



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB5343

Introduced 2/8/2012, by Rep. Bill Mitchell

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201

from Ch. 120, par. 2-201

Amends the Illinois Income Tax Act. Provides that, for taxable years beginning on or after January 1, 2012, the rate of tax imposed on the portion of the taxpayer's net income that is attributable to a subchapter S corporation is 3%. Effective immediately.

LRB097 16326 HLH 61481 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 (Text of Section before amendment by P.A. 97-636)

8 Sec. 201. Tax Imposed.

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

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

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

23 (2) In the case of an individual, trust or estate, for

1 taxable years beginning prior to July 1, 1989 and ending
2 after June 30, 1989, an amount equal to the sum of (i) 2
3 1/2% of the taxpayer's net income for the period prior to
4 July 1, 1989, as calculated under Section 202.3, and (ii)
5 3% of the taxpayer's net income for the period after June
6 30, 1989, as calculated under Section 202.3.

7 (3) In the case of an individual, trust or estate, for
8 taxable years beginning after June 30, 1989, and ending
9 prior to January 1, 2011, an amount equal to 3% of the
10 taxpayer's net income for the taxable year.

11 (4) In the case of an individual, trust, or estate, for
12 taxable years beginning prior to January 1, 2011, and
13 ending after December 31, 2010, an amount equal to the sum
14 of (i) 3% of the taxpayer's net income for the period prior
15 to January 1, 2011, as calculated under Section 202.5, and
16 (ii) 5% of the taxpayer's net income for the period after
17 December 31, 2010, as calculated under Section 202.5.

18 (5) In the case of an individual, trust, or estate, for
19 taxable years beginning on or after January 1, 2011, and
20 ending prior to January 1, 2015, an amount equal to 5% of
21 the taxpayer's net income for the taxable year, except
22 that, for shareholders of a subchapter S corporation, the
23 tax is imposed as provided in items (5.5) and (5.6).

24 (5.1) In the case of an individual, trust, or estate,
25 for taxable years beginning prior to January 1, 2015, and
26 ending after December 31, 2014, an amount equal to the sum

1 of (i) 5% of the taxpayer's net income for the period prior
2 to January 1, 2015, as calculated under Section 202.5, and
3 (ii) 3.75% of the taxpayer's net income for the period
4 after December 31, 2014, as calculated under Section 202.5,
5 except that, for shareholders of a subchapter S
6 corporation, the tax is imposed as provided in items (5.5)
7 and (5.6).

8 (5.2) In the case of an individual, trust, or estate,
9 for taxable years beginning on or after January 1, 2015,
10 and ending prior to January 1, 2025, an amount equal to
11 3.75% of the taxpayer's net income for the taxable year,
12 except that, for shareholders of a subchapter S
13 corporation, the tax is imposed as provided in items (5.5)
14 and (5.6).

15 (5.3) In the case of an individual, trust, or estate,
16 for taxable years beginning prior to January 1, 2025, and
17 ending after December 31, 2024, an amount equal to the sum
18 of (i) 3.75% of the taxpayer's net income for the period
19 prior to January 1, 2025, as calculated under Section
20 202.5, and (ii) 3.25% of the taxpayer's net income for the
21 period after December 31, 2024, as calculated under Section
22 202.5, except that, for shareholders of a subchapter S
23 corporation, the tax is imposed as provided in items (5.5)
24 and (5.6).

25 (5.4) In the case of an individual, trust, or estate,
26 for taxable years beginning on or after January 1, 2025, an

1 amount equal to 3.25% of the taxpayer's net income for the
2 taxable year, except that, for shareholders of a subchapter
3 S corporation, the tax is imposed as provided in items
4 (5.5) and (5.6).

5 (5.5) In the case of a shareholder of a subchapter S
6 corporation, for taxable years beginning prior to January
7 1, 2012, and ending after December 31, 2011, an amount
8 equal to the sum of (i) 3% of the portion of the taxpayer's
9 net income for the taxable year that is (A) attributable to
10 the subchapter S corporation and (B) allocated to the
11 period after December 31, 2011, as calculated under Section
12 202.5, and (ii) 5% of the remainder of the taxpayer's net
13 income for the taxable year.

14 (5.6) In the case of a shareholder of a subchapter S
15 corporation, for taxable years beginning on or after
16 January 1, 2012, an amount equal to the sum of (i) 3% of
17 the portion of the taxpayer's net income for the taxable
18 year that is attributable to the subchapter S corporation
19 and (ii) the portion of the taxpayer's net income for the
20 taxable year that is not attributable to the subchapter S
21 corporation, multiplied by the rate or rates in effect for
22 that taxable year for individuals, trusts, or estates under
23 items (5) through (5.4) of this subsection (b).

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

1 (7) In the case of a corporation, for taxable years
2 beginning prior to July 1, 1989 and ending after June 30,
3 1989, an amount equal to the sum of (i) 4% of the
4 taxpayer's net income for the period prior to July 1, 1989,
5 as calculated under Section 202.3, and (ii) 4.8% of the
6 taxpayer's net income for the period after June 30, 1989,
7 as calculated under Section 202.3.

8 (8) In the case of a corporation, for taxable years
9 beginning after June 30, 1989, and ending prior to January
10 1, 2011, an amount equal to 4.8% of the taxpayer's net
11 income for the taxable year.

12 (9) In the case of a corporation, for taxable years
13 beginning prior to January 1, 2011, and ending after
14 December 31, 2010, an amount equal to the sum of (i) 4.8%
15 of the taxpayer's net income for the period prior to
16 January 1, 2011, as calculated under Section 202.5, and
17 (ii) 7% of the taxpayer's net income for the period after
18 December 31, 2010, as calculated under Section 202.5.

19 (10) In the case of a corporation, for taxable years
20 beginning on or after January 1, 2011, and ending prior to
21 January 1, 2015, an amount equal to 7% of the taxpayer's
22 net income for the taxable year.

23 (11) In the case of a corporation, for taxable years
24 beginning prior to January 1, 2015, and ending after
25 December 31, 2014, an amount equal to the sum of (i) 7% of
26 the taxpayer's net income for the period prior to January

1 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
2 of the taxpayer's net income for the period after December
3 31, 2014, as calculated under Section 202.5.

4 (12) In the case of a corporation, for taxable years
5 beginning on or after January 1, 2015, and ending prior to
6 January 1, 2025, an amount equal to 5.25% of the taxpayer's
7 net income for the taxable year.

8 (13) In the case of a corporation, for taxable years
9 beginning prior to January 1, 2025, and ending after
10 December 31, 2024, an amount equal to the sum of (i) 5.25%
11 of the taxpayer's net income for the period prior to
12 January 1, 2025, as calculated under Section 202.5, and
13 (ii) 4.8% of the taxpayer's net income for the period after
14 December 31, 2024, as calculated under Section 202.5.

15 (14) In the case of a corporation, for taxable years
16 beginning on or after January 1, 2025, an amount equal to
17 4.8% of the taxpayer's net income for the taxable year.

18 The rates under this subsection (b) are subject to the
19 provisions of Section 201.5.

20 (c) Personal Property Tax Replacement Income Tax.
21 Beginning on July 1, 1979 and thereafter, in addition to such
22 income tax, there is also hereby imposed the Personal Property
23 Tax Replacement Income Tax measured by net income on every
24 corporation (including Subchapter S corporations), partnership
25 and trust, for each taxable year ending after June 30, 1979.
26 Such taxes are imposed on the privilege of earning or receiving

1 income in or as a resident of this State. The Personal Property
2 Tax Replacement Income Tax shall be in addition to the income
3 tax imposed by subsections (a) and (b) of this Section and in
4 addition to all other occupation or privilege taxes imposed by
5 this State or by any municipal corporation or political
6 subdivision thereof.

7 (d) Additional Personal Property Tax Replacement Income
8 Tax Rates. The personal property tax replacement income tax
9 imposed by this subsection and subsection (c) of this Section
10 in the case of a corporation, other than a Subchapter S
11 corporation and except as adjusted by subsection (d-1), shall
12 be an additional amount equal to 2.85% of such taxpayer's net
13 income for the taxable year, except that beginning on January
14 1, 1981, and thereafter, the rate of 2.85% specified in this
15 subsection shall be reduced to 2.5%, and in the case of a
16 partnership, trust or a Subchapter S corporation shall be an
17 additional amount equal to 1.5% of such taxpayer's net income
18 for the taxable year.

19 (d-1) Rate reduction for certain foreign insurers. In the
20 case of a foreign insurer, as defined by Section 35A-5 of the
21 Illinois Insurance Code, whose state or country of domicile
22 imposes on insurers domiciled in Illinois a retaliatory tax
23 (excluding any insurer whose premiums from reinsurance assumed
24 are 50% or more of its total insurance premiums as determined
25 under paragraph (2) of subsection (b) of Section 304, except
26 that for purposes of this determination premiums from

1 reinsurance do not include premiums from inter-affiliate
2 reinsurance arrangements), beginning with taxable years ending
3 on or after December 31, 1999, the sum of the rates of tax
4 imposed by subsections (b) and (d) shall be reduced (but not
5 increased) to the rate at which the total amount of tax imposed
6 under this Act, net of all credits allowed under this Act,
7 shall equal (i) the total amount of tax that would be imposed
8 on the foreign insurer's net income allocable to Illinois for
9 the taxable year by such foreign insurer's state or country of
10 domicile if that net income were subject to all income taxes
11 and taxes measured by net income imposed by such foreign
12 insurer's state or country of domicile, net of all credits
13 allowed or (ii) a rate of zero if no such tax is imposed on such
14 income by the foreign insurer's state of domicile. For the
15 purposes of this subsection (d-1), an inter-affiliate includes
16 a mutual insurer under common management.

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

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

23 (B) the privilege tax imposed by Section 409 of the
24 Illinois Insurance Code, the fire insurance company
25 tax imposed by Section 12 of the Fire Investigation
26 Act, and the fire department taxes imposed under

1 Section 11-10-1 of the Illinois Municipal Code,
2 equals 1.25% for taxable years ending prior to December 31,
3 2003, or 1.75% for taxable years ending on or after
4 December 31, 2003, of the net taxable premiums written for
5 the taxable year, as described by subsection (1) of Section
6 409 of the Illinois Insurance Code. This paragraph will in
7 no event increase the rates imposed under subsections (b)
8 and (d).

9 (2) Any reduction in the rates of tax imposed by this
10 subsection shall be applied first against the rates imposed
11 by subsection (b) and only after the tax imposed by
12 subsection (a) net of all credits allowed under this
13 Section other than the credit allowed under subsection (i)
14 has been reduced to zero, against the rates imposed by
15 subsection (d).

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

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

21 (1) A taxpayer shall be allowed a credit equal to .5%
22 of the basis of qualified property placed in service during
23 the taxable year, provided such property is placed in
24 service on or after July 1, 1984. There shall be allowed an
25 additional credit equal to .5% of the basis of qualified
26 property placed in service during the taxable year,

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

1 exceeds the original liability or the liability as later
2 amended, such excess may be carried forward and applied to
3 the tax liability of the 5 taxable years following the
4 excess credit years if the taxpayer (i) makes investments
5 which cause the creation of a minimum of 2,000 full-time
6 equivalent jobs in Illinois, (ii) is located in an
7 enterprise zone established pursuant to the Illinois
8 Enterprise Zone Act and (iii) is certified by the
9 Department of Commerce and Community Affairs (now
10 Department of Commerce and Economic Opportunity) as
11 complying with the requirements specified in clause (i) and
12 (ii) by July 1, 1986. The Department of Commerce and
13 Community Affairs (now Department of Commerce and Economic
14 Opportunity) shall notify the Department of Revenue of all
15 such certifications immediately. For tax years ending
16 after December 31, 1988, the credit shall be allowed for
17 the tax year in which the property is placed in service,
18 or, if the amount of the credit exceeds the tax liability
19 for that year, whether it exceeds the original liability or
20 the liability as later amended, such excess may be carried
21 forward and applied to the tax liability of the 5 taxable
22 years following the excess credit years. The credit shall
23 be applied to the earliest year for which there is a
24 liability. If there is credit from more than one tax year
25 that is available to offset a liability, earlier credit
26 shall be applied first.

1 (2) The term "qualified property" means property
2 which:

3 (A) is tangible, whether new or used, including
4 buildings and structural components of buildings and
5 signs that are real property, but not including land or
6 improvements to real property that are not a structural
7 component of a building such as landscaping, sewer
8 lines, local access roads, fencing, parking lots, and
9 other appurtenances;

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

15 (C) is acquired by purchase as defined in Section
16 179(d) of the Internal Revenue Code;

17 (D) is used in Illinois by a taxpayer who is
18 primarily engaged in manufacturing, or in mining coal
19 or fluorite, or in retailing, or was placed in service
20 on or after July 1, 2006 in a River Edge Redevelopment
21 Zone established pursuant to the River Edge
22 Redevelopment Zone Act; and

23 (E) has not previously been used in Illinois in
24 such a manner and by such a person as would qualify for
25 the credit provided by this subsection (e) or
26 subsection (f).

1 (3) For purposes of this subsection (e),
2 "manufacturing" means the material staging and production
3 of tangible personal property by procedures commonly
4 regarded as manufacturing, processing, fabrication, or
5 assembling which changes some existing material into new
6 shapes, new qualities, or new combinations. For purposes of
7 this subsection (e) the term "mining" shall have the same
8 meaning as the term "mining" in Section 613(c) of the
9 Internal Revenue Code. For purposes of this subsection (e),
10 the term "retailing" means the sale of tangible personal
11 property for use or consumption and not for resale, or
12 services rendered in conjunction with the sale of tangible
13 personal property for use or consumption and not for
14 resale. For purposes of this subsection (e), "tangible
15 personal property" has the same meaning as when that term
16 is used in the Retailers' Occupation Tax Act, and, for
17 taxable years ending after December 31, 2008, does not
18 include the generation, transmission, or distribution of
19 electricity.

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

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

1 date of such increase in basis.

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

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

20 (8) Unless the investment credit is extended by law,
21 the basis of qualified property shall not include costs
22 incurred after December 31, 2013, except for costs incurred
23 pursuant to a binding contract entered into on or before
24 December 31, 2013.

25 (9) Each taxable year ending before December 31, 2000,
26 a partnership may elect to pass through to its partners the

1 credits to which the partnership is entitled under this
2 subsection (e) for the taxable year. A partner may use the
3 credit allocated to him or her under this paragraph only
4 against the tax imposed in subsections (c) and (d) of this
5 Section. If the partnership makes that election, those
6 credits shall be allocated among the partners in the
7 partnership in accordance with the rules set forth in
8 Section 704(b) of the Internal Revenue Code, and the rules
9 promulgated under that Section, and the allocated amount of
10 the credits shall be allowed to the partners for that
11 taxable year. The partnership shall make this election on
12 its Personal Property Tax Replacement Income Tax return for
13 that taxable year. The election to pass through the credits
14 shall be irrevocable.

15 For taxable years ending on or after December 31, 2000,
16 a partner that qualifies its partnership for a subtraction
17 under subparagraph (I) of paragraph (2) of subsection (d)
18 of Section 203 or a shareholder that qualifies a Subchapter
19 S corporation for a subtraction under subparagraph (S) of
20 paragraph (2) of subsection (b) of Section 203 shall be
21 allowed a credit under this subsection (e) equal to its
22 share of the credit earned under this subsection (e) during
23 the taxable year by the partnership or Subchapter S
24 corporation, determined in accordance with the
25 determination of income and distributive share of income
26 under Sections 702 and 704 and Subchapter S of the Internal

1 Revenue Code. This paragraph is exempt from the provisions
2 of Section 250.

3 (f) Investment credit; Enterprise Zone; River Edge
4 Redevelopment Zone.

5 (1) A taxpayer shall be allowed a credit against the
6 tax imposed by subsections (a) and (b) of this Section for
7 investment in qualified property which is placed in service
8 in an Enterprise Zone created pursuant to the Illinois
9 Enterprise Zone Act or, for property placed in service on
10 or after July 1, 2006, a River Edge Redevelopment Zone
11 established pursuant to the River Edge Redevelopment Zone
12 Act. For partners, shareholders of Subchapter S
13 corporations, and owners of limited liability companies,
14 if the liability company is treated as a partnership for
15 purposes of federal and State income taxation, there shall
16 be allowed a credit under this subsection (f) to be
17 determined in accordance with the determination of income
18 and distributive share of income under Sections 702 and 704
19 and Subchapter S of the Internal Revenue Code. The credit
20 shall be .5% of the basis for such property. The credit
21 shall be available only in the taxable year in which the
22 property is placed in service in the Enterprise Zone or
23 River Edge Redevelopment Zone and shall not be allowed to
24 the extent that it would reduce a taxpayer's liability for
25 the tax imposed by subsections (a) and (b) of this Section
26 to below zero. For tax years ending on or after December

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

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

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

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

20 (C) is acquired by purchase as defined in Section
21 179(d) of the Internal Revenue Code;

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

24 (E) has not been previously used in Illinois in
25 such a manner and by such a person as would qualify for
26 the credit provided by this subsection (f) or

1 subsection (e).

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

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

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

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

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

4 (7) There shall be allowed an additional credit equal
5 to 0.5% of the basis of qualified property placed in
6 service during the taxable year in a River Edge
7 Redevelopment Zone, provided such property is placed in
8 service on or after July 1, 2006, and the taxpayer's base
9 employment within Illinois has increased by 1% or more over
10 the preceding year as determined by the taxpayer's
11 employment records filed with the Illinois Department of
12 Employment Security. Taxpayers who are new to Illinois
13 shall be deemed to have met the 1% growth in base
14 employment for the first year in which they file employment
15 records with the Illinois Department of Employment
16 Security. If, in any year, the increase in base employment
17 within Illinois over the preceding year is less than 1%,
18 the additional credit shall be limited to that percentage
19 times a fraction, the numerator of which is 0.5% and the
20 denominator of which is 1%, but shall not exceed 0.5%.

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

23 (1) A taxpayer conducting a trade or business in an
24 enterprise zone or a High Impact Business designated by the
25 Department of Commerce and Economic Opportunity or for
26 taxable years ending on or after December 31, 2006, in a

1 River Edge Redevelopment Zone conducting a trade or
2 business in a federally designated Foreign Trade Zone or
3 Sub-Zone shall be allowed a credit against the tax imposed
4 by subsections (a) and (b) of this Section in the amount of
5 \$500 per eligible employee hired to work in the zone during
6 the taxable year.

7 (2) To qualify for the credit:

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

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

21 (C) the eligible employees must be employed 180
22 consecutive days in order to be deemed hired for
23 purposes of this subsection.

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

25 (A) Certified by the Department of Commerce and
26 Economic Opportunity as "eligible for services"

1 pursuant to regulations promulgated in accordance with
2 Title II of the Job Training Partnership Act, Training
3 Services for the Disadvantaged or Title III of the Job
4 Training Partnership Act, Employment and Training
5 Assistance for Dislocated Workers Program.

6 (B) Hired after the enterprise zone, River Edge
7 Redevelopment Zone, or federally designated Foreign
8 Trade Zone or Sub-Zone was designated or the trade or
9 business was located in that zone, whichever is later.

10 (C) Employed in the enterprise zone, River Edge
11 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
12 An employee is employed in an enterprise zone or
13 federally designated Foreign Trade Zone or Sub-Zone if
14 his services are rendered there or it is the base of
15 operations for the services performed.

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

18 (4) For tax years ending on or after December 31, 1985
19 and prior to December 31, 1988, the credit shall be allowed
20 for the tax year in which the eligible employees are hired.
21 For tax years ending on or after December 31, 1988, the
22 credit shall be allowed for the tax year immediately
23 following the tax year in which the eligible employees are
24 hired. If the amount of the credit exceeds the tax
25 liability for that year, whether it exceeds the original
26 liability or the liability as later amended, such excess

1 may be carried forward and applied to the tax liability of
2 the 5 taxable years following the excess credit year. The
3 credit shall be applied to the earliest year for which
4 there is a liability. If there is credit from more than one
5 tax year that is available to offset a liability, earlier
6 credit shall be applied first.

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

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

12 (h) Investment credit; High Impact Business.

13 (1) Subject to subsections (b) and (b-5) of Section 5.5
14 of the Illinois Enterprise Zone Act, a taxpayer shall be
15 allowed a credit against the tax imposed by subsections (a)
16 and (b) of this Section for investment in qualified
17 property which is placed in service by a Department of
18 Commerce and Economic Opportunity designated High Impact
19 Business. The credit shall be .5% of the basis for such
20 property. The credit shall not be available (i) until the
21 minimum investments in qualified property set forth in
22 subdivision (a)(3)(A) of Section 5.5 of the Illinois
23 Enterprise Zone Act have been satisfied or (ii) until the
24 time authorized in subsection (b-5) of the Illinois
25 Enterprise Zone Act for entities designated as High Impact
26 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and

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

26 Changes made in this subdivision (h) (1) by Public Act

1 88-670 restore changes made by Public Act 85-1182 and
2 reflect existing law.

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

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

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

11 (C) is acquired by purchase as defined in Section
12 179(d) of the Internal Revenue Code; and

13 (D) is not eligible for the Enterprise Zone
14 Investment Credit provided by subsection (f) of this
15 Section.

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

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

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

1 (6) If during any taxable year ending on or before
2 December 31, 1996, any property ceases to be qualified
3 property in the hands of the taxpayer within 48 months
4 after being placed in service, or the situs of any
5 qualified property is moved outside Illinois within 48
6 months after being placed in service, the tax imposed under
7 subsections (a) and (b) of this Section for such taxable
8 year shall be increased. Such increase shall be determined
9 by (i) recomputing the investment credit which would have
10 been allowed for the year in which credit for such property
11 was originally allowed by eliminating such property from
12 such computation, and (ii) subtracting such recomputed
13 credit from the amount of credit previously allowed. For
14 the purposes of this paragraph (6), a reduction of the
15 basis of qualified property resulting from a
16 redetermination of the purchase price shall be deemed a
17 disposition of qualified property to the extent of such
18 reduction.

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

1 facility by an amount equal to the amount of credit
2 received by the taxpayer under this subsection (h).

3 (i) Credit for Personal Property Tax Replacement Income
4 Tax. For tax years ending prior to December 31, 2003, a credit
5 shall be allowed against the tax imposed by subsections (a) and
6 (b) of this Section for the tax imposed by subsections (c) and
7 (d) of this Section. This credit shall be computed by
8 multiplying the tax imposed by subsections (c) and (d) of this
9 Section by a fraction, the numerator of which is base income
10 allocable to Illinois and the denominator of which is Illinois
11 base income, and further multiplying the product by the tax
12 rate imposed by subsections (a) and (b) of this Section.

13 Any credit earned on or after December 31, 1986 under this
14 subsection which is unused in the year the credit is computed
15 because it exceeds the tax liability imposed by subsections (a)
16 and (b) for that year (whether it exceeds the original
17 liability or the liability as later amended) may be carried
18 forward and applied to the tax liability imposed by subsections
19 (a) and (b) of the 5 taxable years following the excess credit
20 year, provided that no credit may be carried forward to any
21 year ending on or after December 31, 2003. This credit shall be
22 applied first to the earliest year for which there is a
23 liability. If there is a credit under this subsection from more
24 than one tax year that is available to offset a liability the
25 earliest credit arising under this subsection shall be applied
26 first.

1 If, during any taxable year ending on or after December 31,
2 1986, the tax imposed by subsections (c) and (d) of this
3 Section for which a taxpayer has claimed a credit under this
4 subsection (i) is reduced, the amount of credit for such tax
5 shall also be reduced. Such reduction shall be determined by
6 recomputing the credit to take into account the reduced tax
7 imposed by subsections (c) and (d). If any portion of the
8 reduced amount of credit has been carried to a different
9 taxable year, an amended return shall be filed for such taxable
10 year to reduce the amount of credit claimed.

11 (j) Training expense credit. Beginning with tax years
12 ending on or after December 31, 1986 and prior to December 31,
13 2003, a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) under this Section for all
15 amounts paid or accrued, on behalf of all persons employed by
16 the taxpayer in Illinois or Illinois residents employed outside
17 of Illinois by a taxpayer, for educational or vocational
18 training in semi-technical or technical fields or semi-skilled
19 or skilled fields, which were deducted from gross income in the
20 computation of taxable income. The credit against the tax
21 imposed by subsections (a) and (b) shall be 1.6% of such
22 training expenses. For partners, shareholders of subchapter S
23 corporations, and owners of limited liability companies, if the
24 liability company is treated as a partnership for purposes of
25 federal and State income taxation, there shall be allowed a
26 credit under this subsection (j) to be determined in accordance

1 with the determination of income and distributive share of
2 income under Sections 702 and 704 and subchapter S of the
3 Internal Revenue Code.

4 Any credit allowed under this subsection which is unused in
5 the year the credit is earned may be carried forward to each of
6 the 5 taxable years following the year for which the credit is
7 first computed until it is used. This credit shall be applied
8 first to the earliest year for which there is a liability. If
9 there is a credit under this subsection from more than one tax
10 year that is available to offset a liability the earliest
11 credit arising under this subsection shall be applied first. No
12 carryforward credit may be claimed in any tax year ending on or
13 after December 31, 2003.

14 (k) Research and development credit.

15 For tax years ending after July 1, 1990 and prior to
16 December 31, 2003, and beginning again for tax years ending on
17 or after December 31, 2004, and ending prior to January 1,
18 2011, a taxpayer shall be allowed a credit against the tax
19 imposed by subsections (a) and (b) of this Section for
20 increasing research activities in this State. The credit
21 allowed against the tax imposed by subsections (a) and (b)
22 shall be equal to 6 1/2% of the qualifying expenditures for
23 increasing research activities in this State. For partners,
24 shareholders of subchapter S corporations, and owners of
25 limited liability companies, if the liability company is
26 treated as a partnership for purposes of federal and State

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

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

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

1 carried forward to any taxable year ending on or after January
2 1, 2011.

3 If an unused credit is carried forward to a given year from
4 2 or more earlier years, that credit arising in the earliest
5 year will be applied first against the tax liability for the
6 given year. If a tax liability for the given year still
7 remains, the credit from the next earliest year will then be
8 applied, and so on, until all credits have been used or no tax
9 liability for the given year remains. Any remaining unused
10 credit or credits then will be carried forward to the next
11 following year in which a tax liability is incurred, except
12 that no credit can be carried forward to a year which is more
13 than 5 years after the year in which the expense for which the
14 credit is given was incurred.

15 No inference shall be drawn from this amendatory Act of the
16 91st General Assembly in construing this Section for taxable
17 years beginning before January 1, 1999.

18 (1) Environmental Remediation Tax Credit.

19 (i) For tax years ending after December 31, 1997 and on
20 or before December 31, 2001, a taxpayer shall be allowed a
21 credit against the tax imposed by subsections (a) and (b)
22 of this Section for certain amounts paid for unreimbursed
23 eligible remediation costs, as specified in this
24 subsection. For purposes of this Section, "unreimbursed
25 eligible remediation costs" means costs approved by the
26 Illinois Environmental Protection Agency ("Agency") under

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

1 and (b) shall be equal to 25% of the unreimbursed eligible
2 remediation costs in excess of \$100,000 per site, except
3 that the \$100,000 threshold shall not apply to any site
4 contained in an enterprise zone as determined by the
5 Department of Commerce and Community Affairs (now
6 Department of Commerce and Economic Opportunity). The
7 total credit allowed shall not exceed \$40,000 per year with
8 a maximum total of \$150,000 per site. For partners and
9 shareholders of subchapter S corporations, there shall be
10 allowed a credit under this subsection to be determined in
11 accordance with the determination of income and
12 distributive share of income under Sections 702 and 704 and
13 subchapter S of the Internal Revenue Code.

14 (ii) A credit allowed under this subsection that is
15 unused in the year the credit is earned may be carried
16 forward to each of the 5 taxable years following the year
17 for which the credit is first earned until it is used. The
18 term "unused credit" does not include any amounts of
19 unreimbursed eligible remediation costs in excess of the
20 maximum credit per site authorized under paragraph (i).
21 This credit shall be applied first to the earliest year for
22 which there is a liability. If there is a credit under this
23 subsection from more than one tax year that is available to
24 offset a liability, the earliest credit arising under this
25 subsection shall be applied first. A credit allowed under
26 this subsection may be sold to a buyer as part of a sale of

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

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

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

1 from the provisions of Section 250 of this Act.

2 For purposes of this subsection:

3 "Qualifying pupils" means individuals who (i) are
4 residents of the State of Illinois, (ii) are under the age of
5 21 at the close of the school year for which a credit is
6 sought, and (iii) during the school year for which a credit is
7 sought were full-time pupils enrolled in a kindergarten through
8 twelfth grade education program at any school, as defined in
9 this subsection.

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

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

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

24 (n) River Edge Redevelopment Zone site remediation tax
25 credit.

26 (i) For tax years ending on or after December 31, 2006,

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

1 the taxpayer has succeeded to under Section 381 of the
2 Internal Revenue Code and "related party" includes the
3 persons disallowed a deduction for losses by paragraphs
4 (b), (c), and (f)(1) of Section 267 of the Internal Revenue
5 Code by virtue of being a related taxpayer, as well as any
6 of its partners. The credit allowed against the tax imposed
7 by subsections (a) and (b) shall be equal to 25% of the
8 unreimbursed eligible remediation costs in excess of
9 \$100,000 per site.

10 (ii) A credit allowed under this subsection that is
11 unused in the year the credit is earned may be carried
12 forward to each of the 5 taxable years following the year
13 for which the credit is first earned until it is used. This
14 credit shall be applied first to the earliest year for
15 which there is a liability. If there is a credit under this
16 subsection from more than one tax year that is available to
17 offset a liability, the earliest credit arising under this
18 subsection shall be applied first. A credit allowed under
19 this subsection may be sold to a buyer as part of a sale of
20 all or part of the remediation site for which the credit
21 was granted. The purchaser of a remediation site and the
22 tax credit shall succeed to the unused credit and remaining
23 carry-forward period of the seller. To perfect the
24 transfer, the assignor shall record the transfer in the
25 chain of title for the site and provide written notice to
26 the Director of the Illinois Department of Revenue of the

1 assignor's intent to sell the remediation site and the
2 amount of the tax credit to be transferred as a portion of
3 the sale. In no event may a credit be transferred to any
4 taxpayer if the taxpayer or a related party would not be
5 eligible under the provisions of subsection (i).

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

9 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
10 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
11 1-13-11; 97-2, eff. 5-6-11.)

12 (Text of Section after amendment by P.A. 97-636)
13 Sec. 201. Tax Imposed.

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

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

24 (1) In the case of an individual, trust or estate, for
25 taxable years ending prior to July 1, 1989, an amount equal

1 to 2 1/2% of the taxpayer's net income for the taxable
2 year.

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

10 (3) In the case of an individual, trust or estate, for
11 taxable years beginning after June 30, 1989, and ending
12 prior to January 1, 2011, an amount equal to 3% of the
13 taxpayer's net income for the taxable year.

14 (4) In the case of an individual, trust, or estate, for
15 taxable years beginning prior to January 1, 2011, and
16 ending after December 31, 2010, an amount equal to the sum
17 of (i) 3% of the taxpayer's net income for the period prior
18 to January 1, 2011, as calculated under Section 202.5, and
19 (ii) 5% of the taxpayer's net income for the period after
20 December 31, 2010, as calculated under Section 202.5.

21 (5) In the case of an individual, trust, or estate, for
22 taxable years beginning on or after January 1, 2011, and
23 ending prior to January 1, 2015, an amount equal to 5% of
24 the taxpayer's net income for the taxable year, except
25 that, for shareholders of a subchapter S corporation, the
26 tax is imposed as provided in items (5.5) and (5.6).

1 (5.1) In the case of an individual, trust, or estate,
2 for taxable years beginning prior to January 1, 2015, and
3 ending after December 31, 2014, an amount equal to the sum
4 of (i) 5% of the taxpayer's net income for the period prior
5 to January 1, 2015, as calculated under Section 202.5, and
6 (ii) 3.75% of the taxpayer's net income for the period
7 after December 31, 2014, as calculated under Section 202.5,
8 except that, for shareholders of a subchapter S
9 corporation, the tax is imposed as provided in items (5.5)
10 and (5.6).

11 (5.2) In the case of an individual, trust, or estate,
12 for taxable years beginning on or after January 1, 2015,
13 and ending prior to January 1, 2025, an amount equal to
14 3.75% of the taxpayer's net income for the taxable year,
15 except that, for shareholders of a subchapter S
16 corporation, the tax is imposed as provided in items (5.5)
17 and (5.6).

18 (5.3) In the case of an individual, trust, or estate,
19 for taxable years beginning prior to January 1, 2025, and
20 ending after December 31, 2024, an amount equal to the sum
21 of (i) 3.75% of the taxpayer's net income for the period
22 prior to January 1, 2025, as calculated under Section
23 202.5, and (ii) 3.25% of the taxpayer's net income for the
24 period after December 31, 2024, as calculated under Section
25 202.5, except that, for shareholders of a subchapter S
26 corporation, the tax is imposed as provided in items (5.5)

1 and (5.6).

2 (5.4) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after January 1, 2025, an
4 amount equal to 3.25% of the taxpayer's net income for the
5 taxable year, except that, for shareholders of a subchapter
6 S corporation, the tax is imposed as provided in items
7 (5.5) and (5.6).

8 (5.5) In the case of a shareholder of a subchapter S
9 corporation, for taxable years beginning prior to January
10 1, 2012, and ending after December 31, 2011, an amount
11 equal to the sum of (i) 3% of the portion of the taxpayer's
12 net income for the taxable year that is (A) attributable to
13 the subchapter S corporation and (B) allocated to the
14 period after December 31, 2011, as calculated under Section
15 202.5, and (ii) 5% of the remainder of the taxpayer's net
16 income for the taxable year.

17 (5.6) In the case of a shareholder of a subchapter S
18 corporation, for taxable years beginning on or after
19 January 1, 2012, an amount equal to the sum of (i) 3% of
20 the portion of the taxpayer's net income for the taxable
21 year that is attributable to the subchapter S corporation
22 and (ii) the portion of the taxpayer's net income for the
23 taxable year that is not attributable to the subchapter S
24 corporation, multiplied by the rate or rates in effect for
25 that taxable year for individuals, trusts, or estates under
26 items (5) through (5.4) of this subsection (b).

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

4 (7) In the case of a corporation, for taxable years
5 beginning prior to July 1, 1989 and ending after June 30,
6 1989, an amount equal to the sum of (i) 4% of the
7 taxpayer's net income for the period prior to July 1, 1989,
8 as calculated under Section 202.3, and (ii) 4.8% of the
9 taxpayer's net income for the period after June 30, 1989,
10 as calculated under Section 202.3.

11 (8) In the case of a corporation, for taxable years
12 beginning after June 30, 1989, and ending prior to January
13 1, 2011, an amount equal to 4.8% of the taxpayer's net
14 income for the taxable year.

15 (9) In the case of a corporation, for taxable years
16 beginning prior to January 1, 2011, and ending after
17 December 31, 2010, an amount equal to the sum of (i) 4.8%
18 of the taxpayer's net income for the period prior to
19 January 1, 2011, as calculated under Section 202.5, and
20 (ii) 7% of the taxpayer's net income for the period after
21 December 31, 2010, as calculated under Section 202.5.

22 (10) In the case of a corporation, for taxable years
23 beginning on or after January 1, 2011, and ending prior to
24 January 1, 2015, an amount equal to 7% of the taxpayer's
25 net income for the taxable year.

26 (11) In the case of a corporation, for taxable years

1 beginning prior to January 1, 2015, and ending after
2 December 31, 2014, an amount equal to the sum of (i) 7% of
3 the taxpayer's net income for the period prior to January
4 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
5 of the taxpayer's net income for the period after December
6 31, 2014, as calculated under Section 202.5.

7 (12) In the case of a corporation, for taxable years
8 beginning on or after January 1, 2015, and ending prior to
9 January 1, 2025, an amount equal to 5.25% of the taxpayer's
10 net income for the taxable year.

11 (13) In the case of a corporation, for taxable years
12 beginning prior to January 1, 2025, and ending after
13 December 31, 2024, an amount equal to the sum of (i) 5.25%
14 of the taxpayer's net income for the period prior to
15 January 1, 2025, as calculated under Section 202.5, and
16 (ii) 4.8% of the taxpayer's net income for the period after
17 December 31, 2024, as calculated under Section 202.5.

18 (14) In the case of a corporation, for taxable years
19 beginning on or after January 1, 2025, an amount equal to
20 4.8% of the taxpayer's net income for the taxable year.

21 The rates under this subsection (b) are subject to the
22 provisions of Section 201.5.

23 (c) Personal Property Tax Replacement Income Tax.
24 Beginning on July 1, 1979 and thereafter, in addition to such
25 income tax, there is also hereby imposed the Personal Property
26 Tax Replacement Income Tax measured by net income on every

1 corporation (including Subchapter S corporations), partnership
2 and trust, for each taxable year ending after June 30, 1979.
3 Such taxes are imposed on the privilege of earning or receiving
4 income in or as a resident of this State. The Personal Property
5 Tax Replacement Income Tax shall be in addition to the income
6 tax imposed by subsections (a) and (b) of this Section and in
7 addition to all other occupation or privilege taxes imposed by
8 this State or by any municipal corporation or political
9 subdivision thereof.

10 (d) Additional Personal Property Tax Replacement Income
11 Tax Rates. The personal property tax replacement income tax
12 imposed by this subsection and subsection (c) of this Section
13 in the case of a corporation, other than a Subchapter S
14 corporation and except as adjusted by subsection (d-1), shall
15 be an additional amount equal to 2.85% of such taxpayer's net
16 income for the taxable year, except that beginning on January
17 1, 1981, and thereafter, the rate of 2.85% specified in this
18 subsection shall be reduced to 2.5%, and in the case of a
19 partnership, trust or a Subchapter S corporation shall be an
20 additional amount equal to 1.5% of such taxpayer's net income
21 for the taxable year.

22 (d-1) Rate reduction for certain foreign insurers. In the
23 case of a foreign insurer, as defined by Section 35A-5 of the
24 Illinois Insurance Code, whose state or country of domicile
25 imposes on insurers domiciled in Illinois a retaliatory tax
26 (excluding any insurer whose premiums from reinsurance assumed

1 are 50% or more of its total insurance premiums as determined
2 under paragraph (2) of subsection (b) of Section 304, except
3 that for purposes of this determination premiums from
4 reinsurance do not include premiums from inter-affiliate
5 reinsurance arrangements), beginning with taxable years ending
6 on or after December 31, 1999, the sum of the rates of tax
7 imposed by subsections (b) and (d) shall be reduced (but not
8 increased) to the rate at which the total amount of tax imposed
9 under this Act, net of all credits allowed under this Act,
10 shall equal (i) the total amount of tax that would be imposed
11 on the foreign insurer's net income allocable to Illinois for
12 the taxable year by such foreign insurer's state or country of
13 domicile if that net income were subject to all income taxes
14 and taxes measured by net income imposed by such foreign
15 insurer's state or country of domicile, net of all credits
16 allowed or (ii) a rate of zero if no such tax is imposed on such
17 income by the foreign insurer's state of domicile. For the
18 purposes of this subsection (d-1), an inter-affiliate includes
19 a mutual insurer under common management.

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

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

26 (B) the privilege tax imposed by Section 409 of the

1 Illinois Insurance Code, the fire insurance company
2 tax imposed by Section 12 of the Fire Investigation
3 Act, and the fire department taxes imposed under
4 Section 11-10-1 of the Illinois Municipal Code,
5 equals 1.25% for taxable years ending prior to December 31,
6 2003, or 1.75% for taxable years ending on or after
7 December 31, 2003, of the net taxable premiums written for
8 the taxable year, as described by subsection (1) of Section
9 409 of the Illinois Insurance Code. This paragraph will in
10 no event increase the rates imposed under subsections (b)
11 and (d).

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

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

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

24 (1) A taxpayer shall be allowed a credit equal to .5%
25 of the basis of qualified property placed in service during
26 the taxable year, provided such property is placed in

1 service on or after July 1, 1984. There shall be allowed an
2 additional credit equal to .5% of the basis of qualified
3 property placed in service during the taxable year,
4 provided such property is placed in service on or after
5 July 1, 1986, and the taxpayer's base employment within
6 Illinois has increased by 1% or more over the preceding
7 year as determined by the taxpayer's employment records
8 filed with the Illinois Department of Employment Security.
9 Taxpayers who are new to Illinois shall be deemed to have
10 met the 1% growth in base employment for the first year in
11 which they file employment records with the Illinois
12 Department of Employment Security. The provisions added to
13 this Section by Public Act 85-1200 (and restored by Public
14 Act 87-895) shall be construed as declaratory of existing
15 law and not as a new enactment. If, in any year, the
16 increase in base employment within Illinois over the
17 preceding year is less than 1%, the additional credit shall
18 be limited to that percentage times a fraction, the
19 numerator of which is .5% and the denominator of which is
20 1%, but shall not exceed .5%. The investment credit shall
21 not be allowed to the extent that it would reduce a
22 taxpayer's liability in any tax year below zero, nor may
23 any credit for qualified property be allowed for any year
24 other than the year in which the property was placed in
25 service in Illinois. For tax years ending on or after
26 December 31, 1987, and on or before December 31, 1988, the

1 credit shall be allowed for the tax year in which the
2 property is placed in service, or, if the amount of the
3 credit exceeds the tax liability for that year, whether it
4 exceeds the original liability or the liability as later
5 amended, such excess may be carried forward and applied to
6 the tax liability of the 5 taxable years following the
7 excess credit years if the taxpayer (i) makes investments
8 which cause the creation of a minimum of 2,000 full-time
9 equivalent jobs in Illinois, (ii) is located in an
10 enterprise zone established pursuant to the Illinois
11 Enterprise Zone Act and (iii) is certified by the
12 Department of Commerce and Community Affairs (now
13 Department of Commerce and Economic Opportunity) as
14 complying with the requirements specified in clause (i) and
15 (ii) by July 1, 1986. The Department of Commerce and
16 Community Affairs (now Department of Commerce and Economic
17 Opportunity) shall notify the Department of Revenue of all
18 such certifications immediately. For tax years ending
19 after December 31, 1988, the credit shall be allowed for
20 the tax year in which the property is placed in service,
21 or, if the amount of the credit exceeds the tax liability
22 for that year, whether it exceeds the original liability or
23 the liability as later amended, such excess may be carried
24 forward and applied to the tax liability of the 5 taxable
25 years following the excess credit years. The credit shall
26 be applied to the earliest year for which there is a

1 liability. If there is credit from more than one tax year
2 that is available to offset a liability, earlier credit
3 shall be applied first.

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

6 (A) is tangible, whether new or used, including
7 buildings and structural components of buildings and
8 signs that are real property, but not including land or
9 improvements to real property that are not a structural
10 component of a building such as landscaping, sewer
11 lines, local access roads, fencing, parking lots, and
12 other appurtenances;

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

18 (C) is acquired by purchase as defined in Section
19 179(d) of the Internal Revenue Code;

20 (D) is used in Illinois by a taxpayer who is
21 primarily engaged in manufacturing, or in mining coal
22 or fluorite, or in retailing, or was placed in service
23 on or after July 1, 2006 in a River Edge Redevelopment
24 Zone established pursuant to the River Edge
25 Redevelopment Zone Act; and

26 (E) has not previously been used in Illinois in

1 such a manner and by such a person as would qualify for
2 the credit provided by this subsection (e) or
3 subsection (f).

4 (3) For purposes of this subsection (e),
5 "manufacturing" means the material staging and production
6 of tangible personal property by procedures commonly
7 regarded as manufacturing, processing, fabrication, or
8 assembling which changes some existing material into new
9 shapes, new qualities, or new combinations. For purposes of
10 this subsection (e) the term "mining" shall have the same
11 meaning as the term "mining" in Section 613(c) of the
12 Internal Revenue Code. For purposes of this subsection (e),
13 the term "retailing" means the sale of tangible personal
14 property for use or consumption and not for resale, or
15 services rendered in conjunction with the sale of tangible
16 personal property for use or consumption and not for
17 resale. For purposes of this subsection (e), "tangible
18 personal property" has the same meaning as when that term
19 is used in the Retailers' Occupation Tax Act, and, for
20 taxable years ending after December 31, 2008, does not
21 include the generation, transmission, or distribution of
22 electricity.

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

26 (5) If the basis of the property for federal income tax

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

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

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

23 (8) Unless the investment credit is extended by law,
24 the basis of qualified property shall not include costs
25 incurred after December 31, 2018, except for costs incurred
26 pursuant to a binding contract entered into on or before

1 December 31, 2018.

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

18 For taxable years ending on or after December 31, 2000,
19 a partner that qualifies its partnership for a subtraction
20 under subparagraph (I) of paragraph (2) of subsection (d)
21 of Section 203 or a shareholder that qualifies a Subchapter
22 S corporation for a subtraction under subparagraph (S) of
23 paragraph (2) of subsection (b) of Section 203 shall be
24 allowed a credit under this subsection (e) equal to its
25 share of the credit earned under this subsection (e) during
26 the taxable year by the partnership or Subchapter S

1 corporation, determined in accordance with the
2 determination of income and distributive share of income
3 under Sections 702 and 704 and Subchapter S of the Internal
4 Revenue Code. This paragraph is exempt from the provisions
5 of Section 250.

6 (f) Investment credit; Enterprise Zone; River Edge
7 Redevelopment Zone.

8 (1) A taxpayer shall be allowed a credit against the
9 tax imposed by subsections (a) and (b) of this Section for
10 investment in qualified property which is placed in service
11 in an Enterprise Zone created pursuant to the Illinois
12 Enterprise Zone Act or, for property placed in service on
13 or after July 1, 2006, a River Edge Redevelopment Zone
14 established pursuant to the River Edge Redevelopment Zone
15 Act. For partners, shareholders of Subchapter S
16 corporations, and owners of limited liability companies,
17 if the liability company is treated as a partnership for
18 purposes of federal and State income taxation, there shall
19 be allowed a credit under this subsection (f) to be
20 determined in accordance with the determination of income
21 and distributive share of income under Sections 702 and 704
22 and Subchapter S of the Internal Revenue Code. The credit
23 shall be .5% of the basis for such property. The credit
24 shall be available only in the taxable year in which the
25 property is placed in service in the Enterprise Zone or
26 River Edge Redevelopment Zone and shall not be allowed to

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

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

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

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

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

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

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

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

8 (4) If the basis of the property for federal income tax
9 depreciation purposes is increased after it has been placed
10 in service in the Enterprise Zone or River Edge
11 Redevelopment Zone by the taxpayer, the amount of such
12 increase shall be deemed property placed in service on the
13 date of such increase in basis.

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

16 (6) If during any taxable year, any property ceases to
17 be qualified property in the hands of the taxpayer within
18 48 months after being placed in service, or the situs of
19 any qualified property is moved outside the Enterprise Zone
20 or River Edge Redevelopment Zone within 48 months after
21 being placed in service, the tax imposed under subsections
22 (a) and (b) of this Section for such taxable year shall be
23 increased. Such increase shall be determined by (i)
24 recomputing the investment credit which would have been
25 allowed for the year in which credit for such property was
26 originally allowed by eliminating such property from such

1 computation, and (ii) subtracting such recomputed credit
2 from the amount of credit previously allowed. For the
3 purposes of this paragraph (6), a reduction of the basis of
4 qualified property resulting from a redetermination of the
5 purchase price shall be deemed a disposition of qualified
6 property to the extent of such reduction.

7 (7) There shall be allowed an additional credit equal
8 to 0.5% of the basis of qualified property placed in
9 service during the taxable year in a River Edge
10 Redevelopment Zone, provided such property is placed in
11 service on or after July 1, 2006, and the taxpayer's base
12 employment within Illinois has increased by 1% or more over
13 the preceding year as determined by the taxpayer's
14 employment records filed with the Illinois Department of
15 Employment Security. Taxpayers who are new to Illinois
16 shall be deemed to have met the 1% growth in base
17 employment for the first year in which they file employment
18 records with the Illinois Department of Employment
19 Security. If, in any year, the increase in base employment
20 within Illinois over the preceding year is less than 1%,
21 the additional credit shall be limited to that percentage
22 times a fraction, the numerator of which is 0.5% and the
23 denominator of which is 1%, but shall not exceed 0.5%.

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

26 (1) A taxpayer conducting a trade or business in an

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

10 (2) To qualify for the credit:

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

15 (B) the taxpayer's total employment within the
16 enterprise zone, River Edge Redevelopment Zone, or
17 federally designated Foreign Trade Zone or Sub-Zone
18 must increase by 5 or more full-time employees beyond
19 the total employed in that zone at the end of the
20 previous tax year for which a jobs tax credit under
21 this Section was taken, or beyond the total employed by
22 the taxpayer as of December 31, 1985, whichever is
23 later; and

24 (C) the eligible employees must be employed 180
25 consecutive days in order to be deemed hired for
26 purposes of this subsection.

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

2 (A) Certified by the Department of Commerce and
3 Economic Opportunity as "eligible for services"
4 pursuant to regulations promulgated in accordance with
5 Title II of the Job Training Partnership Act, Training
6 Services for the Disadvantaged or Title III of the Job
7 Training Partnership Act, Employment and Training
8 Assistance for Dislocated Workers Program.

9 (B) Hired after the enterprise zone, River Edge
10 Redevelopment Zone, or federally designated Foreign
11 Trade Zone or Sub-Zone was designated or the trade or
12 business was located in that zone, whichever is later.

13 (C) Employed in the enterprise zone, River Edge
14 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
15 An employee is employed in an enterprise zone or
16 federally designated Foreign Trade Zone or Sub-Zone if
17 his services are rendered there or it is the base of
18 operations for the services performed.

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

21 (4) For tax years ending on or after December 31, 1985
22 and prior to December 31, 1988, the credit shall be allowed
23 for the tax year in which the eligible employees are hired.
24 For tax years ending on or after December 31, 1988, the
25 credit shall be allowed for the tax year immediately
26 following the tax year in which the eligible employees are

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

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

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

15 (h) Investment credit; High Impact Business.

16 (1) Subject to subsections (b) and (b-5) of Section 5.5
17 of the Illinois Enterprise Zone Act, a taxpayer shall be
18 allowed a credit against the tax imposed by subsections (a)
19 and (b) of this Section for investment in qualified
20 property which is placed in service by a Department of
21 Commerce and Economic Opportunity designated High Impact
22 Business. The credit shall be .5% of the basis for such
23 property. The credit shall not be available (i) until the
24 minimum investments in qualified property set forth in
25 subdivision (a)(3)(A) of Section 5.5 of the Illinois
26 Enterprise Zone Act have been satisfied or (ii) until the

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

1 tax year that is available to offset a liability, the
2 credit accruing first in time shall be applied first.

3 Changes made in this subdivision (h) (1) by Public Act
4 88-670 restore changes made by Public Act 85-1182 and
5 reflect existing law.

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

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

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

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

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

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

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

1 the date of such increase in basis.

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

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

22 (7) Beginning with tax years ending after December 31,
23 1996, if a taxpayer qualifies for the credit under this
24 subsection (h) and thereby is granted a tax abatement and
25 the taxpayer relocates its entire facility in violation of
26 the explicit terms and length of the contract under Section

1 18-183 of the Property Tax Code, the tax imposed under
2 subsections (a) and (b) of this Section shall be increased
3 for the taxable year in which the taxpayer relocated its
4 facility by an amount equal to the amount of credit
5 received by the taxpayer under this subsection (h).

6 (i) Credit for Personal Property Tax Replacement Income
7 Tax. For tax years ending prior to December 31, 2003, a credit
8 shall be allowed against the tax imposed by subsections (a) and
9 (b) of this Section for the tax imposed by subsections (c) and
10 (d) of this Section. This credit shall be computed by
11 multiplying the tax imposed by subsections (c) and (d) of this
12 Section by a fraction, the numerator of which is base income
13 allocable to Illinois and the denominator of which is Illinois
14 base income, and further multiplying the product by the tax
15 rate imposed by subsections (a) and (b) of this Section.

16 Any credit earned on or after December 31, 1986 under this
17 subsection which is unused in the year the credit is computed
18 because it exceeds the tax liability imposed by subsections (a)
19 and (b) for that year (whether it exceeds the original
20 liability or the liability as later amended) may be carried
21 forward and applied to the tax liability imposed by subsections
22 (a) and (b) of the 5 taxable years following the excess credit
23 year, provided that no credit may be carried forward to any
24 year ending on or after December 31, 2003. This credit shall be
25 applied first to the earliest year for which there is a
26 liability. If there is a credit under this subsection from more

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

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

14 (j) Training expense credit. Beginning with tax years
15 ending on or after December 31, 1986 and prior to December 31,
16 2003, a taxpayer shall be allowed a credit against the tax
17 imposed by subsections (a) and (b) under this Section for all
18 amounts paid or accrued, on behalf of all persons employed by
19 the taxpayer in Illinois or Illinois residents employed outside
20 of Illinois by a taxpayer, for educational or vocational
21 training in semi-technical or technical fields or semi-skilled
22 or skilled fields, which were deducted from gross income in the
23 computation of taxable income. The credit against the tax
24 imposed by subsections (a) and (b) shall be 1.6% of such
25 training expenses. For partners, shareholders of subchapter S
26 corporations, and owners of limited liability companies, if the

1 liability company is treated as a partnership for purposes of
2 federal and State income taxation, there shall be allowed a
3 credit under this subsection (j) to be determined in accordance
4 with the determination of income and distributive share of
5 income under Sections 702 and 704 and subchapter S of the
6 Internal Revenue Code.

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

17 (k) Research and development credit.

18 For tax years ending after July 1, 1990 and prior to
19 December 31, 2003, and beginning again for tax years ending on
20 or after December 31, 2004, and ending prior to January 1,
21 2016, a taxpayer shall be allowed a credit against the tax
22 imposed by subsections (a) and (b) of this Section for
23 increasing research activities in this State. The credit
24 allowed against the tax imposed by subsections (a) and (b)
25 shall be equal to 6 1/2% of the qualifying expenditures for
26 increasing research activities in this State. For partners,

1 shareholders of subchapter S corporations, and owners of
2 limited liability companies, if the liability company is
3 treated as a partnership for purposes of federal and State
4 income taxation, there shall be allowed a credit under this
5 subsection to be determined in accordance with the
6 determination of income and distributive share of income under
7 Sections 702 and 704 and subchapter S of the Internal Revenue
8 Code.

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

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

1 first; provided that no credit earned in a tax year ending
2 prior to December 31, 2003 may be carried forward to any year
3 ending on or after December 31, 2003.

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

16 No inference shall be drawn from this amendatory Act of the
17 91st General Assembly in construing this Section for taxable
18 years beginning before January 1, 1999.

19 (1) Environmental Remediation Tax Credit.

20 (i) For tax years ending after December 31, 1997 and on
21 or before December 31, 2001, a taxpayer shall be allowed a
22 credit against the tax imposed by subsections (a) and (b)
23 of this Section for certain amounts paid for unreimbursed
24 eligible remediation costs, as specified in this
25 subsection. For purposes of this Section, "unreimbursed
26 eligible remediation costs" means costs approved by the

1 Illinois Environmental Protection Agency ("Agency") under
2 Section 58.14 of the Environmental Protection Act that were
3 paid in performing environmental remediation at a site for
4 which a No Further Remediation Letter was issued by the
5 Agency and recorded under Section 58.10 of the
6 Environmental Protection Act. The credit must be claimed
7 for the taxable year in which Agency approval of the
8 eligible remediation costs is granted. The credit is not
9 available to any taxpayer if the taxpayer or any related
10 party caused or contributed to, in any material respect, a
11 release of regulated substances on, in, or under the site
12 that was identified and addressed by the remedial action
13 pursuant to the Site Remediation Program of the
14 Environmental Protection Act. After the Pollution Control
15 Board rules are adopted pursuant to the Illinois
16 Administrative Procedure Act for the administration and
17 enforcement of Section 58.9 of the Environmental
18 Protection Act, determinations as to credit availability
19 for purposes of this Section shall be made consistent with
20 those rules. For purposes of this Section, "taxpayer"
21 includes a person whose tax attributes the taxpayer has
22 succeeded to under Section 381 of the Internal Revenue Code
23 and "related party" includes the persons disallowed a
24 deduction for losses by paragraphs (b), (c), and (f)(1) of
25 Section 267 of the Internal Revenue Code by virtue of being
26 a related taxpayer, as well as any of its partners. The

1 credit allowed against the tax imposed by subsections (a)
2 and (b) shall be equal to 25% of the unreimbursed eligible
3 remediation costs in excess of \$100,000 per site, except
4 that the \$100,000 threshold shall not apply to any site
5 contained in an enterprise zone as determined by the
6 Department of Commerce and Community Affairs (now
7 Department of Commerce and Economic Opportunity). The
8 total credit allowed shall not exceed \$40,000 per year with
9 a maximum total of \$150,000 per site. For partners and
10 shareholders of subchapter S corporations, there shall be
11 allowed a credit under this subsection to be determined in
12 accordance with the determination of income and
13 distributive share of income under Sections 702 and 704 and
14 subchapter S of the Internal Revenue Code.

15 (ii) A credit allowed under this subsection that is
16 unused in the year the credit is earned may be carried
17 forward to each of the 5 taxable years following the year
18 for which the credit is first earned until it is used. The
19 term "unused credit" does not include any amounts of
20 unreimbursed eligible remediation costs in excess of the
21 maximum credit per site authorized under paragraph (i).
22 This 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 (m) Education expense credit. Beginning with tax years
18 ending after December 31, 1999, a taxpayer who is the custodian
19 of one or more qualifying pupils shall be allowed a credit
20 against the tax imposed by subsections (a) and (b) of this
21 Section for qualified education expenses incurred on behalf of
22 the qualifying pupils. The credit shall be equal to 25% of
23 qualified education expenses, but in no event may the total
24 credit under this subsection claimed by a family that is the
25 custodian of qualifying pupils exceed \$500. In no event shall a
26 credit under this subsection reduce the taxpayer's liability

1 under this Act to less than zero. This subsection is exempt
2 from the provisions of Section 250 of this Act.

3 For purposes of this subsection:

4 "Qualifying pupils" means individuals who (i) are
5 residents of the State of Illinois, (ii) are under the age of
6 21 at the close of the school year for which a credit is
7 sought, and (iii) during the school year for which a credit is
8 sought were full-time pupils enrolled in a kindergarten through
9 twelfth grade education program at any school, as defined in
10 this subsection.

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

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

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

25 (n) River Edge Redevelopment Zone site remediation tax
26 credit.

1 (i) For tax years ending on or after December 31, 2006,
2 a taxpayer shall be allowed a credit against the tax
3 imposed by subsections (a) and (b) of this Section for
4 certain amounts paid for unreimbursed eligible remediation
5 costs, as specified in this subsection. For purposes of
6 this Section, "unreimbursed eligible remediation costs"
7 means costs approved by the Illinois Environmental
8 Protection Agency ("Agency") under Section 58.14a of the
9 Environmental Protection Act that were paid in performing
10 environmental remediation at a site within a River Edge
11 Redevelopment Zone for which a No Further Remediation
12 Letter was issued by the Agency and recorded under Section
13 58.10 of the Environmental Protection Act. The credit must
14 be claimed for the taxable year in which Agency approval of
15 the eligible remediation costs is granted. The credit is
16 not available to any taxpayer if the taxpayer or any
17 related party caused or contributed to, in any material
18 respect, a release of regulated substances on, in, or under
19 the site that was identified and addressed by the remedial
20 action pursuant to the Site Remediation Program of the
21 Environmental Protection Act. Determinations as to credit
22 availability for purposes of this Section shall be made
23 consistent with rules adopted by the Pollution Control
24 Board pursuant to the Illinois Administrative Procedure
25 Act for the administration and enforcement of Section 58.9
26 of the Environmental Protection Act. For purposes of this

1 Section, "taxpayer" includes a person whose tax attributes
2 the taxpayer has succeeded to under Section 381 of the
3 Internal Revenue Code and "related party" includes the
4 persons disallowed a deduction for losses by paragraphs
5 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
6 Code by virtue of being a related taxpayer, as well as any
7 of its partners. The credit allowed against the tax imposed
8 by subsections (a) and (b) shall be equal to 25% of the
9 unreimbursed eligible remediation costs in excess of
10 \$100,000 per site.

11 (ii) A credit allowed under this subsection that is
12 unused in the year the credit is earned may be carried
13 forward to each of the 5 taxable years following the year
14 for which the credit is first earned until it is used. This
15 credit shall be applied first to the earliest year for
16 which there is a liability. If there is a credit under this
17 subsection from more than one tax year that is available to
18 offset a liability, the earliest credit arising under this
19 subsection shall be applied first. A credit allowed under
20 this subsection may be sold to a buyer as part of a sale of
21 all or part of the remediation site for which the credit
22 was granted. The purchaser of a remediation site and the
23 tax credit shall succeed to the unused credit and remaining
24 carry-forward period of the seller. To perfect the
25 transfer, the assignor shall record the transfer in the
26 chain of title for the site and provide written notice to

1 the Director of the Illinois Department of Revenue of the
2 assignor's intent to sell the remediation site and the
3 amount of the tax credit to be transferred as a portion of
4 the sale. In no event may a credit be transferred to any
5 taxpayer if the taxpayer or a related party would not be
6 eligible under the provisions of subsection (i).

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

10 (Source: P.A. 96-115, eff. 7-31-09; 96-116, eff. 7-31-09;
11 96-937, eff. 6-23-10; 96-1000, eff. 7-2-10; 96-1496, eff.
12 1-13-11; 97-2, eff. 5-6-11; 97-636, eff. 6-1-12.)

13 Section 95. No acceleration or delay. Where this Act makes
14 changes in a statute that is represented in this Act by text
15 that is not yet or no longer in effect (for example, a Section
16 represented by multiple versions), the use of that text does
17 not accelerate or delay the taking effect of (i) the changes
18 made by this Act or (ii) provisions derived from any other
19 Public Act.

20 Section 99. Effective date. This Act takes effect upon
21 becoming law.