehicle is subject to the commercial distribution fee  
8 imposed under Section 3-815.1 of the Illinois Vehicle Code.  
9 Beginning on July 1, 2004 and through June 30, 2005, the  
10 use in this State of motor vehicles of the second division:  
11 (i) with a gross vehicle weight rating in excess of 8,000  
12 pounds; (ii) that are subject to the commercial  
13 distribution fee imposed under Section 3-815.1 of the  
14 Illinois Vehicle Code; and (iii) that are primarily used  
15 for commercial purposes. Through June 30, 2005, this  
16 exemption applies to repair and replacement parts added  
17 after the initial purchase of such a motor vehicle if that  
18 motor vehicle is used in a manner that would qualify for  
19 the rolling stock exemption otherwise provided for in this  
20 Act. For purposes of this paragraph, "used for commercial  
21 purposes" means the transportation of persons or property  
22 in furtherance of any commercial or industrial enterprise  
23 whether for-hire or not.

24 (5) a sale or transfer of machinery and equipment used  
25 primarily in the process of the manufacturing or  
26 assembling, either in an existing, an expanded or a new

1 manufacturing facility, of tangible personal property for  
2 wholesale or retail sale or lease, whether such sale or  
3 lease is made directly by the manufacturer or by some other  
4 person, whether the materials used in the process are owned  
5 by the manufacturer or some other person, or whether such  
6 sale or lease is made apart from or as an incident to the  
7 seller's engaging in a service occupation and the  
8 applicable tax is a Service Use Tax or Service Occupation  
9 Tax, rather than Use Tax or Retailers' Occupation Tax.

10 (5a) the repairing, reconditioning or remodeling, for  
11 a common carrier by rail, of tangible personal property  
12 which belongs to such carrier for hire, and as to which  
13 such carrier receives the physical possession of the  
14 repaired, reconditioned or remodeled item of tangible  
15 personal property in Illinois, and which such carrier  
16 transports, or shares with another common carrier in the  
17 transportation of such property, out of Illinois on a  
18 standard uniform bill of lading showing the person who  
19 repaired, reconditioned or remodeled the property to a  
20 destination outside Illinois, for use outside Illinois.

21 (5b) a sale or transfer of tangible personal property  
22 which is produced by the seller thereof on special order in  
23 such a way as to have made the applicable tax the Service  
24 Occupation Tax or the Service Use Tax, rather than the  
25 Retailers' Occupation Tax or the Use Tax, for an interstate  
26 carrier by rail which receives the physical possession of

1       such property in Illinois, and which transports such  
2       property, or shares with another common carrier in the  
3       transportation of such property, out of Illinois on a  
4       standard uniform bill of lading showing the seller of the  
5       property as the shipper or consignor of such property to a  
6       destination outside Illinois, for use outside Illinois.

7       (6) until July 1, 2003, a sale or transfer of  
8       distillation machinery and equipment, sold as a unit or kit  
9       and assembled or installed by the retailer, which machinery  
10      and equipment is certified by the user to be used only for  
11      the production of ethyl alcohol that will be used for  
12      consumption as motor fuel or as a component of motor fuel  
13      for the personal use of such user and not subject to sale  
14      or resale.

15      (7) at the election of any serviceman not required to  
16      be otherwise registered as a retailer under Section 2a of  
17      the Retailers' Occupation Tax Act, made for each fiscal  
18      year sales of service in which the aggregate annual cost  
19      price of tangible personal property transferred as an  
20      incident to the sales of service is less than 35%, or 75%  
21      in the case of servicemen transferring prescription drugs  
22      or servicemen engaged in graphic arts production, of the  
23      aggregate annual total gross receipts from all sales of  
24      service. The purchase of such tangible personal property by  
25      the serviceman shall be subject to tax under the Retailers'  
26      Occupation Tax Act and the Use Tax Act. However, if a

1 primary serviceman who has made the election described in  
2 this paragraph subcontracts service work to a secondary  
3 serviceman who has also made the election described in this  
4 paragraph, the primary serviceman does not incur a Use Tax  
5 liability if the secondary serviceman (i) has paid or will  
6 pay Use Tax on his or her cost price of any tangible  
7 personal property transferred to the primary serviceman  
8 and (ii) certifies that fact in writing to the primary  
9 serviceman.

10 Tangible personal property transferred incident to the  
11 completion of a maintenance agreement is exempt from the tax  
12 imposed pursuant to this Act.

13 ~~Exemption (5) also includes machinery and equipment used in~~  
14 ~~the general maintenance or repair of such exempt machinery and~~  
15 ~~equipment or for in-house manufacture of exempt machinery and~~  
16 ~~equipment. For the purposes of exemption (5), each of these~~  
17 ~~terms shall have the following meanings: (1) "manufacturing~~  
18 ~~process" shall mean the production of any article of tangible~~  
19 ~~personal property, whether such article is a finished product~~  
20 ~~or an article for use in the process of manufacturing or~~  
21 ~~assembling a different article of tangible personal property,~~  
22 ~~by procedures commonly regarded as manufacturing, processing,~~  
23 ~~fabricating, or refining which changes some existing material~~  
24 ~~or materials into a material with a different form, use or~~  
25 ~~name. In relation to a recognized integrated business composed~~  
26 ~~of a series of operations which collectively constitute~~

1 ~~manufacturing, or individually constitute manufacturing~~  
2 ~~operations, the manufacturing process shall be deemed to~~  
3 ~~commence with the first operation or stage of production in the~~  
4 ~~series, and shall not be deemed to end until the completion of~~  
5 ~~the final product in the last operation or stage of production~~  
6 ~~in the series; and further, for purposes of exemption (5),~~  
7 ~~photoprocessing is deemed to be a manufacturing process of~~  
8 ~~tangible personal property for wholesale or retail sale; (2)~~  
9 ~~"assembling process" shall mean the production of any article~~  
10 ~~of tangible personal property, whether such article is a~~  
11 ~~finished product or an article for use in the process of~~  
12 ~~manufacturing or assembling a different article of tangible~~  
13 ~~personal property, by the combination of existing materials in~~  
14 ~~a manner commonly regarded as assembling which results in a~~  
15 ~~material of a different form, use or name; (3) "machinery"~~  
16 ~~shall mean major mechanical machines or major components of~~  
17 ~~such machines contributing to a manufacturing or assembling~~  
18 ~~process; and (4) "equipment" shall include any independent~~  
19 ~~device or tool separate from any machinery but essential to an~~  
20 ~~integrated manufacturing or assembly process; including~~  
21 ~~computers used primarily in a manufacturer's computer assisted~~  
22 ~~design, computer assisted manufacturing (CAD/CAM) system; or~~  
23 ~~any subunit or assembly comprising a component of any machinery~~  
24 ~~or auxiliary, adjunct or attachment parts of machinery, such as~~  
25 ~~tools, dies, jigs, fixtures, patterns and molds; or any parts~~  
26 ~~which require periodic replacement in the course of normal~~

1 ~~operation; but shall not include hand tools. Equipment includes~~  
2 ~~chemicals or chemicals acting as catalysts but only if the~~  
3 ~~chemicals or chemicals acting as catalysts effect a direct and~~  
4 ~~immediate change upon a product being manufactured or assembled~~  
5 ~~for wholesale or retail sale or lease. The purchaser of such~~  
6 ~~machinery and equipment who has an active resale registration~~  
7 ~~number shall furnish such number to the seller at the time of~~  
8 ~~purchase. The user of such machinery and equipment and tools~~  
9 ~~without an active resale registration number shall prepare a~~  
10 ~~certificate of exemption for each transaction stating facts~~  
11 ~~establishing the exemption for that transaction, which~~  
12 ~~certificate shall be available to the Department for inspection~~  
13 ~~or audit. The Department shall prescribe the form of the~~  
14 ~~certificate.~~

15 Any informal rulings, opinions or letters issued by the  
16 Department in response to an inquiry or request for any opinion  
17 from any person regarding the coverage and applicability of  
18 exemption (5) to specific devices shall be published,  
19 maintained as a public record, and made available for public  
20 inspection and copying. If the informal ruling, opinion or  
21 letter contains trade secrets or other confidential  
22 information, where possible the Department shall delete such  
23 information prior to publication. Whenever such informal  
24 rulings, opinions, or letters contain any policy of general  
25 applicability, the Department shall formulate and adopt such  
26 policy as a rule in accordance with the provisions of the



1 Illinois Administrative Procedure Act.

2 On and after July 1, 1987, no entity otherwise eligible  
3 under exemption (3) of this Section shall make tax free  
4 purchases unless it has an active exemption identification  
5 number issued by the Department.

6 ~~The purchase, employment and transfer of such tangible~~  
7 ~~personal property as newsprint and ink for the primary purpose~~  
8 ~~of conveying news (with or without other information) is not a~~  
9 ~~purchase, use or sale of service or of tangible personal~~  
10 ~~property within the meaning of this Act.~~

11 "Serviceman" means any person who is engaged in the  
12 occupation of making sales of service.

13 "Sale at retail" means "sale at retail" as defined in the  
14 Retailers' Occupation Tax Act.

15 "Supplier" means any person who makes sales of tangible  
16 personal property to servicemen for the purpose of resale as an  
17 incident to a sale of service.

18 "Serviceman maintaining a place of business in this State",  
19 or any like term, means and includes any serviceman:

20 1. having or maintaining within this State, directly or  
21 by a subsidiary, an office, distribution house, sales  
22 house, warehouse or other place of business, or any agent  
23 or other representative operating within this State under  
24 the authority of the serviceman or its subsidiary,  
25 irrespective of whether such place of business or agent or  
26 other representative is located here permanently or

1 temporarily, or whether such serviceman or subsidiary is  
2 licensed to do business in this State;

3 2. soliciting orders for tangible personal property by  
4 means of a telecommunication or television shopping system  
5 (which utilizes toll free numbers) which is intended by the  
6 retailer to be broadcast by cable television or other means  
7 of broadcasting, to consumers located in this State;

8 3. pursuant to a contract with a broadcaster or  
9 publisher located in this State, soliciting orders for  
10 tangible personal property by means of advertising which is  
11 disseminated primarily to consumers located in this State  
12 and only secondarily to bordering jurisdictions;

13 4. soliciting orders for tangible personal property by  
14 mail if the solicitations are substantial and recurring and  
15 if the retailer benefits from any banking, financing, debt  
16 collection, telecommunication, or marketing activities  
17 occurring in this State or benefits from the location in  
18 this State of authorized installation, servicing, or  
19 repair facilities;

20 5. being owned or controlled by the same interests  
21 which own or control any retailer engaging in business in  
22 the same or similar line of business in this State;

23 6. having a franchisee or licensee operating under its  
24 trade name if the franchisee or licensee is required to  
25 collect the tax under this Section;

26 7. pursuant to a contract with a cable television

1 operator located in this State, soliciting orders for  
2 tangible personal property by means of advertising which is  
3 transmitted or distributed over a cable television system  
4 in this State; or

5 8. engaging in activities in Illinois, which  
6 activities in the state in which the supply business  
7 engaging in such activities is located would constitute  
8 maintaining a place of business in that state.

9 (Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24,  
10 eff. 6-20-03; 93-1033, eff. 9-3-04.)

11 Section 25. The Service Occupation Tax Act is amended by  
12 changing Section 2 as follows:

13 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

14 Sec. 2. "Transfer" means any transfer of the title to  
15 property or of the ownership of property whether or not the  
16 transferor retains title as security for the payment of amounts  
17 due him from the transferee.

18 "Cost Price" means the consideration paid by the serviceman  
19 for a purchase valued in money, whether paid in money or  
20 otherwise, including cash, credits and services, and shall be  
21 determined without any deduction on account of the supplier's  
22 cost of the property sold or on account of any other expense  
23 incurred by the supplier. When a serviceman contracts out part  
24 or all of the services required in his sale of service, it

1 shall be presumed that the cost price to the serviceman of the  
2 property transferred to him by his or her subcontractor is  
3 equal to 50% of the subcontractor's charges to the serviceman  
4 in the absence of proof of the consideration paid by the  
5 subcontractor for the purchase of such property.

6 "Department" means the Department of Revenue.

7 "Person" means any natural individual, firm, partnership,  
8 association, joint stock company, joint venture, public or  
9 private corporation, limited liability company, and any  
10 receiver, executor, trustee, guardian or other representative  
11 appointed by order of any court.

12 "Sale of Service" means any transaction except:

13 (a) A retail sale of tangible personal property taxable  
14 under the Retailers' Occupation Tax Act or under the Use Tax  
15 Act.

16 (b) A sale of tangible personal property for the purpose of  
17 resale made in compliance with Section 2c of the Retailers'  
18 Occupation Tax Act.

19 (c) Except as hereinafter provided, a sale or transfer of  
20 tangible personal property as an incident to the rendering of  
21 service for or by any governmental body or for or by any  
22 corporation, society, association, foundation or institution  
23 organized and operated exclusively for charitable, religious  
24 or educational purposes or any not-for-profit corporation,  
25 society, association, foundation, institution or organization  
26 which has no compensated officers or employees and which is

1 organized and operated primarily for the recreation of persons  
2 55 years of age or older. A limited liability company may  
3 qualify for the exemption under this paragraph only if the  
4 limited liability company is organized and operated  
5 exclusively for educational purposes.

6 (d) A sale or transfer of tangible personal property as an  
7 incident to the rendering of service for interstate carriers  
8 for hire for use as rolling stock moving in interstate commerce  
9 or lessors under leases of one year or longer, executed or in  
10 effect at the time of purchase, to interstate carriers for hire  
11 for use as rolling stock moving in interstate commerce, and  
12 equipment operated by a telecommunications provider, licensed  
13 as a common carrier by the Federal Communications Commission,  
14 which is permanently installed in or affixed to aircraft moving  
15 in interstate commerce.

16 (d-1) A sale or transfer of tangible personal property as  
17 an incident to the rendering of service for owners, lessors or  
18 shippers of tangible personal property which is utilized by  
19 interstate carriers for hire for use as rolling stock moving in  
20 interstate commerce, and equipment operated by a  
21 telecommunications provider, licensed as a common carrier by  
22 the Federal Communications Commission, which is permanently  
23 installed in or affixed to aircraft moving in interstate  
24 commerce.

25 (d-1.1) On and after July 1, 2003 and through June 30,  
26 2004, a sale or transfer of a motor vehicle of the second

1 division with a gross vehicle weight in excess of 8,000 pounds  
2 as an incident to the rendering of service if that motor  
3 vehicle is subject to the commercial distribution fee imposed  
4 under Section 3-815.1 of the Illinois Vehicle Code. Beginning  
5 on July 1, 2004 and through June 30, 2005, the use in this  
6 State of motor vehicles of the second division: (i) with a  
7 gross vehicle weight rating in excess of 8,000 pounds; (ii)  
8 that are subject to the commercial distribution fee imposed  
9 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)  
10 that are primarily used for commercial purposes. Through June  
11 30, 2005, this exemption applies to repair and replacement  
12 parts added after the initial purchase of such a motor vehicle  
13 if that motor vehicle is used in a manner that would qualify  
14 for the rolling stock exemption otherwise provided for in this  
15 Act. For purposes of this paragraph, "used for commercial  
16 purposes" means the transportation of persons or property in  
17 furtherance of any commercial or industrial enterprise whether  
18 for-hire or not.

19 (d-2) The repairing, reconditioning or remodeling, for a  
20 common carrier by rail, of tangible personal property which  
21 belongs to such carrier for hire, and as to which such carrier  
22 receives the physical possession of the repaired,  
23 reconditioned or remodeled item of tangible personal property  
24 in Illinois, and which such carrier transports, or shares with  
25 another common carrier in the transportation of such property,  
26 out of Illinois on a standard uniform bill of lading showing

1 the person who repaired, reconditioned or remodeled the  
2 property as the shipper or consignor of such property to a  
3 destination outside Illinois, for use outside Illinois.

4 (d-3) A sale or transfer of tangible personal property  
5 which is produced by the seller thereof on special order in  
6 such a way as to have made the applicable tax the Service  
7 Occupation Tax or the Service Use Tax, rather than the  
8 Retailers' Occupation Tax or the Use Tax, for an interstate  
9 carrier by rail which receives the physical possession of such  
10 property in Illinois, and which transports such property, or  
11 shares with another common carrier in the transportation of  
12 such property, out of Illinois on a standard uniform bill of  
13 lading showing the seller of the property as the shipper or  
14 consignor of such property to a destination outside Illinois,  
15 for use outside Illinois.

16 (d-4) Until January 1, 1997, a sale, by a registered  
17 serviceman paying tax under this Act to the Department, of  
18 special order printed materials delivered outside Illinois and  
19 which are not returned to this State, if delivery is made by  
20 the seller or agent of the seller, including an agent who  
21 causes the product to be delivered outside Illinois by a common  
22 carrier or the U.S. postal service.

23 (e) A sale or transfer of machinery and equipment used  
24 primarily in the process of the manufacturing or assembling,  
25 either in an existing, an expanded or a new manufacturing  
26 facility, of tangible personal property for wholesale or retail

1 sale or lease, whether such sale or lease is made directly by  
2 the manufacturer or by some other person, whether the materials  
3 used in the process are owned by the manufacturer or some other  
4 person, or whether such sale or lease is made apart from or as  
5 an incident to the seller's engaging in a service occupation  
6 and the applicable tax is a Service Occupation Tax or Service  
7 Use Tax, rather than Retailers' Occupation Tax or Use Tax.

8 (f) Until July 1, 2003, the sale or transfer of  
9 distillation machinery and equipment, sold as a unit or kit and  
10 assembled or installed by the retailer, which machinery and  
11 equipment is certified by the user to be used only for the  
12 production of ethyl alcohol that will be used for consumption  
13 as motor fuel or as a component of motor fuel for the personal  
14 use of such user and not subject to sale or resale.

15 (g) At the election of any serviceman not required to be  
16 otherwise registered as a retailer under Section 2a of the  
17 Retailers' Occupation Tax Act, made for each fiscal year sales  
18 of service in which the aggregate annual cost price of tangible  
19 personal property transferred as an incident to the sales of  
20 service is less than 35% (75% in the case of servicemen  
21 transferring prescription drugs or servicemen engaged in  
22 graphic arts production) of the aggregate annual total gross  
23 receipts from all sales of service. The purchase of such  
24 tangible personal property by the serviceman shall be subject  
25 to tax under the Retailers' Occupation Tax Act and the Use Tax  
26 Act. However, if a primary serviceman who has made the election



1 described in this paragraph subcontracts service work to a  
2 secondary serviceman who has also made the election described  
3 in this paragraph, the primary serviceman does not incur a Use  
4 Tax liability if the secondary serviceman (i) has paid or will  
5 pay Use Tax on his or her cost price of any tangible personal  
6 property transferred to the primary serviceman and (ii)  
7 certifies that fact in writing to the primary serviceman.

8 Tangible personal property transferred incident to the  
9 completion of a maintenance agreement is exempt from the tax  
10 imposed pursuant to this Act.

11 ~~Exemption (c) also includes machinery and equipment used in~~  
12 ~~the general maintenance or repair of such exempt machinery and~~  
13 ~~equipment or for in-house manufacture of exempt machinery and~~  
14 ~~equipment. For the purposes of exemption (c), each of these~~  
15 ~~terms shall have the following meanings: (1) "manufacturing~~  
16 ~~process" shall mean the production of any article of tangible~~  
17 ~~personal property, whether such article is a finished product~~  
18 ~~or an article for use in the process of manufacturing or~~  
19 ~~assembling a different article of tangible personal property,~~  
20 ~~by procedures commonly regarded as manufacturing, processing,~~  
21 ~~fabricating, or refining which changes some existing material~~  
22 ~~or materials into a material with a different form, use or~~  
23 ~~name. In relation to a recognized integrated business composed~~  
24 ~~of a series of operations which collectively constitute~~  
25 ~~manufacturing, or individually constitute manufacturing~~  
26 ~~operations, the manufacturing process shall be deemed to~~

1 ~~commence with the first operation or stage of production in the~~  
2 ~~series, and shall not be deemed to end until the completion of~~  
3 ~~the final product in the last operation or stage of production~~  
4 ~~in the series; and further for purposes of exemption (c),~~  
5 ~~photoprocessing is deemed to be a manufacturing process of~~  
6 ~~tangible personal property for wholesale or retail sale; (2)~~  
7 ~~"assembling process" shall mean the production of any article~~  
8 ~~of tangible personal property, whether such article is a~~  
9 ~~finished product or an article for use in the process of~~  
10 ~~manufacturing or assembling a different article of tangible~~  
11 ~~personal property, by the combination of existing materials in~~  
12 ~~a manner commonly regarded as assembling which results in a~~  
13 ~~material of a different form, use or name; (3) "machinery"~~  
14 ~~shall mean major mechanical machines or major components of~~  
15 ~~such machines contributing to a manufacturing or assembling~~  
16 ~~process; and (4) "equipment" shall include any independent~~  
17 ~~device or tool separate from any machinery but essential to an~~  
18 ~~integrated manufacturing or assembly process; including~~  
19 ~~computers used primarily in a manufacturer's computer assisted~~  
20 ~~design, computer assisted manufacturing (CAD/CAM) system; or~~  
21 ~~any subunit or assembly comprising a component of any machinery~~  
22 ~~or auxiliary, adjunct or attachment parts of machinery, such as~~  
23 ~~tools, dies, jigs, fixtures, patterns and molds; or any parts~~  
24 ~~which require periodic replacement in the course of normal~~  
25 ~~operation; but shall not include hand tools. Equipment includes~~  
26 ~~chemicals or chemicals acting as catalysts but only if the~~

1 ~~chemicals or chemicals acting as catalysts effect a direct and~~  
2 ~~immediate change upon a product being manufactured or assembled~~  
3 ~~for wholesale or retail sale or lease. The purchaser of such~~  
4 ~~machinery and equipment who has an active resale registration~~  
5 ~~number shall furnish such number to the seller at the time of~~  
6 ~~purchase. The purchaser of such machinery and equipment and~~  
7 ~~tools without an active resale registration number shall~~  
8 ~~furnish to the seller a certificate of exemption for each~~  
9 ~~transaction stating facts establishing the exemption for that~~  
10 ~~transaction, which certificate shall be available to the~~  
11 ~~Department for inspection or audit.~~

12       Except as provided in Section 2d of this Act, the rolling  
13 stock exemption applies to rolling stock used by an interstate  
14 carrier for hire, even just between points in Illinois, if such  
15 rolling stock transports, for hire, persons whose journeys or  
16 property whose shipments originate or terminate outside  
17 Illinois.

18       Any informal rulings, opinions or letters issued by the  
19 Department in response to an inquiry or request for any opinion  
20 from any person regarding the coverage and applicability of  
21 exemption (e) to specific devices shall be published,  
22 maintained as a public record, and made available for public  
23 inspection and copying. If the informal ruling, opinion or  
24 letter contains trade secrets or other confidential  
25 information, where possible the Department shall delete such  
26 information prior to publication. Whenever such informal

1 rulings, opinions, or letters contain any policy of general  
2 applicability, the Department shall formulate and adopt such  
3 policy as a rule in accordance with the provisions of the  
4 Illinois Administrative Procedure Act.

5 On and after July 1, 1987, no entity otherwise eligible  
6 under exemption (c) of this Section shall make tax free  
7 purchases unless it has an active exemption identification  
8 number issued by the Department.

9 "Serviceman" means any person who is engaged in the  
10 occupation of making sales of service.

11 "Sale at Retail" means "sale at retail" as defined in the  
12 Retailers' Occupation Tax Act.

13 "Supplier" means any person who makes sales of tangible  
14 personal property to servicemen for the purpose of resale as an  
15 incident to a sale of service.

16 (Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24,  
17 eff. 6-20-03; 93-1033, eff. 9-3-04.)

18 Section 30. The Retailers' Occupation Tax Act is amended by  
19 changing Sections 1 and 2-5 as follows:

20 (35 ILCS 120/1) (from Ch. 120, par. 440)

21 Sec. 1. Definitions. "Sale at retail" means any transfer of  
22 the ownership of or title to tangible personal property to a  
23 purchaser, for the purpose of use or consumption, and not for  
24 the purpose of resale in any form as tangible personal property

1 to the extent not first subjected to a use for which it was  
2 purchased, for a valuable consideration: Provided that the  
3 property purchased is deemed to be purchased for the purpose of  
4 resale, despite first being used, to the extent to which it is  
5 resold as an ingredient of an intentionally produced product or  
6 byproduct of manufacturing. For this purpose, slag produced as  
7 an incident to manufacturing pig iron or steel and sold is  
8 considered to be an intentionally produced byproduct of  
9 manufacturing. Transactions whereby the possession of the  
10 property is transferred but the seller retains the title as  
11 security for payment of the selling price shall be deemed to be  
12 sales.

13 "Sale at retail" shall be construed to include any transfer  
14 of the ownership of or title to tangible personal property to a  
15 purchaser, for use or consumption by any other person to whom  
16 such purchaser may transfer the tangible personal property  
17 without a valuable consideration, and to include any transfer,  
18 whether made for or without a valuable consideration, for  
19 resale in any form as tangible personal property unless made in  
20 compliance with Section 2c of this Act.

21 Sales of tangible personal property, which property, to the  
22 extent not first subjected to a use for which it was purchased,  
23 as an ingredient or constituent, goes into and forms a part of  
24 tangible personal property subsequently the subject of a "Sale  
25 at retail", are not sales at retail as defined in this Act:  
26 Provided that the property purchased is deemed to be purchased

1 for the purpose of resale, despite first being used, to the  
2 extent to which it is resold as an ingredient of an  
3 intentionally produced product or byproduct of manufacturing.

4 "Sale at retail" includes all of the following services, as  
5 enumerated in the North American Industry Classification  
6 System Manual (NAICS), 1997, prepared by the United States  
7 Office of Management and Budget:

8 (1) Specialized good warehousing and storage  
9 (4931902).

10 (2) Household goods warehousing and storage (4931901).

11 (3) Marinas (7131901).

12 (4) Travel arrangement reservation services (5615).

13 (5) Consumer electronics repair and maintenance  
14 (811211).

15 (6) Personal and household goods.

16 (7) Carpet and upholstery cleaning services (56174).

17 (8) Dating services (8129902).

18 (9) Hair, nail, and skin care (81211).

19 (10) Other personal services other than hair, nail,  
20 facial, or nonpermanent makeup services (81219).

21 (11) Dry cleaning and laundry, except coin-operated  
22 (81232).

23 (12) Consumer goods rental (5322).

24 (13) General goods rental (5323).

25 (14) Diet and weight reducing services (812191).

26 (15) Investigation services (561611).

- 1           (16) Bail bonding (8129901).
- 2           (17) Telephone answering services (561421).
- 3           (18) Photographic studios, portrait (541921).
- 4           (19) Linen supply (812331).
- 5           (20) Industrial launderers (812332).
- 6           (21) Interior design services (54141).
- 7           (22) Computer systems design and related services  
8           (5415).
- 9           (23) Credit bureaus (56145).
- 10          (24) Collection agencies (56144).
- 11          (25) Other business services, including copy shops  
12          (561439).
- 13          (26) Automotive repair and maintenance (8111).
- 14          (27) Parking lots and garages (81293).
- 15          (28) Motor vehicle towing (48841).
- 16          (29) Racetracks (711212).
- 17          (30) Amusement parks and arcades (7131).
- 18          (31) Bowling Centers (71395).
- 19          (32) Cable and other program distribution (51322).
- 20          (33) Circuses (7111901).
- 21          (34) Coin operated amusement devices, except slots  
22          (7139905).
- 23          (35) Golf courses and country clubs (71391).
- 24          (36) Fitness and recreational sports centers (711211).
- 25          (37) Sports teams and clubs (711211).
- 26          (38) Performing arts companies (7111).

- 1           (39) Miniature golf courses (7139904).
- 2           (40) Scenic and sightseeing transportation (487).
- 3           (41) Limousine services (48532).
- 4           (42)        Unscheduled        chartered        passenger        air  
5           transportation (481211).
- 6           (43) Motion picture theaters, except drive-in theaters  
7           (512131).
- 8           (44) Drive-in motion picture theaters (512132).

9           "Sale at retail" shall be construed to include any Illinois  
10 florist's sales transaction in which the purchase order is  
11 received in Illinois by a florist and the sale is for use or  
12 consumption, but the Illinois florist has a florist in another  
13 state deliver the property to the purchaser or the purchaser's  
14 donee in such other state.

15           Nonreusable tangible personal property that is used by  
16 persons engaged in the business of operating a restaurant,  
17 cafeteria, or drive-in is a sale for resale when it is  
18 transferred to customers in the ordinary course of business as  
19 part of the sale of food or beverages and is used to deliver,  
20 package, or consume food or beverages, regardless of where  
21 consumption of the food or beverages occurs. Examples of those  
22 items include, but are not limited to nonreusable, paper and  
23 plastic cups, plates, baskets, boxes, sleeves, buckets or other  
24 containers, utensils, straws, placemats, napkins, doggie bags,  
25 and wrapping or packaging materials that are transferred to  
26 customers as part of the sale of food or beverages in the



1 ordinary course of business.

2 ~~The purchase, employment and transfer of such tangible~~  
3 ~~personal property as newsprint and ink for the primary purpose~~  
4 ~~of conveying news (with or without other information) is not a~~  
5 ~~purchase, use or sale of tangible personal property.~~

6 A person whose activities are organized and conducted  
7 primarily as a not-for-profit service enterprise, and who  
8 engages in selling tangible personal property at retail  
9 (whether to the public or merely to members and their guests)  
10 is engaged in the business of selling tangible personal  
11 property at retail with respect to such transactions, excepting  
12 only a person organized and operated exclusively for  
13 charitable, religious or educational purposes either (1), to  
14 the extent of sales by such person to its members, students,  
15 patients or inmates of tangible personal property to be used  
16 primarily for the purposes of such person, or (2), to the  
17 extent of sales by such person of tangible personal property  
18 which is not sold or offered for sale by persons organized for  
19 profit. The selling of school books and school supplies by  
20 schools at retail to students is not "primarily for the  
21 purposes of" the school which does such selling. The provisions  
22 of this paragraph shall not apply to nor subject to taxation  
23 occasional dinners, socials or similar activities of a person  
24 organized and operated exclusively for charitable, religious  
25 or educational purposes, whether or not such activities are  
26 open to the public.

1           A person who is the recipient of a grant or contract under  
2 Title VII of the Older Americans Act of 1965 (P.L. 92-258) and  
3 serves meals to participants in the federal Nutrition Program  
4 for the Elderly in return for contributions established in  
5 amount by the individual participant pursuant to a schedule of  
6 suggested fees as provided for in the federal Act is not  
7 engaged in the business of selling tangible personal property  
8 at retail with respect to such transactions.

9           "Purchaser" means anyone who, through a sale at retail,  
10 acquires the ownership of or title to tangible personal  
11 property for a valuable consideration.

12           "Reseller of motor fuel" means any person engaged in the  
13 business of selling or delivering or transferring title of  
14 motor fuel to another person other than for use or consumption.  
15 No person shall act as a reseller of motor fuel within this  
16 State without first being registered as a reseller pursuant to  
17 Section 2c or a retailer pursuant to Section 2a.

18           "Selling price" or the "amount of sale" means the  
19 consideration for a sale valued in money whether received in  
20 money or otherwise, including cash, credits, property, other  
21 than as hereinafter provided, and services, but not including  
22 the value of or credit given for traded-in tangible personal  
23 property where the item that is traded-in is of like kind and  
24 character as that which is being sold, and shall be determined  
25 without any deduction on account of the cost of the property  
26 sold, the cost of materials used, labor or service cost or any

1 other expense whatsoever, but does not include charges that are  
2 added to prices by sellers on account of the seller's tax  
3 liability under this Act, or on account of the seller's duty to  
4 collect, from the purchaser, the tax that is imposed by the Use  
5 Tax Act, or on account of the seller's tax liability under  
6 Section 8-11-1 of the Illinois Municipal Code, as heretofore  
7 and hereafter amended, or on account of the seller's tax  
8 liability under the County Retailers' Occupation Tax Act, or on  
9 account of the seller's tax liability under the Home Rule  
10 Municipal Soft Drink Retailers' Occupation Tax, or on account  
11 of the seller's tax liability under any tax imposed under the  
12 "Regional Transportation Authority Act", approved December 12,  
13 1973. Effective December 1, 1985, "selling price" shall include  
14 charges that are added to prices by sellers on account of the  
15 seller's tax liability under the Cigarette Tax Act, on account  
16 of the sellers' duty to collect, from the purchaser, the tax  
17 imposed under the Cigarette Use Tax Act, and on account of the  
18 seller's duty to collect, from the purchaser, any cigarette tax  
19 imposed by a home rule unit.

20 The phrase "like kind and character" shall be liberally  
21 construed (including but not limited to any form of motor  
22 vehicle for any form of motor vehicle, or any kind of farm or  
23 agricultural implement for any other kind of farm or  
24 agricultural implement), while not including a kind of item  
25 which, if sold at retail by that retailer, would be exempt from  
26 retailers' occupation tax and use tax as an isolated or

1 occasional sale.

2 "Gross receipts" from the sales of tangible personal  
3 property at retail means the total selling price or the amount  
4 of such sales, as hereinbefore defined. In the case of charge  
5 and time sales, the amount thereof shall be included only as  
6 and when payments are received by the seller. Receipts or other  
7 consideration derived by a seller from the sale, transfer or  
8 assignment of accounts receivable to a wholly owned subsidiary  
9 will not be deemed payments prior to the time the purchaser  
10 makes payment on such accounts.

11 "Department" means the Department of Revenue.

12 "Person" means any natural individual, firm, partnership,  
13 association, joint stock company, joint adventure, public or  
14 private corporation, limited liability company, or a receiver,  
15 executor, trustee, guardian or other representative appointed  
16 by order of any court.

17 The isolated or occasional sale of tangible personal  
18 property at retail by a person who does not hold himself out as  
19 being engaged (or who does not habitually engage) in selling  
20 such tangible personal property at retail, or a sale through a  
21 bulk vending machine, does not constitute engaging in a  
22 business of selling such tangible personal property at retail  
23 within the meaning of this Act; provided that any person who is  
24 engaged in a business which is not subject to the tax imposed  
25 by this Act because of involving the sale of or a contract to  
26 sell real estate or a construction contract to improve real

1 estate or a construction contract to engineer, install, and  
2 maintain an integrated system of products, but who, in the  
3 course of conducting such business, transfers tangible  
4 personal property to users or consumers in the finished form in  
5 which it was purchased, and which does not become real estate  
6 or was not engineered and installed, under any provision of a  
7 construction contract or real estate sale or real estate sales  
8 agreement entered into with some other person arising out of or  
9 because of such nontaxable business, is engaged in the business  
10 of selling tangible personal property at retail to the extent  
11 of the value of the tangible personal property so transferred.  
12 If, in such a transaction, a separate charge is made for the  
13 tangible personal property so transferred, the value of such  
14 property, for the purpose of this Act, shall be the amount so  
15 separately charged, but not less than the cost of such property  
16 to the transferor; if no separate charge is made, the value of  
17 such property, for the purposes of this Act, is the cost to the  
18 transferor of such tangible personal property. Construction  
19 contracts for the improvement of real estate consisting of  
20 engineering, installation, and maintenance of voice, data,  
21 video, security, and all telecommunication systems do not  
22 constitute engaging in a business of selling tangible personal  
23 property at retail within the meaning of this Act if they are  
24 sold at one specified contract price.

25 A person who holds himself or herself out as being engaged  
26 (or who habitually engages) in selling tangible personal

1 property at retail is a person engaged in the business of  
2 selling tangible personal property at retail hereunder with  
3 respect to such sales (and not primarily in a service  
4 occupation) notwithstanding the fact that such person designs  
5 and produces such tangible personal property on special order  
6 for the purchaser and in such a way as to render the property  
7 of value only to such purchaser, if such tangible personal  
8 property so produced on special order serves substantially the  
9 same function as stock or standard items of tangible personal  
10 property that are sold at retail.

11 Persons who engage in the business of transferring tangible  
12 personal property upon the redemption of trading stamps are  
13 engaged in the business of selling such property at retail and  
14 shall be liable for and shall pay the tax imposed by this Act  
15 on the basis of the retail value of the property transferred  
16 upon redemption of such stamps.

17 "Bulk vending machine" means a vending machine, containing  
18 unsorted confections, nuts, toys, or other items designed  
19 primarily to be used or played with by children which, when a  
20 coin or coins of a denomination not larger than \$0.50 are  
21 inserted, are dispensed in equal portions, at random and  
22 without selection by the customer.

23 (Source: P.A. 92-213, eff. 1-1-02.)

24 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

25 Sec. 2-5. Exemptions. Gross receipts from proceeds from the

1 sale of the following tangible personal property are exempt  
2 from the tax imposed by this Act:

3 (1) Farm chemicals.

4 (2) Farm machinery and equipment, both new and used,  
5 including that manufactured on special order, certified by the  
6 purchaser to be used primarily for production agriculture or  
7 State or federal agricultural programs, including individual  
8 replacement parts for the machinery and equipment, including  
9 machinery and equipment purchased for lease, and including  
10 implements of husbandry defined in Section 1-130 of the  
11 Illinois Vehicle Code, farm machinery and agricultural  
12 chemical and fertilizer spreaders, and nurse wagons required to  
13 be registered under Section 3-809 of the Illinois Vehicle Code,  
14 but excluding other motor vehicles required to be registered  
15 under the Illinois Vehicle Code. Horticultural polyhouses or  
16 hoop houses used for propagating, growing, or overwintering  
17 plants shall be considered farm machinery and equipment under  
18 this item (2). Agricultural chemical tender tanks and dry boxes  
19 shall include units sold separately from a motor vehicle  
20 required to be licensed and units sold mounted on a motor  
21 vehicle required to be licensed, if the selling price of the  
22 tender is separately stated.

23 Farm machinery and equipment shall include precision  
24 farming equipment that is installed or purchased to be  
25 installed on farm machinery and equipment including, but not  
26 limited to, tractors, harvesters, sprayers, planters, seeders,

1 or spreaders. Precision farming equipment includes, but is not  
2 limited to, soil testing sensors, computers, monitors,  
3 software, global positioning and mapping systems, and other  
4 such equipment.

5 Farm machinery and equipment also includes computers,  
6 sensors, software, and related equipment used primarily in the  
7 computer-assisted operation of production agriculture  
8 facilities, equipment, and activities such as, but not limited  
9 to, the collection, monitoring, and correlation of animal and  
10 crop data for the purpose of formulating animal diets and  
11 agricultural chemicals. This item (7) is exempt from the  
12 provisions of Section 2-70.

13 (3) Until July 1, 2003, distillation machinery and  
14 equipment, sold as a unit or kit, assembled or installed by the  
15 retailer, certified by the user to be used only for the  
16 production of ethyl alcohol that will be used for consumption  
17 as motor fuel or as a component of motor fuel for the personal  
18 use of the user, and not subject to sale or resale.

19 (4) Until July 1, 2003 and beginning again September 1,  
20 2004, graphic arts machinery and equipment, including repair  
21 and replacement parts, both new and used, and including that  
22 manufactured on special order or purchased for lease, certified  
23 by the purchaser to be used primarily for graphic arts  
24 production. Equipment includes chemicals or chemicals acting  
25 as catalysts but only if the chemicals or chemicals acting as  
26 catalysts effect a direct and immediate change upon a graphic



1 arts product.

2 (5) (Blank). ~~A motor vehicle of the first division, a motor~~  
3 ~~vehicle of the second division that is a self-contained motor~~  
4 ~~vehicle designed or permanently converted to provide living~~  
5 ~~quarters for recreational, camping, or travel use, with direct~~  
6 ~~walk through access to the living quarters from the driver's~~  
7 ~~seat, or a motor vehicle of the second division that is of the~~  
8 ~~van configuration designed for the transportation of not less~~  
9 ~~than 7 nor more than 16 passengers, as defined in Section 1-146~~  
10 ~~of the Illinois Vehicle Code, that is used for automobile~~  
11 ~~renting, as defined in the Automobile Renting Occupation and~~  
12 ~~Use Tax Act.~~

13 (6) Personal property sold by a teacher-sponsored student  
14 organization affiliated with an elementary or secondary school  
15 located in Illinois.

16 (7) Until July 1, 2003, proceeds of that portion of the  
17 selling price of a passenger car the sale of which is subject  
18 to the Replacement Vehicle Tax.

19 (8) Personal property sold to an Illinois county fair  
20 association for use in conducting, operating, or promoting the  
21 county fair.

22 (9) Personal property sold to a not-for-profit arts or  
23 cultural organization that establishes, by proof required by  
24 the Department by rule, that it has received an exemption under  
25 Section 501(c)(3) of the Internal Revenue Code and that is  
26 organized and operated primarily for the presentation or

1 support of arts or cultural programming, activities, or  
2 services. These organizations include, but are not limited to,  
3 music and dramatic arts organizations such as symphony  
4 orchestras and theatrical groups, arts and cultural service  
5 organizations, local arts councils, visual arts organizations,  
6 and media arts organizations. On and after the effective date  
7 of this amendatory Act of the 92nd General Assembly, however,  
8 an entity otherwise eligible for this exemption shall not make  
9 tax-free purchases unless it has an active identification  
10 number issued by the Department.

11 (10) Personal property sold by a corporation, society,  
12 association, foundation, institution, or organization, other  
13 than a limited liability company, that is organized and  
14 operated as a not-for-profit service enterprise for the benefit  
15 of persons 65 years of age or older if the personal property  
16 was not purchased by the enterprise for the purpose of resale  
17 by the enterprise.

18 (11) Personal property sold to a governmental body, to a  
19 corporation, society, association, foundation, or institution  
20 organized and operated exclusively for charitable, religious,  
21 or educational purposes, or to a not-for-profit corporation,  
22 society, association, foundation, institution, or organization  
23 that has no compensated officers or employees and that is  
24 organized and operated primarily for the recreation of persons  
25 55 years of age or older. A limited liability company may  
26 qualify for the exemption under this paragraph only if the

1 limited liability company is organized and operated  
2 exclusively for educational purposes. On and after July 1,  
3 1987, however, no entity otherwise eligible for this exemption  
4 shall make tax-free purchases unless it has an active  
5 identification number issued by the Department.

6 (12) Tangible personal property sold to interstate  
7 carriers for hire for use as rolling stock moving in interstate  
8 commerce or to lessors under leases of one year or longer  
9 executed or in effect at the time of purchase by interstate  
10 carriers for hire for use as rolling stock moving in interstate  
11 commerce and equipment operated by a telecommunications  
12 provider, licensed as a common carrier by the Federal  
13 Communications Commission, which is permanently installed in  
14 or affixed to aircraft moving in interstate commerce.

15 (12-5) On and after July 1, 2003 and through June 30, 2004,  
16 motor vehicles of the second division with a gross vehicle  
17 weight in excess of 8,000 pounds that are subject to the  
18 commercial distribution fee imposed under Section 3-815.1 of  
19 the Illinois Vehicle Code. Beginning on July 1, 2004 and  
20 through June 30, 2005, the use in this State of motor vehicles  
21 of the second division: (i) with a gross vehicle weight rating  
22 in excess of 8,000 pounds; (ii) that are subject to the  
23 commercial distribution fee imposed under Section 3-815.1 of  
24 the Illinois Vehicle Code; and (iii) that are primarily used  
25 for commercial purposes. Through June 30, 2005, this exemption  
26 applies to repair and replacement parts added after the initial

1 purchase of such a motor vehicle if that motor vehicle is used  
2 in a manner that would qualify for the rolling stock exemption  
3 otherwise provided for in this Act. For purposes of this  
4 paragraph, "used for commercial purposes" means the  
5 transportation of persons or property in furtherance of any  
6 commercial or industrial enterprise whether for-hire or not.

7 (13) Proceeds from sales to owners, lessors, or shippers of  
8 tangible personal property that is utilized by interstate  
9 carriers for hire for use as rolling stock moving in interstate  
10 commerce and equipment operated by a telecommunications  
11 provider, licensed as a common carrier by the Federal  
12 Communications Commission, which is permanently installed in  
13 or affixed to aircraft moving in interstate commerce.

14 (14) (Blank). ~~Machinery and equipment that will be used by~~  
15 ~~the purchaser, or a lessee of the purchaser, primarily in the~~  
16 ~~process of manufacturing or assembling tangible personal~~  
17 ~~property for wholesale or retail sale or lease, whether the~~  
18 ~~sale or lease is made directly by the manufacturer or by some~~  
19 ~~other person, whether the materials used in the process are~~  
20 ~~owned by the manufacturer or some other person, or whether the~~  
21 ~~sale or lease is made apart from or as an incident to the~~  
22 ~~seller's engaging in the service occupation of producing~~  
23 ~~machines, tools, dies, jigs, patterns, gauges, or other similar~~  
24 ~~items of no commercial value on special order for a particular~~  
25 ~~purchaser.~~

26 (15) Proceeds of mandatory service charges separately

1 stated on customers' bills for purchase and consumption of food  
2 and beverages, to the extent that the proceeds of the service  
3 charge are in fact turned over as tips or as a substitute for  
4 tips to the employees who participate directly in preparing,  
5 serving, hosting or cleaning up the food or beverage function  
6 with respect to which the service charge is imposed.

7 (16) Petroleum products sold to a purchaser if the seller  
8 is prohibited by federal law from charging tax to the  
9 purchaser.

10 (17) Tangible personal property sold to a common carrier by  
11 rail or motor that receives the physical possession of the  
12 property in Illinois and that transports the property, or  
13 shares with another common carrier in the transportation of the  
14 property, out of Illinois on a standard uniform bill of lading  
15 showing the seller of the property as the shipper or consignor  
16 of the property to a destination outside Illinois, for use  
17 outside Illinois.

18 (18) Legal tender, currency, medallions, or gold or silver  
19 coinage issued by the State of Illinois, the government of the  
20 United States of America, or the government of any foreign  
21 country, and bullion.

22 (19) Until July 1 2003, oil field exploration, drilling,  
23 and production equipment, including (i) rigs and parts of rigs,  
24 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
25 tubular goods, including casing and drill strings, (iii) pumps  
26 and pump-jack units, (iv) storage tanks and flow lines, (v) any

1 individual replacement part for oil field exploration,  
2 drilling, and production equipment, and (vi) machinery and  
3 equipment purchased for lease; but excluding motor vehicles  
4 required to be registered under the Illinois Vehicle Code.

5 (20) Photoprocessing machinery and equipment, including  
6 repair and replacement parts, both new and used, including that  
7 manufactured on special order, certified by the purchaser to be  
8 used primarily for photoprocessing, and including  
9 photoprocessing machinery and equipment purchased for lease.

10 (21) Until July 1, 2003, coal exploration, mining,  
11 offhighway hauling, processing, maintenance, and reclamation  
12 equipment, including replacement parts and equipment, and  
13 including equipment purchased for lease, but excluding motor  
14 vehicles required to be registered under the Illinois Vehicle  
15 Code.

16 (22) Fuel and petroleum products sold to or used by an air  
17 carrier, certified by the carrier to be used for consumption,  
18 shipment, or storage in the conduct of its business as an air  
19 common carrier, for a flight destined for or returning from a  
20 location or locations outside the United States without regard  
21 to previous or subsequent domestic stopovers.

22 (23) A transaction in which the purchase order is received  
23 by a florist who is located outside Illinois, but who has a  
24 florist located in Illinois deliver the property to the  
25 purchaser or the purchaser's donee in Illinois.

26 (24) Fuel consumed or used in the operation of ships,

1 barges, or vessels that are used primarily in or for the  
2 transportation of property or the conveyance of persons for  
3 hire on rivers bordering on this State if the fuel is delivered  
4 by the seller to the purchaser's barge, ship, or vessel while  
5 it is afloat upon that bordering river.

6 (25) Except as provided in item (25-5) of this Section, a  
7 motor vehicle sold in this State to a nonresident even though  
8 the motor vehicle is delivered to the nonresident in this  
9 State, if the motor vehicle is not to be titled in this State,  
10 and if a drive-away permit is issued to the motor vehicle as  
11 provided in Section 3-603 of the Illinois Vehicle Code or if  
12 the nonresident purchaser has vehicle registration plates to  
13 transfer to the motor vehicle upon returning to his or her home  
14 state. The issuance of the drive-away permit or having the  
15 out-of-state registration plates to be transferred is prima  
16 facie evidence that the motor vehicle will not be titled in  
17 this State.

18 (25-5) The exemption under item (25) does not apply if the  
19 state in which the motor vehicle will be titled does not allow  
20 a reciprocal exemption for a motor vehicle sold and delivered  
21 in that state to an Illinois resident but titled in Illinois.  
22 The tax collected under this Act on the sale of a motor vehicle  
23 in this State to a resident of another state that does not  
24 allow a reciprocal exemption shall be imposed at a rate equal  
25 to the state's rate of tax on taxable property in the state in  
26 which the purchaser is a resident, except that the tax shall

1 not exceed the tax that would otherwise be imposed under this  
2 Act. At the time of the sale, the purchaser shall execute a  
3 statement, signed under penalty of perjury, of his or her  
4 intent to title the vehicle in the state in which the purchaser  
5 is a resident within 30 days after the sale and of the fact of  
6 the payment to the State of Illinois of tax in an amount  
7 equivalent to the state's rate of tax on taxable property in  
8 his or her state of residence and shall submit the statement to  
9 the appropriate tax collection agency in his or her state of  
10 residence. In addition, the retailer must retain a signed copy  
11 of the statement in his or her records. Nothing in this item  
12 shall be construed to require the removal of the vehicle from  
13 this state following the filing of an intent to title the  
14 vehicle in the purchaser's state of residence if the purchaser  
15 titles the vehicle in his or her state of residence within 30  
16 days after the date of sale. The tax collected under this Act  
17 in accordance with this item (25-5) shall be proportionately  
18 distributed as if the tax were collected at the 6.25% general  
19 rate imposed under this Act.

20 (26) Semen used for artificial insemination of livestock  
21 for direct agricultural production.

22 (27) Horses, or interests in horses, registered with and  
23 meeting the requirements of any of the Arabian Horse Club  
24 Registry of America, Appaloosa Horse Club, American Quarter  
25 Horse Association, United States Trotting Association, or  
26 Jockey Club, as appropriate, used for purposes of breeding or



1 racing for prizes.

2 (28) Computers and communications equipment utilized for  
3 any hospital purpose and equipment used in the diagnosis,  
4 analysis, or treatment of hospital patients sold to a lessor  
5 who leases the equipment, under a lease of one year or longer  
6 executed or in effect at the time of the purchase, to a  
7 hospital that has been issued an active tax exemption  
8 identification number by the Department under Section 1g of  
9 this Act.

10 (29) Personal property sold to a lessor who leases the  
11 property, under a lease of one year or longer executed or in  
12 effect at the time of the purchase, to a governmental body that  
13 has been issued an active tax exemption identification number  
14 by the Department under Section 1g of this Act.

15 (30) Beginning with taxable years ending on or after  
16 December 31, 1995 and ending with taxable years ending on or  
17 before December 31, 2004, personal property that is donated for  
18 disaster relief to be used in a State or federally declared  
19 disaster area in Illinois or bordering Illinois by a  
20 manufacturer or retailer that is registered in this State to a  
21 corporation, society, association, foundation, or institution  
22 that has been issued a sales tax exemption identification  
23 number by the Department that assists victims of the disaster  
24 who reside within the declared disaster area.

25 (31) Beginning with taxable years ending on or after  
26 December 31, 1995 and ending with taxable years ending on or

1 before December 31, 2004, personal property that is used in the  
2 performance of infrastructure repairs in this State, including  
3 but not limited to municipal roads and streets, access roads,  
4 bridges, sidewalks, waste disposal systems, water and sewer  
5 line extensions, water distribution and purification  
6 facilities, storm water drainage and retention facilities, and  
7 sewage treatment facilities, resulting from a State or  
8 federally declared disaster in Illinois or bordering Illinois  
9 when such repairs are initiated on facilities located in the  
10 declared disaster area within 6 months after the disaster.

11 (32) Beginning July 1, 1999, game or game birds sold at a  
12 "game breeding and hunting preserve area" or an "exotic game  
13 hunting area" as those terms are used in the Wildlife Code or  
14 at a hunting enclosure approved through rules adopted by the  
15 Department of Natural Resources. This paragraph is exempt from  
16 the provisions of Section 2-70.

17 (33) A motor vehicle, as that term is defined in Section  
18 1-146 of the Illinois Vehicle Code, that is donated to a  
19 corporation, limited liability company, society, association,  
20 foundation, or institution that is determined by the Department  
21 to be organized and operated exclusively for educational  
22 purposes. For purposes of this exemption, "a corporation,  
23 limited liability company, society, association, foundation,  
24 or institution organized and operated exclusively for  
25 educational purposes" means all tax-supported public schools,  
26 private schools that offer systematic instruction in useful

1 branches of learning by methods common to public schools and  
2 that compare favorably in their scope and intensity with the  
3 course of study presented in tax-supported schools, and  
4 vocational or technical schools or institutes organized and  
5 operated exclusively to provide a course of study of not less  
6 than 6 weeks duration and designed to prepare individuals to  
7 follow a trade or to pursue a manual, technical, mechanical,  
8 industrial, business, or commercial occupation.

9 (34) Beginning January 1, 2000, personal property,  
10 including food, purchased through fundraising events for the  
11 benefit of a public or private elementary or secondary school,  
12 a group of those schools, or one or more school districts if  
13 the events are sponsored by an entity recognized by the school  
14 district that consists primarily of volunteers and includes  
15 parents and teachers of the school children. This paragraph  
16 does not apply to fundraising events (i) for the benefit of  
17 private home instruction or (ii) for which the fundraising  
18 entity purchases the personal property sold at the events from  
19 another individual or entity that sold the property for the  
20 purpose of resale by the fundraising entity and that profits  
21 from the sale to the fundraising entity. This paragraph is  
22 exempt from the provisions of Section 2-70.

23 (35) Beginning January 1, 2000 and through December 31,  
24 2001, new or used automatic vending machines that prepare and  
25 serve hot food and beverages, including coffee, soup, and other  
26 items, and replacement parts for these machines. Beginning

1 January 1, 2002 and through June 30, 2003, machines and parts  
2 for machines used in commercial, coin-operated amusement and  
3 vending business if a use or occupation tax is paid on the  
4 gross receipts derived from the use of the commercial,  
5 coin-operated amusement and vending machines. This paragraph  
6 is exempt from the provisions of Section 2-70.

7 (35-5) Beginning August 23, 2001 and through June 30, 2011,  
8 food for human consumption that is to be consumed off the  
9 premises where it is sold (other than alcoholic beverages, soft  
10 drinks, and food that has been prepared for immediate  
11 consumption) and prescription and nonprescription medicines,  
12 drugs, medical appliances, and insulin, urine testing  
13 materials, syringes, and needles used by diabetics, for human  
14 use, when purchased for use by a person receiving medical  
15 assistance under Article 5 of the Illinois Public Aid Code who  
16 resides in a licensed long-term care facility, as defined in  
17 the Nursing Home Care Act.

18 (36) Beginning August 2, 2001, computers and  
19 communications equipment utilized for any hospital purpose and  
20 equipment used in the diagnosis, analysis, or treatment of  
21 hospital patients sold to a lessor who leases the equipment,  
22 under a lease of one year or longer executed or in effect at  
23 the time of the purchase, to a hospital that has been issued an  
24 active tax exemption identification number by the Department  
25 under Section 1g of this Act. This paragraph is exempt from the  
26 provisions of Section 2-70.

1           (37) Beginning August 2, 2001, personal property sold to a  
2           lessor who leases the property, under a lease of one year or  
3           longer executed or in effect at the time of the purchase, to a  
4           governmental body that has been issued an active tax exemption  
5           identification number by the Department under Section 1g of  
6           this Act. This paragraph is exempt from the provisions of  
7           Section 2-70.

8           (38) Beginning on January 1, 2002 and through June 30,  
9           2011, tangible personal property purchased from an Illinois  
10          retailer by a taxpayer engaged in centralized purchasing  
11          activities in Illinois who will, upon receipt of the property  
12          in Illinois, temporarily store the property in Illinois (i) for  
13          the purpose of subsequently transporting it outside this State  
14          for use or consumption thereafter solely outside this State or  
15          (ii) for the purpose of being processed, fabricated, or  
16          manufactured into, attached to, or incorporated into other  
17          tangible personal property to be transported outside this State  
18          and thereafter used or consumed solely outside this State. The  
19          Director of Revenue shall, pursuant to rules adopted in  
20          accordance with the Illinois Administrative Procedure Act,  
21          issue a permit to any taxpayer in good standing with the  
22          Department who is eligible for the exemption under this  
23          paragraph (38). The permit issued under this paragraph (38)  
24          shall authorize the holder, to the extent and in the manner  
25          specified in the rules adopted under this Act, to purchase  
26          tangible personal property from a retailer exempt from the

1 taxes imposed by this Act. Taxpayers shall maintain all  
2 necessary books and records to substantiate the use and  
3 consumption of all such tangible personal property outside of  
4 the State of Illinois.

5 (Source: P.A. 93-23, eff. 6-20-03; 93-24, eff. 6-20-03; 93-840,  
6 eff. 7-30-04; 93-1033, eff. 9-3-04; 93-1068, eff. 1-15-05;  
7 94-1002, eff. 7-3-06.)

8 (35 ILCS 120/1d rep.) (from Ch. 120, par. 440d)

9 (35 ILCS 120/1f rep.) (from Ch. 120, par. 440f)

10 Section 33. The Retailers' Occupation Tax Act is amended by  
11 repealing Sections 1d and 1f.

12 Section 35. The Property Tax Code is amended by changing  
13 Sections 18-255, 20-15, and 21-30 and by adding Section 18-178  
14 as follows:

15 (35 ILCS 200/18-178 new)

16 Sec. 18-178. Education tax abatement. Beginning with taxes  
17 levied for 2007 (payable in 2008), the county clerk must  
18 determine the final extension for educational purposes for all  
19 taxable property in a school district located in the county or  
20 for the taxable property of that part of a school district  
21 located in the county, taking into account the maximum rate,  
22 levy, and extension authorized under the Property Tax Extension  
23 Limitation Law, the Truth in Taxation Law, and any other

1 statute. The county clerk must then abate the extension for  
2 educational purposes for each school district or part of a  
3 school district in the county by the amount of the minimum  
4 property tax relief grant and, if applicable, the supplemental  
5 property tax relief grant, certified to the county clerk for  
6 that school district or part of a school district by the  
7 Department of Revenue under Section 6z-65 of the State Finance  
8 Act. When the final extension for educational purposes has been  
9 determined and abated, the county clerk must notify the  
10 Department of Revenue. The county clerk must determine the  
11 prorated portion of the certified minimum and, if applicable,  
12 supplemental property tax relief grants allocable to each  
13 taxpayer in a given school district based on the tax rate for  
14 educational purposes for that school district and the aggregate  
15 relief granted to that school district. The extension amount  
16 for educational purposes, as originally calculated before  
17 abatement, is the official, final extension for educational  
18 purposes and must be used for all other purposes, including  
19 determining the maximum rate, levy, and extension authorized  
20 under the Property Tax Extension Limitation Law, the Truth in  
21 Taxation Law, and any other statute and the maximum amount of  
22 tax anticipation warrants under Sections 17-16 and 34-23 of the  
23 School Code.

24 (35 ILCS 200/18-255)

25 Sec. 18-255. Abstract of assessments and extensions. When

1 the collector's books are completed, the county clerk shall  
2 make a complete statement of the assessment and extensions, in  
3 conformity to the instructions of the Department. The clerk  
4 shall certify the statement to the Department. Beginning with  
5 the 2007 levy year, the Department shall require the statement  
6 to include a separate listing of the amount of any extension  
7 that is abated under Section 18-178 of this Act.

8 (Source: Laws 1943, vol. 1, p. 1136; P.A. 88-455.)

9 (35 ILCS 200/20-15)

10 Sec. 20-15. Information on bill or separate statement. The  
11 amount of tax due and rates shown on the tax bill pursuant to  
12 this Section shall be net of any abatement under Section  
13 18-178. There shall be printed on each bill, or on a separate  
14 slip which shall be mailed with the bill:

15 (a) a statement itemizing the rate at which taxes have  
16 been extended for each of the taxing districts in the  
17 county in whose district the property is located, and in  
18 those counties utilizing electronic data processing  
19 equipment the dollar amount of tax due from the person  
20 assessed allocable to each of those taxing districts,  
21 including a separate statement of the dollar amount of tax  
22 due which is allocable to a tax levied under the Illinois  
23 Local Library Act or to any other tax levied by a  
24 municipality or township for public library purposes,

25 (b) a separate statement for each of the taxing



1 districts of the dollar amount of tax due which is  
2 allocable to a tax levied under the Illinois Pension Code  
3 or to any other tax levied by a municipality or township  
4 for public pension or retirement purposes,

5 (c) the total tax rate,

6 (d) the total amount of tax due, ~~and~~

7 (e) the amount by which the total tax and the tax  
8 allocable to each taxing district differs from the  
9 taxpayer's last prior tax bill, and

10 (f) the amount of tax abated under Section 18-178  
11 labeled "Portion of your Education Related Property Taxes  
12 paid by the State of Illinois".

13 The county treasurer shall ensure that only those taxing  
14 districts in which a parcel of property is located shall be  
15 listed on the bill for that property.

16 In all counties the statement shall also provide:

17 (1) the property index number or other suitable  
18 description,

19 (2) the assessment of the property,

20 (3) the equalization factors imposed by the county and  
21 by the Department, and

22 (4) the equalized assessment resulting from the  
23 application of the equalization factors to the basic  
24 assessment.

25 In all counties which do not classify property for purposes  
26 of taxation, for property on which a single family residence is

1 situated the statement shall also include a statement to  
2 reflect the fair cash value determined for the property. In all  
3 counties which classify property for purposes of taxation in  
4 accordance with Section 4 of Article IX of the Illinois  
5 Constitution, for parcels of residential property in the lowest  
6 assessment classification the statement shall also include a  
7 statement to reflect the fair cash value determined for the  
8 property.

9 In all counties, the statement shall include information  
10 that certain taxpayers may be eligible for the Senior Citizens  
11 and Disabled Persons Property Tax Relief and Pharmaceutical  
12 Assistance Act and that applications are available from the  
13 Illinois Department of Revenue.

14 In counties which use the estimated or accelerated billing  
15 methods, these statements shall only be provided with the final  
16 installment of taxes due, except that the statement under item  
17 (f) shall be included with both installments in those counties  
18 under estimated or accelerated billing methods, the first  
19 billing showing the amount deducted from the first installment,  
20 and the final billing showing the total tax abated for the levy  
21 year under Section 18-178. The provisions of this Section  
22 create a mandatory statutory duty. They are not merely  
23 directory or discretionary. The failure or neglect of the  
24 collector to mail the bill, or the failure of the taxpayer to  
25 receive the bill, shall not affect the validity of any tax, or  
26 the liability for the payment of any tax.

1 (Source: P.A. 91-699, eff. 1-1-01.)

2 (35 ILCS 200/21-30)

3 Sec. 21-30. Accelerated billing. Except as provided in this  
4 Section, Section 9-260, and Section 21-40, in counties with  
5 3,000,000 or more inhabitants, by January 31 annually,  
6 estimated tax bills setting out the first installment of  
7 property taxes for the preceding year, payable in that year,  
8 shall be prepared and mailed. The first installment of taxes on  
9 the estimated tax bills shall be computed at 50% of the total  
10 of each tax bill before the abatement of taxes under Section  
11 18-178 for the preceding year, less an estimate of one-half of  
12 the minimum school district property tax relief grant for the  
13 current year determined based on information available. If,  
14 prior to the preparation of the estimated tax bills, a  
15 certificate of error has been either approved by a court on or  
16 before November 30 of the preceding year or certified pursuant  
17 to Section 14-15 on or before November 30 of the preceding  
18 year, then the first installment of taxes on the estimated tax  
19 bills shall be computed at 50% of the total taxes before the  
20 abatement of taxes under Section 18-178 for the preceding year  
21 as corrected by the certificate of error, less an estimate of  
22 one-half of the minimum school district property tax relief  
23 grant for the current year determined based on information  
24 available. By June 30 annually, actual tax bills shall be  
25 prepared and mailed. These bills shall set out total taxes due

1 and the amount of estimated taxes billed in the first  
2 installment, and shall state the balance of taxes due for that  
3 year as represented by the sum derived from subtracting the  
4 amount of the first installment from the total taxes due for  
5 that year.

6 The county board may provide by ordinance, in counties with  
7 3,000,000 or more inhabitants, for taxes to be paid in 4  
8 installments. For the levy year for which the ordinance is  
9 first effective and each subsequent year, estimated tax bills  
10 setting out the first, second, and third installment of taxes  
11 for the preceding year, payable in that year, shall be prepared  
12 and mailed not later than the date specified by ordinance. Each  
13 installment on estimated tax bills shall be computed at 25% of  
14 the total of each tax bill for the preceding year. By the date  
15 specified in the ordinance, actual tax bills shall be prepared  
16 and mailed. These bills shall set out total taxes due and the  
17 amount of estimated taxes billed in the first, second, and  
18 third installments and shall state the balance of taxes due for  
19 that year as represented by the sum derived from subtracting  
20 the amount of the estimated installments from the total taxes  
21 due for that year.

22 The county board of any county with less than 3,000,000  
23 inhabitants may, by ordinance or resolution, adopt an  
24 accelerated method of tax billing. The county board may  
25 subsequently rescind the ordinance or resolution and revert to  
26 the method otherwise provided for in this Code.

1 (Source: P.A. 93-560, eff. 8-20-03; 94-312, eff. 7-25-05.)

2 Section 40. The Motor Fuel Tax Law is amended by changing  
3 Section 2b as follows:

4 (35 ILCS 505/2b) (from Ch. 120, par. 418b)

5 Sec. 2b. In addition to the tax collection and reporting  
6 responsibilities imposed elsewhere in this Act, a person who is  
7 required to pay the tax imposed by Section 2a of this Act shall  
8 pay the tax to the Department by return showing all fuel  
9 purchased, acquired or received and sold, distributed or used  
10 during the preceding calendar month including losses of fuel as  
11 the result of evaporation or shrinkage due to temperature  
12 variations, and such other reasonable information as the  
13 Department may require. Losses of fuel as the result of  
14 evaporation or shrinkage due to temperature variations may not  
15 exceed 1% of the total gallons in storage at the beginning of  
16 the month, plus the receipts of gallonage during the month,  
17 minus the gallonage remaining in storage at the end of the  
18 month. Any loss reported that is in excess of this amount shall  
19 be subject to the tax imposed by Section 2a of this Law. On and  
20 after July 1, 2001, for each 6-month period January through  
21 June, net losses of fuel (for each category of fuel that is  
22 required to be reported on a return) as the result of  
23 evaporation or shrinkage due to temperature variations may not  
24 exceed 1% of the total gallons in storage at the beginning of

1 each January, plus the receipts of gallonage each January  
2 through June, minus the gallonage remaining in storage at the  
3 end of each June. On and after July 1, 2001, for each 6-month  
4 period July through December, net losses of fuel (for each  
5 category of fuel that is required to be reported on a return)  
6 as the result of evaporation or shrinkage due to temperature  
7 variations may not exceed 1% of the total gallons in storage at  
8 the beginning of each July, plus the receipts of gallonage each  
9 July through December, minus the gallonage remaining in storage  
10 at the end of each December. Any net loss reported that is in  
11 excess of this amount shall be subject to the tax imposed by  
12 Section 2a of this Law. For purposes of this Section, "net  
13 loss" means the number of gallons gained through temperature  
14 variations minus the number of gallons lost through temperature  
15 variations or evaporation for each of the respective 6-month  
16 periods.

17 The return shall be prescribed by the Department and shall  
18 be filed between the 1st and 20th days of each calendar month.  
19 The Department may, in its discretion, combine the returns  
20 filed under this Section, Section 5, and Section 5a of this  
21 Act. The return must be accompanied by appropriate  
22 computer-generated magnetic media supporting schedule data in  
23 the format required by the Department, unless, as provided by  
24 rule, the Department grants an exception upon petition of a  
25 taxpayer. ~~If the return is filed timely, the seller shall take~~  
26 ~~a discount of 2% through June 30, 2003 and 1.75% thereafter~~

1 ~~which is allowed to reimburse the seller for the expenses~~  
2 ~~incurred in keeping records, preparing and filing returns,~~  
3 ~~collecting and remitting the tax and supplying data to the~~  
4 ~~Department on request. The discount, however, shall be~~  
5 ~~applicable only to the amount of payment which accompanies a~~  
6 ~~return that is filed timely in accordance with this Section.~~

7 (Source: P.A. 92-30, eff. 7-1-01; 93-32, eff. 6-20-03.)

8 Section 45. The School Code is amended by changing Section  
9 18-8.05 and by adding Sections 18-8.15 and 18-25 as follows:

10 (105 ILCS 5/18-8.05)

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

14 (A) General Provisions.

15 (1) The provisions of this Section apply to the 1998-1999  
16 and subsequent school years. The system of general State  
17 financial aid provided for in this Section is designed to  
18 assure that, through a combination of State financial aid and  
19 required local resources, the financial support provided each  
20 pupil in Average Daily Attendance equals or exceeds a  
21 prescribed per pupil Foundation Level. This formula approach  
22 imputes a level of per pupil Available Local Resources and  
23 provides for the basis to calculate a per pupil level of

1 general State financial aid that, when added to Available Local  
2 Resources, equals or exceeds the Foundation Level. The amount  
3 of per pupil general State financial aid for school districts,  
4 in general, varies in inverse relation to Available Local  
5 Resources. Per pupil amounts are based upon each school  
6 district's Average Daily Attendance as that term is defined in  
7 this Section.

8 (2) In addition to general State financial aid, school  
9 districts with specified levels or concentrations of pupils  
10 from low income households are eligible to receive supplemental  
11 general State financial aid grants as provided pursuant to  
12 subsection (H). The supplemental State aid grants provided for  
13 school districts under subsection (H) shall be appropriated for  
14 distribution to school districts as part of the same line item  
15 in which the general State financial aid of school districts is  
16 appropriated under this Section.

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

20 (a) Any school district which fails for any given  
21 school year to maintain school as required by law, or to  
22 maintain a recognized school is not eligible to file for  
23 such school year any claim upon the Common School Fund. In  
24 case of nonrecognition of one or more attendance centers in  
25 a school district otherwise operating recognized schools,  
26 the claim of the district shall be reduced in the



1 proportion which the Average Daily Attendance in the  
2 attendance center or centers bear to the Average Daily  
3 Attendance in the school district. A "recognized school"  
4 means any public school which meets the standards as  
5 established for recognition by the State Board of  
6 Education. A school district or attendance center not  
7 having recognition status at the end of a school term is  
8 entitled to receive State aid payments due upon a legal  
9 claim which was filed while it was recognized.

10 (b) School district claims filed under this Section are  
11 subject to Sections 18-9, 18-10, and 18-12, except as  
12 otherwise provided in this Section.

13 (c) If a school district operates a full year school  
14 under Section 10-19.1, the general State aid to the school  
15 district shall be determined by the State Board of  
16 Education in accordance with this Section as near as may be  
17 applicable.

18 (c-5) "ECI" means the Employment Cost Index as  
19 published by the U.S. Bureau of Labor Statistics.

20 (d) (Blank).

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

25 School districts are not required to exert a minimum  
26 Operating Tax Rate in order to qualify for assistance under

1 this Section.

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

4 (a) "Average Daily Attendance": A count of pupil  
5 attendance in school, averaged as provided for in  
6 subsection (C) and utilized in deriving per pupil financial  
7 support levels.

8 (b) "Available Local Resources": A computation of  
9 local financial support, calculated on the basis of Average  
10 Daily Attendance and derived as provided pursuant to  
11 subsection (D).

12 (c) "Corporate Personal Property Replacement Taxes":  
13 Funds paid to local school districts pursuant to "An Act in  
14 relation to the abolition of ad valorem personal property  
15 tax and the replacement of revenues lost thereby, and  
16 amending and repealing certain Acts and parts of Acts in  
17 connection therewith", certified August 14, 1979, as  
18 amended (Public Act 81-1st S.S.-1).

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

21 (e) "Operating Tax Rate": All school district property  
22 taxes extended for all purposes, except Bond and Interest,  
23 Summer School, Rent, Capital Improvement, and Vocational  
24 Education Building purposes.

25 (B) Foundation Level.

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

11           (2) For the 1998-1999 school year, the Foundation Level of  
12 support is \$4,225. For the 1999-2000 school year, the  
13 Foundation Level of support is \$4,325. For the 2000-2001 school  
14 year, the Foundation Level of support is \$4,425. For the  
15 2001-2002 school year and 2002-2003 school year, the Foundation  
16 Level of support is \$4,560. For the 2003-2004 school year, the  
17 Foundation Level of support is \$4,810. For the 2004-2005 school  
18 year, the Foundation Level of support is \$4,964. For the  
19 2005-2006 school year, the Foundation Level of support is  
20 \$5,164.

21           (3) For the 2006-2007 school year and each school year  
22 thereafter, the Foundation Level of support is \$5,334 or such  
23 greater amount as may be established by law by the General  
24 Assembly.

25           (4) For the 2007-2008 school year, the Foundation Level of  
26 support is \$5,952. For each school year thereafter, the

1 Foundation Level of support shall be equal to the Foundation  
2 Level of support for the immediately preceding school year,  
3 increased by the percentage increase, if any, in the ECI  
4 published for the immediately preceding school year, or such  
5 greater amount as may be established by law by the General  
6 Assembly.

7 (C) Average Daily Attendance.

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

19 (2) The Average Daily Attendance figures utilized in  
20 subsection (E) shall be the requisite attendance data for the  
21 school year immediately preceding the school year for which  
22 general State aid is being calculated or the average of the  
23 attendance data for the 3 preceding school years, whichever is  
24 greater. The Average Daily Attendance figures utilized in  
25 subsection (H) shall be the requisite attendance data for the

1 school year immediately preceding the school year for which  
2 general State aid is being calculated.

3 (D) Available Local Resources.

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

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

20 (3) For school districts maintaining grades kindergarten  
21 through 12, local property tax revenues per pupil shall be  
22 calculated as the product of the applicable equalized assessed  
23 valuation for the district multiplied by 3.00%, and divided by  
24 the district's Average Daily Attendance figure. For school  
25 districts maintaining grades kindergarten through 8, local

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

9 For partial elementary unit districts created pursuant to  
10 Article 11E of this Code, local property tax revenues per pupil  
11 shall be calculated as the product of the equalized assessed  
12 valuation for property within the elementary and high school  
13 classification of the partial elementary unit district  
14 multiplied by 2.06% and divided by the Average Daily Attendance  
15 figure for grades kindergarten through 8, plus the product of  
16 the equalized assessed valuation for property within the high  
17 school only classification of the partial elementary unit  
18 district multiplied by 0.94% and divided by the Average Daily  
19 Attendance figure for grades 9 through 12.

20 (4) The Corporate Personal Property Replacement Taxes paid  
21 to each school district during the calendar year 2 years before  
22 the calendar year in which a school year begins, divided by the  
23 Average Daily Attendance figure for that district, shall be  
24 added to the local property tax revenues per pupil as derived  
25 by the application of the immediately preceding paragraph (3).  
26 The sum of these per pupil figures for each school district

1 shall constitute Available Local Resources as that term is  
2 utilized in subsection (E) in the calculation of general State  
3 aid.

4 (E) Computation of General State Aid.

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

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

14 (3) For any school district for which Available Local  
15 Resources per pupil is equal to or greater than the product of  
16 0.93 times the Foundation Level and less than the product of  
17 1.75 times the Foundation Level, the general State aid per  
18 pupil shall be a decimal proportion of the Foundation Level  
19 derived using a linear algorithm. Under this linear algorithm,  
20 the calculated general State aid per pupil shall decline in  
21 direct linear fashion from 0.07 times the Foundation Level for  
22 a school district with Available Local Resources equal to the  
23 product of 0.93 times the Foundation Level, to 0.05 times the  
24 Foundation Level for a school district with Available Local  
25 Resources equal to the product of 1.75 times the Foundation

1 Level. The allocation of general State aid for school districts  
2 subject to this paragraph 3 shall be the calculated general  
3 State aid per pupil figure multiplied by the Average Daily  
4 Attendance of the school district.

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

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

20 (F) Compilation of Average Daily Attendance.

21 (1) Each school district shall, by July 1 of each year,  
22 submit to the State Board of Education, on forms prescribed by  
23 the State Board of Education, attendance figures for the school  
24 year that began in the preceding calendar year. The attendance  
25 information so transmitted shall identify the average daily



1 attendance figures for each month of the school year. Beginning  
2 with the general State aid claim form for the 2002-2003 school  
3 year, districts shall calculate Average Daily Attendance as  
4 provided in subdivisions (a), (b), and (c) of this paragraph  
5 (1).

6 (a) In districts that do not hold year-round classes,  
7 days of attendance in August shall be added to the month of  
8 September and any days of attendance in June shall be added  
9 to the month of May.

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

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

26 Except as otherwise provided in this Section, days of

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

9 Days of attendance by tuition pupils shall be accredited  
10 only to the districts that pay the tuition to a recognized  
11 school.

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

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

24 (b) Days of attendance may be less than 5 clock hours  
25 on the opening and closing of the school term, and upon the  
26 first day of pupil attendance, if preceded by a day or days

1 utilized as an institute or teachers' workshop.

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

7 (d) A session of 3 or more clock hours may be counted  
8 as a day of attendance (1) when the remainder of the school  
9 day or at least 2 hours in the evening of that day is  
10 utilized for an in-service training program for teachers,  
11 up to a maximum of 5 days per school year of which a  
12 maximum of 4 days of such 5 days may be used for  
13 parent-teacher conferences, provided a district conducts  
14 an in-service training program for teachers which has been  
15 approved by the State Superintendent of Education; or, in  
16 lieu of 4 such days, 2 full days may be used, in which  
17 event each such day may be counted as a day of attendance;  
18 and (2) when days in addition to those provided in item (1)  
19 are scheduled by a school pursuant to its school  
20 improvement plan adopted under Article 34 or its revised or  
21 amended school improvement plan adopted under Article 2,  
22 provided that (i) such sessions of 3 or more clock hours  
23 are scheduled to occur at regular intervals, (ii) the  
24 remainder of the school days in which such sessions occur  
25 are utilized for in-service training programs or other  
26 staff development activities for teachers, and (iii) a

1 sufficient number of minutes of school work under the  
2 direct supervision of teachers are added to the school days  
3 between such regularly scheduled sessions to accumulate  
4 not less than the number of minutes by which such sessions  
5 of 3 or more clock hours fall short of 5 clock hours. Any  
6 full days used for the purposes of this paragraph shall not  
7 be considered for computing average daily attendance. Days  
8 scheduled for in-service training programs, staff  
9 development activities, or parent-teacher conferences may  
10 be scheduled separately for different grade levels and  
11 different attendance centers of the district.

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

18 (f) A session of at least 4 clock hours may be counted  
19 as a day of attendance for first grade pupils, and pupils  
20 in full day kindergartens, and a session of 2 or more hours  
21 may be counted as 1/2 day of attendance by pupils in  
22 kindergartens which provide only 1/2 day of attendance.

23 (g) For children with disabilities who are below the  
24 age of 6 years and who cannot attend 2 or more clock hours  
25 because of their disability or immaturity, a session of not  
26 less than one clock hour may be counted as 1/2 day of

1 attendance; however for such children whose educational  
2 needs so require a session of 4 or more clock hours may be  
3 counted as a full day of attendance.

4 (h) A recognized kindergarten which provides for only  
5 1/2 day of attendance by each pupil shall not have more  
6 than 1/2 day of attendance counted in any one day. However,  
7 kindergartens may count 2 1/2 days of attendance in any 5  
8 consecutive school days. When a pupil attends such a  
9 kindergarten for 2 half days on any one school day, the  
10 pupil shall have the following day as a day absent from  
11 school, unless the school district obtains permission in  
12 writing from the State Superintendent of Education.  
13 Attendance at kindergartens which provide for a full day of  
14 attendance by each pupil shall be counted the same as  
15 attendance by first grade pupils. Only the first year of  
16 attendance in one kindergarten shall be counted, except in  
17 case of children who entered the kindergarten in their  
18 fifth year whose educational development requires a second  
19 year of kindergarten as determined under the rules and  
20 regulations of the State Board of Education.

21 (i) On the days when the Prairie State Achievement  
22 Examination is administered under subsection (c) of  
23 Section 2-3.64 of this Code, the day of attendance for a  
24 pupil whose school day must be shortened to accommodate  
25 required testing procedures may be less than 5 clock hours  
26 and shall be counted towards the 176 days of actual pupil

1 attendance required under Section 10-19 of this Code,  
2 provided that a sufficient number of minutes of school work  
3 in excess of 5 clock hours are first completed on other  
4 school days to compensate for the loss of school work on  
5 the examination days.

6 (G) Equalized Assessed Valuation Data.

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

17 The Department of Revenue shall add to the equalized  
18 assessed value of all taxable property of each school district  
19 situated entirely or partially within a county that is or was  
20 subject to the alternative general homestead exemption  
21 provisions of Section 15-176 of the Property Tax Code (a) an  
22 amount equal to the total amount by which the homestead  
23 exemption allowed under Section 15-176 of the Property Tax Code  
24 for real property situated in that school district exceeds the  
25 total amount that would have been allowed in that school

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

1 Code for owners with a household income of less than \$30,000,  
2 then the calculation of Available Local Resources shall not be  
3 affected by the difference, if any, because of those additional  
4 exemptions.

5 This equalized assessed valuation, as adjusted further by  
6 the requirements of this subsection, shall be utilized in the  
7 calculation of Available Local Resources.

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

10 (a) For the purposes of calculating State aid under  
11 this Section, with respect to any part of a school district  
12 within a redevelopment project area in respect to which a  
13 municipality has adopted tax increment allocation  
14 financing pursuant to the Tax Increment Allocation  
15 Redevelopment Act, Sections 11-74.4-1 through 11-74.4-11  
16 of the Illinois Municipal Code or the Industrial Jobs  
17 Recovery Law, Sections 11-74.6-1 through 11-74.6-50 of the  
18 Illinois Municipal Code, no part of the current equalized  
19 assessed valuation of real property located in any such  
20 project area which is attributable to an increase above the  
21 total initial equalized assessed valuation of such  
22 property shall be used as part of the equalized assessed  
23 valuation of the district, until such time as all  
24 redevelopment project costs have been paid, as provided in  
25 Section 11-74.4-8 of the Tax Increment Allocation  
26 Redevelopment Act or in Section 11-74.6-35 of the



1 Industrial Jobs Recovery Law. For the purpose of the  
2 equalized assessed valuation of the district, the total  
3 initial equalized assessed valuation or the current  
4 equalized assessed valuation, whichever is lower, shall be  
5 used until such time as all redevelopment project costs  
6 have been paid.

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

21 (3) For the 1999-2000 school year and each school year  
22 thereafter, if a school district meets all of the criteria of  
23 this subsection (G) (3), the school district's Available Local  
24 Resources shall be calculated under subsection (D) using the  
25 district's Extension Limitation Equalized Assessed Valuation  
26 as calculated under this subsection (G) (3).

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

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

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

7           "Preceding Tax Year": The property tax levy year  
8 immediately preceding the Base Tax Year.

9           "Base Tax Year's Tax Extension": The product of the  
10 equalized assessed valuation utilized by the County Clerk  
11 in the Base Tax Year multiplied by the limiting rate as  
12 calculated by the County Clerk and defined in the Property  
13 Tax Extension Limitation Law.

14           "Preceding Tax Year's Tax Extension": The product of  
15 the equalized assessed valuation utilized by the County  
16 Clerk in the Preceding Tax Year multiplied by the Operating  
17 Tax Rate as defined in subsection (A).

18           "Extension Limitation Ratio": A numerical ratio,  
19 certified by the County Clerk, in which the numerator is  
20 the Base Tax Year's Tax Extension and the denominator is  
21 the Preceding Tax Year's Tax Extension.

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

24           If a school district is subject to property tax extension  
25 limitations as imposed under the Property Tax Extension  
26 Limitation Law, the State Board of Education shall calculate

1 the Extension Limitation Equalized Assessed Valuation of that  
2 district. For the 1999-2000 school year, the Extension  
3 Limitation Equalized Assessed Valuation of a school district as  
4 calculated by the State Board of Education shall be equal to  
5 the product of the district's 1996 Equalized Assessed Valuation  
6 and the district's Extension Limitation Ratio. For the  
7 2000-2001 school year and each school year thereafter, the  
8 Extension Limitation Equalized Assessed Valuation of a school  
9 district as calculated by the State Board of Education shall be  
10 equal to the product of the Equalized Assessed Valuation last  
11 used in the calculation of general State aid and the district's  
12 Extension Limitation Ratio. If the Extension Limitation  
13 Equalized Assessed Valuation of a school district as calculated  
14 under this subsection (G)(3) is less than the district's  
15 equalized assessed valuation as calculated pursuant to  
16 subsections (G)(1) and (G)(2), then for purposes of calculating  
17 the district's general State aid for the Budget Year pursuant  
18 to subsection (E), that Extension Limitation Equalized  
19 Assessed Valuation shall be utilized to calculate the  
20 district's Available Local Resources under subsection (D).

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

25 (4) For the purposes of calculating general State aid for  
26 the 1999-2000 school year only, if a school district

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

19 (5) For school districts having a majority of their  
20 equalized assessed valuation in any county except Cook, DuPage,  
21 Kane, Lake, McHenry, or Will, if the amount of general State  
22 aid allocated to the school district for the 1999-2000 school  
23 year under the provisions of subsection (E), (H), and (J) of  
24 this Section is less than the amount of general State aid  
25 allocated to the district for the 1998-1999 school year under  
26 these subsections, then the general State aid of the district

1 for the 1999-2000 school year only shall be increased by the  
2 difference between these amounts. The total payments made under  
3 this paragraph (5) shall not exceed \$14,000,000. Claims shall  
4 be prorated if they exceed \$14,000,000.

5 (H) Supplemental General State Aid.

6 (1) In addition to the general State aid a school district  
7 is allotted pursuant to subsection (E), qualifying school  
8 districts shall receive a grant, paid in conjunction with a  
9 district's payments of general State aid, for supplemental  
10 general State aid based upon the concentration level of  
11 children from low-income households within the school  
12 district. Supplemental State aid grants provided for school  
13 districts under this subsection shall be appropriated for  
14 distribution to school districts as part of the same line item  
15 in which the general State financial aid of school districts is  
16 appropriated under this Section. If the appropriation in any  
17 fiscal year for general State aid and supplemental general  
18 State aid is insufficient to pay the amounts required under the  
19 general State aid and supplemental general State aid  
20 calculations, then the State Board of Education shall ensure  
21 that each school district receives the full amount due for  
22 general State aid and the remainder of the appropriation shall  
23 be used for supplemental general State aid, which the State  
24 Board of Education shall calculate and pay to eligible  
25 districts on a prorated basis.

1           (1.5) This paragraph (1.5) applies only to those school  
2 years preceding the 2003-2004 school year. For purposes of this  
3 subsection (H), the term "Low-Income Concentration Level"  
4 shall be the low-income eligible pupil count from the most  
5 recently available federal census divided by the Average Daily  
6 Attendance of the school district. If, however, (i) the  
7 percentage decrease from the 2 most recent federal censuses in  
8 the low-income eligible pupil count of a high school district  
9 with fewer than 400 students exceeds by 75% or more the  
10 percentage change in the total low-income eligible pupil count  
11 of contiguous elementary school districts, whose boundaries  
12 are coterminous with the high school district, or (ii) a high  
13 school district within 2 counties and serving 5 elementary  
14 school districts, whose boundaries are coterminous with the  
15 high school district, has a percentage decrease from the 2 most  
16 recent federal censuses in the low-income eligible pupil count  
17 and there is a percentage increase in the total low-income  
18 eligible pupil count of a majority of the elementary school  
19 districts in excess of 50% from the 2 most recent federal  
20 censuses, then the high school district's low-income eligible  
21 pupil count from the earlier federal census shall be the number  
22 used as the low-income eligible pupil count for the high school  
23 district, for purposes of this subsection (H). The changes made  
24 to this paragraph (1) by Public Act 92-28 shall apply to  
25 supplemental general State aid grants for school years  
26 preceding the 2003-2004 school year that are paid in fiscal

1 year 1999 or thereafter and to any State aid payments made in  
2 fiscal year 1994 through fiscal year 1998 pursuant to  
3 subsection 1(n) of Section 18-8 of this Code (which was  
4 repealed on July 1, 1998), and any high school district that is  
5 affected by Public Act 92-28 is entitled to a recomputation of  
6 its supplemental general State aid grant or State aid paid in  
7 any of those fiscal years. This recomputation shall not be  
8 affected by any other funding.

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

23 (2) Supplemental general State aid pursuant to this  
24 subsection (H) shall be provided as follows for the 1998-1999,  
25 1999-2000, and 2000-2001 school years only:

26 (a) For any school district with a Low Income

1 Concentration Level of at least 20% and less than 35%, the  
2 grant for any school year shall be \$800 multiplied by the  
3 low income eligible pupil count.

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

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

12 (d) For any school district with a Low Income  
13 Concentration Level of 60% or more, the grant for the  
14 1998-99 school year shall be \$1,900 multiplied by the low  
15 income eligible pupil count.

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

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

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



1           (a) For any school district with a Low Income  
2 Concentration Level of less than 10%, the grant for each  
3 school year shall be \$355 multiplied by the low income  
4 eligible pupil count.

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

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

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

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

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

25           (2.10) Except as otherwise provided, supplemental general  
26 State aid pursuant to this subsection (H) shall be provided as

1 follows for the 2003-2004 school year and each school year  
2 thereafter:

3 (a) For any school district with a Low Income  
4 Concentration Level of 15% or less, the grant for the  
5 2003-2004 school year through the 2006-2007 ~~each~~ school  
6 year shall be \$355 multiplied by the low income eligible  
7 pupil count. For the 2007-2008 school year and each school  
8 year thereafter, the grant shall be \$355, increased by the  
9 percentage increase, if any, in the ECI published for the  
10 immediately preceding school year, and then multiplied by  
11 the low income eligible pupil count.

12 (b) For any school district with a Low Income  
13 Concentration Level greater than 15%, the grant for the  
14 2003-2004 school year through the 2006-2007 ~~each~~ school  
15 year shall be \$294.25 added to the product of \$2,700 and  
16 the square of the Low Income Concentration Level, all  
17 multiplied by the low income eligible pupil count. For the  
18 2007-2008 school year and each school year thereafter, the  
19 grant shall be \$294.25, increased by the percentage  
20 increase, if any, in the ECI published for the immediately  
21 preceding school year, then added to the product of (i)  
22 \$2,700, which amount shall be increased by the percentage  
23 increase, if any, in the ECI published for the immediately  
24 preceding school year, and (ii) the square of the Low  
25 Income Concentration Level, and then all multiplied by the  
26 low income eligible pupil count.

1           For the 2003-2004 school year, 2004-2005 school year,  
2           2005-2006 school year, and 2006-2007 school year only, the  
3           grant shall be no less than the grant for the 2002-2003 school  
4           year. For the 2007-2008 school year only, the grant shall be no  
5           less than the grant for the 2002-2003 school year multiplied by  
6           0.66. For the 2008-2009 school year only, the grant shall be no  
7           less than the grant for the 2002-2003 school year multiplied by  
8           0.33. Notwithstanding the provisions of this paragraph to the  
9           contrary, if for any school year supplemental general State aid  
10          grants are prorated as provided in paragraph (1) of this  
11          subsection (H), then the grants under this paragraph shall be  
12          prorated.

13          For the 2003-2004 school year only, the grant shall be no  
14          greater than the grant received during the 2002-2003 school  
15          year added to the product of 0.25 multiplied by the difference  
16          between the grant amount calculated under subsection (a) or (b)  
17          of this paragraph (2.10), whichever is applicable, and the  
18          grant received during the 2002-2003 school year. For the  
19          2004-2005 school year only, the grant shall be no greater than  
20          the grant received during the 2002-2003 school year added to  
21          the product of 0.50 multiplied by the difference between the  
22          grant amount calculated under subsection (a) or (b) of this  
23          paragraph (2.10), whichever is applicable, and the grant  
24          received during the 2002-2003 school year. For the 2005-2006  
25          school year only, the grant shall be no greater than the grant  
26          received during the 2002-2003 school year added to the product

1 of 0.75 multiplied by the difference between the grant amount  
2 calculated under subsection (a) or (b) of this paragraph  
3 (2.10), whichever is applicable, and the grant received during  
4 the 2002-2003 school year.

5 (3) School districts with an Average Daily Attendance of  
6 more than 1,000 and less than 50,000 that qualify for  
7 supplemental general State aid pursuant to this subsection  
8 shall submit a plan to the State Board of Education prior to  
9 October 30 of each year for the use of the funds resulting from  
10 this grant of supplemental general State aid for the  
11 improvement of instruction in which priority is given to  
12 meeting the education needs of disadvantaged children. Such  
13 plan shall be submitted in accordance with rules and  
14 regulations promulgated by the State Board of Education.

15 (4) School districts with an Average Daily Attendance of  
16 50,000 or more that qualify for supplemental general State aid  
17 pursuant to this subsection shall be required to distribute  
18 from funds available pursuant to this Section, no less than  
19 \$261,000,000 in accordance with the following requirements:

20 (a) The required amounts shall be distributed to the  
21 attendance centers within the district in proportion to the  
22 number of pupils enrolled at each attendance center who are  
23 eligible to receive free or reduced-price lunches or  
24 breakfasts under the federal Child Nutrition Act of 1966  
25 and under the National School Lunch Act during the  
26 immediately preceding school year.

1           (b) The distribution of these portions of supplemental  
2           and general State aid among attendance centers according to  
3           these requirements shall not be compensated for or  
4           contravened by adjustments of the total of other funds  
5           appropriated to any attendance centers, and the Board of  
6           Education shall utilize funding from one or several sources  
7           in order to fully implement this provision annually prior  
8           to the opening of school.

9           (c) Each attendance center shall be provided by the  
10          school district a distribution of noncategorical funds and  
11          other categorical funds to which an attendance center is  
12          entitled under law in order that the general State aid and  
13          supplemental general State aid provided by application of  
14          this subsection supplements rather than supplants the  
15          noncategorical funds and other categorical funds provided  
16          by the school district to the attendance centers.

17          (d) Any funds made available under this subsection that  
18          by reason of the provisions of this subsection are not  
19          required to be allocated and provided to attendance centers  
20          may be used and appropriated by the board of the district  
21          for any lawful school purpose.

22          (e) Funds received by an attendance center pursuant to  
23          this subsection shall be used by the attendance center at  
24          the discretion of the principal and local school council  
25          for programs to improve educational opportunities at  
26          qualifying schools through the following programs and

1 services: early childhood education, reduced class size or  
2 improved adult to student classroom ratio, enrichment  
3 programs, remedial assistance, attendance improvement, and  
4 other educationally beneficial expenditures which  
5 supplement the regular and basic programs as determined by  
6 the State Board of Education. Funds provided shall not be  
7 expended for any political or lobbying purposes as defined  
8 by board rule.

9 (f) Each district subject to the provisions of this  
10 subdivision (H) (4) shall submit an acceptable plan to meet  
11 the educational needs of disadvantaged children, in  
12 compliance with the requirements of this paragraph, to the  
13 State Board of Education prior to July 15 of each year.  
14 This plan shall be consistent with the decisions of local  
15 school councils concerning the school expenditure plans  
16 developed in accordance with part 4 of Section 34-2.3. The  
17 State Board shall approve or reject the plan within 60 days  
18 after its submission. If the plan is rejected, the district  
19 shall give written notice of intent to modify the plan  
20 within 15 days of the notification of rejection and then  
21 submit a modified plan within 30 days after the date of the  
22 written notice of intent to modify. Districts may amend  
23 approved plans pursuant to rules promulgated by the State  
24 Board of Education.

25 Upon notification by the State Board of Education that  
26 the district has not submitted a plan prior to July 15 or a

1 modified plan within the time period specified herein, the  
2 State aid funds affected by that plan or modified plan  
3 shall be withheld by the State Board of Education until a  
4 plan or modified plan is submitted.

5 If the district fails to distribute State aid to  
6 attendance centers in accordance with an approved plan, the  
7 plan for the following year shall allocate funds, in  
8 addition to the funds otherwise required by this  
9 subsection, to those attendance centers which were  
10 underfunded during the previous year in amounts equal to  
11 such underfunding.

12 For purposes of determining compliance with this  
13 subsection in relation to the requirements of attendance  
14 center funding, each district subject to the provisions of  
15 this subsection shall submit as a separate document by  
16 December 1 of each year a report of expenditure data for  
17 the prior year in addition to any modification of its  
18 current plan. If it is determined that there has been a  
19 failure to comply with the expenditure provisions of this  
20 subsection regarding contravention or supplanting, the  
21 State Superintendent of Education shall, within 60 days of  
22 receipt of the report, notify the district and any affected  
23 local school council. The district shall within 45 days of  
24 receipt of that notification inform the State  
25 Superintendent of Education of the remedial or corrective  
26 action to be taken, whether by amendment of the current

1 plan, if feasible, or by adjustment in the plan for the  
2 following year. Failure to provide the expenditure report  
3 or the notification of remedial or corrective action in a  
4 timely manner shall result in a withholding of the affected  
5 funds.

6 The State Board of Education shall promulgate rules and  
7 regulations to implement the provisions of this  
8 subsection. No funds shall be released under this  
9 subdivision (H) (4) to any district that has not submitted a  
10 plan that has been approved by the State Board of  
11 Education.

12 (I) (Blank).

13 (J) Supplementary Grants in Aid.

14 (1) Notwithstanding any other provisions of this Section,  
15 the amount of the aggregate general State aid in combination  
16 with supplemental general State aid under this Section for  
17 which each school district is eligible shall be no less than  
18 the amount of the aggregate general State aid entitlement that  
19 was received by the district under Section 18-8 (exclusive of  
20 amounts received under subsections 5(p) and 5(p-5) of that  
21 Section) for the 1997-98 school year, pursuant to the  
22 provisions of that Section as it was then in effect. If a  
23 school district qualifies to receive a supplementary payment  
24 made under this subsection (J), the amount of the aggregate



1 general State aid in combination with supplemental general  
2 State aid under this Section which that district is eligible to  
3 receive for each school year shall be no less than the amount  
4 of the aggregate general State aid entitlement that was  
5 received by the district under Section 18-8 (exclusive of  
6 amounts received under subsections 5(p) and 5(p-5) of that  
7 Section) for the 1997-1998 school year, pursuant to the  
8 provisions of that Section as it was then in effect.

9 (2) If, as provided in paragraph (1) of this subsection  
10 (J), a school district is to receive aggregate general State  
11 aid in combination with supplemental general State aid under  
12 this Section for the 1998-99 school year and any subsequent  
13 school year that in any such school year is less than the  
14 amount of the aggregate general State aid entitlement that the  
15 district received for the 1997-98 school year, the school  
16 district shall also receive, from a separate appropriation made  
17 for purposes of this subsection (J), a supplementary payment  
18 that is equal to the amount of the difference in the aggregate  
19 State aid figures as described in paragraph (1).

20 (3) (Blank).

21 (K) Grants to Laboratory and Alternative Schools.

22 In calculating the amount to be paid to the governing board  
23 of a public university that operates a laboratory school under  
24 this Section or to any alternative school that is operated by a  
25 regional superintendent of schools, the State Board of

1 Education shall require by rule such reporting requirements as  
2 it deems necessary.

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

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

1 educational service regions. An alternative school serving  
2 more than one educational service region may be operated under  
3 such terms as the regional superintendents of schools of those  
4 educational service regions may agree.

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

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

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

1 Article.

2 (2) (Blank).

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

5 (M) Education Funding Advisory Board.

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

1        respective appointments and expire on the third Monday of  
2        January, 2001, and 2 of their number to serve for terms that  
3        commence on the date of their respective appointments and  
4        expire on the third Monday of January, 2000. All members  
5        appointed to serve on the Board shall serve until their  
6        respective successors are appointed and confirmed. Vacancies  
7        shall be filled in the same manner as original appointments. If  
8        a vacancy in membership occurs at a time when the Senate is not  
9        in session, the Governor shall make a temporary appointment  
10       until the next meeting of the Senate, when he or she shall  
11       appoint, by and with the advice and consent of the Senate, a  
12       person to fill that membership for the unexpired term. If the  
13       Senate is not in session when the initial appointments are  
14       made, those appointments shall be made as in the case of  
15       vacancies.

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

24       The State Board of Education shall provide such staff  
25       assistance to the Education Funding Advisory Board as is  
26       reasonably required for the proper performance by the Board of

1 its responsibilities.

2 For school years after the 2000-2001 school year, the  
3 Education Funding Advisory Board, in consultation with the  
4 State Board of Education, shall make recommendations as  
5 provided in this subsection (M) to the General Assembly for the  
6 foundation level under subsection (B) ~~subdivision (B) (3)~~ of  
7 this Section and for the supplemental general State aid grant  
8 level under subsection (H) of this Section for districts with  
9 high concentrations of children from poverty. The recommended  
10 foundation level shall be determined based on a methodology  
11 which incorporates the basic education expenditures of  
12 low-spending schools exhibiting high academic performance. The  
13 Education Funding Advisory Board shall make such  
14 recommendations to the General Assembly on January 1 of odd  
15 numbered years, beginning January 1, 2001.

16 (N) (Blank).

17 (O) References.

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

23 (2) References in other laws to State Chapter 1 funds shall  
24 be deemed to refer to the supplemental general State aid

1 provided under subsection (H) of this Section.

2 (P) Public Act 93-838 and Public Act 93-808 make inconsistent  
3 changes to this Section. Under Section 6 of the Statute on  
4 Statutes there is an irreconcilable conflict between Public Act  
5 93-808 and Public Act 93-838. Public Act 93-838, being the last  
6 acted upon, is controlling. The text of Public Act 93-838 is  
7 the law regardless of the text of Public Act 93-808.

8 (Source: P.A. 93-21, eff. 7-1-03; 93-715, eff. 7-12-04; 93-808,  
9 eff. 7-26-04; 93-838, eff. 7-30-04; 93-875, eff. 8-6-04; 94-69,  
10 eff. 7-1-05; 94-438, eff. 8-4-05; 94-835, eff. 6-6-06; 94-1019,  
11 eff. 7-10-06; revised 8-3-06.)

12 (105 ILCS 5/18-8.15 new)

13 Sec. 18-8.15. Supplemental State aid for rapidly expanding  
14 school districts.

15 (a) If there has been an increase in a school district's  
16 student population over any 2 consecutive school years of (i)  
17 over 1.5% in a district with 10,000 or more pupils in average  
18 daily attendance, as defined in Section 18-8.05 of this Code,  
19 or (ii) over 10% in any other district, then, subject to  
20 appropriation, the district is eligible for a grant under this  
21 Section.

22 (b) The State Board of Education shall determine a per  
23 pupil grant amount for each school district based on the needs  
24 of each district. The total grant amount for a district for any

1 given school year shall equal the per pupil grant amount  
2 multiplied by the difference between the number of pupils in  
3 average daily attendance for the first 3 months of the school  
4 year and the number of pupils in average daily attendance for  
5 the immediately preceding school year.

6 (c) Each fiscal year, the General Assembly shall  
7 appropriate at least \$40 million of the aggregate Common School  
8 Fund appropriation to funding supplemental grants under this  
9 Section. Funds for grants under this Section must be  
10 appropriated to the State Board of Education in a separate line  
11 item for this purpose. As soon as possible after funds have  
12 been appropriated to the State Board of Education, the State  
13 Board of Education shall distribute the grants to eligible  
14 districts.

15 (d) If a school district intentionally reports incorrect  
16 average daily attendance numbers to receive a grant under this  
17 Section, then the district shall be denied State aid for  
18 intentional incorrect reporting of average daily attendance  
19 numbers under Section 18-8.05 of this Code.

20 (e) The State Board of Education may adopt any rules  
21 necessary to implement this Section.

22 (105 ILCS 5/18-25 new)

23 Sec. 18-25. Education appropriation minimum. At a minimum,  
24 the General Assembly shall appropriate to the Common School  
25 Fund for fiscal year 2008 and each fiscal year thereafter, an



1 amount equal to the following (the "Education Appropriation  
2 Minimum"):

3 (1) For fiscal year 2008, a total appropriation equal  
4 to the sum of (A) all amounts appropriated to the Common  
5 School Fund for fiscal year 2007, plus (B) the amount  
6 necessary to increase the Foundation Level of support per  
7 student to \$5,952 under Section 18-8.05 of this Code, plus  
8 (C) \$2.4 billion to fund the School District Property Tax  
9 Relief Fund described in Section 6z-65 of the State Finance  
10 Act.

11 (2) For each fiscal year thereafter, a total  
12 appropriation equal to (A) the Education Appropriation  
13 Minimum for the immediately preceding fiscal year,  
14 increased by the percentage increase, if any, in the  
15 Employment Cost Index published by the U.S. Bureau of Labor  
16 Statistics for the immediately preceding fiscal year, or  
17 (B) such greater amount as the General Assembly may  
18 appropriate.

19 Section 99. Effective date. This Act takes effect upon  
20 becoming law.

1	INDEX	
2	Statutes amended in order of appearance	
3	30 ILCS 105/5.675 new	
4	30 ILCS 105/6z-69 new	
5	35 ILCS 5/201	from Ch. 120, par. 2-201
6	35 ILCS 5/203	from Ch. 120, par. 2-203
7	35 ILCS 5/247 new	
8	35 ILCS 105/2	from Ch. 120, par. 439.2
9	35 ILCS 105/3-50 rep.	from Ch. 120, par. 439.3-50
10	35 ILCS 110/2	from Ch. 120, par. 439.32
11	35 ILCS 115/2	from Ch. 120, par. 439.102
12	35 ILCS 120/1	from Ch. 120, par. 440
13	35 ILCS 120/2-5	from Ch. 120, par. 441-5
14	35 ILCS 120/1d rep.	from Ch. 120, par. 440d
15	35 ILCS 120/1f rep.	from Ch. 120, par. 440f
16	35 ILCS 200/18-178 new	
17	35 ILCS 200/18-255	
18	35 ILCS 200/20-15	
19	35 ILCS 200/21-30	
20	35 ILCS 505/2b	from Ch. 120, par. 418b
21	105 ILCS 5/18-8.05	
22	105 ILCS 5/18-8.15 new	
23	105 ILCS 5/18-25 new	