



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB1342

Introduced 2/18/2015, by Sen. Matt Murphy

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/203
105 ILCS 5/18-8.05

from Ch. 120, par. 2-203

Creates the School Choice Act and amends the Illinois Income Tax Act and the State aid formula provisions of the School Code. Establishes the School Choice Program, a pilot program that expires on June 30, 2025. Provides that under the program, the custodian of a qualifying pupil is entitled to a School Choice Voucher to pay for qualified education expenses at a participating Chicago nonpublic elementary school. Requires the principal of each low-performing school and of each overcrowded school in the Chicago school district to notify custodians of qualifying pupils of the availability of vouchers. Sets forth provisions concerning a request for a voucher, the issuance and payment of a voucher, the amount and renewal of a voucher, pupil assessment, the State longitudinal data system, and funding. Provides that students receiving vouchers are considered nonpublic school students who have been voluntarily placed in a private setting. Provides that the amount of a redeemed voucher shall not be considered base income and shall not be taxable for Illinois income tax purposes. Requires the State Board of Education to submit a report to the General Assembly. Provides criminal penalties for certain violations. Requires the State Board to adopt rules to implement the Act. Provides that the Act is repealed on July 1, 2025. Effective June 30, 2015.

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CORRECTIONAL
BUDGET AND
IMPACT NOTE ACT
MAY APPLY

FISCAL NOTE ACT
MAY APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning education.

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

4 Section 1. Short title. This Act may be cited as the School
5 Choice Act.

6 Section 5. Findings and declaration of policy. The General
7 Assembly finds and declares the following:

8 (1) There is a crisis in the elementary and secondary
9 education programs in Chicago and elsewhere in Illinois.
10 Many schools and their pupils are performing significantly
11 below relevant national standards and are unable to access
12 functions of federal and State law designed to improve
13 their performance. Consequently, many pupils are dropping
14 out of school before completing the ordinary course of
15 secondary education or are leaving school without the basic
16 skills and knowledge that will enable them to find and hold
17 a job or otherwise become functioning, productive members
18 of our society.

19 (2) Within Chicago and elsewhere in Illinois there are
20 many public and nonpublic schools and independent
21 education services competently and efficiently educating
22 or contributing to the education of children. Most pupils
23 in those schools or receiving those services perform at or

1 above relevant national standards, complete their
2 secondary education, and matriculate to institutions of
3 higher education at an extremely high rate. These services
4 and schools should be accessible to all and should enjoy a
5 cooperative relationship with public school districts,
6 schools, and employees of this State.

7 (3) Custodians of school age children in Chicago and
8 elsewhere in Illinois are frequently unable to enroll their
9 children in schools that will provide them a quality
10 education due to a lack of funds.

11 (4) Adopting a pilot school choice program for students
12 enrolled in the lowest performing schools in Chicago, with
13 the potential to expand elsewhere in Illinois, would enable
14 parents to select schools or services they believe will
15 provide a quality education for their children, empower
16 them to influence the educational policies and procedures
17 in the schools their children attend, and provide them with
18 at least a portion of the funds necessary to pay for a
19 quality education. Such a program would help alleviate the
20 crisis in the Chicago school system, assist Chicago
21 children in becoming productive members of society, and
22 test a new approach to education that could be expanded to
23 the rest of the State.

24 (5) The provisions of this Act are in the public
25 interest, for the public benefit, and serve a secular
26 public purpose.

1 Section 10. Definitions. As used in this Act:

2 "Base year" means the 2014-2015 school year.

3 "Custodian" means, with respect to a qualifying pupil, a
4 parent or legal guardian who is a resident of the City of
5 Chicago.

6 "Low-performing school" means a school in City of Chicago
7 School District 299 that enrolls students in any of grades
8 kindergarten through 8 and that is ranked within the lowest 10%
9 of schools in that district in terms of the percentage of
10 students meeting or exceeding standards on the Illinois
11 Standards Achievement Test.

12 "Nonpublic school" means any State-recognized, nonpublic
13 elementary school in the City of Chicago that elects to
14 participate in the school choice program established under this
15 Act and does not discriminate on the basis of race, color, or
16 national origin under Title VI of the Civil Rights Act of 1964
17 and attendance at which satisfies the requirements of Section
18 26-1 of the School Code, except that nothing in Section 26-1
19 shall be construed to require a child to attend any particular
20 nonpublic school.

21 "Overcrowded school" means a school in City of Chicago
22 School District 299 that (i) enrolls students in any of grades
23 kindergarten through 8, (ii) has a percentage of low-income
24 students of 70% or more, as identified in the most recently
25 available School Report Card published by the State Board of

1 Education, and (iii) is determined by the Chicago Board of
2 Education to be in the most severely overcrowded 5% of schools
3 in the district. On or before November 1 of each year, the
4 Chicago Board of Education shall file a report with the State
5 Board of Education on which schools in the district meet the
6 definition of "overcrowded school".

7 "Qualified education expenses" means costs reasonably
8 incurred on behalf of a qualifying pupil for the services of a
9 participating nonpublic school in which the qualifying pupil is
10 enrolled during the regular school year. Qualified education
11 expenses does not include costs incurred for supplies or
12 extra-curricular activities.

13 "Qualifying pupil" means an individual who:

14 (1) is a resident of the City of Chicago;

15 (2) is enrolled in any of grades kindergarten through 7
16 in a low-performing school or an overcrowded school or
17 would enter kindergarten in a low-performing school or
18 overcrowded school during the school year for which a
19 voucher is sought; and

20 (3) during the school year for which a voucher is
21 sought, is a full-time pupil enrolled in a kindergarten
22 through 8th grade education program.

23 "School Choice Voucher" means a written instrument issued
24 by the State Board of Education directly to the custodian of a
25 qualifying pupil.

26 The custodian may present the instrument only to a

1 participating nonpublic school as payment for qualified
2 education expenses incurred on behalf of the qualifying pupil.

3 Section 15. Establishment of program. There is established
4 the School Choice Program, a pilot program that shall expire on
5 June 30, 2025. Under the program, after the base year, a
6 custodian of a qualifying pupil shall be entitled to a School
7 Choice Voucher at any participating nonpublic school in which
8 the qualifying pupil is enrolled. A qualifying pupil shall be
9 entitled to enroll at and attend any participating nonpublic
10 school of his or her choice.

11 Section 20. Notification of vouchers. The principal of each
12 low-performing school and of each overcrowded school in City of
13 Chicago School District 299 shall notify custodians of
14 qualifying pupils that vouchers under this Act are available
15 for the next school year. Notification shall occur in January
16 of each school year.

17 Section 25. Request for voucher. A custodian who applies in
18 accordance with procedures established by the State Board of
19 Education shall receive a voucher for each qualifying pupil
20 enrolled in a nonpublic school under this Act within the dollar
21 limits set out in Section 35 of this Act. The procedure shall
22 require application for the voucher, with documentation as to
23 eligibility, between March 1 and May 1 prior to the school year

1 in which the voucher is to be used.

2 Section 30. Issuance and payment of voucher. A voucher may
3 only be issued to a custodian who has made proper application
4 pursuant to Section 25 of this Act. The custodian shall present
5 the voucher for each qualifying pupil to a participating
6 nonpublic school of his or her choice as payment for qualified
7 education expenses. Upon presentment, the State Board of
8 Education shall honor the voucher and, as issuer of the
9 instrument, pay the participating nonpublic school in
10 accordance with procedures established by the State Board of
11 Education. The procedures shall require all of the following:

12 (1) that the applying custodian be notified of the
13 voucher award by August 1 of the school year in which the
14 voucher is to be used;

15 (2) that the voucher instrument be issued to the
16 custodian no later than September 15 of the school year in
17 which the voucher is to be used;

18 (3) that the custodian present the voucher instrument
19 to the participating school no later than October 1 of the
20 school year in which the voucher is to be used;

21 (4) that the participating school present the voucher
22 instrument, with proof of service to the custodian of the
23 qualifying pupil, to the State Board of Education no later
24 than October 31 of the school year in which the voucher is
25 to be used;

1 (5) that the State Board of Education shall honor the
2 voucher instrument and as issuer pay the participating
3 school no later than December 31 of the school year in
4 which the voucher is to be used;

5 (6) that participating schools must accept vouchers as
6 full payment for services and may not charge voucher pupils
7 tuition or any other educational expenses at a higher rate
8 than other pupils; and

9 (7) that if a student attending a nonpublic school
10 under the School Choice Program is expelled or withdraws
11 from the nonpublic school or moves out of the boundaries of
12 City of Chicago School District 299 before the State Board
13 of Education has honored the voucher of the school, then
14 the State Board of Education shall pay the corresponding
15 prorated portion of the voucher amount to the nonpublic
16 school; and that if the State Board of Education has paid
17 the voucher amount to the nonpublic school and the pupil is
18 expelled, withdraws, or moves out of the boundaries of City
19 of Chicago School District 299, then the nonpublic school
20 shall refund the corresponding prorated portion of the
21 voucher to the State Board of Education. Any funds returned
22 to the State Board of Education must be distributed via the
23 general State aid claim to City of Chicago School District
24 299.

25 Section 35. Amount of voucher. A School Choice Voucher for

1 qualified education expenses incurred through participating
2 schools during any school year after the base year shall be for
3 the lesser of (i) the amount of the portion of the foundation
4 level of support, on a per pupil basis, funded by the State
5 pursuant to subsection (B) of Section 18-8.05 of the School
6 Code for the previous fiscal year, plus the amount equal to the
7 total supplemental general State aid grant awarded to City of
8 Chicago School District 299 pursuant to subsection (H) of
9 Section 18-8.05 of the School Code for the previous fiscal year
10 divided by the total average daily attendance used in the
11 calculation of general State aid for City of Chicago School
12 District 299 for the previous fiscal year or (ii) the actual
13 qualified education expenses related to the qualifying pupil's
14 enrollment.

15 Section 40. Renewal of voucher. School Choice Vouchers
16 shall be renewable every year through grade 8 so long as the
17 pupil continues to reside in the City of Chicago and the
18 recognized nonpublic school elects to continue participating
19 in the School Choice Program.

20 Section 45. Assessment. All pupils receiving services
21 obtained through School Choice Vouchers shall be assessed
22 annually in the same manner as Illinois' public school
23 students. The State Board of Education may adopt rules with
24 respect to the assessment of such pupils, which may include,

1 but is not limited to, rules pertaining to test security, test
2 administration and location, and reporting procedures.

3 Section 50. Longitudinal data system. Recognized nonpublic
4 schools participating in this Act must participate in the
5 longitudinal data system established under the P-20
6 Longitudinal Education Data System Act by disclosing data to
7 the State Board of Education for those students attending a
8 nonpublic school on a School Choice Voucher issued under this
9 Act.

10 Section 51. Funding. Nonpublic schools participating in
11 the School Choice Program must report the attendance of
12 students with School Choice Vouchers to City of Chicago School
13 District 299 in the manner requested by the district. Students
14 enrolled in nonpublic schools under a School Choice Voucher
15 shall not be considered enrolled in City of Chicago School
16 District 299 for any purpose.

17 Section 52. Nonpublic school student. For the purposes of
18 this Act, students receiving a School Choice Voucher are
19 considered nonpublic school students who have been voluntarily
20 placed in a private setting by the parent or guardian.

21 Section 55. Not base income. The amount of any voucher
22 redeemed under this Act shall not be considered base income

1 under subsection (a) of Section 203 of the Illinois Income Tax
2 Act and shall not be taxable for Illinois income tax purposes.

3 Section 60. Report and expansion. On or before December 31,
4 2018, the State Board of Education shall submit a report to the
5 General Assembly reviewing the current status of the program
6 operating under this Act. This report shall include, but not be
7 limited to, the numbers of qualifying pupils receiving each
8 School Choice Voucher, the names of the schools from which and
9 to which pupils transferred, the financial ramifications of the
10 program, and the results of pupil assessments. In its report,
11 the State Board of Education shall assess whether the program
12 has been financially and academically beneficial and shall make
13 a recommendation on whether the program should be expanded to
14 other schools in the City of Chicago or to other areas of this
15 State.

16 Section 65. Penalties. It shall be a Class 3 felony to use
17 or attempt to use a voucher under this Act for any purpose
18 other than those permitted by this Act. It shall also be a
19 Class 3 felony for any person, with intent to defraud, to
20 knowingly forge, alter, or misrepresent information on a
21 voucher application or on any documents submitted in
22 application for a voucher, to deliver any such document knowing
23 it to have been thus forged, altered, or based on
24 misrepresentation, or to possess, with intent to issue or

1 deliver, any such document knowing it to have been thus forged,
2 altered, or based on misrepresentation.

3 Section 70. Rules. The State Board of Education shall adopt
4 rules to implement this Act. The creation of the School Choice
5 Program does not expand the regulatory authority of the State,
6 its officers, or any school district to impose any additional
7 regulation of nonpublic schools beyond those reasonably
8 necessary to enforce the requirements of the program.

9 Section 100. Expiration. This Act is repealed on July 1,
10 2025.

11 Section 900. The Illinois Income Tax Act is amended by
12 changing Section 203 as follows:

13 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

14 Sec. 203. Base income defined.

15 (a) Individuals.

16 (1) In general. In the case of an individual, base
17 income means an amount equal to the taxpayer's adjusted
18 gross income for the taxable year as modified by paragraph
19 (2).

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

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

8 (B) An amount equal to the amount of tax imposed by
9 this Act to the extent deducted from gross income in
10 the computation of adjusted gross income for the
11 taxable year;

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

24 (D) An amount equal to the amount of the capital
25 gain deduction allowable under the Internal Revenue
26 Code, to the extent deducted from gross income in the

1 computation of adjusted gross income;

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

10 (D-10) For taxable years ending after December 31,
11 1997, an amount equal to any eligible remediation costs
12 that the individual deducted in computing adjusted
13 gross income and for which the individual claims a
14 credit under subsection (l) of Section 201;

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

20 (D-16) If the taxpayer sells, transfers, abandons,
21 or otherwise disposes of property for which the
22 taxpayer was required in any taxable year to make an
23 addition modification under subparagraph (D-15), then
24 an amount equal to the aggregate amount of the
25 deductions taken in all taxable years under
26 subparagraph (Z) with respect to that property.

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

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

11 (D-17) An amount equal to the amount otherwise
12 allowed as a deduction in computing base income for
13 interest paid, accrued, or incurred, directly or
14 indirectly, (i) for taxable years ending on or after
15 December 31, 2004, to a foreign person who would be a
16 member of the same unitary business group but for the
17 fact that foreign person's business activity outside
18 the United States is 80% or more of the foreign
19 person's total business activity and (ii) for taxable
20 years ending on or after December 31, 2008, to a person
21 who would be a member of the same unitary business
22 group but for the fact that the person is prohibited
23 under Section 1501(a)(27) from being included in the
24 unitary business group because he or she is ordinarily
25 required to apportion business income under different
26 subsections of Section 304. The addition modification

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

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

3 (D-18) An amount equal to the amount of intangible
4 expenses and costs otherwise allowed as a deduction in
5 computing base income, and that were paid, accrued, or
6 incurred, directly or indirectly, (i) for taxable
7 years ending on or after December 31, 2004, to a
8 foreign person who would be a member of the same
9 unitary business group but for the fact that the
10 foreign person's business activity outside the United
11 States is 80% or more of that person's total business
12 activity and (ii) for taxable years ending on or after
13 December 31, 2008, to a person who would be a member of
14 the same unitary business group but for the fact that
15 the person is prohibited under Section 1501(a)(27)
16 from being included in the unitary business group
17 because he or she is ordinarily required to apportion
18 business income under different subsections of Section
19 304. The addition modification required by this
20 subparagraph shall be reduced to the extent that
21 dividends were included in base income of the unitary
22 group for the same taxable year and received by the
23 taxpayer or by a member of the taxpayer's unitary
24 business group (including amounts included in gross
25 income under Sections 951 through 964 of the Internal
26 Revenue Code and amounts included in gross income under

1 Section 78 of the Internal Revenue Code) with respect
2 to the stock of the same person to whom the intangible
3 expenses and costs were directly or indirectly paid,
4 incurred, or accrued. The preceding sentence does not
5 apply to the extent that the same dividends caused a
6 reduction to the addition modification required under
7 Section 203(a)(2)(D-17) of this Act. As used in this
8 subparagraph, the term "intangible expenses and costs"
9 includes (1) expenses, losses, and costs for, or
10 related to, the direct or indirect acquisition, use,
11 maintenance or management, ownership, sale, exchange,
12 or any other disposition of intangible property; (2)
13 losses incurred, directly or indirectly, from
14 factoring transactions or discounting transactions;
15 (3) royalty, patent, technical, and copyright fees;
16 (4) licensing fees; and (5) other similar expenses and
17 costs. For purposes of this subparagraph, "intangible
18 property" includes patents, patent applications, trade
19 names, trademarks, service marks, copyrights, mask
20 works, trade secrets, and similar types of intangible
21 assets.

22 This paragraph shall not apply to the following:

23 (i) any item of intangible expenses or costs
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a person who is
26 subject in a foreign country or state, other than a

1 state which requires mandatory unitary reporting,
2 to a tax on or measured by net income with respect
3 to such item; or

4 (ii) any item of intangible expense or cost
5 paid, accrued, or incurred, directly or
6 indirectly, if the taxpayer can establish, based
7 on a preponderance of the evidence, both of the
8 following:

9 (a) the person during the same taxable
10 year paid, accrued, or incurred, the
11 intangible expense or cost to a person that is
12 not a related member, and

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

20 (iii) any item of intangible expense or cost
21 paid, accrued, or incurred, directly or
22 indirectly, from a transaction with a person if the
23 taxpayer establishes by clear and convincing
24 evidence, that the adjustments are unreasonable;
25 or if the taxpayer and the Director agree in
26 writing to the application or use of an alternative

1 method of apportionment under Section 304(f);

2 Nothing in this subsection shall preclude the
3 Director from making any other adjustment
4 otherwise allowed under Section 404 of this Act for
5 any tax year beginning after the effective date of
6 this amendment provided such adjustment is made
7 pursuant to regulation adopted by the Department
8 and such regulations provide methods and standards
9 by which the Department will utilize its authority
10 under Section 404 of this Act;

11 (D-19) For taxable years ending on or after
12 December 31, 2008, an amount equal to the amount of
13 insurance premium expenses and costs otherwise allowed
14 as a deduction in computing base income, and that were
15 paid, accrued, or incurred, directly or indirectly, to
16 a person who would be a member of the same unitary
17 business group but for the fact that the person is
18 prohibited under Section 1501(a)(27) from being
19 included in the unitary business group because he or
20 she is ordinarily required to apportion business
21 income under different subsections of Section 304. The
22 addition modification required by this subparagraph
23 shall be reduced to the extent that dividends were
24 included in base income of the unitary group for the
25 same taxable year and received by the taxpayer or by a
26 member of the taxpayer's unitary business group

1 (including amounts included in gross income under
2 Sections 951 through 964 of the Internal Revenue Code
3 and amounts included in gross income under Section 78
4 of the Internal Revenue Code) with respect to the stock
5 of the same person to whom the premiums and costs were
6 directly or indirectly paid, incurred, or accrued. The
7 preceding sentence does not apply to the extent that
8 the same dividends caused a reduction to the addition
9 modification required under Section 203(a)(2)(D-17) or
10 Section 203(a)(2)(D-18) of this Act.

11 (D-20) For taxable years beginning on or after
12 January 1, 2002 and ending on or before December 31,
13 2006, in the case of a distribution from a qualified
14 tuition program under Section 529 of the Internal
15 Revenue Code, other than (i) a distribution from a
16 College Savings Pool created under Section 16.5 of the
17 State Treasurer Act or (ii) a distribution from the
18 Illinois Prepaid Tuition Trust Fund, an amount equal to
19 the amount excluded from gross income under Section
20 529(c)(3)(B). For taxable years beginning on or after
21 January 1, 2007, in the case of a distribution from a
22 qualified tuition program under Section 529 of the
23 Internal Revenue Code, other than (i) a distribution
24 from a College Savings Pool created under Section 16.5
25 of the State Treasurer Act, (ii) a distribution from
26 the Illinois Prepaid Tuition Trust Fund, or (iii) a

1 distribution from a qualified tuition program under
2 Section 529 of the Internal Revenue Code that (I)
3 adopts and determines that its offering materials
4 comply with the College Savings Plans Network's
5 disclosure principles and (II) has made reasonable
6 efforts to inform in-state residents of the existence
7 of in-state qualified tuition programs by informing
8 Illinois residents directly and, where applicable, to
9 inform financial intermediaries distributing the
10 program to inform in-state residents of the existence
11 of in-state qualified tuition programs at least
12 annually, an amount equal to the amount excluded from
13 gross income under Section 529(c)(3)(B).

14 For the purposes of this subparagraph (D-20), a
15 qualified tuition program has made reasonable efforts
16 if it makes disclosures (which may use the term
17 "in-state program" or "in-state plan" and need not
18 specifically refer to Illinois or its qualified
19 programs by name) (i) directly to prospective
20 participants in its offering materials or makes a
21 public disclosure, such as a website posting; and (ii)
22 where applicable, to intermediaries selling the
23 out-of-state program in the same manner that the
24 out-of-state program distributes its offering
25 materials;

26 (D-21) For taxable years beginning on or after

1 January 1, 2007, in the case of transfer of moneys from
2 a qualified tuition program under Section 529 of the
3 Internal Revenue Code that is administered by the State
4 to an out-of-state program, an amount equal to the
5 amount of moneys previously deducted from base income
6 under subsection (a) (2) (Y) of this Section;

7 (D-22) For taxable years beginning on or after
8 January 1, 2009, in the case of a nonqualified
9 withdrawal or refund of moneys from a qualified tuition
10 program under Section 529 of the Internal Revenue Code
11 administered by the State that is not used for
12 qualified expenses at an eligible education
13 institution, an amount equal to the contribution
14 component of the nonqualified withdrawal or refund
15 that was previously deducted from base income under
16 subsection (a) (2) (y) of this Section, provided that
17 the withdrawal or refund did not result from the
18 beneficiary's death or disability;

19 (D-23) An amount equal to the credit allowable to
20 the taxpayer under Section 218(a) of this Act,
21 determined without regard to Section 218(c) of this
22 Act;

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

25 (E) For taxable years ending before December 31,
26 2001, any amount included in such total in respect of

1 any compensation (including but not limited to any
2 compensation paid or accrued to a serviceman while a
3 prisoner of war or missing in action) paid to a
4 resident by reason of being on active duty in the Armed
5 Forces of the United States and in respect of any
6 compensation paid or accrued to a resident who as a
7 governmental employee was a prisoner of war or missing
8 in action, and in respect of any compensation paid to a
9 resident in 1971 or thereafter for annual training
10 performed pursuant to Sections 502 and 503, Title 32,
11 United States Code as a member of the Illinois National
12 Guard or, beginning with taxable years ending on or
13 after December 31, 2007, the National Guard of any
14 other state. For taxable years ending on or after
15 December 31, 2001, any amount included in such total in
16 respect of any compensation (including but not limited
17 to any compensation paid or accrued to a serviceman
18 while a prisoner of war or missing in action) paid to a
19 resident by reason of being a member of any component
20 of the Armed Forces of the United States and in respect
21 of any compensation paid or accrued to a resident who
22 as a governmental employee was a prisoner of war or
23 missing in action, and in respect of any compensation
24 paid to a resident in 2001 or thereafter by reason of
25 being a member of the Illinois National Guard or,
26 beginning with taxable years ending on or after

1 December 31, 2007, the National Guard of any other
2 state. The provisions of this subparagraph (E) are
3 exempt from the provisions of Section 250;

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

15 (G) The valuation limitation amount;

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

19 (I) An amount equal to all amounts included in such
20 total pursuant to the provisions of Section 111 of the
21 Internal Revenue Code as a recovery of items previously
22 deducted from adjusted gross income in the computation
23 of taxable income;

24 (J) An amount equal to those dividends included in
25 such total which were paid by a corporation which
26 conducts business operations in a River Edge

1 Redevelopment Zone or zones created under the River
2 Edge Redevelopment Zone Act, and conducts
3 substantially all of its operations in a River Edge
4 Redevelopment Zone or zones. This subparagraph (J) is
5 exempt from the provisions of Section 250;

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

15 (L) For taxable years ending after December 31,
16 1983, an amount equal to all social security benefits
17 and railroad retirement benefits included in such
18 total pursuant to Sections 72(r) and 86 of the Internal
19 Revenue Code;

20 (M) With the exception of any amounts subtracted
21 under subparagraph (N), an amount equal to the sum of
22 all amounts disallowed as deductions by (i) Sections
23 171(a) (2), and 265(2) of the Internal Revenue Code,
24 and all amounts of expenses allocable to interest and
25 disallowed as deductions by Section 265(1) of the
26 Internal Revenue Code; and (ii) for taxable years

1 ending on or after August 13, 1999, Sections 171(a)(2),
2 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
3 Code, plus, for taxable years ending on or after
4 December 31, 2011, Section 45G(e)(3) of the Internal
5 Revenue Code and, for taxable years ending on or after
6 December 31, 2008, any amount included in gross income
7 under Section 87 of the Internal Revenue Code; the
8 provisions of this subparagraph are exempt from the
9 provisions of Section 250;

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

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

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

1 taken from adjusted gross income in the computation of
2 taxable income for restoration of substantial amounts
3 held under claim of right for the taxable year;

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

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

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

19 (T) An amount, to the extent included in adjusted
20 gross income, equal to the amount of interest earned in
21 the taxable year on a medical care savings account
22 established under the Medical Care Savings Account Act
23 or the Medical Care Savings Account Act of 2000 on
24 behalf of the taxpayer, other than interest added
25 pursuant to item (D-5) of this paragraph (2);

26 (U) For one taxable year beginning on or after

1 January 1, 1994, an amount equal to the total amount of
2 tax imposed and paid under subsections (a) and (b) of
3 Section 201 of this Act on grant amounts received by
4 the taxpayer under the Nursing Home Grant Assistance
5 Act during the taxpayer's taxable years 1992 and 1993;

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

1 determined by multiplying total health insurance and
2 long-term care insurance premiums paid by the taxpayer
3 times a number that represents the fractional
4 percentage of eligible medical expenses under Section
5 213 of the Internal Revenue Code of 1986 not actually
6 deducted on the taxpayer's federal income tax return;

7 (W) For taxable years beginning on or after January
8 1, 1998, all amounts included in the taxpayer's federal
9 gross income in the taxable year from amounts converted
10 from a regular IRA to a Roth IRA. This paragraph is
11 exempt from the provisions of Section 250;

12 (X) For taxable year 1999 and thereafter, an amount
13 equal to the amount of any (i) distributions, to the
14 extent includible in gross income for federal income
15 tax purposes, made to the taxpayer because of his or
16 her status as a victim of persecution for racial or
17 religious reasons by Nazi Germany or any other Axis
18 regime or as an heir of the victim and (ii) items of
19 income, to the extent includible in gross income for
20 federal income tax purposes, attributable to, derived
21 from or in any way related to assets stolen from,
22 hidden from, or otherwise lost to a victim of
23 persecution for racial or religious reasons by Nazi
24 Germany or any other Axis regime immediately prior to,
25 during, and immediately after World War II, including,
26 but not limited to, interest on the proceeds receivable

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

19 (Y) For taxable years beginning on or after January
20 1, 2002 and ending on or before December 31, 2004,
21 moneys contributed in the taxable year to a College
22 Savings Pool account under Section 16.5 of the State
23 Treasurer Act, except that amounts excluded from gross
24 income under Section 529(c)(3)(C)(i) of the Internal
25 Revenue Code shall not be considered moneys
26 contributed under this subparagraph (Y). For taxable

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

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

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

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

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

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

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

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

24 (AA) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (D-15), then
2 an amount equal to that addition modification.

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

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

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

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

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

1 allocable thereto) taken into account for the taxable
2 year with respect to a transaction with a taxpayer that
3 is required to make an addition modification with
4 respect to such transaction under Section
5 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
6 203(d)(2)(D-8), but not to exceed the amount of that
7 addition modification. This subparagraph (CC) is
8 exempt from the provisions of Section 250;

9 (DD) An amount equal to the interest income taken
10 into account for the taxable year (net of the
11 deductions allocable thereto) with respect to
12 transactions with (i) a foreign person who would be a
13 member of the taxpayer's unitary business group but for
14 the fact that the foreign person's business activity
15 outside the United States is 80% or more of that
16 person's total business activity and (ii) for taxable
17 years ending on or after December 31, 2008, to a person
18 who would be a member of the same unitary business
19 group but for the fact that the person is prohibited
20 under Section 1501(a)(27) from being included in the
21 unitary business group because he or she is ordinarily
22 required to apportion business income under different
23 subsections of Section 304, but not to exceed the
24 addition modification required to be made for the same
25 taxable year under Section 203(a)(2)(D-17) for
26 interest paid, accrued, or incurred, directly or

1 indirectly, to the same person. This subparagraph (DD)
2 is exempt from the provisions of Section 250;

3 (EE) An amount equal to the income from intangible
4 property taken into account for the taxable year (net
5 of the deductions allocable thereto) with respect to
6 transactions with (i) a foreign person who would be a
7 member of the taxpayer's unitary business group but for
8 the fact that the foreign person's business activity
9 outside the United States is 80% or more of that
10 person's total business activity and (ii) for taxable
11 years ending on or after December 31, 2008, to a person
12 who would be a member of the same unitary business
13 group but for the fact that the person is prohibited
14 under Section 1501(a)(27) from being included in the
15 unitary business group because he or she is ordinarily
16 required to apportion business income under different
17 subsections of Section 304, but not to exceed the
18 addition modification required to be made for the same
19 taxable year under Section 203(a)(2)(D-18) for
20 intangible expenses and costs paid, accrued, or
21 incurred, directly or indirectly, to the same foreign
22 person. This subparagraph (EE) is exempt from the
23 provisions of Section 250;

24 (FF) An amount equal to any amount awarded to the
25 taxpayer during the taxable year by the Court of Claims
26 under subsection (c) of Section 8 of the Court of

1 Claims Act for time unjustly served in a State prison.
2 This subparagraph (FF) is exempt from the provisions of
3 Section 250; ~~and~~

4 (GG) For taxable years ending on or after December
5 31, 2011, in the case of a taxpayer who was required to
6 add back any insurance premiums under Section
7 203(a)(2)(D-19), such taxpayer may elect to subtract
8 that part of a reimbursement received from the
9 insurance company equal to the amount of the expense or
10 loss (including expenses incurred by the insurance
11 company) that would have been taken into account as a
12 deduction for federal income tax purposes if the
13 expense or loss had been uninsured. If a taxpayer makes
14 the election provided for by this subparagraph (GG),
15 the insurer to which the premiums were paid must add
16 back to income the amount subtracted by the taxpayer
17 pursuant to this subparagraph (GG). This subparagraph
18 (GG) is exempt from the provisions of Section 250; ~~and~~.

19 (HH) For taxable years ending on or after December
20 31, 2015, an amount, to the extent that it is included
21 in adjusted gross income, equal to any voucher redeemed
22 under the School Choice Act. This subparagraph (HH) is
23 exempt from the provisions of Section 250.

24 (b) Corporations.

25 (1) In general. In the case of a corporation, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

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

6 (A) An amount equal to all amounts paid or accrued
7 to the taxpayer as interest and all distributions
8 received from regulated investment companies during
9 the taxable year to the extent excluded from gross
10 income in the computation of taxable income;

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

14 (C) In the case of a regulated investment company,
15 an amount equal to the excess of (i) the net long-term
16 capital gain for the taxable year, over (ii) the amount
17 of the capital gain dividends designated as such in
18 accordance with Section 852(b)(3)(C) of the Internal
19 Revenue Code and any amount designated under Section
20 852(b)(3)(D) of the Internal Revenue Code,
21 attributable to the taxable year (this amendatory Act
22 of 1995 (Public Act 89-89) is declarative of existing
23 law and is not a new enactment);

24 (D) The amount of any net operating loss deduction
25 taken in arriving at taxable income, other than a net
26 operating loss carried forward from a taxable year

1 ending prior to December 31, 1986;

2 (E) For taxable years in which a net operating loss
3 carryback or carryforward from a taxable year ending
4 prior to December 31, 1986 is an element of taxable
5 income under paragraph (1) of subsection (e) or
6 subparagraph (E) of paragraph (2) of subsection (e),
7 the amount by which addition modifications other than
8 those provided by this subparagraph (E) exceeded
9 subtraction modifications in such earlier taxable
10 year, with the following limitations applied in the
11 order that they are listed:

12 (i) the addition modification relating to the
13 net operating loss carried back or forward to the
14 taxable year from any taxable year ending prior to
15 December 31, 1986 shall be reduced by the amount of
16 addition modification under this subparagraph (E)
17 which related to that net operating loss and which
18 was taken into account in calculating the base
19 income of an earlier taxable year, and

20 (ii) the addition modification relating to the
21 net operating loss carried back or forward to the
22 taxable year from any taxable year ending prior to
23 December 31, 1986 shall not exceed the amount of
24 such carryback or carryforward;

25 For taxable years in which there is a net operating
26 loss carryback or carryforward from more than one other

1 taxable year ending prior to December 31, 1986, the
2 addition modification provided in this subparagraph
3 (E) shall be the sum of the amounts computed
4 independently under the preceding provisions of this
5 subparagraph (E) for each such taxable year;

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

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

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

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

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

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

7 (E-12) An amount equal to the amount otherwise
8 allowed as a deduction in computing base income for
9 interest paid, accrued, or incurred, directly or
10 indirectly, (i) for taxable years ending on or after
11 December 31, 2004, to a foreign person who would be a
12 member of the same unitary business group but for the
13 fact the foreign person's business activity outside
14 the United States is 80% or more of the foreign
15 person's total business activity and (ii) for taxable
16 years ending on or after December 31, 2008, to a person
17 who would be a member of the same unitary business
18 group but for the fact that the person is prohibited
19 under Section 1501(a)(27) from being included in the
20 unitary business group because he or she is ordinarily
21 required to apportion business income under different
22 subsections of Section 304. The addition modification
23 required by this subparagraph shall be reduced to the
24 extent that dividends were included in base income of
25 the unitary group for the same taxable year and
26 received by the taxpayer or by a member of the

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

8 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 interest expense between the taxpayer and the
25 person did not have as a principal purpose the
26 avoidance of Illinois income tax, and is paid

1 pursuant to a contract or agreement that
2 reflects an arm's-length interest rate and
3 terms; or

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

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

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

26 (E-13) An amount equal to the amount of intangible

1 expenses and costs otherwise allowed as a deduction in
2 computing base income, and that were paid, accrued, or
3 incurred, directly or indirectly, (i) for taxable
4 years ending on or after December 31, 2004, to a
5 foreign person who would be a member of the same
6 unitary business group but for the fact that the
7 foreign person's business activity outside the United
8 States is 80% or more of that person's total business
9 activity and (ii) for taxable years ending on or after
10 December 31, 2008, to a person who would be a member of
11 the same unitary business group but for the fact that
12 the person is prohibited under Section 1501(a)(27)
13 from being included in the unitary business group
14 because he or she is ordinarily required to apportion
15 business income under different subsections of Section
16 304. The addition modification required by this
17 subparagraph shall be reduced to the extent that
18 dividends were included in base income of the unitary
19 group for the same taxable year and received by the
20 taxpayer or by a member of the taxpayer's unitary
21 business group (including amounts included in gross
22 income pursuant to Sections 951 through 964 of the
23 Internal Revenue Code and amounts included in gross
24 income under Section 78 of the Internal Revenue Code)
25 with respect to the stock of the same person to whom
26 the intangible expenses and costs were directly or

1 indirectly paid, incurred, or accrued. The preceding
2 sentence shall not apply to the extent that the same
3 dividends caused a reduction to the addition
4 modification required under Section 203(b)(2)(E-12) of
5 this Act. As used in this subparagraph, the term
6 "intangible expenses and costs" includes (1) expenses,
7 losses, and costs for, or related to, the direct or
8 indirect acquisition, use, maintenance or management,
9 ownership, sale, exchange, or any other disposition of
10 intangible property; (2) losses incurred, directly or
11 indirectly, from factoring transactions or discounting
12 transactions; (3) royalty, patent, technical, and
13 copyright fees; (4) licensing fees; and (5) other
14 similar expenses and costs. For purposes of this
15 subparagraph, "intangible property" includes patents,
16 patent applications, trade names, trademarks, service
17 marks, copyrights, mask works, trade secrets, and
18 similar types of intangible assets.

19 This paragraph shall not apply to the following:

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

1 (ii) any item of intangible expense or cost
2 paid, accrued, or incurred, directly or
3 indirectly, if the taxpayer can establish, based
4 on a preponderance of the evidence, both of the
5 following:

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

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

8 (E-14) For taxable years ending on or after
9 December 31, 2008, an amount equal to the amount of
10 insurance premium expenses and costs otherwise allowed
11 as a deduction in computing base income, and that were
12 paid, accrued, or incurred, directly or indirectly, to
13 a person who would be a member of the same unitary
14 business group but for the fact that the person is
15 prohibited under Section 1501(a)(27) from being
16 included in the unitary business group because he or
17 she is ordinarily required to apportion business
18 income under different subsections of Section 304. The
19 addition modification required by this subparagraph
20 shall be reduced to the extent that dividends were
21 included in base income of the unitary group for the
22 same taxable year and received by the taxpayer or by a
23 member of the taxpayer's unitary business group
24 (including amounts included in gross income under
25 Sections 951 through 964 of the Internal Revenue Code
26 and amounts included in gross income under Section 78

1 of the Internal Revenue Code) with respect to the stock
2 of the same person to whom the premiums and costs were
3 directly or indirectly paid, incurred, or accrued. The
4 preceding sentence does not apply to the extent that
5 the same dividends caused a reduction to the addition
6 modification required under Section 203(b)(2)(E-12) or
7 Section 203(b)(2)(E-13) of this Act;

8 (E-15) For taxable years beginning after December
9 31, 2008, any deduction for dividends paid by a captive
10 real estate investment trust that is allowed to a real
11 estate investment trust under Section 857(b)(2)(B) of
12 the Internal Revenue Code for dividends paid;

13 (E-16) An amount equal to the credit allowable to
14 the taxpayer under Section 218(a) of this Act,
15 determined without regard to Section 218(c) of this
16 Act;

17 and by deducting from the total so obtained the sum of the
18 following amounts:

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

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

24 (H) In the case of a regulated investment company,
25 an amount equal to the amount of exempt interest
26 dividends as defined in subsection (b)(5) of Section

1 852 of the Internal Revenue Code, paid to shareholders
2 for the taxable year;

3 (I) With the exception of any amounts subtracted
4 under subparagraph (J), an amount equal to the sum of
5 all amounts disallowed as deductions by (i) Sections
6 171(a) (2), and 265(a)(2) and amounts disallowed as
7 interest expense by Section 291(a)(3) of the Internal
8 Revenue Code, and all amounts of expenses allocable to
9 interest and disallowed as deductions by Section
10 265(a)(1) of the Internal Revenue Code; and (ii) for
11 taxable years ending on or after August 13, 1999,
12 Sections 171(a)(2), 265, 280C, 291(a)(3), and
13 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
14 for tax years ending on or after December 31, 2011,
15 amounts disallowed as deductions by Section 45G(e)(3)
16 of the Internal Revenue Code and, for taxable years
17 ending on or after December 31, 2008, any amount
18 included in gross income under Section 87 of the
19 Internal Revenue Code and the policyholders' share of
20 tax-exempt interest of a life insurance company under
21 Section 807(a)(2)(B) of the Internal Revenue Code (in
22 the case of a life insurance company with gross income
23 from a decrease in reserves for the tax year) or
24 Section 807(b)(1)(B) of the Internal Revenue Code (in
25 the case of a life insurance company allowed a
26 deduction for an increase in reserves for the tax

1 year); the provisions of this subparagraph are exempt
2 from the provisions of Section 250;

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

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

20 (L) An amount equal to those dividends included in
21 such total that were paid by a corporation that
22 conducts business operations in a federally designated
23 Foreign Trade Zone or Sub-Zone and that is designated a
24 High Impact Business located in Illinois; provided
25 that dividends eligible for the deduction provided in
26 subparagraph (K) of paragraph 2 of this subsection

1 shall not be eligible for the deduction provided under
2 this subparagraph (L);

3 (M) For any taxpayer that is a financial
4 organization within the meaning of Section 304(c) of
5 this Act, an amount included in such total as interest
6 income from a loan or loans made by such taxpayer to a
7 borrower, to the extent that such a loan is secured by
8 property which is eligible for the River Edge
9 Redevelopment Zone Investment Credit. To determine the
10 portion of a loan or loans that is secured by property
11 eligible for a Section 201(f) investment credit to the
12 borrower, the entire principal amount of the loan or
13 loans between the taxpayer and the borrower should be
14 divided into the basis of the Section 201(f) investment
15 credit property which secures the loan or loans, using
16 for this purpose the original basis of such property on
17 the date that it was placed in service in the River
18 Edge Redevelopment Zone. The subtraction modification
19 available to taxpayer in any year under this subsection
20 shall be that portion of the total interest paid by the
21 borrower with respect to such loan attributable to the
22 eligible property as calculated under the previous
23 sentence. This subparagraph (M) is exempt from the
24 provisions of Section 250;

25 (M-1) For any taxpayer that is a financial
26 organization within the meaning of Section 304(c) of

1 this Act, an amount included in such total as interest
2 income from a loan or loans made by such taxpayer to a
3 borrower, to the extent that such a loan is secured by
4 property which is eligible for the High Impact Business
5 Investment Credit. To determine the portion of a loan
6 or loans that is secured by property eligible for a
7 Section 201(h) investment credit to the borrower, the
8 entire principal amount of the loan or loans between
9 the taxpayer and the borrower should be divided into
10 the basis of the Section 201(h) investment credit
11 property which secures the loan or loans, using for
12 this purpose the original basis of such property on the
13 date that it was placed in service in a federally
14 designated Foreign Trade Zone or Sub-Zone located in
15 Illinois. No taxpayer that is eligible for the
16 deduction provided in subparagraph (M) of paragraph
17 (2) of this subsection shall be eligible for the
18 deduction provided under this subparagraph (M-1). The
19 subtraction modification available to taxpayers in any
20 year under this subsection shall be that portion of the
21 total interest paid by the borrower with respect to
22 such loan attributable to the eligible property as
23 calculated under the previous sentence;

24 (N) Two times any contribution made during the
25 taxable year to a designated zone organization to the
26 extent that the contribution (i) qualifies as a

1 charitable contribution under subsection (c) of
2 Section 170 of the Internal Revenue Code and (ii) must,
3 by its terms, be used for a project approved by the
4 Department of Commerce and Economic Opportunity under
5 Section 11 of the Illinois Enterprise Zone Act or under
6 Section 10-10 of the River Edge Redevelopment Zone Act.
7 This subparagraph (N) is exempt from the provisions of
8 Section 250;

9 (O) An amount equal to: (i) 85% for taxable years
10 ending on or before December 31, 1992, or, a percentage
11 equal to the percentage allowable under Section
12 243(a)(1) of the Internal Revenue Code of 1986 for
13 taxable years ending after December 31, 1992, of the
14 amount by which dividends included in taxable income
15 and received from a corporation that is not created or
16 organized under the laws of the United States or any
17 state or political subdivision thereof, including, for
18 taxable years ending on or after December 31, 1988,
19 dividends received or deemed received or paid or deemed
20 paid under Sections 951 through 965 of the Internal
21 Revenue Code, exceed the amount of the modification
22 provided under subparagraph (G) of paragraph (2) of
23 this subsection (b) which is related to such dividends,
24 and including, for taxable years ending on or after
25 December 31, 2008, dividends received from a captive
26 real estate investment trust; plus (ii) 100% of the

1 amount by which dividends, included in taxable income
2 and received, including, for taxable years ending on or
3 after December 31, 1988, dividends received or deemed
4 received or paid or deemed paid under Sections 951
5 through 964 of the Internal Revenue Code and including,
6 for taxable years ending on or after December 31, 2008,
7 dividends received from a captive real estate
8 investment trust, from any such corporation specified
9 in clause (i) that would but for the provisions of
10 Section 1504 (b) (3) of the Internal Revenue Code be
11 treated as a member of the affiliated group which
12 includes the dividend recipient, exceed the amount of
13 the modification provided under subparagraph (G) of
14 paragraph (2) of this subsection (b) which is related
15 to such dividends. This subparagraph (O) is exempt from
16 the provisions of Section 250 of this Act;

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

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

25 (R) On and after July 20, 1999, in the case of an
26 attorney-in-fact with respect to whom an interinsurer

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

12 (S) For taxable years ending on or after December
13 31, 1997, in the case of a Subchapter S corporation, an
14 amount equal to all amounts of income allocable to a
15 shareholder subject to the Personal Property Tax
16 Replacement Income Tax imposed by subsections (c) and
17 (d) of Section 201 of this Act, including amounts
18 allocable to organizations exempt from federal income
19 tax by reason of Section 501(a) of the Internal Revenue
20 Code. This subparagraph (S) is exempt from the
21 provisions of Section 250;

22 (T) For taxable years 2001 and thereafter, for the
23 taxable year in which the bonus depreciation deduction
24 is taken on the taxpayer's federal income tax return
25 under subsection (k) of Section 168 of the Internal
26 Revenue Code and for each applicable taxable year

1 thereafter, an amount equal to "x", where:

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

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

13 (3) for taxable years ending after December
14 31, 2005:

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

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

24 The aggregate amount deducted under this
25 subparagraph in all taxable years for any one piece of
26 property may not exceed the amount of the bonus

1 depreciation deduction taken on that property on the
2 taxpayer's federal income tax return under subsection
3 (k) of Section 168 of the Internal Revenue Code. This
4 subparagraph (T) is exempt from the provisions of
5 Section 250;

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

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

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

21 This subparagraph (U) is exempt from the
22 provisions of Section 250;

23 (V) The amount of: (i) any interest income (net of
24 the deductions allocable thereto) taken into account
25 for the taxable year with respect to a transaction with
26 a taxpayer that is required to make an addition

1 modification with respect to such transaction under
2 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
3 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
4 the amount of such addition modification, (ii) any
5 income from intangible property (net of the deductions
6 allocable thereto) taken into account for the taxable
7 year with respect to a transaction with a taxpayer that
8 is required to make an addition modification with
9 respect to such transaction under Section
10 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
11 203(d)(2)(D-8), but not to exceed the amount of such
12 addition modification, and (iii) any insurance premium
13 income (net of deductions allocable thereto) taken
14 into account for the taxable year with respect to a
15 transaction with a taxpayer that is required to make an
16 addition modification with respect to such transaction
17 under Section 203(a)(2)(D-19), Section
18 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
19 203(d)(2)(D-9), but not to exceed the amount of that
20 addition modification. This subparagraph (V) is exempt
21 from the provisions of Section 250;

22 (W) An amount equal to the interest income taken
23 into account for the taxable year (net of the
24 deductions allocable thereto) with respect to
25 transactions with (i) a foreign person who would be a
26 member of the taxpayer's unitary business group but for

1 the fact that the foreign person's business activity
2 outside the United States is 80% or more of that
3 person's total business activity and (ii) for taxable
4 years ending on or after December 31, 2008, to a person
5 who would be a member of the same unitary business
6 group but for the fact that the person is prohibited
7 under Section 1501(a)(27) from being included in the
8 unitary business group because he or she is ordinarily
9 required to apportion business income under different
10 subsections of Section 304, but not to exceed the
11 addition modification required to be made for the same
12 taxable year under Section 203(b)(2)(E-12) for
13 interest paid, accrued, or incurred, directly or
14 indirectly, to the same person. This subparagraph (W)
15 is exempt from the provisions of Section 250;

16 (X) An amount equal to the income from intangible
17 property taken into account for the taxable year (net
18 of the deductions allocable thereto) with respect to
19 transactions with (i) a foreign person who would be a
20 member of the taxpayer's unitary business group but for
21 the fact that the foreign person's business activity
22 outside the United States is 80% or more of that
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304, but not to exceed the
5 addition modification required to be made for the same
6 taxable year under Section 203(b)(2)(E-13) for
7 intangible expenses and costs paid, accrued, or
8 incurred, directly or indirectly, to the same foreign
9 person. This subparagraph (X) is exempt from the
10 provisions of Section 250;

11 (Y) For taxable years ending on or after December
12 31, 2011, in the case of a taxpayer who was required to
13 add back any insurance premiums under Section
14 203(b)(2)(E-14), such taxpayer may elect to subtract
15 that part of a reimbursement received from the
16 insurance company equal to the amount of the expense or
17 loss (including expenses incurred by the insurance
18 company) that would have been taken into account as a
19 deduction for federal income tax purposes if the
20 expense or loss had been uninsured. If a taxpayer makes
21 the election provided for by this subparagraph (Y), the
22 insurer to which the premiums were paid must add back
23 to income the amount subtracted by the taxpayer
24 pursuant to this subparagraph (Y). This subparagraph
25 (Y) is exempt from the provisions of Section 250; and

26 (Z) The difference between the nondeductible

1 controlled foreign corporation dividends under Section
2 965(e)(3) of the Internal Revenue Code over the taxable
3 income of the taxpayer, computed without regard to
4 Section 965(e)(2)(A) of the Internal Revenue Code, and
5 without regard to any net operating loss deduction.
6 This subparagraph (Z) is exempt from the provisions of
7 Section 250.

8 (3) Special rule. For purposes of paragraph (2)(A),
9 "gross income" in the case of a life insurance company, for
10 tax years ending on and after December 31, 1994, and prior
11 to December 31, 2011, shall mean the gross investment
12 income for the taxable year and, for tax years ending on or
13 after December 31, 2011, shall mean all amounts included in
14 life insurance gross income under Section 803(a)(3) of the
15 Internal Revenue Code.

16 (c) Trusts and estates.

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

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

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

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

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

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

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

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

26 (i) the addition modification relating to the

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

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

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

20 (F) For taxable years ending on or after January 1,
21 1989, an amount equal to the tax deducted pursuant to
22 Section 164 of the Internal Revenue Code if the trust
23 or estate is claiming the same tax for purposes of the
24 Illinois foreign tax credit under Section 601 of this
25 Act;

26 (G) An amount equal to the amount of the capital

1 gain deduction allowable under the Internal Revenue
2 Code, to the extent deducted from gross income in the
3 computation of taxable income;

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

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

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

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was allowed in any taxable year to make a subtraction
26 modification under subparagraph (R), then an amount

1 equal to that subtraction modification.

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

5 (G-12) An amount equal to the amount otherwise
6 allowed as a deduction in computing base income for
7 interest paid, accrued, or incurred, directly or
8 indirectly, (i) for taxable years ending on or after
9 December 31, 2004, to a foreign person who would be a
10 member of the same unitary business group but for the
11 fact that the foreign person's business activity
12 outside the United States is 80% or more of the foreign
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304. The addition modification
21 required by this subparagraph shall be reduced to the
22 extent that dividends were included in base income of
23 the unitary group for the same taxable year and
24 received by the taxpayer or by a member of the
25 taxpayer's unitary business group (including amounts
26 included in gross income pursuant to Sections 951

1 through 964 of the Internal Revenue Code and amounts
2 included in gross income under Section 78 of the
3 Internal Revenue Code) with respect to the stock of the
4 same person to whom the interest was paid, accrued, or
5 incurred.

6 This paragraph shall not apply to the following:

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

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

18 (a) the person, during the same taxable
19 year, paid, accrued, or incurred, the interest
20 to a person that is not a related member, and

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

1 terms; or

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

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

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

24 (G-13) An amount equal to the amount of intangible
25 expenses and costs otherwise allowed as a deduction in
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004, to a
3 foreign person who would be a member of the same
4 unitary business group but for the fact that the
5 foreign person's business activity outside the United
6 States is 80% or more of that person's total business
7 activity and (ii) for taxable years ending on or after
8 December 31, 2008, to a person who would be a member of
9 the same unitary business group but for the fact that
10 the person is prohibited under Section 1501(a)(27)
11 from being included in the unitary business group
12 because he or she is ordinarily required to apportion
13 business income under different subsections of Section
14 304. The addition modification required by this
15 subparagraph shall be reduced to the extent that
16 dividends were included in base income of the unitary
17 group for the same taxable year and received by the
18 taxpayer or by a member of the taxpayer's unitary
19 business group (including amounts included in gross
20 income pursuant to Sections 951 through 964 of the
21 Internal Revenue Code and amounts included in gross
22 income under Section 78 of the Internal Revenue Code)
23 with respect to the stock of the same person to whom
24 the intangible expenses and costs were directly or
25 indirectly paid, incurred, or accrued. The preceding
26 sentence shall not apply to the extent that the same

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

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

6 (G-14) For taxable years ending on or after
7 December 31, 2008, an amount equal to the amount of
8 insurance premium expenses and costs otherwise allowed
9 as a deduction in computing base income, and that were
10 paid, accrued, or incurred, directly or indirectly, to
11 a person who would be a member of the same unitary
12 business group but for the fact that the person is
13 prohibited under Section 1501(a)(27) from being
14 included in the unitary business group because he or
15 she is ordinarily required to apportion business
16 income under different subsections of Section 304. The
17 addition modification required by this subparagraph
18 shall be reduced to the extent that dividends were
19 included in base income of the unitary group for the
20 same taxable year and received by the taxpayer or by a
21 member of the taxpayer's unitary business group
22 (including amounts included in gross income under
23 Sections 951 through 964 of the Internal Revenue Code
24 and amounts included in gross income under Section 78
25 of the Internal Revenue Code) with respect to the stock
26 of the same person to whom the premiums and costs were

1 directly or indirectly paid, incurred, or accrued. The
2 preceding sentence does not apply to the extent that
3 the same dividends caused a reduction to the addition
4 modification required under Section 203(c) (2) (G-12) or
5 Section 203(c) (2) (G-13) of this Act;

6 (G-15) An amount equal to the credit allowable to
7 the taxpayer under Section 218(a) of this Act,
8 determined without regard to Section 218(c) of this
9 Act;

10 and by deducting from the total so obtained the sum of the
11 following amounts:

12 (H) An amount equal to all amounts included in such
13 total pursuant to the provisions of Sections 402(a),
14 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
15 Internal Revenue Code or included in such total as
16 distributions under the provisions of any retirement
17 or disability plan for employees of any governmental
18 agency or unit, or retirement payments to retired
19 partners, which payments are excluded in computing net
20 earnings from self employment by Section 1402 of the
21 Internal Revenue Code and regulations adopted pursuant
22 thereto;

23 (I) The valuation limitation amount;

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

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

12 (L) With the exception of any amounts subtracted
13 under subparagraph (K), an amount equal to the sum of
14 all amounts disallowed as deductions by (i) Sections
15 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
16 and all amounts of expenses allocable to interest and
17 disallowed as deductions by Section 265(1) of the
18 Internal Revenue Code; and (ii) for taxable years
19 ending on or after August 13, 1999, Sections 171(a) (2),
20 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
21 Code, plus, (iii) for taxable years ending on or after
22 December 31, 2011, Section 45G(e) (3) of the Internal
23 Revenue Code and, for taxable years ending on or after
24 December 31, 2008, any amount included in gross income
25 under Section 87 of the Internal Revenue Code; the
26 provisions of this subparagraph are exempt from the

1 provisions of Section 250;

2 (M) An amount equal to those dividends included in
3 such total which were paid by a corporation which
4 conducts business operations in a River Edge
5 Redevelopment Zone or zones created under the River
6 Edge Redevelopment Zone Act and conducts substantially
7 all of its operations in a River Edge Redevelopment
8 Zone or zones. This subparagraph (M) is exempt from the
9 provisions of Section 250;

10 (N) An amount equal to any contribution made to a
11 job training project established pursuant to the Tax
12 Increment Allocation Redevelopment Act;

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

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

1 (Q) For taxable year 1999 and thereafter, an amount
2 equal to the amount of any (i) distributions, to the
3 extent includible in gross income for federal income
4 tax purposes, made to the taxpayer because of his or
5 her status as a victim of persecution for racial or
6 religious reasons by Nazi Germany or any other Axis
7 regime or as an heir of the victim and (ii) items of
8 income, to the extent includible in gross income for
9 federal income tax purposes, attributable to, derived
10 from or in any way related to assets stolen from,
11 hidden from, or otherwise lost to a victim of
12 persecution for racial or religious reasons by Nazi
13 Germany or any other Axis regime immediately prior to,
14 during, and immediately after World War II, including,
15 but not limited to, interest on the proceeds receivable
16 as insurance under policies issued to a victim of
17 persecution for racial or religious reasons by Nazi
18 Germany or any other Axis regime by European insurance
19 companies immediately prior to and during World War II;
20 provided, however, this subtraction from federal
21 adjusted gross income does not apply to assets acquired
22 with such assets or with the proceeds from the sale of
23 such assets; provided, further, this paragraph shall
24 only apply to a taxpayer who was the first recipient of
25 such assets after their recovery and who is a victim of
26 persecution for racial or religious reasons by Nazi

1 Germany or any other Axis regime or as an heir of the
2 victim. The amount of and the eligibility for any
3 public assistance, benefit, or similar entitlement is
4 not affected by the inclusion of items (i) and (ii) of
5 this paragraph in gross income for federal income tax
6 purposes. This paragraph is exempt from the provisions
7 of Section 250;

8 (R) For taxable years 2001 and thereafter, for the
9 taxable year in which the bonus depreciation deduction
10 is taken on the taxpayer's federal income tax return
11 under subsection (k) of Section 168 of the Internal
12 Revenue Code and for each applicable taxable year
13 thereafter, an amount equal to "x", where:

14 (1) "y" equals the amount of the depreciation
15 deduction taken for the taxable year on the
16 taxpayer's federal income tax return on property
17 for which the bonus depreciation deduction was
18 taken in any year under subsection (k) of Section
19 168 of the Internal Revenue Code, but not including
20 the bonus depreciation deduction;

21 (2) for taxable years ending on or before
22 December 31, 2005, "x" equals "y" multiplied by 30
23 and then divided by 70 (or "y" multiplied by
24 0.429); and

25 (3) for taxable years ending after December
26 31, 2005:

1 (i) for property on which a bonus
2 depreciation deduction of 30% of the adjusted
3 basis was taken, "x" equals "y" multiplied by
4 30 and then divided by 70 (or "y" multiplied by
5 0.429); and

6 (ii) for property on which a bonus
7 depreciation deduction of 50% of the adjusted
8 basis was taken, "x" equals "y" multiplied by
9 1.0.

10 The aggregate amount deducted under this
11 subparagraph in all taxable years for any one piece of
12 property may not exceed the amount of the bonus
13 depreciation deduction taken on that property on the
14 taxpayer's federal income tax return under subsection
15 (k) of Section 168 of the Internal Revenue Code. This
16 subparagraph (R) is exempt from the provisions of
17 Section 250;

18 (S) If the taxpayer sells, transfers, abandons, or
19 otherwise disposes of property for which the taxpayer
20 was required in any taxable year to make an addition
21 modification under subparagraph (G-10), then an amount
22 equal to that addition modification.

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

1 was required in any taxable year to make an addition
2 modification under subparagraph (G-10), then an amount
3 equal to that addition modification.

4 The taxpayer is allowed to take the deduction under
5 this subparagraph only once with respect to any one
6 piece of property.

7 This subparagraph (S) is exempt from the
8 provisions of Section 250;

9 (T) The amount of (i) any interest income (net of
10 the deductions allocable thereto) taken into account
11 for the taxable year with respect to a transaction with
12 a taxpayer that is required to make an addition
13 modification with respect to such transaction under
14 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
15 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
16 the amount of such addition modification and (ii) any
17 income from intangible property (net of the deductions
18 allocable thereto) taken into account for the taxable
19 year with respect to a transaction with a taxpayer that
20 is required to make an addition modification with
21 respect to such transaction under Section
22 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
23 203(d)(2)(D-8), but not to exceed the amount of such
24 addition modification. This subparagraph (T) is exempt
25 from the provisions of Section 250;

26 (U) An amount equal to the interest income taken

1 into account for the taxable year (net of the
2 deductions allocable thereto) with respect to
3 transactions with (i) a foreign person who would be a
4 member of the taxpayer's unitary business group but for
5 the fact the foreign person's business activity
6 outside the United States is 80% or more of that
7 person's total business activity and (ii) for taxable
8 years ending on or after December 31, 2008, to a person
9 who would be a member of the same unitary business
10 group but for the fact that the person is prohibited
11 under Section 1501(a)(27) from being included in the
12 unitary business group because he or she is ordinarily
13 required to apportion business income under different
14 subsections of Section 304, but not to exceed the
15 addition modification required to be made for the same
16 taxable year under Section 203(c)(2)(G-12) for
17 interest paid, accrued, or incurred, directly or
18 indirectly, to the same person. This subparagraph (U)
19 is exempt from the provisions of Section 250;

20 (V) An amount equal to the income from intangible
21 property taken into account for the taxable year (net
22 of the deductions allocable thereto) with respect to
23 transactions with (i) a foreign person who would be a
24 member of the taxpayer's unitary business group but for
25 the fact that the foreign person's business activity
26 outside the United States is 80% or more of that

1 person's total business activity and (ii) for taxable
2 years ending on or after December 31, 2008, to a person
3 who would be a member of the same unitary business
4 group but for the fact that the person is prohibited
5 under Section 1501(a)(27) from being included in the
6 unitary business group because he or she is ordinarily
7 required to apportion business income under different
8 subsections of Section 304, but not to exceed the
9 addition modification required to be made for the same
10 taxable year under Section 203(c)(2)(G-13) for
11 intangible expenses and costs paid, accrued, or
12 incurred, directly or indirectly, to the same foreign
13 person. This subparagraph (V) is exempt from the
14 provisions of Section 250;

15 (W) in the case of an estate, an amount equal to
16 all amounts included in such total pursuant to the
17 provisions of Section 111 of the Internal Revenue Code
18 as a recovery of items previously deducted by the
19 decedent from adjusted gross income in the computation
20 of taxable income. This subparagraph (W) is exempt from
21 Section 250;

22 (X) an amount equal to the refund included in such
23 total of any tax deducted for federal income tax
24 purposes, to the extent that deduction was added back
25 under subparagraph (F). This subparagraph (X) is
26 exempt from the provisions of Section 250; and

1 (Y) For taxable years ending on or after December
2 31, 2011, in the case of a taxpayer who was required to
3 add back any insurance premiums under Section
4 203(c)(2)(G-14), such taxpayer may elect to subtract
5 that part of a reimbursement received from the
6 insurance company equal to the amount of the expense or
7 loss (including expenses incurred by the insurance
8 company) that would have been taken into account as a
9 deduction for federal income tax purposes if the
10 expense or loss had been uninsured. If a taxpayer makes
11 the election provided for by this subparagraph (Y), the
12 insurer to which the premiums were paid must add back
13 to income the amount subtracted by the taxpayer
14 pursuant to this subparagraph (Y). This subparagraph
15 (Y) is exempt from the provisions of Section 250.

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

23 (d) Partnerships.

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

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

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

5 (A) An amount equal to all amounts paid or accrued
6 to the taxpayer as interest or dividends during the
7 taxable year to the extent excluded from gross income
8 in the computation of taxable income;

9 (B) An amount equal to the amount of tax imposed by
10 this Act to the extent deducted from gross income for
11 the taxable year;

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

15 (D) An amount equal to the amount of the capital
16 gain deduction allowable under the Internal Revenue
17 Code, to the extent deducted from gross income in the
18 computation of taxable income;

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

24 (D-6) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (D-5), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (O) with respect to that property.

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

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

15 (D-7) An amount equal to the amount otherwise
16 allowed as a deduction in computing base income for
17 interest paid, accrued, or incurred, directly or
18 indirectly, (i) for taxable years ending on or after
19 December 31, 2004, to a foreign person who would be a
20 member of the same unitary business group but for the
21 fact the foreign person's business activity outside
22 the United States is 80% or more of the foreign
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304. The addition modification
5 required by this subparagraph shall be reduced to the
6 extent that dividends were included in base income of
7 the unitary group for the same taxable year and
8 received by the taxpayer or by a member of the
9 taxpayer's unitary business group (including amounts
10 included in gross income pursuant to Sections 951
11 through 964 of the Internal Revenue Code and amounts
12 included in gross income under Section 78 of the
13 Internal Revenue Code) with respect to the stock of the
14 same person to whom the interest was paid, accrued, or
15 incurred.

16 This paragraph shall not apply to the following:

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

23 (ii) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a person if
25 the taxpayer can establish, based on a
26 preponderance of the evidence, both of the

1 following:

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

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

8 (D-8) An amount equal to the amount of intangible
9 expenses and costs otherwise allowed as a deduction in
10 computing base income, and that were paid, accrued, or
11 incurred, directly or indirectly, (i) for taxable
12 years ending on or after December 31, 2004, to a
13 foreign person who would be a member of the same
14 unitary business group but for the fact that the
15 foreign person's business activity outside the United
16 States is 80% or more of that person's total business
17 activity and (ii) for taxable years ending on or after
18 December 31, 2008, to a person who would be a member of
19 the same unitary business group but for the fact that
20 the person is prohibited under Section 1501(a)(27)
21 from being included in the unitary business group
22 because he or she is ordinarily required to apportion
23 business income under different subsections of Section
24 304. The addition modification required by this
25 subparagraph shall be reduced to the extent that
26 dividends were included in base income of the unitary

1 group for the same taxable year and received by the
2 taxpayer or by a member of the taxpayer's unitary
3 business group (including amounts included in gross
4 income pursuant to Sections 951 through 964 of the
5 Internal Revenue Code and amounts included in gross
6 income under Section 78 of the Internal Revenue Code)
7 with respect to the stock of the same person to whom
8 the intangible expenses and costs were directly or
9 indirectly paid, incurred or accrued. The preceding
10 sentence shall not apply to the extent that the same
11 dividends caused a reduction to the addition
12 modification required under Section 203(d)(2)(D-7) of
13 this Act. As used in this subparagraph, the term
14 "intangible expenses and costs" includes (1) expenses,
15 losses, and costs for, or related to, the direct or
16 indirect acquisition, use, maintenance or management,
17 ownership, sale, exchange, or any other disposition of
18 intangible property; (2) losses incurred, directly or
19 indirectly, from factoring transactions or discounting
20 transactions; (3) royalty, patent, technical, and
21 copyright fees; (4) licensing fees; and (5) other
22 similar expenses and costs. For purposes of this
23 subparagraph, "intangible property" includes patents,
24 patent applications, trade names, trademarks, service
25 marks, copyrights, mask works, trade secrets, and
26 similar types of intangible assets;

1 This paragraph shall not apply to the following:

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

9 (ii) any item of intangible expense or cost
10 paid, accrued, or incurred, directly or
11 indirectly, if the taxpayer can establish, based
12 on a preponderance of the evidence, both of the
13 following:

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

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

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

1 indirectly, from a transaction with a person if the
2 taxpayer establishes by clear and convincing
3 evidence, that the adjustments are unreasonable;
4 or if the taxpayer and the Director agree in
5 writing to the application or use of an alternative
6 method of apportionment under Section 304(f);

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

16 (D-9) For taxable years ending on or after December
17 31, 2008, an amount equal to the amount of insurance
18 premium expenses and costs otherwise allowed as a
19 deduction in computing base income, and that were paid,
20 accrued, or incurred, directly or indirectly, to a
21 person who would be a member of the same unitary
22 business group but for the fact that the person is
23 prohibited under Section 1501(a)(27) from being
24 included in the unitary business group because he or
25 she is ordinarily required to apportion business
26 income under different subsections of Section 304. The

1 addition modification required by this subparagraph
2 shall be reduced to the extent that dividends were
3 included in base income of the unitary group for the
4 same taxable year and received by the taxpayer or by a
5 member of the taxpayer's unitary business group
6 (including amounts included in gross income under
7 Sections 951 through 964 of the Internal Revenue Code
8 and amounts included in gross income under Section 78
9 of the Internal Revenue Code) with respect to the stock
10 of the same person to whom the premiums and costs were
11 directly or indirectly paid, incurred, or accrued. The
12 preceding sentence does not apply to the extent that
13 the same dividends caused a reduction to the addition
14 modification required under Section 203(d)(2)(D-7) or
15 Section 203(d)(2)(D-8) of this Act;

16 (D-10) An amount equal to the credit allowable to
17 the taxpayer under Section 218(a) of this Act,
18 determined without regard to Section 218(c) of this
19 Act;

20 and by deducting from the total so obtained the following
21 amounts:

22 (E) The valuation limitation amount;

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

26 (G) An amount equal to all amounts included in

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

10 (H) Any income of the partnership which
11 constitutes personal service income as defined in
12 Section 1348 (b) (1) of the Internal Revenue Code (as
13 in effect December 31, 1981) or a reasonable allowance
14 for compensation paid or accrued for services rendered
15 by partners to the partnership, whichever is greater;
16 this subparagraph (H) is exempt from the provisions of
17 Section 250;

18 (I) An amount equal to all amounts of income
19 distributable to an entity subject to the Personal
20 Property Tax Replacement Income Tax imposed by
21 subsections (c) and (d) of Section 201 of this Act
22 including amounts distributable to organizations
23 exempt from federal income tax by reason of Section
24 501(a) of the Internal Revenue Code; this subparagraph
25 (I) is exempt from the provisions of Section 250;

26 (J) With the exception of any amounts subtracted

1 under subparagraph (G), an amount equal to the sum of
2 all amounts disallowed as deductions by (i) Sections
3 171(a) (2), and 265(2) of the Internal Revenue Code,
4 and all amounts of expenses allocable to interest and
5 disallowed as deductions by Section 265(1) of the
6 Internal Revenue Code; and (ii) for taxable years
7 ending on or after August 13, 1999, Sections 171(a) (2),
8 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
9 Code, plus, (iii) for taxable years ending on or after
10 December 31, 2011, Section 45G(e) (3) of the Internal
11 Revenue Code and, for taxable years ending on or after
12 December 31, 2008, any amount included in gross income
13 under Section 87 of the Internal Revenue Code; the
14 provisions of this subparagraph are exempt from the
15 provisions of Section 250;

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

24 (L) An amount equal to any contribution made to a
25 job training project established pursuant to the Real
26 Property Tax Increment Allocation Redevelopment Act;

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

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

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

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

1 the bonus depreciation deduction;

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

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

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

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

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

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

1 was required in any taxable year to make an addition
2 modification under subparagraph (D-5), then an amount
3 equal to that addition modification.

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

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

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

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

1 is required to make an addition modification with
2 respect to such transaction under Section
3 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
4 203(d)(2)(D-8), but not to exceed the amount of such
5 addition modification. This subparagraph (Q) is exempt
6 from Section 250;

7 (R) An amount equal to the interest income taken
8 into account for the taxable year (net of the
9 deductions allocable thereto) with respect to
10 transactions with (i) a foreign person who would be a
11 member of the taxpayer's unitary business group but for
12 the fact that the foreign person's business activity
13 outside the United States is 80% or more of that
14 person's total business activity and (ii) for taxable
15 years ending on or after December 31, 2008, to a person
16 who would be a member of the same unitary business
17 group but for the fact that the person is prohibited
18 under Section 1501(a)(27) from being included in the
19 unitary business group because he or she is ordinarily
20 required to apportion business income under different
21 subsections of Section 304, but not to exceed the
22 addition modification required to be made for the same
23 taxable year under Section 203(d)(2)(D-7) for interest
24 paid, accrued, or incurred, directly or indirectly, to
25 the same person. This subparagraph (R) is exempt from
26 Section 250;

1 (S) An amount equal to the income from intangible
2 property taken into account for the taxable year (net
3 of the deductions allocable thereto) with respect to
4 transactions with (i) a foreign person who would be a
5 member of the taxpayer's unitary business group but for
6 the fact that the foreign person's business activity
7 outside the United States is 80% or more of that
8 person's total business activity and (ii) for taxable
9 years ending on or after December 31, 2008, to a person
10 who would be a member of the same unitary business
11 group but for the fact that the person is prohibited
12 under Section 1501(a) (27) from being included in the
13 unitary business group because he or she is ordinarily
14 required to apportion business income under different
15 subsections of Section 304, but not to exceed the
16 addition modification required to be made for the same
17 taxable year under Section 203(d) (2) (D-8) for
18 intangible expenses and costs paid, accrued, or
19 incurred, directly or indirectly, to the same person.
20 This subparagraph (S) is exempt from Section 250; and

21 (T) For taxable years ending on or after December
22 31, 2011, in the case of a taxpayer who was required to
23 add back any insurance premiums under Section
24 203(d) (2) (D-9), such taxpayer may elect to subtract
25 that part of a reimbursement received from the
26 insurance company equal to the amount of the expense or

1 loss (including expenses incurred by the insurance
2 company) that would have been taken into account as a
3 deduction for federal income tax purposes if the
4 expense or loss had been uninsured. If a taxpayer makes
5 the election provided for by this subparagraph (T), the
6 insurer to which the premiums were paid must add back
7 to income the amount subtracted by the taxpayer
8 pursuant to this subparagraph (T). This subparagraph
9 (T) is exempt from the provisions of Section 250.

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

11 (1) In general. Subject to the provisions of paragraph
12 (2) and subsection (b) (3), for purposes of this Section
13 and Section 803(e), a taxpayer's gross income, adjusted
14 gross income, or taxable income for the taxable year shall
15 mean the amount of gross income, adjusted gross income or
16 taxable income properly reportable for federal income tax
17 purposes for the taxable year under the provisions of the
18 Internal Revenue Code. Taxable income may be less than
19 zero. However, for taxable years ending on or after
20 December 31, 1986, net operating loss carryforwards from
21 taxable years ending prior to December 31, 1986, may not
22 exceed the sum of federal taxable income for the taxable
23 year before net operating loss deduction, plus the excess
24 of addition modifications over subtraction modifications
25 for the taxable year. For taxable years ending prior to

1 December 31, 1986, taxable income may never be an amount in
2 excess of the net operating loss for the taxable year as
3 defined in subsections (c) and (d) of Section 172 of the
4 Internal Revenue Code, provided that when taxable income of
5 a corporation (other than a Subchapter S corporation),
6 trust, or estate is less than zero and addition
7 modifications, other than those provided by subparagraph
8 (E) of paragraph (2) of subsection (b) for corporations or
9 subparagraph (E) of paragraph (2) of subsection (c) for
10 trusts and estates, exceed subtraction modifications, an
11 addition modification must be made under those
12 subparagraphs for any other taxable year to which the
13 taxable income less than zero (net operating loss) is
14 applied under Section 172 of the Internal Revenue Code or
15 under subparagraph (E) of paragraph (2) of this subsection
16 (e) applied in conjunction with Section 172 of the Internal
17 Revenue Code.

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

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

1 Internal Revenue Code;

2 (B) Certain other insurance companies. In the case
3 of mutual insurance companies subject to the tax
4 imposed by Section 831 of the Internal Revenue Code,
5 insurance company taxable income;

6 (C) Regulated investment companies. In the case of
7 a regulated investment company subject to the tax
8 imposed by Section 852 of the Internal Revenue Code,
9 investment company taxable income;

10 (D) Real estate investment trusts. In the case of a
11 real estate investment trust subject to the tax imposed
12 by Section 857 of the Internal Revenue Code, real
13 estate investment trust taxable income;

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

26 (F) Cooperatives. In the case of a cooperative

1 corporation or association, the taxable income of such
2 organization determined in accordance with the
3 provisions of Section 1381 through 1388 of the Internal
4 Revenue Code, but without regard to the prohibition
5 against offsetting losses from patronage activities
6 against income from nonpatronage activities; except
7 that a cooperative corporation or association may make
8 an election to follow its federal income tax treatment
9 of patronage losses and nonpatronage losses. In the
10 event such election is made, such losses shall be
11 computed and carried over in a manner consistent with
12 subsection (a) of Section 207 of this Act and
13 apportioned by the apportionment factor reported by
14 the cooperative on its Illinois income tax return filed
15 for the taxable year in which the losses are incurred.
16 The election shall be effective for all taxable years
17 with original returns due on or after the date of the
18 election. In addition, the cooperative may file an
19 amended return or returns, as allowed under this Act,
20 to provide that the election shall be effective for
21 losses incurred or carried forward for taxable years
22 occurring prior to the date of the election. Once made,
23 the election may only be revoked upon approval of the
24 Director. The Department shall adopt rules setting
25 forth requirements for documenting the elections and
26 any resulting Illinois net loss and the standards to be

1 used by the Director in evaluating requests to revoke
2 elections. Public Act 96-932 is declaratory of
3 existing law;

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

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

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

18 (f) Valuation limitation amount.

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

22 (A) The sum of the pre-August 1, 1969 appreciation
23 amounts (to the extent consisting of gain reportable
24 under the provisions of Section 1245 or 1250 of the
25 Internal Revenue Code) for all property in respect of

1 which such gain was reported for the taxable year; plus

2 (B) The lesser of (i) the sum of the pre-August 1,
3 1969 appreciation amounts (to the extent consisting of
4 capital gain) for all property in respect of which such
5 gain was reported for federal income tax purposes for
6 the taxable year, or (ii) the net capital gain for the
7 taxable year, reduced in either case by any amount of
8 such gain included in the amount determined under
9 subsection (a) (2) (F) or (c) (2) (H).

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

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

22 (B) If the fair market value of property referred
23 to in paragraph (1) was not readily ascertainable on
24 August 1, 1969, the pre-August 1, 1969 appreciation
25 amount for such property is that amount which bears the
26 same ratio to the total gain reported in respect of the

1 property for federal income tax purposes for the
2 taxable year, as the number of full calendar months in
3 that part of the taxpayer's holding period for the
4 property ending July 31, 1969 bears to the number of
5 full calendar months in the taxpayer's entire holding
6 period for the property.

7 (C) The Department shall prescribe such
8 regulations as may be necessary to carry out the
9 purposes of this paragraph.

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

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

22 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
23 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
24 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.

1 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
2 eff. 8-23-11; 97-905, eff. 8-7-12.)

3 Section 905. The School Code is amended by changing Section
4 18-8.05 as follows:

5 (105 ILCS 5/18-8.05)

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

9 (A) General Provisions.

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

1 district's Average Daily Attendance as that term is defined in
2 this Section.

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

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

15 (a) Any school district which fails for any given
16 school year to maintain school as required by law, or to
17 maintain a recognized school is not eligible to file for
18 such school year any claim upon the Common School Fund. In
19 case of nonrecognition of one or more attendance centers in
20 a school district otherwise operating recognized schools,
21 the claim of the district shall be reduced in the
22 proportion which the Average Daily Attendance in the
23 attendance center or centers bear to the Average Daily
24 Attendance in the school district. A "recognized school"
25 means any public school which meets the standards as
26 established for recognition by the State Board of

1 Education. A school district or attendance center not
2 having recognition status at the end of a school term is
3 entitled to receive State aid payments due upon a legal
4 claim which was filed while it was recognized.

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

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

13 (d) (Blank).

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

18 School districts are not required to exert a minimum
19 Operating Tax Rate in order to qualify for assistance under
20 this Section.

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

23 (a) "Average Daily Attendance": A count of pupil
24 attendance in school, averaged as provided for in
25 subsection (C) and utilized in deriving per pupil financial
26 support levels.

1 (b) "Available Local Resources": A computation of
2 local financial support, calculated on the basis of Average
3 Daily Attendance and derived as provided pursuant to
4 subsection (D).

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

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

14 (e) "Operating Tax Rate": All school district property
15 taxes extended for all purposes, except Bond and Interest,
16 Summer School, Rent, Capital Improvement, and Vocational
17 Education Building purposes.

18 (B) Foundation Level.

19 (1) The Foundation Level is a figure established by the
20 State representing the minimum level of per pupil financial
21 support that should be available to provide for the basic
22 education of each pupil in Average Daily Attendance. As set
23 forth in this Section, each school district is assumed to exert
24 a sufficient local taxing effort such that, in combination with
25 the aggregate of general State financial aid provided the

1 district, an aggregate of State and local resources are
2 available to meet the basic education needs of pupils in the
3 district.

4 (2) For the 1998-1999 school year, the Foundation Level of
5 support is \$4,225. For the 1999-2000 school year, the
6 Foundation Level of support is \$4,325. For the 2000-2001 school
7 year, the Foundation Level of support is \$4,425. For the
8 2001-2002 school year and 2002-2003 school year, the Foundation
9 Level of support is \$4,560. For the 2003-2004 school year, the
10 Foundation Level of support is \$4,810. For the 2004-2005 school
11 year, the Foundation Level of support is \$4,964. For the
12 2005-2006 school year, the Foundation Level of support is
13 \$5,164. For the 2006-2007 school year, the Foundation Level of
14 support is \$5,334. For the 2007-2008 school year, the
15 Foundation Level of support is \$5,734. For the 2008-2009 school
16 year, the Foundation Level of support is \$5,959.

17 (3) For the 2009-2010 school year and each school year
18 thereafter, the Foundation Level of support is \$6,119 or such
19 greater amount as may be established by law by the General
20 Assembly.

21 (C) Average Daily Attendance.

22 (1) For purposes of calculating general State aid pursuant
23 to subsection (E), an Average Daily Attendance figure shall be
24 utilized. The Average Daily Attendance figure for formula
25 calculation purposes shall be the monthly average of the actual

1 number of pupils in attendance of each school district, as
2 further averaged for the best 3 months of pupil attendance for
3 each school district. In compiling the figures for the number
4 of pupils in attendance, school districts and the State Board
5 of Education shall, for purposes of general State aid funding,
6 conform attendance figures to the requirements of subsection
7 (F).

8 (2) The Average Daily Attendance figures utilized in
9 subsection (E) shall be the requisite attendance data for the
10 school year immediately preceding the school year for which
11 general State aid is being calculated or the average of the
12 attendance data for the 3 preceding school years, whichever is
13 greater. The Average Daily Attendance figures utilized in
14 subsection (H) shall be the requisite attendance data for the
15 school year immediately preceding the school year for which
16 general State aid is being calculated.

17 (D) Available Local Resources.

18 (1) For purposes of calculating general State aid pursuant
19 to subsection (E), a representation of Available Local
20 Resources per pupil, as that term is defined and determined in
21 this subsection, shall be utilized. Available Local Resources
22 per pupil shall include a calculated dollar amount representing
23 local school district revenues from local property taxes and
24 from Corporate Personal Property Replacement Taxes, expressed
25 on the basis of pupils in Average Daily Attendance. Calculation

1 of Available Local Resources shall exclude any tax amnesty
2 funds received as a result of Public Act 93-26.

3 (2) In determining a school district's revenue from local
4 property taxes, the State Board of Education shall utilize the
5 equalized assessed valuation of all taxable property of each
6 school district as of September 30 of the previous year. The
7 equalized assessed valuation utilized shall be obtained and
8 determined as provided in subsection (G).

9 (3) For school districts maintaining grades kindergarten
10 through 12, local property tax revenues per pupil shall be
11 calculated as the product of the applicable equalized assessed
12 valuation for the district multiplied by 3.00%, and divided by
13 the district's Average Daily Attendance figure. For school
14 districts maintaining grades kindergarten through 8, local
15 property tax revenues per pupil shall be calculated as the
16 product of the applicable equalized assessed valuation for the
17 district multiplied by 2.30%, and divided by the district's
18 Average Daily Attendance figure. For school districts
19 maintaining grades 9 through 12, local property tax revenues
20 per pupil shall be the applicable equalized assessed valuation
21 of the district multiplied by 1.05%, and divided by the
22 district's Average Daily Attendance figure.

23 For partial elementary unit districts created pursuant to
24 Article 11E of this Code, local property tax revenues per pupil
25 shall be calculated as the product of the equalized assessed
26 valuation for property within the partial elementary unit

1 district for elementary purposes, as defined in Article 11E of
2 this Code, multiplied by 2.06% and divided by the district's
3 Average Daily Attendance figure, plus the product of the
4 equalized assessed valuation for property within the partial
5 elementary unit district for high school purposes, as defined
6 in Article 11E of this Code, multiplied by 0.94% and divided by
7 the district's Average Daily Attendance figure.

8 (4) The Corporate Personal Property Replacement Taxes paid
9 to each school district during the calendar year one year
10 before the calendar year in which a school year begins, divided
11 by the Average Daily Attendance figure for that district, shall
12 be added to the local property tax revenues per pupil as
13 derived by the application of the immediately preceding
14 paragraph (3). The sum of these per pupil figures for each
15 school district shall constitute Available Local Resources as
16 that term is utilized in subsection (E) in the calculation of
17 general State aid.

18 (E) Computation of General State Aid.

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

22 (2) For any school district for which Available Local
23 Resources per pupil is less than the product of 0.93 times the
24 Foundation Level, general State aid for that district shall be
25 calculated as an amount equal to the Foundation Level minus

1 Available Local Resources, multiplied by the Average Daily
2 Attendance of the school district.

3 (3) For any school district for which Available Local
4 Resources per pupil is equal to or greater than the product of
5 0.93 times the Foundation Level and less than the product of
6 1.75 times the Foundation Level, the general State aid per
7 pupil shall be a decimal proportion of the Foundation Level
8 derived using a linear algorithm. Under this linear algorithm,
9 the calculated general State aid per pupil shall decline in
10 direct linear fashion from 0.07 times the Foundation Level for
11 a school district with Available Local Resources equal to the
12 product of 0.93 times the Foundation Level, to 0.05 times the
13 Foundation Level for a school district with Available Local
14 Resources equal to the product of 1.75 times the Foundation
15 Level. The allocation of general State aid for school districts
16 subject to this paragraph 3 shall be the calculated general
17 State aid per pupil figure multiplied by the Average Daily
18 Attendance of the school district.

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

24 (5) The amount of general State aid allocated to a school
25 district for the 1999-2000 school year meeting the requirements
26 set forth in paragraph (4) of subsection (G) shall be increased

1 by an amount equal to the general State aid that would have
2 been received by the district for the 1998-1999 school year by
3 utilizing the Extension Limitation Equalized Assessed
4 Valuation as calculated in paragraph (4) of subsection (G) less
5 the general State aid allotted for the 1998-1999 school year.
6 This amount shall be deemed a one time increase, and shall not
7 affect any future general State aid allocations.

8 (F) Compilation of Average Daily Attendance.

9 (1) Each school district shall, by July 1 of each year,
10 submit to the State Board of Education, on forms prescribed by
11 the State Board of Education, attendance figures for the school
12 year that began in the preceding calendar year. The attendance
13 information so transmitted shall identify the average daily
14 attendance figures for each month of the school year. Beginning
15 with the general State aid claim form for the 2002-2003 school
16 year, districts shall calculate Average Daily Attendance as
17 provided in subdivisions (a), (b), and (c) of this paragraph
18 (1).

19 (a) In districts that do not hold year-round classes,
20 days of attendance in August shall be added to the month of
21 September and any days of attendance in June shall be added
22 to the month of May.

23 (b) In districts in which all buildings hold year-round
24 classes, days of attendance in July and August shall be
25 added to the month of September and any days of attendance

1 in June shall be added to the month of May.

2 (c) In districts in which some buildings, but not all,
3 hold year-round classes, for the non-year-round buildings,
4 days of attendance in August shall be added to the month of
5 September and any days of attendance in June shall be added
6 to the month of May. The average daily attendance for the
7 year-round buildings shall be computed as provided in
8 subdivision (b) of this paragraph (1). To calculate the
9 Average Daily Attendance for the district, the average
10 daily attendance for the year-round buildings shall be
11 multiplied by the days in session for the non-year-round
12 buildings for each month and added to the monthly
13 attendance of the non-year-round buildings.

14 Except as otherwise provided in this Section, days of
15 attendance by pupils shall be counted only for sessions of not
16 less than 5 clock hours of school work per day under direct
17 supervision of: (i) teachers, or (ii) non-teaching personnel or
18 volunteer personnel when engaging in non-teaching duties and
19 supervising in those instances specified in subsection (a) of
20 Section 10-22.34 and paragraph 10 of Section 34-18, with pupils
21 of legal school age and in kindergarten and grades 1 through
22 12.

23 Days of attendance by tuition pupils shall be accredited
24 only to the districts that pay the tuition to a recognized
25 school.

26 (2) Days of attendance by pupils of less than 5 clock hours

1 of school shall be subject to the following provisions in the
2 compilation of Average Daily Attendance.

3 (a) Pupils regularly enrolled in a public school for
4 only a part of the school day may be counted on the basis
5 of 1/6 day for every class hour of instruction of 40
6 minutes or more attended pursuant to such enrollment,
7 unless a pupil is enrolled in a block-schedule format of 80
8 minutes or more of instruction, in which case the pupil may
9 be counted on the basis of the proportion of minutes of
10 school work completed each day to the minimum number of
11 minutes that school work is required to be held that day.

12 (b) (Blank).

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

18 (d) A session of 3 or more clock hours may be counted
19 as a day of attendance (1) when the remainder of the school
20 day or at least 2 hours in the evening of that day is
21 utilized for an in-service training program for teachers,
22 up to a maximum of 5 days per school year, provided a
23 district conducts an in-service training program for
24 teachers in accordance with Section 10-22.39 of this Code;
25 or, in lieu of 4 such days, 2 full days may be used, in
26 which event each such day may be counted as a day required

1 for a legal school calendar pursuant to Section 10-19 of
2 this Code; (1.5) when, of the 5 days allowed under item
3 (1), a maximum of 4 days are used for parent-teacher
4 conferences, or, in lieu of 4 such days, 2 full days are
5 used, in which case each such day may be counted as a
6 calendar day required under Section 10-19 of this Code,
7 provided that the full-day, parent-teacher conference
8 consists of (i) a minimum of 5 clock hours of
9 parent-teacher conferences, (ii) both a minimum of 2 clock
10 hours of parent-teacher conferences held in the evening
11 following a full day of student attendance, as specified in
12 subsection (F)(1)(c), and a minimum of 3 clock hours of
13 parent-teacher conferences held on the day immediately
14 following evening parent-teacher conferences, or (iii)
15 multiple parent-teacher conferences held in the evenings
16 following full days of student attendance, as specified in
17 subsection (F)(1)(c), in which the time used for the
18 parent-teacher conferences is equivalent to a minimum of 5
19 clock hours; and (2) when days in addition to those
20 provided in items (1) and (1.5) are scheduled by a school
21 pursuant to its school improvement plan adopted under
22 Article 34 or its revised or amended school improvement
23 plan adopted under Article 2, provided that (i) such
24 sessions of 3 or more clock hours are scheduled to occur at
25 regular intervals, (ii) the remainder of the school days in
26 which such sessions occur are utilized for in-service

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

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

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

25 (g) For children with disabilities who are below the
26 age of 6 years and who cannot attend 2 or more clock hours

1 because of their disability or immaturity, a session of not
2 less than one clock hour may be counted as 1/2 day of
3 attendance; however for such children whose educational
4 needs so require a session of 4 or more clock hours may be
5 counted as a full day of attendance.

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

23 (i) On the days when the assessment that includes a
24 college and career ready determination is administered
25 under subsection (c) of Section 2-3.64a-5 of this Code, the
26 day of attendance for a pupil whose school day must be

1 shortened to accommodate required testing procedures may
2 be less than 5 clock hours and shall be counted towards the
3 176 days of actual pupil attendance required under Section
4 10-19 of this Code, provided that a sufficient number of
5 minutes of school work in excess of 5 clock hours are first
6 completed on other school days to compensate for the loss
7 of school work on the examination days.

8 (j) Pupils enrolled in a remote educational program
9 established under Section 10-29 of this Code may be counted
10 on the basis of one-fifth day of attendance for every clock
11 hour of instruction attended in the remote educational
12 program, provided that, in any month, the school district
13 may not claim for a student enrolled in a remote
14 educational program more days of attendance than the
15 maximum number of days of attendance the district can claim

16 (i) for students enrolled in a building holding year-round
17 classes if the student is classified as participating in
18 the remote educational program on a year-round schedule or

19 (ii) for students enrolled in a building not holding
20 year-round classes if the student is not classified as
21 participating in the remote educational program on a
22 year-round schedule.

23 (G) Equalized Assessed Valuation Data.

24 (1) For purposes of the calculation of Available Local
25 Resources required pursuant to subsection (D), the State Board

1 of Education shall secure from the Department of Revenue the
2 value as equalized or assessed by the Department of Revenue of
3 all taxable property of every school district, together with
4 (i) the applicable tax rate used in extending taxes for the
5 funds of the district as of September 30 of the previous year
6 and (ii) the limiting rate for all school districts subject to
7 property tax extension limitations as imposed under the
8 Property Tax Extension Limitation Law.

9 The Department of Revenue shall add to the equalized
10 assessed value of all taxable property of each school district
11 situated entirely or partially within a county that is or was
12 subject to the provisions of Section 15-176 or 15-177 of the
13 Property Tax Code (a) an amount equal to the total amount by
14 which the homestead exemption allowed under Section 15-176 or
15 15-177 of the Property Tax Code for real property situated in
16 that school district exceeds the total amount that would have
17 been allowed in that school district if the maximum reduction
18 under Section 15-176 was (i) \$4,500 in Cook County or \$3,500 in
19 all other counties in tax year 2003 or (ii) \$5,000 in all
20 counties in tax year 2004 and thereafter and (b) an amount
21 equal to the aggregate amount for the taxable year of all
22 additional exemptions under Section 15-175 of the Property Tax
23 Code for owners with a household income of \$30,000 or less. The
24 county clerk of any county that is or was subject to the
25 provisions of Section 15-176 or 15-177 of the Property Tax Code
26 shall annually calculate and certify to the Department of

1 Revenue for each school district all homestead exemption
2 amounts under Section 15-176 or 15-177 of the Property Tax Code
3 and all amounts of additional exemptions under Section 15-175
4 of the Property Tax Code for owners with a household income of
5 \$30,000 or less. It is the intent of this paragraph that if the
6 general homestead exemption for a parcel of property is
7 determined under Section 15-176 or 15-177 of the Property Tax
8 Code rather than Section 15-175, then the calculation of
9 Available Local Resources shall not be affected by the
10 difference, if any, between the amount of the general homestead
11 exemption allowed for that parcel of property under Section
12 15-176 or 15-177 of the Property Tax Code and the amount that
13 would have been allowed had the general homestead exemption for
14 that parcel of property been determined under Section 15-175 of
15 the Property Tax Code. It is further the intent of this
16 paragraph that if additional exemptions are allowed under
17 Section 15-175 of the Property Tax Code for owners with a
18 household income of less than \$30,000, then the calculation of
19 Available Local Resources shall not be affected by the
20 difference, if any, because of those additional exemptions.

21 This equalized assessed valuation, as adjusted further by
22 the requirements of this subsection, shall be utilized in the
23 calculation of Available Local Resources.

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

26 (a) For the purposes of calculating State aid under

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

23 (b) The real property equalized assessed valuation for
24 a school district shall be adjusted by subtracting from the
25 real property value as equalized or assessed by the
26 Department of Revenue for the district an amount computed

1 by dividing the amount of any abatement of taxes under
2 Section 18-170 of the Property Tax Code by 3.00% for a
3 district maintaining grades kindergarten through 12, by
4 2.30% for a district maintaining grades kindergarten
5 through 8, or by 1.05% for a district maintaining grades 9
6 through 12 and adjusted by an amount computed by dividing
7 the amount of any abatement of taxes under subsection (a)
8 of Section 18-165 of the Property Tax Code by the same
9 percentage rates for district type as specified in this
10 subparagraph (b).

11 (3) For the 1999-2000 school year and each school year
12 thereafter, if a school district meets all of the criteria of
13 this subsection (G) (3), the school district's Available Local
14 Resources shall be calculated under subsection (D) using the
15 district's Extension Limitation Equalized Assessed Valuation
16 as calculated under this subsection (G) (3).

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

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

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

23 "Preceding Tax Year": The property tax levy year
24 immediately preceding the Base Tax Year.

25 "Base Tax Year's Tax Extension": The product of the
26 equalized assessed valuation utilized by the County Clerk

1 in the Base Tax Year multiplied by the limiting rate as
2 calculated by the County Clerk and defined in the Property
3 Tax Extension Limitation Law.

4 "Preceding Tax Year's Tax Extension": The product of
5 the equalized assessed valuation utilized by the County
6 Clerk in the Preceding Tax Year multiplied by the Operating
7 Tax Rate as defined in subsection (A).

8 "Extension Limitation Ratio": A numerical ratio,
9 certified by the County Clerk, in which the numerator is
10 the Base Tax Year's Tax Extension and the denominator is
11 the Preceding Tax Year's Tax Extension.

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

14 If a school district is subject to property tax extension
15 limitations as imposed under the Property Tax Extension
16 Limitation Law, the State Board of Education shall calculate
17 the Extension Limitation Equalized Assessed Valuation of that
18 district. For the 1999-2000 school year, the Extension
19 Limitation Equalized Assessed Valuation of a school district as
20 calculated by the State Board of Education shall be equal to
21 the product of the district's 1996 Equalized Assessed Valuation
22 and the district's Extension Limitation Ratio. Except as
23 otherwise provided in this paragraph for a school district that
24 has approved or does approve an increase in its limiting rate,
25 for the 2000-2001 school year and each school year thereafter,
26 the Extension Limitation Equalized Assessed Valuation of a

1 school district as calculated by the State Board of Education
2 shall be equal to the product of the Equalized Assessed
3 Valuation last used in the calculation of general State aid and
4 the district's Extension Limitation Ratio. If the Extension
5 Limitation Equalized Assessed Valuation of a school district as
6 calculated under this subsection (G)(3) is less than the
7 district's equalized assessed valuation as calculated pursuant
8 to subsections (G)(1) and (G)(2), then for purposes of
9 calculating the district's general State aid for the Budget
10 Year pursuant to subsection (E), that Extension Limitation
11 Equalized Assessed Valuation shall be utilized to calculate the
12 district's Available Local Resources under subsection (D). For
13 the 2009-2010 school year and each school year thereafter, if a
14 school district has approved or does approve an increase in its
15 limiting rate, pursuant to Section 18-190 of the Property Tax
16 Code, affecting the Base Tax Year, the Extension Limitation
17 Equalized Assessed Valuation of the school district, as
18 calculated by the State Board of Education, shall be equal to
19 the product of the Equalized Assessed Valuation last used in
20 the calculation of general State aid times an amount equal to
21 one plus the percentage increase, if any, in the Consumer Price
22 Index for all Urban Consumers for all items published by the
23 United States Department of Labor for the 12-month calendar
24 year preceding the Base Tax Year, plus the Equalized Assessed
25 Valuation of new property, annexed property, and recovered tax
26 increment value and minus the Equalized Assessed Valuation of

1 disconnected property. New property and recovered tax
2 increment value shall have the meanings set forth in the
3 Property Tax Extension Limitation Law.

4 Partial elementary unit districts created in accordance
5 with Article 11E of this Code shall not be eligible for the
6 adjustment in this subsection (G)(3) until the fifth year
7 following the effective date of the reorganization.

8 (3.5) For the 2010-2011 school year and each school year
9 thereafter, if a school district's boundaries span multiple
10 counties, then the Department of Revenue shall send to the
11 State Board of Education, for the purpose of calculating
12 general State aid, the limiting rate and individual rates by
13 purpose for the county that contains the majority of the school
14 district's Equalized Assessed Valuation.

15 (4) For the purposes of calculating general State aid for
16 the 1999-2000 school year only, if a school district
17 experienced a triennial reassessment on the equalized assessed
18 valuation used in calculating its general State financial aid
19 apportionment for the 1998-1999 school year, the State Board of
20 Education shall calculate the Extension Limitation Equalized
21 Assessed Valuation that would have been used to calculate the
22 district's 1998-1999 general State aid. This amount shall equal
23 the product of the equalized assessed valuation used to
24 calculate general State aid for the 1997-1998 school year and
25 the district's Extension Limitation Ratio. If the Extension
26 Limitation Equalized Assessed Valuation of the school district

1 as calculated under this paragraph (4) is less than the
2 district's equalized assessed valuation utilized in
3 calculating the district's 1998-1999 general State aid
4 allocation, then for purposes of calculating the district's
5 general State aid pursuant to paragraph (5) of subsection (E),
6 that Extension Limitation Equalized Assessed Valuation shall
7 be utilized to calculate the district's Available Local
8 Resources.

9 (5) For school districts having a majority of their
10 equalized assessed valuation in any county except Cook, DuPage,
11 Kane, Lake, McHenry, or Will, if the amount of general State
12 aid allocated to the school district for the 1999-2000 school
13 year under the provisions of subsection (E), (H), and (J) of
14 this Section is less than the amount of general State aid
15 allocated to the district for the 1998-1999 school year under
16 these subsections, then the general State aid of the district
17 for the 1999-2000 school year only shall be increased by the
18 difference between these amounts. The total payments made under
19 this paragraph (5) shall not exceed \$14,000,000. Claims shall
20 be prorated if they exceed \$14,000,000.

21 (H) Supplemental General State Aid.

22 (1) In addition to the general State aid a school district
23 is allotted pursuant to subsection (E), qualifying school
24 districts shall receive a grant, paid in conjunction with a
25 district's payments of general State aid, for supplemental

1 general State aid based upon the concentration level of
2 children from low-income households within the school
3 district. Supplemental State aid grants provided for school
4 districts under this subsection shall be appropriated for
5 distribution to school districts as part of the same line item
6 in which the general State financial aid of school districts is
7 appropriated under this Section.

8 (1.5) This paragraph (1.5) applies only to those school
9 years preceding the 2003-2004 school year. For purposes of this
10 subsection (H), the term "Low-Income Concentration Level"
11 shall be the low-income eligible pupil count from the most
12 recently available federal census divided by the Average Daily
13 Attendance of the school district. If, however, (i) the
14 percentage decrease from the 2 most recent federal censuses in
15 the low-income eligible pupil count of a high school district
16 with fewer than 400 students exceeds by 75% or more the
17 percentage change in the total low-income eligible pupil count
18 of contiguous elementary school districts, whose boundaries
19 are coterminous with the high school district, or (ii) a high
20 school district within 2 counties and serving 5 elementary
21 school districts, whose boundaries are coterminous with the
22 high school district, has a percentage decrease from the 2 most
23 recent federal censuses in the low-income eligible pupil count
24 and there is a percentage increase in the total low-income
25 eligible pupil count of a majority of the elementary school
26 districts in excess of 50% from the 2 most recent federal

1 censuses, then the high school district's low-income eligible
2 pupil count from the earlier federal census shall be the number
3 used as the low-income eligible pupil count for the high school
4 district, for purposes of this subsection (H). The changes made
5 to this paragraph (1) by Public Act 92-28 shall apply to
6 supplemental general State aid grants for school years
7 preceding the 2003-2004 school year that are paid in fiscal
8 year 1999 or thereafter and to any State aid payments made in
9 fiscal year 1994 through fiscal year 1998 pursuant to
10 subsection 1(n) of Section 18-8 of this Code (which was
11 repealed on July 1, 1998), and any high school district that is
12 affected by Public Act 92-28 is entitled to a recomputation of
13 its supplemental general State aid grant or State aid paid in
14 any of those fiscal years. This recomputation shall not be
15 affected by any other funding.

16 (1.10) This paragraph (1.10) applies to the 2003-2004
17 school year and each school year thereafter. For purposes of
18 this subsection (H), the term "Low-Income Concentration Level"
19 shall, for each fiscal year, be the low-income eligible pupil
20 count as of July 1 of the immediately preceding fiscal year (as
21 determined by the Department of Human Services based on the
22 number of pupils who are eligible for at least one of the
23 following low income programs: Medicaid, the Children's Health
24 Insurance Program, TANF, or Food Stamps, excluding pupils who
25 are eligible for services provided by the Department of
26 Children and Family Services, averaged over the 2 immediately

1 preceding fiscal years for fiscal year 2004 and over the 3
2 immediately preceding fiscal years for each fiscal year
3 thereafter) divided by the Average Daily Attendance of the
4 school district.

5 (2) Supplemental general State aid pursuant to this
6 subsection (H) shall be provided as follows for the 1998-1999,
7 1999-2000, and 2000-2001 school years only:

8 (a) For any school district with a Low Income
9 Concentration Level of at least 20% and less than 35%, the
10 grant for any school year shall be \$800 multiplied by the
11 low income eligible pupil count.

12 (b) For any school district with a Low Income
13 Concentration Level of at least 35% and less than 50%, the
14 grant for the 1998-1999 school year shall be \$1,100
15 multiplied by the low income eligible pupil count.

16 (c) For any school district with a Low Income
17 Concentration Level of at least 50% and less than 60%, the
18 grant for the 1998-99 school year shall be \$1,500
19 multiplied by the low income eligible pupil count.

20 (d) For any school district with a Low Income
21 Concentration Level of 60% or more, the grant for the
22 1998-99 school year shall be \$1,900 multiplied by the low
23 income eligible pupil count.

24 (e) For the 1999-2000 school year, the per pupil amount
25 specified in subparagraphs (b), (c), and (d) immediately
26 above shall be increased to \$1,243, \$1,600, and \$2,000,

1 respectively.

2 (f) For the 2000-2001 school year, the per pupil
3 amounts specified in subparagraphs (b), (c), and (d)
4 immediately above shall be \$1,273, \$1,640, and \$2,050,
5 respectively.

6 (2.5) Supplemental general State aid pursuant to this
7 subsection (H) shall be provided as follows for the 2002-2003
8 school year:

9 (a) For any school district with a Low Income
10 Concentration Level of less than 10%, the grant for each
11 school year shall be \$355 multiplied by the low income
12 eligible pupil count.

13 (b) For any school district with a Low Income
14 Concentration Level of at least 10% and less than 20%, the
15 grant for each school year shall be \$675 multiplied by the
16 low income eligible pupil count.

17 (c) For any school district with a Low Income
18 Concentration Level of at least 20% and less than 35%, the
19 grant for each school year shall be \$1,330 multiplied by
20 the low income eligible pupil count.

21 (d) For any school district with a Low Income
22 Concentration Level of at least 35% and less than 50%, the
23 grant for each school year shall be \$1,362 multiplied by
24 the low income eligible pupil count.

25 (e) For any school district with a Low Income
26 Concentration Level of at least 50% and less than 60%, the

1 grant for each school year shall be \$1,680 multiplied by
2 the low income eligible pupil count.

3 (f) For any school district with a Low Income
4 Concentration Level of 60% or more, the grant for each
5 school year shall be \$2,080 multiplied by the low income
6 eligible pupil count.

7 (2.10) Except as otherwise provided, supplemental general
8 State aid pursuant to this subsection (H) shall be provided as
9 follows for the 2003-2004 school year and each school year
10 thereafter:

11 (a) For any school district with a Low Income
12 Concentration Level of 15% or less, the grant for each
13 school year shall be \$355 multiplied by the low income
14 eligible pupil count.

15 (b) For any school district with a Low Income
16 Concentration Level greater than 15%, the grant for each
17 school year shall be \$294.25 added to the product of \$2,700
18 and the square of the Low Income Concentration Level, all
19 multiplied by the low income eligible pupil count.

20 For the 2003-2004 school year and each school year
21 thereafter through the 2008-2009 school year only, the grant
22 shall be no less than the grant for the 2002-2003 school year.
23 For the 2009-2010 school year only, the grant shall be no less
24 than the grant for the 2002-2003 school year multiplied by
25 0.66. For the 2010-2011 school year only, the grant shall be no
26 less than the grant for the 2002-2003 school year multiplied by

1 0.33. Notwithstanding the provisions of this paragraph to the
2 contrary, if for any school year supplemental general State aid
3 grants are prorated as provided in paragraph (1) of this
4 subsection (H), then the grants under this paragraph shall be
5 prorated.

6 For the 2003-2004 school year only, the grant shall be no
7 greater than the grant received during the 2002-2003 school
8 year added to the product of 0.25 multiplied by the difference
9 between the grant amount calculated under subsection (a) or (b)
10 of this paragraph (2.10), whichever is applicable, and the
11 grant received during the 2002-2003 school year. For the
12 2004-2005 school year only, the grant shall be no greater than
13 the grant received during the 2002-2003 school year added to
14 the product of 0.50 multiplied by the difference between the
15 grant amount calculated under subsection (a) or (b) of this
16 paragraph (2.10), whichever is applicable, and the grant
17 received during the 2002-2003 school year. For the 2005-2006
18 school year only, the grant shall be no greater than the grant
19 received during the 2002-2003 school year added to the product
20 of 0.75 multiplied by the difference between the grant amount
21 calculated under subsection (a) or (b) of this paragraph
22 (2.10), whichever is applicable, and the grant received during
23 the 2002-2003 school year.

24 (3) School districts with an Average Daily Attendance of
25 more than 1,000 and less than 50,000 that qualify for
26 supplemental general State aid pursuant to this subsection

1 shall submit a plan to the State Board of Education prior to
2 October 30 of each year for the use of the funds resulting from
3 this grant of supplemental general State aid for the
4 improvement of instruction in which priority is given to
5 meeting the education needs of disadvantaged children. Such
6 plan shall be submitted in accordance with rules and
7 regulations promulgated by the State Board of Education.

8 (4) School districts with an Average Daily Attendance of
9 50,000 or more that qualify for supplemental general State aid
10 pursuant to this subsection shall be required to distribute
11 from funds available pursuant to this Section, no less than
12 \$261,000,000 in accordance with the following requirements:

13 (a) The required amounts shall be distributed to the
14 attendance centers within the district in proportion to the
15 number of pupils enrolled at each attendance center who are
16 eligible to receive free or reduced-price lunches or
17 breakfasts under the federal Child Nutrition Act of 1966
18 and under the National School Lunch Act during the
19 immediately preceding school year.

20 (b) The distribution of these portions of supplemental
21 and general State aid among attendance centers according to
22 these requirements shall not be compensated for or
23 contravened by adjustments of the total of other funds
24 appropriated to any attendance centers, and the Board of
25 Education shall utilize funding from one or several sources
26 in order to fully implement this provision annually prior

1 to the opening of school.

2 (c) Each attendance center shall be provided by the
3 school district a distribution of noncategorical funds and
4 other categorical funds to which an attendance center is
5 entitled under law in order that the general State aid and
6 supplemental general State aid provided by application of
7 this subsection supplements rather than supplants the
8 noncategorical funds and other categorical funds provided
9 by the school district to the attendance centers.

10 (d) Any funds made available under this subsection that
11 by reason of the provisions of this subsection are not
12 required to be allocated and provided to attendance centers
13 may be used and appropriated by the board of the district
14 for any lawful school purpose.

15 (e) Funds received by an attendance center pursuant to
16 this subsection shall be used by the attendance center at
17 the discretion of the principal and local school council
18 for programs to improve educational opportunities at
19 qualifying schools through the following programs and
20 services: early childhood education, reduced class size or
21 improved adult to student classroom ratio, enrichment
22 programs, remedial assistance, attendance improvement, and
23 other educationally beneficial expenditures which
24 supplement the regular and basic programs as determined by
25 the State Board of Education. Funds provided shall not be
26 expended for any political or lobbying purposes as defined

1 by board rule.

2 (f) Each district subject to the provisions of this
3 subdivision (H) (4) shall submit an acceptable plan to meet
4 the educational needs of disadvantaged children, in
5 compliance with the requirements of this paragraph, to the
6 State Board of Education prior to July 15 of each year.
7 This plan shall be consistent with the decisions of local
8 school councils concerning the school expenditure plans
9 developed in accordance with part 4 of Section 34-2.3. The
10 State Board shall approve or reject the plan within 60 days
11 after its submission. If the plan is rejected, the district
12 shall give written notice of intent to modify the plan
13 within 15 days of the notification of rejection and then
14 submit a modified plan within 30 days after the date of the
15 written notice of intent to modify. Districts may amend
16 approved plans pursuant to rules promulgated by the State
17 Board of Education.

18 Upon notification by the State Board of Education that
19 the district has not submitted a plan prior to July 15 or a
20 modified plan within the time period specified herein, the
21 State aid funds affected by that plan or modified plan
22 shall be withheld by the State Board of Education until a
23 plan or modified plan is submitted.

24 If the district fails to distribute State aid to
25 attendance centers in accordance with an approved plan, the
26 plan for the following year shall allocate funds, in

1 addition to the funds otherwise required by this
2 subsection, to those attendance centers which were
3 underfunded during the previous year in amounts equal to
4 such underfunding.

5 For purposes of determining compliance with this
6 subsection in relation to the requirements of attendance
7 center funding, each district subject to the provisions of
8 this subsection shall submit as a separate document by
9 December 1 of each year a report of expenditure data for
10 the prior year in addition to any modification of its
11 current plan. If it is determined that there has been a
12 failure to comply with the expenditure provisions of this
13 subsection regarding contravention or supplanting, the
14 State Superintendent of Education shall, within 60 days of
15 receipt of the report, notify the district and any affected
16 local school council. The district shall within 45 days of
17 receipt of that notification inform the State
18 Superintendent of Education of the remedial or corrective
19 action to be taken, whether by amendment of the current
20 plan, if feasible, or by adjustment in the plan for the
21 following year. Failure to provide the expenditure report
22 or the notification of remedial or corrective action in a
23 timely manner shall result in a withholding of the affected
24 funds.

25 The State Board of Education shall promulgate rules and
26 regulations to implement the provisions of this

1 subsection. No funds shall be released under this
2 subdivision (H) (4) to any district that has not submitted a
3 plan that has been approved by the State Board of
4 Education.

5 (H-5) School Choice Program Adjustments.

6 (1) Funding for City of Chicago School District 299 shall
7 be adjusted to account for the costs of the School Choice
8 Program established under the School Choice Act.

9 (2) Beginning in Fiscal Year 2016 and each fiscal year
10 thereafter, the total cost of School Choice Vouchers issued
11 under the School Choice Act shall be deducted from the portion
12 of general State aid City of Chicago School District 299
13 receives under this Section for that fiscal year.

14 (3) Beginning in Fiscal Year 2017, there shall be an
15 adjustment to the general State aid calculation for City of
16 Chicago School District 299 to provide funding for the School
17 Choice Program established under the School Choice Act. The
18 adjustment shall be (i) \$3,700 if the students enrolled in
19 nonpublic schools under a School Choice Voucher had been
20 enrolled in the district, less (ii) \$3,700 excluding students
21 enrolled in non-public schools under a School Choice Voucher.

22 (I) (Blank).

23 (J) (Blank).

1 (K) Grants to Laboratory and Alternative Schools.

2 In calculating the amount to be paid to the governing board
3 of a public university that operates a laboratory school under
4 this Section or to any alternative school that is operated by a
5 regional superintendent of schools, the State Board of
6 Education shall require by rule such reporting requirements as
7 it deems necessary.

8 As used in this Section, "laboratory school" means a public
9 school which is created and operated by a public university and
10 approved by the State Board of Education. The governing board
11 of a public university which receives funds from the State
12 Board under this subsection (K) may not increase the number of
13 students enrolled in its laboratory school from a single
14 district, if that district is already sending 50 or more
15 students, except under a mutual agreement between the school
16 board of a student's district of residence and the university
17 which operates the laboratory school. A laboratory school may
18 not have more than 1,000 students, excluding students with
19 disabilities in a special education program.

20 As used in this Section, "alternative school" means a
21 public school which is created and operated by a Regional
22 Superintendent of Schools and approved by the State Board of
23 Education. Such alternative schools may offer courses of
24 instruction for which credit is given in regular school
25 programs, courses to prepare students for the high school

1 equivalency testing program or vocational and occupational
2 training. A regional superintendent of schools may contract
3 with a school district or a public community college district
4 to operate an alternative school. An alternative school serving
5 more than one educational service region may be established by
6 the regional superintendents of schools of the affected
7 educational service regions. An alternative school serving
8 more than one educational service region may be operated under
9 such terms as the regional superintendents of schools of those
10 educational service regions may agree.

11 Each laboratory and alternative school shall file, on forms
12 provided by the State Superintendent of Education, an annual
13 State aid claim which states the Average Daily Attendance of
14 the school's students by month. The best 3 months' Average
15 Daily Attendance shall be computed for each school. The general
16 State aid entitlement shall be computed by multiplying the
17 applicable Average Daily Attendance by the Foundation Level as
18 determined under this Section.

19 (L) Payments, Additional Grants in Aid and Other Requirements.

20 (1) For a school district operating under the financial
21 supervision of an Authority created under Article 34A, the
22 general State aid otherwise payable to that district under this
23 Section, but not the supplemental general State aid, shall be
24 reduced by an amount equal to the budget for the operations of
25 the Authority as certified by the Authority to the State Board

1 of Education, and an amount equal to such reduction shall be
2 paid to the Authority created for such district for its
3 operating expenses in the manner provided in Section 18-11. The
4 remainder of general State school aid for any such district
5 shall be paid in accordance with Article 34A when that Article
6 provides for a disposition other than that provided by this
7 Article.

8 (2) (Blank).

9 (3) Summer school. Summer school payments shall be made as
10 provided in Section 18-4.3.

11 (M) Education Funding Advisory Board.

12 The Education Funding Advisory Board, hereinafter in this
13 subsection (M) referred to as the "Board", is hereby created.
14 The Board shall consist of 5 members who are appointed by the
15 Governor, by and with the advice and consent of the Senate. The
16 members appointed shall include representatives of education,
17 business, and the general public. One of the members so
18 appointed shall be designated by the Governor at the time the
19 appointment is made as the chairperson of the Board. The
20 initial members of the Board may be appointed any time after
21 the effective date of this amendatory Act of 1997. The regular
22 term of each member of the Board shall be for 4 years from the
23 third Monday of January of the year in which the term of the
24 member's appointment is to commence, except that of the 5
25 initial members appointed to serve on the Board, the member who

1 is appointed as the chairperson shall serve for a term that
2 commences on the date of his or her appointment and expires on
3 the third Monday of January, 2002, and the remaining 4 members,
4 by lots drawn at the first meeting of the Board that is held
5 after all 5 members are appointed, shall determine 2 of their
6 number to serve for terms that commence on the date of their
7 respective appointments and expire on the third Monday of
8 January, 2001, and 2 of their number to serve for terms that
9 commence on the date of their respective appointments and
10 expire on the third Monday of January, 2000. All members
11 appointed to serve on the Board shall serve until their
12 respective successors are appointed and confirmed. Vacancies
13 shall be filled in the same manner as original appointments. If
14 a vacancy in membership occurs at a time when the Senate is not
15 in session, the Governor shall make a temporary appointment
16 until the next meeting of the Senate, when he or she shall
17 appoint, by and with the advice and consent of the Senate, a
18 person to fill that membership for the unexpired term. If the
19 Senate is not in session when the initial appointments are
20 made, those appointments shall be made as in the case of
21 vacancies.

22 The Education Funding Advisory Board shall be deemed
23 established, and the initial members appointed by the Governor
24 to serve as members of the Board shall take office, on the date
25 that the Governor makes his or her appointment of the fifth
26 initial member of the Board, whether those initial members are

1 then serving pursuant to appointment and confirmation or
2 pursuant to temporary appointments that are made by the
3 Governor as in the case of vacancies.

4 The State Board of Education shall provide such staff
5 assistance to the Education Funding Advisory Board as is
6 reasonably required for the proper performance by the Board of
7 its responsibilities.

8 For school years after the 2000-2001 school year, the
9 Education Funding Advisory Board, in consultation with the
10 State Board of Education, shall make recommendations as
11 provided in this subsection (M) to the General Assembly for the
12 foundation level under subdivision (B)(3) of this Section and
13 for the supplemental general State aid grant level under
14 subsection (H) of this Section for districts with high
15 concentrations of children from poverty. The recommended
16 foundation level shall be determined based on a methodology
17 which incorporates the basic education expenditures of
18 low-spending schools exhibiting high academic performance. The
19 Education Funding Advisory Board shall make such
20 recommendations to the General Assembly on January 1 of odd
21 numbered years, beginning January 1, 2001.

22 (N) (Blank).

23 (O) References.

24 (1) References in other laws to the various subdivisions of

1 Section 18-8 as that Section existed before its repeal and
2 replacement by this Section 18-8.05 shall be deemed to refer to
3 the corresponding provisions of this Section 18-8.05, to the
4 extent that those references remain applicable.

5 (2) References in other laws to State Chapter 1 funds shall
6 be deemed to refer to the supplemental general State aid
7 provided under subsection (H) of this Section.

8 (P) Public Act 93-838 and Public Act 93-808 make inconsistent
9 changes to this Section. Under Section 6 of the Statute on
10 Statutes there is an irreconcilable conflict between Public Act
11 93-808 and Public Act 93-838. Public Act 93-838, being the last
12 acted upon, is controlling. The text of Public Act 93-838 is
13 the law regardless of the text of Public Act 93-808.

14 (Source: P.A. 97-339, eff. 8-12-11; 97-351, eff. 8-12-11;
15 97-742, eff. 6-30-13; 97-813, eff. 7-13-12; 98-972, eff.
16 8-15-14.)

17 Section 999. Effective date. This Act takes effect June 30,
18 2015.