AN ACT concerning revenue.

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

ARTICLE 5

Section 5-1. Short title. This Act may be cited as the Statewide Innovation Development and Economy Act. References in this Article to "this Act" mean this Article.

Section 5-5. Purpose; findings.

(a) The General Assembly finds and declares that the purpose of this Act is to promote, stimulate, and develop the general and economic welfare of the State of Illinois and its communities and to assist in the development and redevelopment of major tourism, entertainment, retail, and related projects within eligible areas of the State, thereby creating new jobs, stimulating significant capital investment, and promoting the general welfare of the citizens of this State, by authorizing municipalities and counties to issue sales tax and revenue (STAR) bonds for the financing of STAR bond projects, as defined in Section 5-10, and to otherwise exercise the powers and authorities granted to municipalities.

(b) The General Assembly further finds and declares that:

(1) It is the policy of the State, in the interest of

promoting the health, safety, morals, and general welfare of all the people of the State, to provide incentives to create new job opportunities, and to promote major tourism, entertainment, retail, and related projects within the State.

(2) It is in the public interest to limit the portion of the aggregate proceeds of STAR bonds issued that are derived from the State sales tax increment pledged to pay STAR bonds in any STAR bond district to not more than 50% of the total development costs for a STAR bond project in the STAR bond district as set forth in subsection (g) of Section 5-45.

(3) As a result of the costs of land assemblage, financing, and infrastructure and other project costs, the private sector, without the assistance contemplated in this Act, is unable to develop major tourism, entertainment, retail, and related projects in some parts of the State.

(4) The type of projects for which this Act is intended must be of a certain size and scope and must be developed in a cohesive and comprehensive manner.

(5) The eligible tracts of land are more likely to remain underused and undeveloped or to be developed in a piecemeal manner resulting in inefficient and poorly planned developments that do not maximize job creation, job retention, and tax revenue generation within the

State.

(6) There are multiple eligible areas in the State that could benefit from this Act.

(7) Investment in major tourism, entertainment, retail, and related development within the State would stimulate economic activity in the State, including the creation and maintenance of jobs, the creation of new and lasting infrastructure and other improvements, and the attraction and retention of interstate tourists and entertainment events that generate significant economic activity.

(8) The continual encouragement, development, growth, and expansion of major tourism, entertainment, retail, and related projects within the State requires a cooperative and continuous partnership between government and the private sector.

(9) The State has a responsibility to help create a favorable climate for new and improved job opportunities for its citizens and to increase the tax base of the State and its political subdivisions by encouraging development of major retail spaces within the State by the private sector.

(10) The provision of additional incentives by the State and its political subdivisions will relieve conditions of unemployment, maintain existing levels of employment, create new job opportunities, retain jobs

within the State, increase commerce within the State, and increase the tax base of the State and its political subdivisions.

(11) The powers conferred by this Act promote and protect the health, safety, morals, and welfare of the State and are for a public purpose and public use for which public money and resources may be expended.

(12) The necessity in the public interest for the provisions of this Act is hereby declared as a matter of legislative determination.

Section 5-10. Definitions. In this Act:

"Base year" means the calendar year immediately before the calendar year in which the Office of the Governor approves the first STAR bond project within the STAR bond district.

"Commence work" means the manifest commencement of actual operations on the development site, such as erecting a building, general on-site and off-site grading and utility installations, commencing design and construction documentation, ordering lead-time materials, excavating the ground to lay a foundation or a basement, or work of like description that a reasonable person would recognize as being done with the intention and purpose to continue work until the project is completed.

"Corporate authority" or "corporate authorities" means the county board of a county; the mayor and alderpersons or

similar body when the reference is to cities; the president and trustees or similar body when the reference is to villages or incorporated towns; and the council when the reference is to municipalities under the commission form of government.

"De minimis amount" means an amount less than 15% of the land area within a STAR bond district.

"Department" means the Department of Commerce and Economic Opportunity.

"Developer" means any individual, corporation, trust, estate, partnership, limited liability partnership, limited liability company, or other entity. "Developer" does not include a not-for-profit entity, political subdivision, or other agency or instrumentality of the State.

"Development user" means an owner, operator, licensee, codeveloper, subdeveloper, or tenant that: (i) operates a business within a STAR bond district that is a retail store, hotel, or entertainment venue; (ii) does not have another Illinois location within a 30-mile radius at the time of opening; and (iii) makes an initial capital investment, including project costs and other direct costs, of not less than $30,000,000 for the business.

"Director" means the Director of Commerce and Economic Opportunity.

"Economic development region" means the counties encompassed within any one of the 10 economic development regions recognized by the Department on the effective date of

this Act.

"Eligible area" means contiguous parcels of real property that meet all of the following: (i) the property is directly and substantially benefited by the proposed STAR bond district plan; (ii) at least 50% of the total land area of the real property is located within an underserved area, as defined by the Department at the time the STAR bond district plan is submitted; (iii) the property is located in an area with not less than 10,000 residents within a 5-mile radius of the proposed district; (iv) the property is located 15 miles or less from either a State highway or federal interstate highway; and (v) the area is found by the governing body of the political subdivision to meet the following requirements:

(1) the use, condition, and character of the buildings in the area, if any, are not consistent with the purposes set forth in Section 5-5;

(2) a STAR bond district within the area is expected to create or retain job opportunities within the political subdivision;

(3) a STAR bond district within the area will serve to further the development of adjacent areas;

(4) without the availability of STAR bonds, the projects described in the STAR bond district plan would not be feasible in the area;

(5) a STAR bond district will strengthen the commercial sector of the political subdivision;

(6) a STAR bond district will enhance the tax base of the political subdivision; and

(7) the formation of a STAR bond district is in the best interest of the political subdivision.

The findings described in paragraphs (1) through (7) are subject to the review process provided in subsections (e) and (f) of Section 5-20.

For the purposes of this definition, the area may be bisected by streets, highways, roads, alleys, railways, bike paths, streams, rivers, and other waterways and still be deemed contiguous.

"Entertainment venue" means a business that has a primary use of providing a venue for entertainment attractions, rides, or other activities oriented toward the entertainment and amusement of its patrons.

"Feasibility study" means the feasibility study described in subsection (b) of Section 5-30.

"Hotel" has the same meaning given to that term in Section 2 of the Hotel Operators' Occupation Tax Act.

"Infrastructure" means the public improvements and private improvements that serve the public purposes set forth in Section 5-5 of this Act and that benefit the STAR bond district or any STAR bond projects, including, but not limited to, streets, drives and driveways, traffic and directional signs and signals, parking lots and parking facilities, interchanges, highways, sidewalks, bridges, underpasses and

overpasses, bike and walking trails, sanitary storm sewers and lift stations, drainage conduits, channels, levees, canals, storm water detention and retention facilities, utilities and utility connections, water mains and extensions, and street and parking lot lighting and connections.

"Local sales taxes" means any locally imposed taxes received by a municipality, county, or other local governmental entity arising from sales by retailers and servicemen within a STAR bond district. "Local sales taxes" includes business district sales taxes, taxes imposed under Section 5-50, and that portion of the net revenue allocated from the Local Government Tax Fund and the County and Mass Transit District Fund to the municipality, county, or other governmental entity under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act from transactions at places of business located in a STAR bond district. "Local sales taxes" does not include (i) any taxes authorized under the Local Mass Transit District Act or the Metro-East Park and Recreation District Act for so long as the applicable taxing district does not impose a tax on real property, (ii) any county school facility and resources occupation taxes imposed under Section 5-1006.7 of the Counties Code, (iii) any taxes authorized under the Flood Prevention District Act, (iv) any taxes authorized under the Special County Occupation Tax For Public Safety, Public Facilities, Mental Health, Substance Abuse, or Transportation

Law, (v) any taxes authorized under the Regional Transportation Authority Act, (vi) any taxes authorized under the County Motor Fuel Tax Law, or (vii) any taxes authorized under the Municipal Motor Fuel Tax Law.

"Local sales tax increment" means:

(1) with respect to local sales taxes administered by a municipality, county, or other unit of local government, that portion of the local sales tax that is in excess of the aggregate local sales tax in the district for the same month in the base year, as determined by the respective municipality, county, or other unit of local government; the Department of Revenue shall allocate the local sales tax increment only if the local sales tax is administered by the Department; and

(2) with respect to local sales taxes administered by the Department of Revenue:

(A) except with respect to the 0.25% county portion of the 6.25% State rate, all the local sales tax paid by taxpayers in the district that is in excess of the aggregate local sales tax paid by taxpayers in the district for the same month in the base year, as determined by the Department of Revenue; and

(B) with respect to the 0.25% county portion of the 6.25% State rate, in the case of a STAR bond district that is partially or wholly within a municipality, that portion of the 0.25% county portion

of the 6.25% rate paid by taxpayers in the district for sales made within the corporate limits of the municipality that is in excess of the aggregate local sales tax paid by taxpayers in the district for sales made within the corporate limits of the municipality for the same month in the base year, as determined by the Department of Revenue, but only if the corporate authorities of the county adopt an ordinance, and file a copy of the ordinance with the Department of Revenue within the same time frames as required for STAR bond occupation taxes under Section 5-50, that designates the taxes as part of the local sales tax increment under this Act.

"Market study" means a study to determine the ability of the proposed STAR bond project to gain market share locally and regionally and to remain profitable after the term of repayment of STAR bonds.

"Master developer" means a developer cooperating with a political subdivision to plan, develop, and implement a STAR bond project plan for a STAR bond district. Subject to the limitations of Section 5-40, the master developer may work with and transfer certain development rights to other developers for the purpose of implementing STAR bond project plans and achieving the purposes of this Act. A master developer for a STAR bond district shall be appointed by a political subdivision in the resolution establishing the STAR

bond district, and the master developer or its affiliate must, at the time of appointment, own or have control of, through purchase agreements, option contracts, or other means, not less than 50% of the acreage within the STAR bond district. "Master developer" also means any successor developer who has assumed the role and responsibilities of the original master developer through the execution of an amended master development agreement and has been approved as the master developer through resolution by the applicable political subdivision.

"Master development agreement" means an agreement between the master developer (or any approved successor developers) and the political subdivision to govern a STAR bond district and any STAR bond projects.

"Municipality" means the city, village, or incorporated town in which a proposed STAR bond district is located.

"New Opportunities for Vacation and Adventure District" or "NOVA district" means a STAR bond district that encompasses a minimum of 500 contiguous acres and, during the STAR bond district plan approval process, demonstrates a reasonable expectation of (1) producing a capital investment of at least $500,000,000, (2) generating not less than $300,000,000 in annual gross sales, (3) attracting at least 1,000,000 visitors annually, and (4) creating a minimum of 1,500 jobs.

"Pledged STAR revenues" means those sales tax revenues and other sources of funds that are pledged to pay debt service on

STAR bonds or to pay project costs under Section 5-45. Notwithstanding any provision of law to the contrary, any State sales tax increment or local sales tax increment from a retail entity initiating operations in a STAR bond district while terminating operations at another Illinois location within 25 miles of the STAR bond district shall not constitute pledged STAR revenues or be available to pay principal and interest on STAR bonds. For purposes of this definition, "terminating operations" means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a STAR bond district within one year before or after initiating operations in the STAR bond district, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality (or county if such retail operation is not located within a municipality) in which the terminated operations were located that the closed location contained inadequate space, had become economically obsolete, or was no longer a viable location for the retailer or serviceperson.

"Political subdivision" means a municipality or county that undertakes to establish a STAR bond district under the provisions of this Act.

"Professional sports" means any of the following sports at the major league level: baseball, basketball, football, or ice

hockey.

"Project costs" means the total of all costs incurred or estimated to be incurred on or after the date of establishment of a STAR bond district that are reasonable or necessary to implement a STAR bond district plan or any STAR bond project plans, or both, including costs incurred for public improvements and private improvements that serve the public purposes set forth in Section 5-5 of this Act. "Project costs" includes, without limitation:

(1) costs of studies, surveys, development of plans and specifications, formation, implementation, and administration of a STAR bond district, STAR bond district plan, any STAR bond projects, or any STAR bond project plans, including, but not limited to, staff and professional service costs for architectural, engineering, legal, financial, planning, or other services; however, no charges for professional services may be based on a percentage of the tax increment collected, and no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of 3 years;

(2) property assembly costs, including, but not limited to, costs related to:

(A) the acquisition of land and other real property or rights or interests in the land or other

real property located within the boundaries of a STAR bond district;

(B) the demolition of buildings, site preparation, and site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to, parking lots and other concrete or asphalt barriers; and

(C) the clearing and grading of land and the importing of additional soil and fill materials or the removal of soil and fill materials from the site;

(3) subject to paragraph (6), the costs of buildings and other vertical improvements that are located within the boundaries of a STAR bond district and are owned by a political subdivision or other public entity, including without limitation police and fire stations, educational facilities, and public restrooms and rest areas;

(4) costs of buildings and other vertical improvements that are located within: (i) the boundaries of a STAR bond district and are owned by a development user, except that only 4 development users, other than a hotel or entertainment venue, in a STAR bond district and one hotel are eligible to include the cost of those vertical improvements as project costs, or (ii) the boundaries of a NOVA district;

(5) costs of the following vertical improvements that

are located within (i) the boundaries of a STAR bond district and owned by an entertainment venue, except that only one entertainment venue in a STAR bond district is eligible to include the cost of those vertical improvements as project costs, or (ii) a NOVA district:

(A) buildings;

(B) rides and attractions, including, but not limited to, carousels, slides, roller coasters, displays, models, towers, works of art, and similar theme and amusement park improvements; and

(C) other vertical improvements;

(6) costs of the design and construction of infrastructure and public works located within the boundaries of a STAR bond district that are reasonable or necessary to implement a STAR bond district plan or any STAR bond project plans, or both, except that "project costs" does not include the cost of constructing a new municipal public building principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building unless the political subdivision makes a reasonable determination in a STAR bond district plan or any STAR bond project plans, supported by information that provides the basis for that determination, that the new

municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the STAR bond district plan or any STAR bond project plans;

(7) costs of the design and construction of the following improvements located outside the boundaries of a STAR bond district if the costs are essential to further the purpose and development of a STAR bond district plan and either (i) part of and connected to sewer, water, or utility service lines that physically connect to the STAR bond district or (ii) significant improvements for adjacent off-site highways, streets, roadways, and interchanges that are approved by the Department of Transportation. No other cost of infrastructure and public works improvements located outside the boundaries of a STAR bond district may be deemed project costs;

(8) costs of job training and retraining projects for current and future employees of development users, including programs implemented by businesses located within a STAR bond district;

(9) financing costs, including, but not limited to, all necessary and incidental expenses related to the issuance of obligations and the payment of interest on any obligations issued under this Act, including interest accruing during the estimated period of construction of any improvements in a STAR bond district or any STAR bond

projects for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto;

(10) interest costs incurred by a developer for project costs related to the acquisition, formation, implementation, development, construction, and administration of a STAR bond district, STAR bond district plan, STAR bond projects, or any STAR bond project plans if:

(A) payment of the costs in any one year may not exceed 30% of the annual interest costs incurred by the developer with regard to the STAR bond district or any STAR bond projects during that year; and

(B) the total of the interest payments paid under this Act may not exceed 30% of the total cost paid or incurred by the developer for a STAR bond district or STAR bond projects, plus project costs, excluding any property assembly costs incurred by a political subdivision under this Act;

(11) to the extent the political subdivision by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from a STAR bond district or STAR bond projects necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of a STAR bond district plan or STAR bond project plans;

(12) costs of common areas located within the boundaries of a STAR bond district;

(13) costs of landscaping and plantings, retaining walls and fences, artificial lakes and ponds, shelters, benches, lighting, and similar amenities located within the boundaries of a STAR bond district;

(14) costs of mounted building signs, site monuments, and pylon signs located within the boundaries of a STAR bond district; or

(15) if included in the STAR bond district plan and approved in writing by the Director, salaries or a portion of salaries for local government employees to the extent the same are directly attributable to the work of those employees on the establishment and management of a STAR bond district or any STAR bond project.

Except as specified in items (1) through (15) of this definition, "project costs" does not include:

(A) the cost of construction of buildings that are owned by a municipality or county and leased to a development user for uses other than as a retail store, hotel, or entertainment venue;

(B) moving expenses for employees of the businesses locating within the STAR bond district;

(C) property taxes for property located in the STAR bond district;

(D) lobbying costs; and

(E) general overhead or administrative costs of the political subdivision that would still have been incurred by the political subdivision if the political subdivision had not established a STAR bond district.

"Project development agreement" means any one or more agreements, including any amendments to that agreement or those agreements, between a master developer and any codeveloper or subdeveloper in connection with a STAR bond project, which project development agreement may include the political subdivision as a party.

"Project labor agreement" means a prehire collective bargaining agreement that covers all terms and conditions of employment between the general contractor and all subcontractors hired by the master developer, developer, codeveloper, or subdeveloper, as applicable, of a STAR bond project. A "project labor agreement" must include the following provisions: (1) a provision establishing the minimum hourly wage for each class of labor organization employee; (2) a provision establishing the benefits and other compensation for each class of labor organization employee; (3) a provision requiring that no strike or dispute will be engaged in by the labor organization employees; (4) a provision requiring that no lockout or dispute will be engaged in by the general contractor and all subcontractors building the project; and (5) a provision establishing goals for apprenticeship hours to be performed by minority persons and women and goals for total

hours to be performed by minority persons and women, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. A "project labor agreement" may include other terms and conditions as necessary.

"Projected market area" means any area within the State in which a STAR bond district or STAR bond project is projected to have a significant fiscal or market impact as determined by the Director.

"Resolution" means a resolution, order, ordinance, or other appropriate form of legislative action of a political subdivision or other applicable public entity approved by a vote of a majority of a quorum at a meeting of the governing body of the political subdivision or applicable public entity.

"STAR bond" means a sales tax and revenue bond, note, or other obligation payable from pledged STAR revenues and issued by a political subdivision, the proceeds of which shall be used only to pay project costs as defined in this Act.

"STAR bond district" means the specific area that is declared to be an eligible area by the political subdivision, that has received approval by the State, and in which the political subdivision may develop one or more STAR bond projects.

"STAR bond district plan" means the preliminary or conceptual plan that generally identifies the proposed STAR bond project areas and identifies in a general manner the

buildings, facilities, and improvements to be constructed or improved in each STAR bond project area.

"STAR bond project" means a project that is located within a STAR bond district and that is approved under Section 5-30.

"STAR bond project area" means the geographic area within a STAR bond district in which there may be one or more STAR bond projects.

"STAR bond project plan" means the written plan adopted by a political subdivision for the development of a STAR bond project in a STAR bond district; the plan may include, but is not limited to, (i) project costs incurred prior to the date of the STAR bond project plan and estimated future STAR bond project costs, (ii) proposed sources of funds to pay those costs, (iii) the nature and estimated term of any obligations to be issued by the political subdivision to pay those costs, (iv) the most recent equalized assessed valuation of the STAR bond project area, (v) an estimate of the equalized assessed valuation of the STAR bond district or applicable project area after completion of a STAR bond project, (vi) a general description of the types of any known or proposed developers, users, or tenants of the STAR bond project or projects included in the plan, (vii) a general description of the type, structure, and character of the property or facilities to be developed or improved, (viii) a description of the general land uses to apply to the STAR bond project, and (ix) a general description or an estimate of the type, class, and number of

employees to be employed in the operation of the STAR bond project.

"State sales tax" means all the net revenue realized under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act from transactions at places of business located within a STAR bond district, excluding that portion of the net revenue realized under the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act from transactions at places of business located within a STAR bond district that is deposited into the Local Government Tax Fund and the County and Mass Transit District Fund.

"State sales tax increment" means:

(1) with respect to all STAR bond districts that do not qualify as NOVA districts:

(A) 100% of that portion of the aggregate State sales tax that is in excess of the aggregate State sales tax for the same month in the base year, as determined by the Department of Revenue, from transactions at up to 4 development users located within a STAR bond district, which development users shall be designated by the master developer and approved by the political subdivision and the Director of Revenue in conjunction with the applicable STAR bond project approval; and

(B) 25% of that portion of the aggregate State

sales tax that is in excess of the aggregate State sales tax for the same month in the base year, as determined by the Department of Revenue from all other transactions within a STAR bond district; and

(2) with respect to all NOVA districts:

(A) 100% of that portion of the State sales tax that is in excess of the State sales tax for the same month in the base year, as determined by the Department of Revenue, from transactions at up to 4 development users located, which development users shall be designated by the master developer and approved by the political subdivision and the Director of Revenue in conjunction with the applicable STAR bond project approval; and

(B) 50% of that portion of the State sales tax that is in excess of the State sales tax for the same month in the base year from all other transactions within the NOVA district.

"Substantial change" means a change in which the proposed STAR bond project plan differs substantially in size, scope, or use from the approved STAR bond district plan or STAR bond project plan.

"Taxpayer" means an individual, partnership, corporation, limited liability company, trust, estate, or other entity that is subject to the Illinois Income Tax Act.

"Total development costs" means the aggregate public and

private investment in a STAR bond district, including project costs and other direct and indirect costs related to the development of the STAR bond district.

"Underserved area" has the meaning given to that term in Section 5-5 of the Economic Development for a Growing Economy Tax Credit Act.

"Vacant" means that portion of the land in a proposed STAR bond district that is not occupied by a building, facility, or other vertical improvement.

Section 5-15. Limitations on STAR bond districts and STAR bond projects. The Office of the Governor, in consultation with the Department, the Department of Revenue, and the Governor's Office of Management and Budget, shall have final approval of all STAR bond districts and STAR bond projects established under this Act, which may be established throughout the 10 Economic Development Regions in the State as established by the Department. Regardless of the number of STAR bond districts established within any Economic Development Region: (i) only one STAR bond project may be approved for each Economic Development Region having a population of less than 600,000; (ii) up to 3 STAR bond projects may be approved for each Economic Development Region having a population of between 600,000 and 999,999; and (iii) up to 4 STAR bond projects may be approved for each Economic Development Region having a population of 1,000,000 or more,

excluding projects located in STAR bond districts established under the Innovation Development and Economy Act. A STAR bond district under this Act may not be located either entirely or partially inside of a municipality with a population in excess of 2,000,000.

A STAR bond project that is not located in a NOVA district may not receive reimbursement from the proceeds of bonds secured by State sales tax increment that exceeds the lesser of (1) 50% of the total development costs or (2) an aggregate amount of $75,000,000. A STAR bond project that is located in a NOVA district may not receive reimbursement from the proceeds of bonds secured by State sales tax increment that exceeds the lesser of (1) 50% of the total development costs or (2) an aggregate amount of $800,000,000.

Section 5-20. Establishment of STAR bond district.

(a) The corporate authorities of a municipality may establish a STAR bond district within an eligible area within the municipality or partially outside the boundaries of the municipality in an unincorporated area of the county. A STAR bond district that is partially outside the boundaries of the municipality must also be approved by the corporate authorities of the county by the passage of a resolution. The corporate authorities of a county may establish a STAR bond district in an eligible area in any unincorporated area of the county.

(b) When a political subdivision is interested in establishing a STAR bond district, the political subdivision must first provide notice to the Director of Commerce and Economic Opportunity and the Director of Revenue on or before June 1, 2026 of its intention to establish a STAR bond district. After filing notice, the political subdivision shall determine whether the area satisfies the statutory criteria to establish a STAR bond district consistent with this Act. The corporate authorities of the political subdivision shall adopt a resolution stating that the political subdivision is considering the establishment of a STAR bond district. The resolution shall:

(1) give notice, in the same manner as set forth in subsection (e) of Section 5-30, that a public hearing will be held to consider the establishment of a STAR bond district and fix the date, hour, and place of the public hearing, which shall be at a location that is within 20 miles of the STAR bond district, in a facility that can accommodate a large crowd, and in a facility that is accessible to persons with disabilities;

(2) describe the proposed general boundaries of the STAR bond district;

(3) describe the STAR bond district plan;

(4) require that a description and map of the proposed STAR bond district are available for inspection at a time and place designated;

(5) identify the master developer for the STAR bond district; and

(6) require that the corporate authorities consider findings necessary for the establishment of a STAR bond district.

(c) Upon the conclusion of the public hearing the corporate authorities of the political subdivision may adopt a resolution to establish the STAR bond district.

(1) A resolution to establish a STAR bond district shall:

(A) make findings that the proposed STAR bond district is to be developed with a STAR bond project;

(B) make findings that the STAR bond district is an eligible area;

(C) contain a STAR bond district plan that identifies in a general manner the buildings and facilities that are proposed to be constructed or improved as part of the STAR bond project and that includes plans for at least one development user;

(D) contain the legal description of the STAR bond district;

(E) appoint the master developer for the STAR bond district, subject to the provisions of Section 5-25, and, if applicable, verify that master developer has a signed project labor agreement for the construction of future improvements within any STAR bond projects;

(F) if applicable, make a finding that the STAR bond district plan demonstrates a reasonable expectation that it will meet the acreage, capital investment, sales, and job creation thresholds necessary to qualify as a NOVA district and contains a request for NOVA district designation; and

(G) establish the STAR bond district, contingent upon approval of the State as set forth in subsection (e).

(2) If the resolution to establish a STAR bond district is not adopted by the political subdivision within 60 days after the conclusion of the public hearing, then the STAR bond district shall not be established.

(3) Upon adoption of a resolution to establish a STAR bond district, the political subdivision shall send a certified copy of the resolution to the Director of Commerce and Economic Opportunity, the Director of Revenue, and the Director of the Governor's Office of Management and Budget within 60 days after the adoption of the resolution.

(d) Upon adoption of a resolution to establish a STAR bond district, the STAR bond district and any STAR bond project shall be governed by a master development agreement between the political subdivision and the master developer. A STAR bond district that is partially outside the boundaries of a municipality shall require only one master development

agreement, which shall be between the municipality and the master developer. In no event shall there be more than one master development agreement governing the terms and conditions of a STAR bond district. The master development agreement shall require the master developer to ensure compliance with the following requirements to reduce the ecological impact of the STAR bond district development: (i) inclusion of pollution prevention, erosion, and sedimentation control plans during construction; (ii) protection of endangered species' habitat and wetlands mitigation; (iii) preservation of at least 20% of the STAR bond district as green space, including lawns, parks, landscaped areas, paths, lakes, ponds, and other water features; (iv) promotion of the use of renewable energy to the extent commercially feasible; (v) implementation of recycling programs during construction and at completed STAR bond projects; (vi) preservation of water quality and promotion of water conservation through the use of techniques such as reusing storm water and landscaping with native and low-maintenance vegetation to reduce the need for irrigation and fertilization; (vii) inclusion of comprehensive lighting programs that reduce light pollution within the STAR bond district; and (viii) promotion of shared parking between different users to reduce the impact on project sites.

(e) Upon adoption of a resolution to establish a STAR bond district, the political subdivision shall submit the proposed STAR bond district plan to the Department, the Department of

Revenue, and the Governor's Office of Management and Budget for consideration. All proposed STAR bond district plans must be submitted on or before January 1, 2027 for consideration. The Department, the Department of Revenue, and the Governor's Office of Management and Budget shall make a joint recommendation to approve a STAR bond district if the agencies find that: (i) the proposed STAR bond district is an eligible area; (ii) the STAR bond district plan includes a STAR bond project that would entail a projected capital investment of at least $30,000,000 for a STAR bond district that is not proposed to be designated as a NOVA district or $500,000,000 for a STAR bond district that is proposed to be designated as a NOVA district; (iii) the STAR bond district plan includes a STAR bond project that is reasonably projected to produce at least $60,000,000 of annual gross sales and at least 300 new jobs or, for a STAR bond district proposed to be designated as a NOVA district, at least $300,000,000 of annual gross sales and 1,500 new jobs; (iv) the STAR bond district plan includes potential development users; (v) the creation of the STAR bond district and STAR bond district plan are in accordance with the purpose of this Act and the public interest; and (vi) the STAR bond district and STAR bond district plan meet any other requirement that the State deems appropriate. The agencies shall send a copy of their written findings and recommendation for approval or denial of a STAR bond district to the Office of the Governor for review and final action. In the case of any

NOVA district, those written findings and recommendations shall be submitted to the Office of the Governor within 60 days following the agencies' receipt of the District Plan proposing the NOVA district.

(f) Upon receipt of the written findings and recommendations, the Office of the Governor shall review the submission and issue a final approval or denial of the STAR bond district and send written notice of its approval or denial to the requesting political subdivision and to the agencies. If requested by the political subdivision under paragraph (F) of subsection (c) of this Section, the written notice shall also include a determination as to whether the proposed STAR bond district qualifies for designation as a NOVA district and shall be issued within 30 days after the Office of the Governor receives the written findings of the agencies as provided in subsection (e).

(g) Starting on the fifth anniversary of the first date of distribution of State sales tax increment from the approved STAR bond project in the STAR bond district, or, if the project is in a NOVA district, the earlier of (i) the fifteenth anniversary of that date or (ii) the date requested by the master developer, and continuing each anniversary thereafter, the Director shall, in consultation with the political subdivision and the master developer, determine the total number of new jobs created within the STAR bond district, the total development cost to date, and the master developer's

compliance with its obligations under any written agreements with the State. If, on the fifth anniversary of the first date of distribution of State sales tax increment from the approved STAR bond project in the STAR bond district, or the earlier of (i) the fifteenth anniversary of that date or (ii) the date requested by the master developer if the project is in a NOVA district, the Director determines that the total development cost to date is not equal to or greater than (i) $30,000,000 if the project is not in a NOVA district or (ii) $500,000,000 if the project is in a NOVA district, or that the master developer is in breach of any written agreement with the State, then no new STAR bonds may be issued in the STAR bond district until the total development cost exceeds $30,000,000 or $500,000,000, as applicable, or the breach of agreement is cured, or both. If, on the fifth anniversary of the first date of distribution of State sales tax increment from the approved STAR bond project in the STAR bond district, or the earlier of (i) the fifteenth anniversary of that date or (ii) the date requested by the master developer if the project is in a NOVA district, there are not at least (i) 300 new jobs existing in the STAR bond district if the project is not in a NOVA district or (ii) 1,500 new jobs existing in the STAR bond district if the project is in a NOVA district, the State may require the master developer to pay the State a penalty of $1,500 per job under 300 or 1,500, as applicable, each year until the earlier of (i) the twenty-third anniversary of the first date of

distribution of State sales tax increment from the approved STAR bond project in the STAR bond district, (ii) the date that all STAR bonds issued in the STAR bond district have been paid off, or (iii) the date on which at least 300 jobs or 1,500 jobs, as applicable, have been created in the STAR bond district. Upon creation of 300 jobs or 1,500 jobs, as applicable, in the STAR bond district, there shall not be an ongoing obligation to maintain those jobs after the fifth anniversary of the first date of distribution of State sales tax increment from the approved STAR bond project in the STAR bond district, and the master developer shall be relieved of any liability with respect to job creation under this subsection. Notwithstanding anything to the contrary in this subsection, the master developer shall not be liable for the penalties set forth in this subsection if the breach of agreement, failure to reach the required amount in total development costs, or failure to create the required number of jobs is due to delays caused by force majeure, as that term is defined in the master development agreement.

Section 5-25. Master developer standards. The master developer appointed for the STAR bond district shall meet high standards of creditworthiness and financial strength, as demonstrated by one or more of the following: (i) corporate debenture ratings of BBB or higher by Standard & Poor's Corporation or Baa or higher by Moody's Investors Service,

Inc.; (ii) a letter from a financial institution with assets of $10,000,000 or more attesting to the financial strength of the master developer; or (iii) specific evidence of equity financing for not less than 10% of the estimated total STAR bond project costs.

Section 5-30. Approval of STAR bond projects.

(a) The corporate authorities of a political subdivision seeking to establish a STAR bond project in an approved STAR bond district must submit a proposed STAR bond project plan to the Department, the Department of Revenue, and the Governor's Office of Management and Budget on or before June 1, 2028. A STAR bond project which is partially outside the boundaries of a municipality must also be approved by the corporate authorities of the county by resolution.

After the establishment of a STAR bond district, the master developer may propose a STAR bond project to a political subdivision, and the master developer shall, in cooperation with the political subdivision, prepare a STAR bond project plan in consultation with the planning commission of the political subdivision, if any. The STAR bond project plan may be implemented in separate development stages.

(b) Any political subdivision considering a STAR bond project within a STAR bond district shall cause to be prepared an independent feasibility study. The feasibility study shall be prepared by a feasibility consultant approved by the

Department. The feasibility consultant shall provide certified copies of the feasibility study to the political subdivision, the Department, the Department of Revenue, and the Governor's Office of Management and Budget. The feasibility study shall include the following:

(1) the estimated amount of pledged STAR revenues expected to be collected in each year through the maturity date of the proposed STAR bonds;

(2) a statement of how the jobs and taxes obtained from the STAR bond project will contribute significantly to the economic development of the State and region;

(3) visitation expectations;

(4) the unique quality of the project;

(5) an economic impact study;

(6) a market study;

(7) current and anticipated infrastructure analysis;

(8) integration and collaboration with other resources or businesses;

(9) the quality of service and experience provided, as measured against national consumer standards for the specific target market;

(10) project accountability, measured according to best industry practices;

(11) the expected return on State and local investment that the STAR bond project is anticipated to produce; and

(12) an anticipated principal and interest payment

schedule on the STAR bonds.

The feasibility consultant, along with any other consultants commissioned to perform the studies and other analysis required by the feasibility study, shall be selected by the political subdivision but approved by the Department. The consultants shall be retained by the political subdivision. The political subdivision may seek reimbursement from the master developer.

The failure to include all information enumerated in this subsection in the feasibility study for a STAR bond project shall not affect the validity of STAR bonds issued under this Act.

(c) If the political subdivision determines the STAR bond project is feasible, the STAR bond project plan shall include:

(1) a summary of the feasibility study;

(2) a reference to the STAR bond district plan that identifies the STAR bond project area that is set forth in the STAR bond project plan that is being considered;

(3) a legal description and map of the STAR bond project area to be developed or redeveloped;

(4) a description of the buildings and facilities proposed to be constructed or improved in the STAR bond project area, including development users, as applicable;

(5) a copy of letters of intent to locate within the STAR bond district signed by both the master developer and the appropriate corporate officer of at least one

development user for the STAR bond project proposed within the district;

(6) a copy of a project labor agreement entered into by the master developer and a commitment by the master developer, other developers, contractors, and subcontractors to comply with the requirements of Section 30-22 of the Illinois Procurement Code as they apply to responsible bidders; and

(7) any other information the corporate authorities of the political subdivision deems reasonable and necessary to advise the public of the intent of the STAR bond project plan.

(d) Before a political subdivision may hold a public hearing to consider a STAR bond project plan, the political subdivision must apply to the Department, the Department of Revenue, and the Governor's Office of Management and Budget for joint review and recommendation and ultimate approval or denial by the Office of the Governor of the STAR bond project plan. The corporate authorities of a political subdivision seeking to establish a STAR bond project in an approved STAR bond district must submit a proposed STAR bond project plan to the Department, the Department of Revenue, and the Governor's Office of Management and Budget by June 1, 2028 for consideration.

An application for approval of a STAR bond project plan must not be approved by the State unless all the components of

the feasibility study set forth in paragraphs (1) through (12) of subsection (b) have been completed and submitted for review and recommendation for approval or denial. In addition to reviewing all the other elements of the STAR bond project plan required under subsection (c), which must be included in the application and include a letter of intent as required under paragraph (5) of subsection (c) in order to receive State approval, the Department, the Department of Revenue, and the Governor's Office of Management and Budget must review the feasibility study and consider all the components of the feasibility study set forth in paragraphs (1) through (12) of subsection (b), including, without limitation, the economic impact study and the financial benefit of the proposed STAR bond project to the local, regional, and State economies, the proposed adverse impacts on similar businesses and projects as well as municipalities within the market area, and the net effect of the proposed STAR bond project on the local, regional, and State economies. In addition to the economic impact study, the political subdivision must also submit to the agencies, as part of its application, the financial and other information that substantiates the basis for the conclusion of the economic impact study, in the form and manner as required by the agencies, so that the agencies can verify the results of the study. In addition to any other criteria in this subsection, the State may not approve the STAR bond project plan unless the agencies are satisfied that

the proposed development users are, in fact, true development users and find that the STAR bond project plan is in accordance with the purpose of this Act and the public interest. As part of the review, the agencies shall evaluate the conclusions of the feasibility study as it relates to the projected State and local sales tax increments expected to be generated in the STAR bond district. The Department, the Department of Revenue, and the Governor's Office of Management and Budget shall jointly recommend the approval of a STAR bond project plan. In making the recommendation, the agencies shall consider the proximity of a proposed STAR bond project to another proposed or existing STAR bond project. Notwithstanding any other provision of this Act, the Department, the Department of Revenue, and the Governor's Office of Management and Budget shall not approve any STAR bond project plan that includes as part of the plan the development of any facility, stadium, arena, or other structure if: (1) the purpose of the facility, stadium, arena, or other structure is the holding of professional sports contests; or (2) the facility, stadium, arena, or other structure is within a one-mile radius of any structure that is developed on or after the effective date of this Act and has as one of its purposes the holding of professional sports contests. The agencies shall send a copy of their written findings and recommended approval or denial of the STAR bond project plan to the Office of the Governor for final action. Upon receipt of the Director's written findings

and recommendation, the Office of the Governor shall issue a final approval or denial of the STAR bond project plan based on the criteria in this subsection and Section 5-15 and send a written approval or denial to the requesting political subdivision. Notwithstanding any other provision of law, for STAR bond districts designated as NOVA districts, the Office of the Governor shall issue a final approval or denial of the STAR bond project plan based on the criteria in this subsection and Section 5-15 and send written approval or denial to the requesting political subdivision within 180 days after the political subdivision applies for approval, as set out in this subsection (d). In granting its approval, the Office of the Governor may require the political subdivision to execute a binding agreement or memorandum of understanding with the State. The terms of the agreement or memorandum may include, among other things, the political subdivision's repayment of the State sales tax increment distributed to it if any violation of the agreement or memorandum or this Act occurs.

(e) Upon a finding by the planning and zoning commission of the political subdivision, if any, that the STAR bond project plan is consistent with the intent of the comprehensive plan for the development of the political subdivision and upon issuance of written approval of the STAR bond project plan from the Office of the Governor under subsection (d) of this Section, the corporate authorities of

the political subdivision shall adopt a resolution stating that the political subdivision is considering the adoption of the STAR bond project plan. The resolution shall:

(1) give notice that a public hearing will be held to consider the adoption of the STAR bond project plan and fix the date, hour, and place of the public hearing;

(2) describe the general boundaries of the STAR bond district within which the STAR bond project will be located and the date of establishment of the STAR bond district;

(3) describe the general boundaries of the area proposed to be included within the STAR bond project area;

(4) provide that the STAR bond project plan and map of the area to be redeveloped or developed are available for inspection during regular office hours in the offices of the political subdivision; and

(5) contain a summary of the terms and conditions of any proposed project development agreement with the political subdivision.

(f) A public hearing shall be conducted to consider the adoption of any STAR bond project plan.

(1) The date fixed for the public hearing to consider the adoption of the STAR bond project plan shall be not less than 20 nor more than 90 days following the date of the adoption of the resolution fixing the date of the hearing.

(2) A copy of the political subdivision's resolution providing for the public hearing shall be sent by certified mail, return receipt requested, to the corporate authorities of the county. A copy of the political subdivision's resolution providing for the public hearing shall be sent by certified mail, return receipt requested, to each person or persons in whose name the general taxes for the last preceding year were paid on each parcel of land lying within the proposed STAR bond project area within 10 days following the date of the adoption of the resolution. The resolution shall be published once in a newspaper of general circulation in the political subdivision not less than one week nor more than 3 weeks before the date fixed for the public hearing. A map or aerial photo clearly delineating the area of land proposed to be included within the STAR bond project area shall be published with the resolution.

(3) The hearing shall be held at a location that is within 20 miles of the STAR bond district in a facility that can accommodate a large crowd is accessible to persons with disabilities.

(4) At the public hearing, a representative of the political subdivision or master developer shall present the STAR bond project plan. Following the presentation of the STAR bond project plan, all interested persons shall be given an opportunity to be heard. The corporate

authorities may continue the date and time of the public hearing.

(g) Upon conclusion of the public hearing, the governing body of the political subdivision may adopt the STAR bond project plan by a resolution approving the STAR bond project plan.

(h) After the adoption by the corporate authorities of the political subdivision of a STAR bond project plan, the political subdivision may enter into a project development agreement if the master developer has requested the political subdivision to be a party to the project development agreement under subsection (b) of Section 5-40.

(i) Within 30 days after the adoption by the political subdivision of a STAR bond project plan, the clerk of the political subdivision shall transmit a copy of the legal description of the land and a list of all new and existing mailing addresses within the STAR bond district, a copy of the resolution adopting the STAR bond project plan, and a map or plat indicating the boundaries of the STAR bond project area and STAR bond district to the clerk, treasurer, and governing body of the county and to the Department and Department of Revenue. Within 30 days of creation of any new mailing address within a STAR bond district, the clerk of the political subdivision shall provide written notice of that new address to the Department and the Department of Revenue.

If a certified copy of the resolution adopting the STAR

bond project plan is filed with the Department of Revenue on or before the first day of April, the Department of Revenue, if all other requirements of this subsection are met, shall proceed to collect and allocate any local sales tax increment and any State sales tax increment in accordance with the provisions of this Act on the first day of July next following the adoption and filing. If a certified copy of the resolution adopting the STAR bond project plan is filed with the Department of Revenue after April 1 but on or before the first day of October, the Department of Revenue, if all other requirements of this subsection are met, shall proceed to collect and allocate any local sales tax increment and any State sales tax increment in accordance with the provisions of this Act as of the first day of January next following the adoption and filing.

Any substantial changes to a STAR bond project plan as adopted shall be subject to a public hearing following publication of notice thereof in a newspaper of general circulation in the political subdivision and approval by resolution of the governing body of the political subdivision.

The Department of Revenue shall not collect or allocate any local sales tax increment or State sales tax increment until the political subdivision also provides, in the manner prescribed by the Department of Revenue, the boundaries of the STAR bond district and each address in the STAR bond district in such a way that the Department of Revenue can determine by

its address whether a business is located in the STAR bond district. The political subdivision must provide this boundary and address information to the Department of Revenue, with a copy to the Department, on or before April 1 for administration and enforcement under this Act by the Department of Revenue beginning on the following July 1 and on or before October 1 for administration and enforcement under this Act by the Department of Revenue beginning on the following January 1. The Department of Revenue shall not administer or enforce any change made to the boundaries of a STAR bond district or any address change, addition, or deletion until the political subdivision reports the boundary change or address change, addition, or deletion to the Department of Revenue, with a copy to the Department, in the manner prescribed by the Department of Revenue. The political subdivision must provide this boundary change or address change, addition, or deletion information to the Department of Revenue, with a copy to the Department, on or before April 1 for administration and enforcement by the Department of Revenue of the change, addition, or deletion beginning on the following July 1 and on or before October 1 for administration and enforcement by the Department of Revenue of the change, addition, or deletion beginning on the following January 1. If a retailer is incorrectly included or excluded from the list of those located in the STAR bond district, the Department of Revenue shall be held harmless if the Department reasonably

relied on information provided by the political subdivision.

(j) Any STAR bond project must be approved by the political subdivision within 23 years after the date of the approval of the STAR bond district; however, any amendments to the STAR bond project may occur following that date.

(k) Any developer of a STAR bond project shall commence work on the STAR bond project within 3 years from the date of adoption of the STAR bond project plan. If the developer fails to commence work on the STAR bond project within the 3-year period, funding for the project shall cease and the developer of the project or complex shall have one year to appeal to the political subdivision for a one-time reapproval of the project and funding. If the project is reapproved, the 3-year period for commencement shall begin again on the date of the reapproval. If the project is not reapproved or if the developer again fails to commence work on the STAR bond project within the second 3-year period, the project shall be terminated, and the Department may accept applications for a new STAR bond project in the Economic Development Region.

(l) After the adoption of a STAR bond project plan by the corporate authorities of the political subdivision and approval by the Office of the Governor under subsection (d), the political subdivision may authorize the issuance of STAR bonds in one or more series to finance the STAR bond project or pay or reimburse any eligible project cost within the STAR bond district in accordance with the provisions of this Act.

(m) Except as otherwise provided in subsection (n), the maximum maturity of STAR bonds issued to finance a STAR bond project shall not exceed 23 years from the first date of distribution of State sales tax increment from the STAR bond project to the political subdivision unless the political subdivision extends that maturity by resolution up to a maximum of 35 years from such first distribution date. Any such extension shall require the approval of the Office of the Governor, upon the recommendation of the Directors. In no event shall the maximum maturity date for any STAR bonds exceed that date which is 35 years from the first distribution date of the first STAR bonds issued in a STAR bond district.

(n) The maximum maturity of STAR bonds issued to finance a STAR bond project located within a NOVA district shall not exceed 35 years from the first date of distribution of State sales tax increment from the STAR bond project to the political subdivision.

Section 5-35. Approval of STAR bond projects in NOVA districts. Notwithstanding any other provision of this Act, a STAR bond project may be approved within each STAR bond district designated as a NOVA district. Except as otherwise provided in this Act, approval of a NOVA district shall follow the same procedures applicable to STAR bond district approval as provided in Section 5-20, and that designation shall be determined by the Office of the Governor during the STAR bond

district approval process. The NOVA district must satisfy the criteria set forth to be considered a NOVA district under Section 5-10. Except as otherwise provided in this Act, establishment of a NOVA district shall be construed to have the same application and effect as a STAR bond district.

Section 5-40. Codevelopers and subdevelopers.

(a) Upon approval of a STAR bond project by the political subdivision, the master developer may, subject to the approval of the State and the political subdivision, develop the STAR bond project on its own or it may develop the STAR bond project with another developer, which may include an assignment or transfer of development rights.

A master developer may sell, lease, or otherwise convey its property interest in the STAR bond project area to a codeveloper or subdeveloper.

(b) A master developer may enter into one or more agreements with a codeveloper or subdeveloper in connection with a STAR bond project, and the master developer may request that the political subdivision become a party to the project development agreement, or the master developer may request that the political subdivision amend its master development agreement to provide for certain terms and conditions that may be related to the codeveloper or subdeveloper and the STAR bond project. For any project development agreement to which the political subdivision would be a party or for any

amendments to the master development agreement, the terms and conditions must be acceptable to both the master developer and the political subdivision. The Director shall receive a copy of the master development agreement and any amendments.

Section 5-45. STAR bonds; source of payment.

(a) Any political subdivision shall have the power to issue STAR bonds in one or more series to finance the undertaking of any STAR bond project in accordance with the provisions of this Act and the Omnibus Bond Acts. Any STAR bond project approved under this Act may be completed in one or more phases, and STAR bonds may be issued, in one or more series, to finance any STAR bond project or phase thereof. STAR bonds may be issued as revenue bonds, alternate bonds, or general obligation bonds as defined in and subject to the procedures provided in the Local Government Debt Reform Act.

STAR bonds may be made payable, both as to principal and interest, from the following revenues, which, to the extent pledged by each respective political subdivision or other public entity for that purpose, shall constitute pledged STAR revenues:

(1) revenues of the political subdivision derived from or held in connection with the undertaking and carrying out of any STAR bond project or projects under this Act;

(2) available private funds and contributions, grants, tax credits, or other financial assistance from the State

or federal government;

(3) any taxes created under Section 5-50 and designated as pledged STAR revenues by the political subdivision;

(4) all the local sales tax increment of a municipality, county, or other unit of local government;

(5) any special service area taxes collected within the STAR bond district under the Special Service Area Tax Act, which may be used for the purposes of funding project costs or paying debt service on STAR bonds in addition to the purposes contained in the special service area plan;

(6) all the State sales tax increment;

(7) any other revenues appropriated by the political subdivision; and

(8) any combination of these methods.

(b) The political subdivision may pledge the pledged STAR revenues to the repayment of STAR bonds before, simultaneously with, or after the issuance of the STAR bonds.

(c) Bonds issued as revenue bonds shall not be general obligations of the political subdivision, nor, in any event, shall they give rise to a charge against the political subdivision's general credit or taxing powers or be payable out of any funds or properties other than those set forth in subsection (a). The bonds shall so state on their face.

(d) For each STAR bond project financed with STAR bonds payable from the pledged STAR revenues, the political

subdivision shall prepare and submit to the Department, the Department of Revenue, the Office of the Governor, and the Governor's Office of Management and Budget by June 1 of each year a report describing the status of the STAR bond project, any expenditures of the proceeds of STAR bonds that have occurred for the preceding calendar year, and any expenditures of the proceeds of the bonds expected to occur in the future, including the amount of pledged STAR revenue, the amount of revenue that has been spent, the projected amount of the revenue, and the anticipated use of the revenue. Each annual report shall be accompanied by an affidavit of the master developer certifying the contents of the report as true to the best of the master developer's knowledge. The Department shall have the right, but not the obligation, to request the Auditor General to review the annual report and the political subdivision's records containing the source information for the report for the purpose of verifying the report's contents. If the Auditor General declines the request for review, the Department shall have the right to select an independent third-party auditor to conduct an audit of the annual report and the political subdivision's records containing the source information for the report. The reasonable cost of the audit shall be paid by the master developer. The master development agreement shall grant the Department and the Auditor General the right to review the records of the political subdivision containing the source information for the report.

(e) As soon as possible after the first day of each month, upon certification of the Department of Revenue, the Comptroller shall order transferred and the Treasurer shall transfer, from the General Revenue Fund to the STAR Bonds Revenue Fund, the State sales tax increment for the second preceding month, less 3% of that amount, which shall be transferred into the Tax Compliance and Administration Fund and shall be used by the Department of Revenue, subject to appropriation, to cover the costs of the Department of Revenue in administering this Act. As soon as possible after the first day of each month, upon certification of the Department of Revenue, the Comptroller shall order transferred and the Treasurer shall transfer, from the Local Government Tax Fund to the STAR Bonds Revenue Fund, the local sales tax increment for the second preceding month, as provided in Section 6z-18 of the State Finance Act and from the County and Mass Transit District Fund to the STAR Bonds Revenue Fund the local sales tax increment for the second preceding month, as provided in Section 6z-20 of the State Finance Act. On or before the 25th day of each calendar month, the Department of Revenue shall prepare and certify to the Comptroller the disbursement of stated sums of money out of the STAR Bonds Revenue Fund to named municipalities and counties, the municipalities and counties to be those entitled to distribution of taxes or penalties paid to the Department of Revenue during the second preceding calendar month. The amount to be paid to each

municipality or county shall be the amount of the State sales tax increment and the local sales tax increment (not including credit memoranda or the amount transferred into the Tax Compliance and Administration Fund) collected during the second preceding calendar month by the Department of Revenue from retailers and servicepersons on transactions at places of business located within a STAR bond district in that municipality or county, plus an amount the Department of Revenue determines is necessary to offset any amounts which were erroneously paid to a different taxing body, and not including an amount equal to the amount of refunds made during the second preceding calendar month by the Department of Revenue, and not including any amount which the Department of Revenue determines is necessary to offset any amounts which are payable to a different taxing body but were erroneously paid to the municipality or county. Within 10 days after receipt by the Comptroller of the disbursement certification to the municipalities and counties, which shall be given to the Comptroller by the Department of Revenue, the Comptroller shall cause the orders to be drawn for the respective amounts in accordance with the directions contained in the certification. When certifying the amount of monthly disbursement to a municipality or county under this subsection, the Department of Revenue shall increase or decrease that amount by an amount necessary to offset any misallocation of previous disbursements. The offset amount

shall be the amount erroneously disbursed within the 6 months preceding the time a misallocation is discovered.

(f) The corporate authorities of the political subdivision shall deposit the proceeds for the STAR Bonds Revenue Fund into a special fund of the political subdivision called the "[Name of political subdivision] STAR Bond District Revenue Fund" for the purpose of paying or reimbursing STAR bond project costs and obligations incurred in the payment of those costs. If the political subdivision fails to issue STAR bonds within 180 days after the first distribution to the political subdivision from the STAR Bonds Revenue Fund, the Department of Revenue shall cease distribution of the State sales tax increment to the political subdivision, shall transfer any State sales tax increment in the STAR Bonds Revenue Fund to the General Revenue Fund, and shall cease deposits of State sales tax increment amounts into the STAR Bonds Revenue Fund. The political subdivision shall repay all the State sales tax increment distributed to the political subdivision to date, which amounts shall be deposited into the General Revenue Fund. If not repaid within 90 days after notice from the State, the Department of Revenue shall withhold distributions to the political subdivision from the Local Government Tax Fund until the excess amount is repaid, which withheld amounts shall be transferred to the General Revenue Fund. At such time as the political subdivision notifies the Department of Revenue in writing that it has issued STAR Bonds in accordance with this

Act and provides the Department with a copy of the political subdivision's official statement, bond purchase agreements, indenture, or other evidence of bond sale, the Department of Revenue shall resume deposits of the State sales tax increment into the STAR Bonds Revenue Fund and distribution of the State sales tax increment to the political subdivision in accordance with this Section.

(g) If at any time after the seventh anniversary of the date of distribution of State sales tax increment from a STAR bond project the Auditor General determines that the percentage of the aggregate proceeds of STAR bonds issued to date that is derived from the State sales tax increment has exceeded 50% of the total development costs of that STAR Bonds project, no additional STAR bonds may be issued for that STAR Bonds project until that percentage is reduced to 50% or below. When the percentage has been reduced to 50% or below, the master developer shall have the right, at its own cost, to obtain a new audit prepared by an independent third-party auditor verifying compliance and shall provide such audit to the Auditor General for review and approval. Upon the Auditor General's determination from the audit that the percentage has been reduced to 50% or below, STAR bonds may again be issued for the STAR bond project.

Section 5-50. STAR bond occupation taxes.

(a) If the corporate authorities of a political

subdivision have established a STAR bond district and have elected to impose a tax by ordinance under subsection (b) or (c) of this Section, each year after the date of the adoption of the ordinance and until all STAR bond project costs and all political subdivision obligations financing the STAR bond project costs, if any, have been paid in accordance with the STAR bond project plans, but in no event longer than the maximum maturity date of the last of the STAR bonds issued for projects in the STAR bond district, all amounts generated by the retailers' occupation tax and service occupation tax shall be collected, and the tax shall be enforced, by the Department of Revenue in the same manner as all retailers' occupation taxes and service occupation taxes imposed in the political subdivision imposing the tax. The corporate authorities of the political subdivision shall deposit the proceeds of the taxes imposed under subsections (b) and (c) into either (i) a special fund held by the corporate authorities of the political subdivision called the STAR Bonds Tax Allocation Fund for the purpose of paying STAR bond project costs and obligations incurred in the payment of those costs if such taxes are designated as pledged STAR revenues by resolution or ordinance of the political subdivision or (ii) the political subdivision's general corporate fund if such taxes are not designated as pledged STAR revenues by resolution or ordinance.

The tax imposed under this Section by a municipality may

be imposed only on the portion of a STAR bond district that is within the boundaries of the municipality. For any part of a STAR bond district that lies outside the boundaries of that municipality, the municipality in which the other part of the STAR bond district lies (or the county, in cases where a portion of the STAR bond district lies in the unincorporated area of a county) is authorized to impose the tax under this Section on that part of the STAR bond district.

(b) The corporate authorities of a political subdivision that has established a STAR bond district under this Act may, by ordinance or resolution, impose a STAR Bond Retailers' Occupation Tax upon all persons engaged in the business of selling tangible personal property, other than an item of tangible personal property titled or registered with an agency of this State's government, at retail in the STAR bond district at a rate not to exceed 1% of the gross receipts from the sales made in the course of that business, to be imposed only in 0.25% increments. The tax may not be imposed on tangible personal property taxed at the 1% rate under the Retailers' Occupation Tax Act. The tax may not be imposed on aviation fuel for so long as the revenue use requirements of 49 U.S.C. 47107(b) and 49 U.S.C. 47133 are binding on the political subdivision.

The tax imposed under this subsection and all civil penalties that may be assessed as an incident thereof shall be collected and enforced by the Department of Revenue. The

certificate of registration that is issued by the Department of Revenue to a retailer under the Retailers' Occupation Tax Act shall permit the retailer to engage in a business that is taxable under any ordinance or resolution enacted under this subsection without registering separately with the Department of Revenue under such ordinance or resolution or under this subsection. The Department of Revenue shall have full power to administer and enforce this subsection, to collect all taxes and penalties due under this subsection in the manner hereinafter provided, and to determine all rights to credit memoranda arising on account of the erroneous payment of tax or penalty under this subsection. In the administration of, and compliance with, this subsection, the Department of Revenue and persons who are subject to this subsection shall have the same rights, remedies, privileges, immunities, powers, and duties, and be subject to the same conditions, restrictions, limitations, penalties, exclusions, exemptions, and definitions of terms and employ the same modes of procedure, as are prescribed in Sections 1, 1a through 1o, 2 through 2-65 (in respect to all provisions therein other than the State rate of tax), 2c through 2h, 3 (except as to the disposition of taxes and penalties collected), 4, 5, 5a, 5b, 5c, 5d, 5e, 5f, 5g, 5i, 5j, 5k, 5l, 6, 6a, 6b, 6c, 7, 8, 9, 10, 11, 12, 13, and 14 of the Retailers' Occupation Tax Act and all provisions of the Uniform Penalty and Interest Act, as fully as if those provisions were set forth herein.

If a tax is imposed under this subsection (b), a tax shall also be imposed under subsection (c) of this Section.

(c) If a tax has been imposed under subsection (b), a STAR Bond Service Occupation Tax shall also be imposed upon all persons engaged, in the STAR bond district, in the business of making sales of service, who, as an incident to making those sales of service, transfer tangible personal property within the STAR bond district, either in the form of tangible personal property or in the form of real estate as an incident to a sale of service. The service occupation tax shall be imposed upon all persons engaged in the business of making sales of service at the same rate as the tax imposed in subsection (b) of the selling price of tangible personal property transferred within the STAR bond district by such servicemen as an incident to a sale of service and shall not exceed 1% and shall be imposed only in 0.25% increments. The tax may not be imposed on tangible personal property taxed at the 1% rate under the Service Occupation Tax Act. The tax may not be imposed on aviation fuel for so long as the revenue use requirements of 49 U.S.C. 47107(b) and 49 U.S.C. 47133 are binding on the political subdivision.

The tax imposed under this subsection and all civil penalties that may be assessed as an incident thereof shall be collected and enforced by the Department of Revenue. The certificate of registration that is issued by the Department of Revenue to a retailer under the Retailers' Occupation Tax

Act or under the Service Occupation Tax Act shall permit the registrant to engage in a business that is taxable under any ordinance or resolution enacted under this subsection without registering separately with the Department of Revenue under that ordinance or resolution or under this subsection. The Department of Revenue shall have full power to administer and enforce this subsection, to collect all taxes and penalties due under this subsection, to dispose of taxes and penalties so collected in the manner provided in this Act, and to determine all rights to credit memoranda arising on account of the erroneous payment of tax or penalty under this subsection. In the administration of, and compliance with this subsection, the Department of Revenue and persons who are subject to this subsection shall have the same rights, remedies, privileges, immunities, powers, and duties, and be subject to the same conditions, restrictions, limitations, penalties, exclusions, exemptions, and definitions of terms and employ the same modes of procedure as are prescribed in Sections 2, 2a through 2d, 3 through 3-50 (in respect to all provisions therein other than the State rate of tax), 4 (except that the reference to the State shall be to the STAR bond district), 5, 7, 8 (except that the jurisdiction to which the tax shall be a debt to the extent indicated in that Section 8 shall be the political subdivision), 9 (except as to the disposition of taxes and penalties collected, and except that the returned merchandise credit for this tax may not be taken against any State tax),

10, 11, 12 (except the reference therein to Section 2b of the Retailers' Occupation Tax Act), 13 (except that any reference to the State shall mean the political subdivision), the first paragraph of Section 15, and Sections 16, 17, 18, 19 and 20 of the Service Occupation Tax Act and all provisions of the Uniform Penalty and Interest Act, as fully as if those provisions were set forth herein.

If a tax is imposed under this subsection (c), a tax shall also be imposed under subsection (b) of this Section.

(d) Persons subject to any tax imposed under this Section may reimburse themselves for their seller's tax liability under this Section by separately stating the tax as an additional charge, which charge may be stated in combination, in a single amount, with State taxes that sellers are required to collect under the Use Tax Act, in accordance with such bracket schedules as the Department may prescribe.

Whenever the Department of Revenue determines that a refund should be made under this Section to a claimant the Department of Revenue shall not issue a credit memorandum. The Department of Revenue shall notify the State Comptroller, who shall cause the order to be drawn for the amount specified and to the person named in the notification from the Department of Revenue. The refund shall be paid by the State Treasurer out of the STAR Bond Retailers' Occupation Tax Fund.

Except as otherwise provided in this subsection, the Department of Revenue shall immediately pay over to the State

Treasurer, ex officio, as trustee, all taxes, penalties, and interest collected under this Section for deposit into the STAR Bond Retailers' Occupation Tax Fund. On or before the 25th day of each calendar month, the Department of Revenue shall prepare and certify to the Comptroller the disbursement of stated sums of money to named political subdivisions from the STAR Bond Retailers' Occupation Tax Fund, the political subdivisions to be those from which retailers have paid taxes or penalties under this Section to the Department of Revenue during the second preceding calendar month. The amount to be paid to each political subdivision shall be the amount (not including credit memoranda) collected under this Section during the second preceding calendar month by the Department of Revenue plus an amount the Department of Revenue determines is necessary to offset any amounts that were erroneously paid to a different taxing body, and not including an amount equal to the amount of refunds made during the second preceding calendar month by the Department of Revenue, less 3% of that amount, which shall be deposited into the Tax Compliance and Administration Fund and shall be used by the Department of Revenue, subject to appropriation, to cover the costs of the Department of Revenue in administering and enforcing the provisions of this Section, on behalf of such political subdivision, and not including any amount that the Department of Revenue determines is necessary to offset any amounts that were payable to a different taxing body but were erroneously

paid to the political subdivision. Within 10 days after receipt by the Comptroller of the disbursement certification to the political subdivisions provided for in this Section to be given to the Comptroller by the Department, the Comptroller shall cause the orders to be drawn for the respective amounts in accordance with the directions contained in the certification. The proceeds of the tax paid to political subdivisions under this Section shall be deposited into either (i) the STAR Bonds Tax Allocation Fund by the political subdivision if the political subdivision has designated them as pledged STAR revenues by resolution or ordinance or (ii) the political subdivision's general corporate fund if the political subdivision has not designated them as pledged STAR revenues.

An ordinance or resolution imposing or discontinuing the tax under this Section or effecting a change in the rate thereof shall either (i) be adopted and a certified copy thereof filed with the Department of Revenue on or before the first day of April, whereupon the Department of Revenue, if all other requirements of this Section are met, shall proceed to administer and enforce this Section as of the first day of July next following the adoption and filing; or (ii) be adopted and a certified copy thereof filed with the Department of Revenue on or before the first day of October, whereupon, if all other requirements of this Section are met, the Department of Revenue shall proceed to administer and enforce this

Section as of the first day of January next following the adoption and filing.

The Department of Revenue shall not administer or enforce an ordinance imposing, discontinuing, or changing the rate of the tax under this Section until the political subdivision also provides, in the manner prescribed by the Department of Revenue, the boundaries of the STAR bond district and each address in the STAR bond district in such a way that the Department of Revenue can determine by its address whether a business is located in the STAR bond district. The political subdivision must provide this boundary and address information to the Department of Revenue on or before April 1 for administration and enforcement of the tax under this Section by the Department of Revenue beginning on the following July 1 and on or before October 1 for administration and enforcement of the tax under this Section by the Department of Revenue beginning on the following January 1. The Department of Revenue shall not administer or enforce any change made to the boundaries of a STAR bond district or any address change, addition, or deletion until the political subdivision reports the boundary change or address change, addition, or deletion to the Department of Revenue in the manner prescribed by the Department of Revenue. The political subdivision must provide this boundary change or address change, addition, or deletion information to the Department of Revenue on or before April 1 for administration and enforcement by the Department of

Revenue of the change, addition, or deletion beginning on the following July 1 and on or before October 1 for administration and enforcement by the Department of Revenue of the change, addition, or deletion beginning on the following January 1. The retailers in the STAR bond district shall be responsible for charging the tax imposed under this Section. If a retailer is incorrectly included or excluded from the list of those required to collect the tax under this Section, both the Department of Revenue and the retailer shall be held harmless if they reasonably relied on information provided by the political subdivision.

A political subdivision that imposes the tax under this Section must submit to the Department of Revenue any other information as the Department of Revenue may require that is necessary for the administration and enforcement of the tax.

When certifying the amount of a monthly disbursement to a political subdivision under this Section, the Department of Revenue shall increase or decrease the amount by an amount necessary to offset any misallocation of previous disbursements. The offset amount shall be the amount erroneously disbursed within the previous 6 months from the time a misallocation is discovered.

Nothing in this Section shall be construed to authorize the political subdivision to impose a tax upon the privilege of engaging in any business which under the Constitution of the United States may not be made the subject of taxation by

this State.

(e) When STAR bond project costs, including, without limitation, all political subdivision obligations financing STAR bond project costs, have been paid, any surplus funds then remaining in the STAR Bonds Tax Allocation Fund shall be distributed to the treasurer of the political subdivision for deposit into the political subdivision's general corporate fund. Upon payment of all STAR bond project costs and retirement of obligations, but in no event later than the maximum maturity date of the last of the STAR bonds issued in the STAR bond district, the political subdivision shall adopt an ordinance immediately rescinding the taxes imposed under this Section and file a certified copy of the ordinance with the Department of Revenue in the form and manner as described in this Section.

Section 5-55. STAR Bonds School Improvement and Operations Trust Fund.

(a) Deposits into the STAR Bonds School Improvement and Operations Trust Fund, established under Section 33 of the Innovation Development and Economy Act, shall be made as provided under this Section. Moneys in the Trust Fund shall be used by the Department of Revenue only for the purpose of making payments to regional superintendents of schools to make distributions to school districts in educational service regions that include the STAR bond district. Moneys in the

Trust Fund are not subject to appropriation and shall be used solely as provided in this Section. All deposits into the Trust Fund shall be held in the Trust Fund by the State Treasurer as ex officio custodian separate and apart from all public moneys or funds of this State and shall be distributed by the Department of Revenue exclusively for the purposes set forth in this Section. All moneys in the Trust Fund shall be invested and reinvested by the State Treasurer. All interest accruing from these investments shall be deposited into the Trust Fund.

(b) Upon approval of a STAR bond district, the political subdivision shall immediately transmit to the county clerk of the county in which the district is located a certified copy of the ordinance creating the district, a legal description of the district, a map of the district, identification of the year that the county clerk shall use for determining the total initial equalized assessed value of the district consistent with subsection (c), and a list of the parcel or tax identification number of each parcel of property included in the district.

(c) Upon approval of a STAR bond district, the county clerk immediately thereafter shall determine (i) the most recently ascertained equalized assessed value of each lot, block, tract, or parcel of real property within the STAR bond district, from which shall be deducted the homestead exemptions under Article 15 of the Property Tax Code, which

value shall be the initial equalized assessed value of each such piece of property, and (ii) the total equalized assessed value of all taxable real property within the district by adding together the most recently ascertained equalized assessed value of each taxable lot, block, tract, or parcel of real property within the district, from which shall be deducted the homestead exemptions under Article 15 of the Property Tax Code, and shall certify that amount as the total initial equalized assessed value of the taxable real property within the STAR bond district.

(d) In reference to any STAR bond district created within any political subdivision, and in respect to which the county clerk has certified the total initial equalized assessed value of the property in the area, the political subdivision may thereafter request the clerk in writing to adjust the initial equalized value of all taxable real property within the STAR bond district by deducting from it the exemptions under Article 15 of the Property Tax Code applicable to each lot, block, tract, or parcel of real property within the STAR bond district. The county clerk shall immediately, after the written request to adjust the total initial equalized value is received, determine the total homestead exemptions in the STAR bond district as provided under Article 15 of the Property Tax Code by adding together the homestead exemptions provided by Article 15 on each lot, block, tract, or parcel of real property within the STAR bond district and then shall deduct

the total of the exemptions from the total initial equalized assessed value. The county clerk shall then promptly certify that amount as the total initial equalized assessed value as adjusted of the taxable real property within the STAR bond district.

(e) The county clerk or other person authorized by law shall compute the tax rates for each taxing district with all or a portion of its equalized assessed value located in the STAR bond district. The rate per cent of tax determined shall be extended to the current equalized assessed value of all property in the district in the same manner as the rate per cent of tax is extended to all other taxable property in the taxing district.

(f) Beginning with the assessment year in which the first development user in the first STAR bond project in a STAR bond district makes its first retail sales and for each assessment year thereafter until final maturity of the last STAR bonds issued in the district, the county clerk or other person authorized by law shall determine the increase in equalized assessed value of all real property within the STAR bond district by subtracting the initial equalized assessed value of all property in the district certified under subsection (c) from the current equalized assessed value of all property in the district. Each year, the property taxes arising from the increase in equalized assessed value in the STAR bond district shall be determined for each taxing district and shall be

certified to the county collector.

(g) Beginning with the year in which taxes are collected based on the assessment year in which the first development user in the first STAR bond project in a STAR bond district makes its first retail sales and for each year thereafter until final maturity of the last STAR bonds issued in the district, the county collector shall, within 30 days after receipt of property taxes, transmit to the Department of Revenue to be deposited into the STAR Bonds School Improvement and Operations Trust Fund 15% of property taxes attributable to the increase in equalized assessed value within the STAR bond district from each taxing district as certified in subsection (f).

(h) The Department of Revenue shall pay to the regional superintendent of schools whose educational service region includes a STAR bond district, for each year for which money is remitted to the Department of Revenue and paid into the STAR Bonds School Improvement and Operations Trust Fund, the money in the Fund as provided in this Section. The amount paid to each school district shall be allocated proportionately by the regional superintendent of schools, based on each qualifying school district's fall enrollment for the then-current school year, such that the school district with the largest fall enrollment receives the largest proportionate share of money paid out of the Fund or by any other method or formula that the regional superintendent of schools deems fit, equitable, and

in the public interest. The regional superintendent may allocate moneys to school districts that are outside the regional superintendent's educational service region or to other regional superintendents.

The Department of Revenue shall be held harmless for the distributions made under this Section and all distributions shall be final.

(i) In any year that an assessment appeal is filed, the extension of taxes on any assessment so appealed shall not be delayed. In the case of an assessment that is altered, any taxes extended upon the unauthorized assessment or part thereof shall be abated, or, if already paid, shall be refunded with interest as provided in Section 23-20 of the Property Tax Code. In the case of an assessment appeal, the county collector shall notify the Department of Revenue that an assessment appeal has been filed and the amount of the tax that would have been deposited into the STAR Bonds School Improvement and Operations Trust Fund. The county collector shall hold that amount in a separate fund until the appeal process is final. After the appeal process is finalized, the county collector shall transmit to the Department of Revenue the amount of tax that remains, if any, after all required refunds are made.

(j) In any year that ad valorem taxes are allocated to the STAR Bonds School Improvement and Operations Trust Fund, that allocation shall not reduce or otherwise impact the school aid

provided to any school district under the general State school aid formula provided for in Section 18-8.05 of the School Code or the evidence-based funding formula provided for in Section 18-8.15 of the School Code.

Section 5-60. Alternate bonds and general obligation bonds. A political subdivision shall have the power to issue alternate revenue and other general obligation bonds to finance the undertaking, establishment, or redevelopment of any STAR bond project as provided under the procedures set forth in the Local Government Debt Reform Act. A political subdivision shall have the power to issue general obligation bonds to finance the undertaking, establishment, or redevelopment of any STAR bond project on approval by the voters of the political subdivision of a proposition authorizing the issue of such bonds.

The full faith and credit of the State, any department, authority, public corporation or quasi-public corporation of the State, any State college or university, or any other public agency created by the State shall not be pledged for any payment under any obligation authorized by this Act.

Section 5-65. Amendments to STAR bond district.

(a) Any addition of real property to a STAR bond district or any substantial change to a STAR bond district plan shall be subject to the same procedure for public notice, hearing, and

approval, including approval by the Department and the Office of the Governor, as is required for the establishment of the STAR bond district under this Act.

The addition or removal of land to or from a STAR bond district shall require the consent of the master developer of the STAR bond district.

(b) Any land that is outside of and contiguous to an established STAR bond district and is subsequently owned, leased, or controlled by the master developer shall be added to a STAR bond district at the request of the master developer and by approval of the political subdivision if the land becomes a part of a STAR bond project area.

(c) If a political subdivision has undertaken a STAR bond project within a STAR bond district, and the political subdivision desires to subsequently remove more than a de minimis amount of real property from the STAR bond district, then prior to any removal of property the political subdivision must provide a revised feasibility study showing that the pledged STAR revenues from the resulting STAR bond district within which the STAR bond project is located are estimated to be sufficient to pay the project costs. If the revenue from the resulting STAR bond district is insufficient to pay the project costs, then the property may not be removed from the STAR bond district. Any removal of real property from a STAR bond district shall be approved by a resolution of the corporate authorities of the political subdivision.

Section 5-70. Restrictions. STAR bond districts may lie within an enterprise zone. During any period of time that STAR bonds are outstanding for a STAR bond district, a developer may not use any land located in the STAR bond district for any retail store whose primary business is the sale of automobiles, including trucks and other automotive vehicles with 4 wheels designed for passenger transportation on public streets and thoroughfares. No STAR bond district may contain more than 900,000 square feet of floor space devoted to traditional retail use, which does not include space devoted to entertainment venues, hotels, warehouse space, storage space, or approved development users.

Section 5-75. Reporting taxes.

(a) Notwithstanding any other provisions of law to the contrary, the Department of Revenue shall provide a certified report of the State sales tax increment and local sales tax increment from all taxpayers within a STAR bond district to the bond trustee, escrow agent, or paying agent for such bonds upon the written request of the political subdivision on or before the 25th day of each month. Such report shall provide a detailed allocation of State sales tax increment and local sales tax increment from each local sales tax and State sales tax reported to the Department of Revenue.

The bond trustee, escrow agent, or paying agent shall keep

such sales and use tax reports and the information contained therein confidential, but may use such information for purposes of allocating and depositing the sales and use tax revenues in connection with the bonds used to finance project costs in such STAR bond district. Except as otherwise provided in this Section, the sales and use tax reports received by the bond trustee, escrow agent, or paying agent shall be subject to the confidentiality provisions of Section 11 of the Retailers' Occupation Tax Act.

(b) The political subdivision shall determine when the amount of sales tax and other revenues that have been collected and distributed to the bond debt service or reserve fund is sufficient to satisfy all principal and interest costs to the maturity date or dates of any STAR bond issued by a political subdivision to finance a STAR bond project and shall give the Department of Revenue written notice of such determination. The notice shall include a date certain on which deposits into the STAR Bonds Revenue Fund for that STAR bond project shall terminate and shall be provided to the Department of Revenue at least 60 days prior to that date. Thereafter, all sales tax and other revenues shall be collected and distributed in accordance with applicable law.

If the political subdivision fails to give timely notice under this subsection (b), the Department of Revenue, upon discovery of this failure, shall cease distribution of the State sales tax increment to the political subdivision, shall

transfer any State sales tax increment in the STAR Bonds Revenue Fund to the General Revenue Fund, and shall cease deposits of State sales tax increment amounts into the STAR Bonds Revenue Fund. Any amount of State sales tax increment distributed to the political subdivision from the STAR Bonds Revenue Fund in excess of the amount sufficient to satisfy all principal and interest costs to the maturity date or dates of any STAR bond issued by the political subdivision to finance a STAR bond project shall be repaid to the Department of Revenue and deposited into the General Revenue Fund. If not repaid within 90 days after notice from the State, the Department of Revenue shall withhold distributions to the political subdivision from the Local Government Tax Fund until the excess amount is repaid, which withheld amounts shall be transferred to the General Revenue Fund.

Section 5-80. Review committee. Upon the seventh anniversary of the first date of distribution of State sales tax increment from the first STAR bond project in the State under this Act, a 7-member STAR bonds review committee shall be formed consisting of one appointee of each of the Director, the Director of the Governor's Office of Management and Budget, the Director of Revenue, the President of the Senate, the Senate Minority Leader, the Speaker of the House, and the House Minority Leader. The review committee shall evaluate the success of all STAR bond districts then existing in the State

and make a determination of the comprehensive economic benefits and detriments of STAR bonds in the State as a whole. In making its determination, the review committee shall examine available data regarding job creation, sales revenues, and capital investment in STAR bond districts; development that has occurred and is planned in areas adjacent to STAR bond districts that will not be directly financed with STAR bonds; effects of market conditions on STAR bond districts and the likelihood of future successes based on improving or declining market conditions; retail sales migration and cannibalization of retail sales due to STAR bond districts; and other relevant economic factors. The review committee shall provide the Director, the Director of the Governor's Office of Management and Budget, the Director of Revenue, the General Assembly, and the Governor with a written report detailing its findings and shall make a final determination of whether STAR bonds have had, and are likely to continue having, a negative or positive economic impact on the State as a whole. Upon completing and filing its written report, the review committee shall be dissolved.

Section 5-85. Severability. If any provision of this Act or the application thereof to any persons or circumstances is held invalid, such invalidity shall not affect other provisions or application of the Act that can be given effect without the invalid provisions or application and to this end

the provisions of this Act are declared to be severable.

Section 5-90. Rules. The Department and the Department of Revenue shall have the authority to adopt such rules as are reasonable and necessary to implement the provisions of this Act. Notwithstanding the foregoing, the Department and the Department of Revenue shall have the authority, prior to adoption and approval of those rules, to consult on and recommend approval of a STAR bond district in accordance with subsection (d) of Section 5-30 and to otherwise administer the Act while those rules are pending adoption and approval.

Section 5-95. Open meetings and freedom of information. All public hearings related to the administration, formation, implementation, development, or construction of a STAR bond district, STAR bond district plan, STAR bond project, or STAR bond project plan, including, but not limited to, the public hearings required by Sections 5-20, 5-30, and 5-65 of this Act, shall be held in compliance with the Open Meetings Act. The public hearing records, feasibility study, and other documents that do not otherwise meet a confidentiality exemption shall be subject to disclosure under the Freedom of Information Act.

Section 5-100. Powers of political subdivisions. The provisions of this Act are intended to be supplemental and in

addition to all other power or authority granted to political subdivisions, shall be construed liberally, and shall not be construed as a limitation of any power or authority otherwise granted. In addition to the powers a political subdivision may have under other provisions of law, a political subdivision shall have all the following powers in connection with a STAR bond district:

(1) To make and enter into all contracts necessary or incidental to the implementation and furtherance of a STAR bond district plan.

(2) Within a STAR bond district, to acquire by purchase, donation, or lease, and to own, convey, lease, mortgage, or dispose of land and other real or personal property or rights or interests in property and to grant or acquire licenses, easements, and options with respect to property, all in the manner and at a price the political subdivision determines is reasonably necessary to achieve the objectives of the STAR bond project.

(3) To clear any area within a STAR bond district by demolition or removal of any existing buildings, structures, fixtures, utilities, or improvements and to clear and grade land.

(4) To install, repair, construct, reconstruct, extend or relocate public streets, public utilities, and other public site improvements located both within and outside the boundaries of a STAR bond district that are essential

to the preparation of a STAR bond district for use in accordance with a STAR bond district plan.

(5) To renovate, rehabilitate, reconstruct, relocate, repair, or remodel any existing buildings, improvements, and fixtures within a STAR bond district.

(6) To install or construct any public buildings, structures, works, streets, improvements, utilities, or fixtures within a STAR bond district.

(7) To issue STAR bonds as provided in this Act.

(8) Subject to the limitations set forth in the definition of "project costs" in Section 5-10 of this Act, to fix, charge, and collect fees, rents, and charges for the use of any building, facility, or property or any portion of a building, facility, or property owned or leased by the political subdivision in furtherance of a STAR bond project under this Act within a STAR bond district.

(9) To accept grants, guarantees, donations of property or labor, or any other thing of value for use in connection with a STAR bond project.

(10) To pay or cause to be paid STAR bond project costs, including, specifically, to reimburse any developer or nongovernmental person for STAR bond project costs incurred by that person. A political subdivision is not required to obtain any right, title, or interest in any real or personal property in order to pay STAR bond

project costs associated with the property. The political subdivision shall adopt accounting procedures necessary to determine that the STAR bond project costs are properly paid.

(11) To exercise any and all other powers necessary to effectuate the purposes of this Act.

ARTICLE 10

Section 10-5. The State Finance Act is amended by changing Section 6z-27 as follows:

(30 ILCS 105/6z-27)

Sec. 6z-27. All moneys in the Audit Expense Fund shall be transferred, appropriated and used only for the purposes authorized by, and subject to the limitations and conditions prescribed by, the Illinois State Auditing Act.

Within 30 days after July 1, 2025, or as soon thereafter as practical, the State Comptroller shall order transferred and the State Treasurer shall transfer from the following funds moneys in the specified amounts for deposit into the Audit Expense Fund:

Academic Quality Assurance Fund $940

African-American HIV/AIDS Response Fund $4,266

Agricultural Premium Fund $169,467

Alzheimer's Awareness Fund $1,068

Alzheimer's Disease Research,
Care, and Support Fund $502
Amusement Ride and Patron Safety Fund $6,888
Assisted Living and Shared
Housing Regulatory Fund..... $4,011
Board of Higher Education State
Contracts and Grants Fund..... $13,416
Capital Development Board Revolving Fund $10,711
Care Provider Fund for Persons with
a Developmental Disability $9,771
CDLIS/AAMVA/NMVTIS Trust Fund..... $3,433
Chicago State University Education
Improvement Fund $15,774
Child Labor and Day and Temporary
Labor Services Enforcement Fund..... $15,414
Child Support Administrative Fund..... $3,739
Coal Technology Development
Assistance Fund..... $3,019
Common School Fund $246,578
Community Mental Health
Medicaid Trust Fund..... $10,597
Consumer Intervenor Compensation Fund..... $1,700
Death Certificate Surcharge Fund $1,550
Death Penalty Abolition Fund $2,688
Department of Business Services
Special Operations Fund..... $10,406

Department of Human Services

Community Services Fund..... $15,086

Dram Shop Fund $212,500

Driver Services Administration Fund..... $937

Drug Rebate Fund $54,214

Drug Treatment Fund..... $1,236

Education Assistance Fund..... $2,193,017

Emergency Planning and Training Fund $528

Emergency Public Health Fund $8,769

Employee Classification Fund $967

EMS Assistance Fund..... $1,150

Estate Tax Refund Fund $1,628

Facilities Management Revolving Fund $35,073

Facility Licensing Fund..... $6,082

Fair and Exposition Fund $6,903

Federal Financing Cost

Reimbursement Fund $7,100

Feed Control Fund..... $13,874

Fertilizer Control Fund..... $9,357

Fire Prevention Fund $4,282

General Assembly Technology Fund $2,830

General Professions Dedicated Fund $4,131

General Revenue Fund $17,653,153

Governor's Administrative Fund $5,956

Governor's Grant Fund..... $3,164

Grant Accountability and Transparency Fund $1,041

Guardianship and Advocacy Fund $16,432

Health Facility Plan Review Fund $2,286

Health and Human Services

Medicaid Trust Fund..... $10,902

Healthcare Provider Relief Fund..... $321,428

Home Care Services Agency Licensure Fund $2,843

Hospital Licensure Fund..... $1,251

Hospital Provider Fund $99,530

Illinois Affordable Housing Trust Fund $19,809

Illinois Community College Board

Contracts and Grants Fund..... $14,687

Illinois Health Facilities Planning Fund $3,155

Illinois Independent Tax Tribunal Fund $11,636

IMSA Income Fund $6,805

Illinois School Asbestos Abatement Fund..... $1,141

Illinois State Fair Fund $69,621

Illinois Telecommunications Access

Corporation Fund $1,546

Illinois Underground Utility

Facilities Damage Prevention Fund..... $12,035

Illinois Veterans' Rehabilitation Fund $1,103

Illinois Workers' Compensation

Commission Operations Fund $241,658

Industrial Hemp Regulatory Fund..... $1,407

Interpreters for the Deaf Fund $8,657

Lead Poisoning Screening, Prevention,

and Abatement Fund $19,789

Lobbyist Registration Administration Fund..... $843

Long Term Care Monitor/Receiver Fund $42,485

Long-Term Care Provider Fund $20,620

Low-Level Radioactive Waste Facility

Development and Operation Fund $2,402

Mandatory Arbitration Fund $2,635

Mental Health Fund $5,353

Mental Health Reporting Fund $1,226

Metabolic Screening and Treatment Fund $46,885

Monitoring Device Driving Permit

Administration Fee Fund..... $1,475

Motor Fuel Tax Fund..... $1,068

Motor Vehicle License Plate Fund $13,927

Multiple Sclerosis Research Fund $961

Nuclear Safety Emergency Preparedness Fund $87,774

Nursing Dedicated and Professional Fund..... $595

Partners For Conservation Fund $117,108

Personal Property Tax Replacement Fund $218,128

Pesticide Control Fund $42,146

Plumbing Licensure and Program Fund..... $3,672

Private Business and Vocational Schools

Quality Assurance Fund $867

Professional Services Fund $90,610

Public Defender Fund $6,198

Public Health Laboratory

Services Revolving Fund..... $1,098
Public Utility Fund..... $282,488
Radiation Protection Fund..... $37,946
Rebuild Illinois Projects Fund $58,858
Rental Housing Support Program Fund..... $4,083
Road Fund..... $55,409
Secretary Of State DUI Administration Fund $2,767
Secretary Of State Identification Security
and Theft Prevention Fund..... $16,793
Secretary Of State Special License Plate Fund $3,473
Secretary Of State Special Services Fund $26,832
Securities Audit and Enforcement Fund..... $4,889
Serve Illinois Commission Fund $1,803
Special Education Medicaid Matching Fund $4,329
State Gaming Fund..... $1,997
State Garage Revolving Fund..... $7,501
State Lottery Fund $311,489
State Pensions Fund..... $500,000
State Treasurer's Bank Services Trust Fund $752
Supreme Court Special Purposes Fund..... $4,184
Tattoo and Body Piercing Establishment
Registration Fund..... $1,166
Tobacco Settlement Recovery Fund $143,143
Tourism Promotion Fund $79,695
Transportation Regulatory Fund $108,481
Trauma Center Fund $1,872

University Of Illinois Hospital Services Fund $5,476

Vehicle Hijacking and Motor Vehicle Theft Prevention and

Insurance Verification Trust Fund $9,331

Vehicle Inspection Fund $2,786

Weights and Measures Fund $24,640

Notwithstanding any provision of the law to the contrary, the General Assembly hereby authorizes the use of such funds for the purposes set forth in this Section.

These provisions do not apply to funds classified by the Comptroller as federal trust funds or State trust funds. The Audit Expense Fund may receive transfers from those trust funds only as directed herein, except where prohibited by the terms of the trust fund agreement. The Auditor General shall notify the trustees of those funds of the estimated cost of the audit to be incurred under the Illinois State Auditing Act for the fund. The trustees of those funds shall direct the State Comptroller and Treasurer to transfer the estimated amount to the Audit Expense Fund.

The Auditor General may bill entities that are not subject to the above transfer provisions, including private entities, related organizations and entities whose funds are locally held, for the cost of audits, studies, and investigations incurred on their behalf. Any revenues received under this provision shall be deposited into the Audit Expense Fund.

In the event that moneys on deposit in any fund are unavailable, by reason of deficiency or any other reason

preventing their lawful transfer, the State Comptroller shall order transferred and the State Treasurer shall transfer the amount deficient or otherwise unavailable from the General Revenue Fund for deposit into the Audit Expense Fund.

On or before December 1, 1992, and each December 1 thereafter, the Auditor General shall notify the Governor's Office of Management and Budget (formerly Bureau of the Budget) of the amount estimated to be necessary to pay for audits, studies, and investigations in accordance with the Illinois State Auditing Act during the next succeeding fiscal year for each State fund for which a transfer or reimbursement is anticipated.

Beginning with fiscal year 1994 and during each fiscal year thereafter, the Auditor General may direct the State Comptroller and Treasurer to transfer moneys from funds authorized by the General Assembly for that fund. In the event funds, including federal and State trust funds but excluding the General Revenue Fund, are transferred, during fiscal year 1994 and during each fiscal year thereafter, in excess of the amount to pay actual costs attributable to audits, studies, and investigations as permitted or required by the Illinois State Auditing Act or specific action of the General Assembly, the Auditor General shall, on September 30, or as soon thereafter as is practicable, direct the State Comptroller and Treasurer to transfer the excess amount back to the fund from which it was originally transferred.

(Source: P.A. 103-8, eff. 6-7-23; 103-129, eff. 6-30-23; 103-588, eff. 6-5-24; 104-2, eff. 6-16-25.)

Section 10-10. The Illinois Income Tax Act is amended by changing Sections 201, 203, and 701 as follows:

(35 ILCS 5/201)

Sec. 201. Tax imposed.

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

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

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

(2) In the case of an individual, trust or estate, for taxable years beginning prior to July 1, 1989 and ending after June 30, 1989, an amount equal to the sum of (i) 2 1/2% of the taxpayer's net income for the period prior to

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

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

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

(5) In the case of an individual, trust, or estate, for taxable years beginning on or after January 1, 2011, and ending prior to January 1, 2015, an amount equal to 5% of the taxpayer's net income for the taxable year.

(5.1) In the case of an individual, trust, or estate, for taxable years beginning prior to January 1, 2015, and ending after December 31, 2014, an amount equal to the sum of (i) 5% of the taxpayer's net income for the period prior to January 1, 2015, as calculated under Section 202.5, and (ii) 3.75% of the taxpayer's net income for the period after December 31, 2014, as calculated under Section 202.5.

(5.2) In the case of an individual, trust, or estate, for taxable years beginning on or after January 1, 2015, and ending prior to July 1, 2017, an amount equal to 3.75% of the taxpayer's net income for the taxable year.

(5.3) In the case of an individual, trust, or estate, for taxable years beginning prior to July 1, 2017, and ending after June 30, 2017, an amount equal to the sum of (i) 3.75% of the taxpayer's net income for the period prior to July 1, 2017, as calculated under Section 202.5, and (ii) 4.95% of the taxpayer's net income for the period after June 30, 2017, as calculated under Section 202.5.

(5.4) In the case of an individual, trust, or estate, for taxable years beginning on or after July 1, 2017, an amount equal to 4.95% of the taxpayer's net income for the taxable year.

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

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

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

beginning after June 30, 1989, and ending prior to January 1, 2011, an amount equal to 4.8% of the taxpayer's net income for the taxable year.

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

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

(11) In the case of a corporation, for taxable years beginning prior to January 1, 2015, and ending after December 31, 2014, an amount equal to the sum of (i) 7% of the taxpayer's net income for the period prior to January 1, 2015, as calculated under Section 202.5, and (ii) 5.25% of the taxpayer's net income for the period after December 31, 2014, as calculated under Section 202.5.

(12) In the case of a corporation, for taxable years beginning on or after January 1, 2015, and ending prior to July 1, 2017, an amount equal to 5.25% of the taxpayer's net income for the taxable year.

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

beginning prior to July 1, 2017, and ending after June 30, 2017, an amount equal to the sum of (i) 5.25% of the taxpayer's net income for the period prior to July 1, 2017, as calculated under Section 202.5, and (ii) 7% of the taxpayer's net income for the period after June 30, 2017, as calculated under Section 202.5.

(14) In the case of a corporation, for taxable years beginning on or after July 1, 2017, an amount equal to 7% of the taxpayer's net income for the taxable year.

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

(b-5) Surcharge; sale or exchange of assets, properties, and intangibles of organization gaming licensees. For each of taxable years 2019 through 2027, a surcharge is imposed on all taxpayers on income arising from the sale or exchange of capital assets, depreciable business property, real property used in the trade or business, and Section 197 intangibles (i) of an organization licensee under the Illinois Horse Racing Act of 1975 and (ii) of an organization gaming licensee under the Illinois Gambling Act. The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to those sales and exchanges. The surcharge imposed shall not apply if:

(1) the organization gaming license, organization license, or racetrack property is transferred as a result of any of the following:

(A) bankruptcy, a receivership, or a debt adjustment initiated by or against the initial licensee or the substantial owners of the initial licensee;

(B) cancellation, revocation, or termination of any such license by the Illinois Gaming Board or the Illinois Racing Board;

(C) a determination by the Illinois Gaming Board that transfer of the license is in the best interests of Illinois gaming;

(D) the death of an owner of the equity interest in a licensee;

(E) the acquisition of a controlling interest in the stock or substantially all of the assets of a publicly traded company;

(F) a transfer by a parent company to a wholly owned subsidiary; or

(G) the transfer or sale to or by one person to another person where both persons were initial owners of the license when the license was issued; or

(2) the controlling interest in the organization gaming license, organization license, or racetrack property is transferred in a transaction to lineal descendants in which no gain or loss is recognized or as a result of a transaction in accordance with Section 351 of the Internal Revenue Code in which no gain or loss is

recognized; or

(3) live horse racing was not conducted in 2010 at a racetrack located within 3 miles of the Mississippi River under a license issued pursuant to the Illinois Horse Racing Act of 1975.

The transfer of an organization gaming license, organization license, or racetrack property by a person other than the initial licensee to receive the organization gaming license is not subject to a surcharge. The Department shall adopt rules necessary to implement and administer this subsection.

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

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

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

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

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

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

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

(B) the privilege tax imposed by Section 409 of the Illinois Insurance Code, the fire insurance company tax imposed by Section 12 of the Fire Investigation Act, and the fire department taxes imposed under Section 11-10-1 of the Illinois Municipal Code,

equals 1.25% for taxable years ending prior to December 31, 2003, or 1.75% for taxable years ending on or after December 31, 2003, of the net taxable premiums written for the taxable year, as described by subsection (1) of Section 409 of the Illinois Insurance Code. This paragraph will in no event increase the rates imposed under

subsections (b) and (d).

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

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

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

(1) A taxpayer shall be allowed a credit equal to .5% of the basis of qualified property placed in service during the taxable year, provided such property is placed in service on or after July 1, 1984. There shall be allowed an additional credit equal to .5% of the basis of qualified property placed in service during the taxable year, provided such property is placed in service on or after July 1, 1986, and the taxpayer's base employment within Illinois has increased by 1% or more over the preceding year as determined by the taxpayer's employment records filed with the Illinois Department of Employment Security. Taxpayers who are new to Illinois shall be deemed to have met the 1% growth in base employment for the

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

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

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

(A) is tangible, whether new or used, including buildings and structural components of buildings and signs that are real property, but not including land or improvements to real property that are not a structural component of a building such as

landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances;

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

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

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

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

(3) For purposes of this subsection (e), "manufacturing" means the material staging and production of tangible personal property by procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes some existing material into new shapes, new qualities, or new combinations. For purposes of this subsection (e) the term "mining" shall have the

same meaning as the term "mining" in Section 613(c) of the Internal Revenue Code. For purposes of this subsection (e), the term "retailing" means the sale of tangible personal property for use or consumption and not for resale, or services rendered in conjunction with the sale of tangible personal property for use or consumption and not for resale. For purposes of this subsection (e), "tangible personal property" has the same meaning as when that term is used in the Retailers' Occupation Tax Act, and, for taxable years ending after December 31, 2008, does not include the generation, transmission, or distribution of electricity.

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

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

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

(7) If during any taxable year, any property ceases to be qualified property in the hands of the taxpayer within 48 months after being placed in service, or the situs of any qualified property is moved outside Illinois within 48

months after being placed in service, the Personal Property Tax Replacement Income Tax for such taxable year shall be increased. Such increase shall be determined by (i) recomputing the investment credit which would have been allowed for the year in which credit for such property was originally allowed by eliminating such property from such computation and, (ii) subtracting such recomputed credit from the amount of credit previously allowed. For the purposes of this paragraph (7), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent of such reduction.

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

(9) Each taxable year ending before December 31, 2000, a partnership may elect to pass through to its partners the credits to which the partnership is entitled under this subsection (e) for the taxable year. A partner may use the credit allocated to him or her under this paragraph only against the tax imposed in subsections (c) and (d) of this Section. If the partnership makes that election, those credits shall be allocated among the

partners in the partnership in accordance with the rules set forth in Section 704(b) of the Internal Revenue Code, and the rules promulgated under that Section, and the allocated amount of the credits shall be allowed to the partners for that taxable year. The partnership shall make this election on its Personal Property Tax Replacement Income Tax return for that taxable year. The election to pass through the credits shall be irrevocable.

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

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

(1) A taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for

investment in qualified property which is placed in service in an Enterprise Zone created pursuant to the Illinois Enterprise Zone Act or, for property placed in service on or after July 1, 2006, a River Edge Redevelopment Zone established pursuant to the River Edge Redevelopment Zone Act. For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection (f) to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection. The credit shall be .5% of the basis for such property. The credit shall be available only in the taxable year in which the property is placed in service in the Enterprise Zone or River Edge Redevelopment Zone and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. For tax years ending on or after December 31, 1985, the credit shall be

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

(2) The term qualified property means property which:

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

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

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

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

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

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

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

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

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

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

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

(8) For taxable years beginning on or after January 1, 2021, there shall be allowed an Enterprise Zone construction jobs credit against the taxes imposed under subsections (a) and (b) of this Section as provided in Section 13 of the Illinois Enterprise Zone Act.

The credit or credits may not reduce the taxpayer's liability to less than zero. If the amount of the credit or credits exceeds the taxpayer's liability, the excess may be carried forward and applied against the taxpayer's liability in succeeding calendar years in the same manner provided under paragraph (4) of Section 211 of this Act. The credit or credits shall be applied to the earliest year for which there is a tax liability. If there are credits from more than one taxable year that are available to offset a liability, the earlier credit shall be applied first.

For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for the purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

The total aggregate amount of credits awarded under the Blue Collar Jobs Act (Article 20 of Public Act 101-9)

shall not exceed $20,000,000 in any State fiscal year.

This paragraph (8) is exempt from the provisions of Section 250.

(g) (Blank).

(h) Investment credit; High Impact Business.

(1) Subject to subsections (b) and (b-5) of Section 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for investment in qualified property which is placed in service by a Department of Commerce and Economic Opportunity designated High Impact Business. The credit shall be .5% of the basis for such property. The credit shall not be available (i) until the minimum investments in qualified property set forth in subdivision (a)(3)(A) of Section 5.5 of the Illinois Enterprise Zone Act have been satisfied or (ii) until the time authorized in subsection (b-5) of the Illinois Enterprise Zone Act for entities designated as High Impact Businesses under subdivisions (a)(3)(B), (a)(3)(C), and (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone Act, and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. The credit applicable to such investments shall be taken in the taxable year in which such investments have been completed. The credit for additional investments beyond

the minimum investment by a designated high impact business authorized under subdivision (a)(3)(A) of Section 5.5 of the Illinois Enterprise Zone Act shall be available only in the taxable year in which the property is placed in service and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. For tax years ending on or after December 31, 1987, the credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability or the liability as later amended, such excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit shall be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time shall be applied first.

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

(2) The term qualified property means property which:

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

(B) is depreciable pursuant to Section 167 of the

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

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

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

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

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

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

(6) If during any taxable year ending on or before December 31, 1996, any property ceases to be qualified property in the hands of the taxpayer within 48 months after being placed in service, or the situs of any qualified property is moved outside Illinois within 48 months after being placed in service, the tax imposed

under subsections (a) and (b) of this Section for such taxable year shall be increased. Such increase shall be determined by (i) recomputing the investment credit which would have been allowed for the year in which credit for such property was originally allowed by eliminating such property from such computation, and (ii) subtracting such recomputed credit from the amount of credit previously allowed. For the purposes of this paragraph (6), a reduction of the basis of qualified property resulting from a redetermination of the purchase price shall be deemed a disposition of qualified property to the extent of such reduction.

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

(h-5) High Impact Business construction jobs credit. For taxable years beginning on or after January 1, 2021, there shall also be allowed a High Impact Business construction jobs credit against the tax imposed under subsections (a) and (b)

of this Section as provided in subsections (i) and (j) of Section 5.5 of the Illinois Enterprise Zone Act.

The credit or credits may not reduce the taxpayer's liability to less than zero. If the amount of the credit or credits exceeds the taxpayer's liability, the excess may be carried forward and applied against the taxpayer's liability in succeeding calendar years in the manner provided under paragraph (4) of Section 211 of this Act. The credit or credits shall be applied to the earliest year for which there is a tax liability. If there are credits from more than one taxable year that are available to offset a liability, the earlier credit shall be applied first.

For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, for taxable years ending before December 31, 2023, if the liability company is treated as a partnership for the purposes of federal and State income taxation, there shall be allowed a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

The total aggregate amount of credits awarded under the Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall not

exceed $20,000,000 in any State fiscal year.

This subsection (h-5) is exempt from the provisions of Section 250.

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

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

subsection shall be applied first.

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

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

for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection (j) to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

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

(k) Research and development credit. For tax years ending after July 1, 1990 and prior to December 31, 2003, and beginning again for tax years ending on or after December 31, 2004, and ending prior to January 1, 2032, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for increasing research activities in this State. The credit allowed against the tax imposed by

subsections (a) and (b) shall be equal to 6 1/2% of the qualifying expenditures for increasing research activities in this State. For partners, shareholders of subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, for taxable years ending before December 31, 2023, there shall be allowed a credit under this subsection to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code. For taxable years ending on or after December 31, 2023, for partners and shareholders of Subchapter S corporations, the provisions of Section 251 shall apply with respect to the credit under this subsection.

For purposes of this subsection, "qualifying expenditures" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under Section 41 of the Internal Revenue Code and which are conducted in this State, "qualifying expenditures for increasing research activities in this State" means the excess of qualifying expenditures for the taxable year in which incurred over qualifying expenditures for the base period, "qualifying expenditures for the base period" means the average of the qualifying expenditures for each year in the base period, and "base period" means the 3 taxable years immediately preceding the taxable year for which the

determination is being made.

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

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

No inference shall be drawn from Public Act 91-644 in construing this Section for taxable years beginning before January 1, 1999.

It is the intent of the General Assembly that the research and development credit under this subsection (k) shall apply

continuously for all tax years ending on or after December 31, 2004 and ending prior to January 1, 2032, including, but not limited to, the period beginning on January 1, 2016 and ending on July 6, 2017 (the effective date of Public Act 100-22). All actions taken in reliance on the continuation of the credit under this subsection (k) by any taxpayer are hereby validated.

(l) Environmental Remediation Tax Credit.

(i) For tax years ending after December 31, 1997 and on or before December 31, 2001, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14 of the Environmental Protection Act that were paid in performing environmental remediation at a site for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or

under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. After the Pollution Control Board rules are adopted pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of Section 58.9 of the Environmental Protection Act, determinations as to credit availability for purposes of this Section shall be made consistent with those rules. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under Section 381 of the Internal Revenue Code and "related party" includes the persons disallowed a deduction for losses by paragraphs (b), (c), and (f)(1) of Section 267 of the Internal Revenue Code by virtue of being a related taxpayer, as well as any of its partners. The credit allowed against the tax imposed by subsections (a) and (b) shall be equal to 25% of the unreimbursed eligible remediation costs in excess of $100,000 per site, except that the $100,000 threshold shall not apply to any site contained in an enterprise zone as determined by the Department of Commerce and Community Affairs (now Department of Commerce and Economic Opportunity). The total credit allowed shall not exceed $40,000 per year with a maximum total of $150,000 per site. For partners and shareholders of subchapter S corporations, there shall be allowed a credit under this subsection to be determined

in accordance with the determination of income and distributive share of income under Sections 702 and 704 and subchapter S of the Internal Revenue Code.

(ii) A credit allowed under this subsection that is unused in the year the credit is earned may be carried forward to each of the 5 taxable years following the year for which the credit is first earned until it is used. The term "unused credit" does not include any amounts of unreimbursed eligible remediation costs in excess of the maximum credit per site authorized under paragraph (i). This credit shall be applied first to the earliest year for which there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability, the earliest credit arising under this subsection shall be applied first. A credit allowed under this subsection may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The purchaser of a remediation site and the tax credit shall succeed to the unused credit and remaining carry-forward period of the seller. To perfect the transfer, the assignor shall record the transfer in the chain of title for the site and provide written notice to the Director of the Illinois Department of Revenue of the assignor's intent to sell the remediation site and the amount of the tax credit to be transferred as a portion of the sale. In no event may a

credit be transferred to any taxpayer if the taxpayer or a related party would not be eligible under the provisions of subsection (i).

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

(m) Education expense credit. Beginning with tax years ending after December 31, 1999, a taxpayer who is the custodian of one or more qualifying pupils shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for qualified education expenses incurred on behalf of the qualifying pupils. The credit shall be equal to 25% of qualified education expenses, but in no event may the total credit under this subsection claimed by a family that is the custodian of qualifying pupils exceed (i) $500 for tax years ending prior to December 31, 2017, and (ii) $750 for tax years ending on or after December 31, 2017. In no event shall a credit under this subsection reduce the taxpayer's liability under this Act to less than zero. Notwithstanding any other provision of law, for taxable years beginning on or after January 1, 2017, no taxpayer may claim a credit under this subsection (m) if the taxpayer's adjusted gross income for the taxable year exceeds (i) $500,000, in the case of spouses filing a joint federal tax return or (ii) $250,000, in the case of all other taxpayers. This subsection is exempt from the provisions of Section 250 of this Act.

For purposes of this subsection:

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

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

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

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

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

(i) For tax years ending on or after December 31, 2006, a taxpayer shall be allowed a credit against the tax

imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14a of the Environmental Protection Act that were paid in performing environmental remediation at a site within a River Edge Redevelopment Zone for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. Determinations as to credit availability for purposes of this Section shall be made consistent with rules adopted by the Pollution Control Board pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of Section 58.9 of the Environmental Protection Act. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under

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

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

amount of the tax credit to be transferred as a portion of the sale. In no event may a credit be transferred to any taxpayer if the taxpayer or a related party would not be eligible under the provisions of subsection (i).

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

(o) For each of taxable years during the Compassionate Use of Medical Cannabis Program, a surcharge is imposed on all taxpayers on income arising from the sale or exchange of capital assets, depreciable business property, real property used in the trade or business, and Section 197 intangibles of an organization registrant under the Compassionate Use of Medical Cannabis Program Act. The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to those sales and exchanges. The surcharge imposed does not apply if:

(1) the medical cannabis cultivation center registration, medical cannabis dispensary registration, or the property of a registration is transferred as a result of any of the following:

(A) bankruptcy, a receivership, or a debt adjustment initiated by or against the initial registration or the substantial owners of the initial registration;

(B) cancellation, revocation, or termination of

any registration by the Illinois Department of Public Health;

(C) a determination by the Illinois Department of Public Health that transfer of the registration is in the best interests of Illinois qualifying patients as defined by the Compassionate Use of Medical Cannabis Program Act;

(D) the death of an owner of the equity interest in a registrant;

(E) the acquisition of a controlling interest in the stock or substantially all of the assets of a publicly traded company;

(F) a transfer by a parent company to a wholly owned subsidiary; or

(G) the transfer or sale to or by one person to another person where both persons were initial owners of the registration when the registration was issued; or

(2) the cannabis cultivation center registration, medical cannabis dispensary registration, or the controlling interest in a registrant's property is transferred in a transaction to lineal descendants in which no gain or loss is recognized or as a result of a transaction in accordance with Section 351 of the Internal Revenue Code in which no gain or loss is recognized.

(p) Pass-through entity tax.

(1) For taxable years ending on or after December 31, 2021 ~~and beginning prior to January 1, 2026~~, a partnership (other than a publicly traded partnership under Section 7704 of the Internal Revenue Code) or Subchapter S corporation may elect to apply the provisions of this subsection. A separate election shall be made for each taxable year. Such election shall be made at such time, and in such form and manner as prescribed by the Department, and, once made, is irrevocable.

(2) Entity-level tax. A partnership or Subchapter S corporation electing to apply the provisions of this subsection shall be subject to a tax for the privilege of earning or receiving income in this State in an amount equal to 4.95% of the taxpayer's net income for the taxable year.

(3) Net income defined.

(A) In general. For purposes of paragraph (2), the term net income has the same meaning as defined in Section 202 of this Act, except that, for tax years ending on or after December 31, 2023, a deduction shall be allowed in computing base income for distributions to a retired partner to the extent that the partner's distributions are exempt from tax under Section 203(a)(2)(F) of this Act. In addition, the following modifications shall not apply:

(i) the standard exemption allowed under

Section 204;

(ii) the deduction for net losses allowed under Section 207;

(iii) in the case of an S corporation, the modification under Section 203(b)(2)(S); and

(iv) in the case of a partnership, the modifications under Section 203(d)(2)(H) and Section 203(d)(2)(I).

(B) Special rule for tiered partnerships. If a taxpayer making the election under paragraph (1) is a partner of another taxpayer making the election under paragraph (1), net income shall be computed as provided in subparagraph (A), except that the taxpayer shall subtract its distributive share of the net income of the electing partnership (including its distributive share of the net income of the electing partnership derived as a distributive share from electing partnerships in which it is a partner).

(4) Credit for entity level tax. Each partner or shareholder of a taxpayer making the election under this Section shall be allowed a credit against the tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year of the partnership or Subchapter S corporation for which an election is in effect ending within or with the taxable year of the partner or shareholder in an amount equal to 4.95% times the partner

or shareholder's distributive share of the net income of the electing partnership or Subchapter S corporation, but not to exceed the partner's or shareholder's share of the tax imposed under paragraph (1) which is actually paid by the partnership or Subchapter S corporation. If the taxpayer is a partnership or Subchapter S corporation that is itself a partner of a partnership making the election under paragraph (1), the credit under this paragraph shall be allowed to the taxpayer's partners or shareholders (or if the partner is a partnership or Subchapter S corporation then its partners or shareholders) in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. If the amount of the credit allowed under this paragraph exceeds the partner's or shareholder's liability for tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year, such excess shall be treated as an overpayment for purposes of Section 909 of this Act.

(5) Nonresidents. A nonresident individual who is a partner or shareholder of a partnership or Subchapter S corporation for a taxable year for which an election is in effect under paragraph (1) shall not be required to file an income tax return under this Act for such taxable year if the only source of net income of the individual (or the individual and the individual's spouse in the case of a

joint return) is from an entity making the election under paragraph (1) and the credit allowed to the partner or shareholder under paragraph (4) equals or exceeds the individual's liability for the tax imposed under subsections (a) and (b) of Section 201 of this Act for the taxable year.

(6) Liability for tax. Except as provided in this paragraph, a partnership or Subchapter S making the election under paragraph (1) is liable for the entity-level tax imposed under paragraph (2). If the electing partnership or corporation fails to pay the full amount of tax deemed assessed under paragraph (2), the partners or shareholders shall be liable to pay the tax assessed (including penalties and interest). Each partner or shareholder shall be liable for the unpaid assessment based on the ratio of the partner's or shareholder's share of the net income of the partnership over the total net income of the partnership. If the partnership or Subchapter S corporation fails to pay the tax assessed (including penalties and interest) and thereafter an amount of such tax is paid by the partners or shareholders, such amount shall not be collected from the partnership or corporation.

(7) Foreign tax. For purposes of the credit allowed under Section 601(b)(3) of this Act, tax paid by a partnership or Subchapter S corporation to another state

which, as determined by the Department, is substantially similar to the tax imposed under this subsection, shall be considered tax paid by the partner or shareholder to the extent that the partner's or shareholder's share of the income of the partnership or Subchapter S corporation allocated and apportioned to such other state bears to the total income of the partnership or Subchapter S corporation allocated or apportioned to such other state.

(8) Suspension of withholding. The provisions of Section 709.5 of this Act shall not apply to a partnership or Subchapter S corporation for the taxable year for which an election under paragraph (1) is in effect.

(9) Requirement to pay estimated tax. For each taxable year for which an election under paragraph (1) is in effect, a partnership or Subchapter S corporation is required to pay estimated tax for such taxable year under Sections 803 and 804 of this Act if the amount payable as estimated tax can reasonably be expected to exceed $500.

(10) The provisions of this subsection shall apply only with respect to taxable years for which the limitation on individual deductions applies under Section 164(b)(6) of the Internal Revenue Code.

(Source: P.A. 102-558, eff. 8-20-21; 102-658, eff. 8-27-21; 103-9, eff. 6-7-23; 103-396, eff. 1-1-24; 103-595, eff. 6-26-24; 103-605, eff. 7-1-24.)

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

Sec. 203. Base income defined.

(a) Individuals.

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

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

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

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

(C) An amount equal to the amount received during the taxable year as a recovery or refund of real property taxes paid with respect to the taxpayer's principal residence under the Revenue Act of 1939 and for which a deduction was previously taken under

subparagraph (L) of this paragraph (2) prior to July 1, 1991, the retrospective application date of Article 4 of Public Act 87-17. In the case of multi-unit or multi-use structures and farm dwellings, the taxes on the taxpayer's principal residence shall be that portion of the total taxes for the entire property which is attributable to such principal residence;

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

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

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

(D-15) For taxable years 2001 <u>through 2025</u> ~~and~~

~~thereafter~~, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; for taxable years 2026 and thereafter, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) or (n) of Section 168 of the Internal Revenue Code;

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

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (Z) and for which the taxpayer was allowed in any taxable year to make a subtraction modification under subparagraph (Z), then an amount equal to that subtraction modification.

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

(D-17) An amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or

incurred. For taxable years ending on and after December 31, 2025, for purposes of applying this paragraph in the case of a taxpayer to which Section 163(j) of the Internal Revenue Code applies for the taxable year, the reduction in the amount of interest for which a deduction is allowed by reason of Section 163(j) shall be treated as allocable first to persons who are not foreign persons referred to in this paragraph and then to such foreign persons.

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

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

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

(b) the transaction giving rise to the

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

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

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

following:

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

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

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

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

404 of this Act;

(D-18) An amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with

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

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

alternative method of apportionment under Section 304(f);

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

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

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

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in

writing to the application or use of an alternative method of apportionment under Section 304(f).

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

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

same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the premiums and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this Act;

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

from a College Savings Pool created under Section 16.5 of the State Treasurer Act, (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, or (iii) a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code that (I) adopts and determines that its offering materials comply with the College Savings Plans Network's disclosure principles and (II) has made reasonable efforts to inform in-state residents of the existence of in-state qualified tuition programs by informing Illinois residents directly and, where applicable, to inform financial intermediaries distributing the program to inform in-state residents of the existence of in-state qualified tuition programs at least annually, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B).

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

out-of-state program distributes its offering materials;

(D-20.5) For taxable years beginning on or after January 1, 2018, in the case of a distribution from a qualified ABLE program under Section 529A of the Internal Revenue Code, other than a distribution from a qualified ABLE program created under Section 16.6 of the State Treasurer Act, an amount equal to the amount excluded from gross income under Section 529A(c)(1)(B) of the Internal Revenue Code;

(D-21) For taxable years beginning on or after January 1, 2007, in the case of transfer of moneys from a qualified tuition program under Section 529 of the Internal Revenue Code that is administered by the State to an out-of-state program, an amount equal to the amount of moneys previously deducted from base income under subsection (a)(2)(Y) of this Section;

(D-21.5) For taxable years beginning on or after January 1, 2018, in the case of the transfer of moneys from a qualified tuition program under Section 529 or a qualified ABLE program under Section 529A of the Internal Revenue Code that is administered by this State to an ABLE account established under an out-of-state ABLE account program, an amount equal to the contribution component of the transferred amount that was previously deducted from base income under

subsection (a)(2)(Y) or subsection (a)(2)(HH) of this Section;

(D-22) For taxable years beginning on or after January 1, 2009, and prior to January 1, 2018, in the case of a nonqualified withdrawal or refund of moneys from a qualified tuition program under Section 529 of the Internal Revenue Code administered by the State that is not used for qualified expenses at an eligible education institution, an amount equal to the contribution component of the nonqualified withdrawal or refund that was previously deducted from base income under subsection (a)(2)(y) of this Section, provided that the withdrawal or refund did not result from the beneficiary's death or disability. For taxable years beginning on or after January 1, 2018: (1) in the case of a nonqualified withdrawal or refund, as defined under Section 16.5 of the State Treasurer Act, of moneys from a qualified tuition program under Section 529 of the Internal Revenue Code administered by the State, an amount equal to the contribution component of the nonqualified withdrawal or refund that was previously deducted from base income under subsection (a)(2)(Y) of this Section, and (2) in the case of a nonqualified withdrawal or refund from a qualified ABLE program under Section 529A of the Internal Revenue Code administered by the State

that is not used for qualified disability expenses, an amount equal to the contribution component of the nonqualified withdrawal or refund that was previously deducted from base income under subsection (a)(2)(HH) of this Section;

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

(D-24) For taxable years ending on or after December 31, 2017, an amount equal to the deduction allowed under Section 199 of the Internal Revenue Code for the taxable year;

(D-25) In the case of a resident, an amount equal to the amount of tax for which a credit is allowed pursuant to Section 201(p)(7) of this Act;

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

(E) For taxable years ending before December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being on active duty in the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a

governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 1971 or thereafter for annual training performed pursuant to Sections 502 and 503, Title 32, United States Code as a member of the Illinois National Guard or, beginning with taxable years ending on or after December 31, 2007, the National Guard of any other state. For taxable years ending on or after December 31, 2001, any amount included in such total in respect of any compensation (including but not limited to any compensation paid or accrued to a serviceman while a prisoner of war or missing in action) paid to a resident by reason of being a member of any component of the Armed Forces of the United States and in respect of any compensation paid or accrued to a resident who as a governmental employee was a prisoner of war or missing in action, and in respect of any compensation paid to a resident in 2001 or thereafter by reason of being a member of the Illinois National Guard or, beginning with taxable years ending on or after December 31, 2007, the National Guard of any other state. The provisions of this subparagraph (E) are exempt from the provisions of Section 250;

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections

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

(G) The valuation limitation amount;

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

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

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

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

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

(M) With the exception of any amounts subtracted under subparagraph (N), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a)(2) and 265(a)(2) of the Internal Revenue Code, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code; and (ii) for taxable years ending on or after August 13, 1999, Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue Code, plus, for taxable years ending on or after December 31, 2011, Section 45G(e)(3) of the Internal Revenue Code and, for taxable years

ending on or after December 31, 2008, any amount included in gross income under Section 87 of the Internal Revenue Code; the provisions of this subparagraph are exempt from the provisions of Section 250;

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

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

(P) An amount equal to the amount of the deduction used to compute the federal income tax credit for restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code or of any itemized deduction taken from adjusted gross income in the computation of taxable income for restoration of substantial amounts held under claim of right for the taxable year;

(Q) An amount equal to any amounts included in

such total, received by the taxpayer as an acceleration in the payment of life, endowment or annuity benefits in advance of the time they would otherwise be payable as an indemnity for a terminal illness;

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

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

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

(U) For one taxable year beginning on or after January 1, 1994, an amount equal to the total amount of tax imposed and paid under subsections (a) and (b) of Section 201 of this Act on grant amounts received by

the taxpayer under the Nursing Home Grant Assistance Act during the taxpayer's taxable years 1992 and 1993;

(V) Beginning with tax years ending on or after December 31, 1995 and ending with tax years ending on or before December 31, 2004, an amount equal to the amount paid by a taxpayer who is a self-employed taxpayer, a partner of a partnership, or a shareholder in a Subchapter S corporation for health insurance or long-term care insurance for that taxpayer or that taxpayer's spouse or dependents, to the extent that the amount paid for that health insurance or long-term care insurance may be deducted under Section 213 of the Internal Revenue Code, has not been deducted on the federal income tax return of the taxpayer, and does not exceed the taxable income attributable to that taxpayer's income, self-employment income, or Subchapter S corporation income; except that no deduction shall be allowed under this item (V) if the taxpayer is eligible to participate in any health insurance or long-term care insurance plan of an employer of the taxpayer or the taxpayer's spouse. The amount of the health insurance and long-term care insurance subtracted under this item (V) shall be determined by multiplying total health insurance and long-term care insurance premiums paid by the taxpayer times a number that represents the fractional

percentage of eligible medical expenses under Section 213 of the Internal Revenue Code of 1986 not actually deducted on the taxpayer's federal income tax return;

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

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

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

(Y) For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2004, moneys contributed in the taxable year to a College Savings Pool account under Section 16.5 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). For taxable years beginning on or after January 1, 2005, a maximum of $10,000 contributed in the taxable year to (i) a

College Savings Pool account under Section 16.5 of the State Treasurer Act or (ii) the Illinois Prepaid Tuition Trust Fund, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (Y). For purposes of this subparagraph, contributions made by an employer on behalf of an employee, or matching contributions made by an employee, shall be treated as made by the employee. This subparagraph (Y) is exempt from the provisions of Section 250;

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

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

(2) for taxable years ending on or before December 31, 2005, "x" equals "y" multiplied by 30

and then divided by 70 (or "y" multiplied by 0.429); and

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

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

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

(iii) for property on which a bonus depreciation deduction of 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals the depreciation deduction that would be allowed on that property if the taxpayer had made the election under Section 168(k)(7) or Section 168(n)(6) of the Internal Revenue Code to not claim bonus depreciation on that property; and

(iv) for property on which a bonus depreciation deduction of a percentage other than 30%, 50% or 100% of the adjusted basis was taken in a taxable year ending on or after

December 31, 2021, "x" equals "y" multiplied by 100 times the percentage bonus depreciation on the property (that is, 100(bonus%)) and then divided by 100 times 1 minus the percentage bonus depreciation on the property (that is, 100(1-bonus%)).

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

(AA) If the taxpayer sells, transfers, abandons, or otherwise disposes of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (Z) and for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-15), then an amount equal to that addition modification.

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

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

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

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

(DD) An amount equal to the interest income taken

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

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

activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304, but not to exceed the addition modification required to be made for the same taxable year under Section 203(a)(2)(D-18) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same foreign person. This subparagraph (EE) is exempt from the provisions of Section 250;

(FF) An amount equal to any amount awarded to the taxpayer during the taxable year by the Court of Claims under subsection (c) of Section 8 of the Court of Claims Act for time unjustly served in a State prison. This subparagraph (FF) is exempt from the provisions of Section 250;

(GG) For taxable years ending on or after December 31, 2011, in the case of a taxpayer who was required to add back any insurance premiums under Section 203(a)(2)(D-19), such taxpayer may elect to subtract that part of a reimbursement received from the

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

(HH) For taxable years beginning on or after January 1, 2018 and prior to January 1, 2028, a maximum of $10,000 contributed in the taxable year to a qualified ABLE account under Section 16.6 of the State Treasurer Act, except that amounts excluded from gross income under Section 529(c)(3)(C)(i) or Section 529A(c)(1)(C) of the Internal Revenue Code shall not be considered moneys contributed under this subparagraph (HH). For purposes of this subparagraph (HH), contributions made by an employer on behalf of an employee, or matching contributions made by an employee, shall be treated as made by the employee;

(II) For taxable years that begin on or after January 1, 2021 and begin before January 1, 2026, the amount that is included in the taxpayer's federal

adjusted gross income pursuant to Section 61 of the Internal Revenue Code as discharge of indebtedness attributable to student loan forgiveness and that is not excluded from the taxpayer's federal adjusted gross income pursuant to paragraph (5) of subsection (f) of Section 108 of the Internal Revenue Code;

(JJ) For taxable years beginning on or after January 1, 2023, for any cannabis establishment operating in this State and licensed under the Cannabis Regulation and Tax Act or any cannabis cultivation center or medical cannabis dispensing organization operating in this State and licensed under the Compassionate Use of Medical Cannabis Program Act, an amount equal to the deductions that were disallowed under Section 280E of the Internal Revenue Code for the taxable year and that would not be added back under this subsection. The provisions of this subparagraph (JJ) are exempt from the provisions of Section 250;

(KK) To the extent includible in gross income for federal income tax purposes, any amount awarded or paid to the taxpayer as a result of a judgment or settlement for fertility fraud as provided in Section 15 of the Illinois Fertility Fraud Act, donor fertility fraud as provided in Section 20 of the Illinois Fertility Fraud Act, or similar action in

another state;

(LL) For taxable years beginning on or after January 1, 2026, if the taxpayer is a qualified worker, as defined in the Workforce Development through Charitable Loan Repayment Act, an amount equal to the amount included in the taxpayer's federal adjusted gross income that is attributable to student loan repayment assistance received by the taxpayer during the taxable year from a qualified community foundation under the provisions of the Workforce Development through Charitable Loan Repayment Act.

This subparagraph (LL) is exempt from the provisions of Section 250; and

(MM) For taxable years beginning on or after January 1, 2025, if the taxpayer is an eligible resident as defined in the Medical Debt Relief Act, an amount equal to the amount included in the taxpayer's federal adjusted gross income that is attributable to medical debt relief received by the taxpayer during the taxable year from a nonprofit medical debt relief coordinator under the provisions of the Medical Debt Relief Act. This subparagraph (MM) is exempt from the provisions of Section 250.

(b) Corporations.

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

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

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

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

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

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

(D) The amount of any net operating loss deduction taken in arriving at taxable income, other than a net

operating loss carried forward from a taxable year ending prior to December 31, 1986;

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

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

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

For taxable years in which there is a net

operating loss carryback or carryforward from more than one other taxable year ending prior to December 31, 1986, the addition modification provided in this subparagraph (E) shall be the sum of the amounts computed independently under the preceding provisions of this subparagraph (E) for each such taxable year;

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

(E-10) For taxable years 2001 through 2025 ~~and thereafter~~, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; for taxable years 2026 and thereafter, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) or (n) of Section 168 of the Internal Revenue Code;

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

deductions taken in all taxable years under subparagraph (T) with respect to that property.

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (T) and for which the taxpayer was allowed in any taxable year to make a subtraction modification under subparagraph (T), then an amount equal to that subtraction modification.

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

(E-12) An amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily

required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. For taxable years ending on and after December 31, 2025, for purposes of applying this paragraph in the case of a taxpayer to which Section 163(j) of the Internal Revenue Code applies for the taxable year, the reduction in the amount of interest for which a deduction is allowed by reason of Section 163(j) shall be treated as allocable first to persons who are not foreign persons referred to in this paragraph and then to such foreign persons.

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

(i) an item of interest paid, accrued, or incurred, directly or indirectly, to a person who is subject in a foreign country or state, other

than a state which requires mandatory unitary reporting, to a tax on or measured by net income with respect to such interest; or

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

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

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

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

(iv) an item of interest paid, accrued, or

incurred, directly or indirectly, to a person if the taxpayer establishes by clear and convincing evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

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

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

(ii) an item of interest paid, accrued, or incurred, directly or indirectly, to a person if the taxpayer establishes by clear and convincing

evidence that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section 304(f).

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

(E-13) An amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27)

from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence shall not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-12) of this Act. As used in this subparagraph, the term "intangible expenses and costs" includes (1) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; (2) losses incurred, directly or indirectly, from factoring transactions or discounting transactions; (3) royalty, patent, technical, and

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

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

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

(b) the transaction giving rise to the

intangible expense or cost between the taxpayer and the person did not have as a principal purpose the avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects arm's-length terms; or

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

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

(E-14) For taxable years ending on or after December 31, 2008, an amount equal to the amount of

insurance premium expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the premiums and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this Act;

(E-15) For taxable years beginning after December

31, 2008, any deduction for dividends paid by a captive real estate investment trust that is allowed to a real estate investment trust under Section 857(b)(2)(B) of the Internal Revenue Code for dividends paid;

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

(E-17) For taxable years ending on or after December 31, 2017, an amount equal to the deduction allowed under Section 199 of the Internal Revenue Code for the taxable year;

(E-18) for taxable years beginning after December 31, 2018, an amount equal to the deduction allowed under Section 250(a)(1)(A) of the Internal Revenue Code for the taxable year;

(E-19) for taxable years ending on or after June 30, 2021, an amount equal to the deduction allowed under Section 250(a)(1)(B)(i) of the Internal Revenue Code for the taxable year;

(E-20) for taxable years ending on or after June 30, 2021, an amount equal to the deduction allowed under Sections 243(e) and 245A(a) of the Internal Revenue Code for the taxable year;

(E-21) the amount that is claimed as a federal

deduction when computing the taxpayer's federal taxable income for the taxable year and that is attributable to an endowment gift for which the taxpayer receives a credit under the Illinois Gives Tax Credit Act;

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

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

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

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

(I) With the exception of any amounts subtracted under subparagraph (J), an amount equal to the sum of all amounts disallowed as deductions by (i) Sections 171(a)(2) and 265(a)(2) and amounts disallowed as interest expense by Section 291(a)(3) of the Internal Revenue Code, and all amounts of expenses allocable to interest and disallowed as deductions by Section 265(a)(1) of the Internal Revenue Code; and (ii) for taxable years ending on or after August 13, 1999,

Sections 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i) of the Internal Revenue Code, plus, for tax years ending on or after December 31, 2011, amounts disallowed as deductions by Section 45G(e)(3) of the Internal Revenue Code and, for taxable years ending on or after December 31, 2008, any amount included in gross income under Section 87 of the Internal Revenue Code and the policyholders' share of tax-exempt interest of a life insurance company under Section 807(a)(2)(B) of the Internal Revenue Code (in the case of a life insurance company with gross income from a decrease in reserves for the tax year) or Section 807(b)(1)(B) of the Internal Revenue Code (in the case of a life insurance company allowed a deduction for an increase in reserves for the tax year); the provisions of this subparagraph are exempt from the provisions of Section 250;

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

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

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

(M) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the River Edge Redevelopment Zone Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(f) investment credit to the

borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(f) investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in the River Edge Redevelopment Zone. The subtraction modification available to the taxpayer in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence. This subparagraph (M) is exempt from the provisions of Section 250;

(M-1) For any taxpayer that is a financial organization within the meaning of Section 304(c) of this Act, an amount included in such total as interest income from a loan or loans made by such taxpayer to a borrower, to the extent that such a loan is secured by property which is eligible for the High Impact Business Investment Credit. To determine the portion of a loan or loans that is secured by property eligible for a Section 201(h) investment credit to the borrower, the entire principal amount of the loan or loans between the taxpayer and the borrower should be divided into the basis of the Section 201(h)

investment credit property which secures the loan or loans, using for this purpose the original basis of such property on the date that it was placed in service in a federally designated Foreign Trade Zone or Sub-Zone located in Illinois. No taxpayer that is eligible for the deduction provided in subparagraph (M) of paragraph (2) of this subsection shall be eligible for the deduction provided under this subparagraph (M-1). The subtraction modification available to taxpayers in any year under this subsection shall be that portion of the total interest paid by the borrower with respect to such loan attributable to the eligible property as calculated under the previous sentence;

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

(O) An amount equal to: (i) 85% for taxable years

ending on or before December 31, 1992, or, a percentage equal to the percentage allowable under Section 243(a)(1) of the Internal Revenue Code of 1986 for taxable years ending after December 31, 1992, of the amount by which dividends included in taxable income and received from a corporation that is not created or organized under the laws of the United States or any state or political subdivision thereof, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 965 of the Internal Revenue Code, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends, and including, for taxable years ending on or after December 31, 2008, dividends received from a captive real estate investment trust; plus (ii) 100% of the amount by which dividends, included in taxable income and received, including, for taxable years ending on or after December 31, 1988, dividends received or deemed received or paid or deemed paid under Sections 951 through 964 of the Internal Revenue Code and including, for taxable years ending on or after December 31, 2008, dividends received from a captive real estate investment trust, from any such corporation specified in clause (i) that

would but for the provisions of Section 1504(b)(3) of the Internal Revenue Code be treated as a member of the affiliated group which includes the dividend recipient, exceed the amount of the modification provided under subparagraph (G) of paragraph (2) of this subsection (b) which is related to such dividends. For taxable years ending on or after June 30, 2021, (i) for purposes of this subparagraph, the term "dividend" does not include any amount treated as a dividend under Section 1248 of the Internal Revenue Code, and (ii) this subparagraph shall not apply to dividends for which a deduction is allowed under Section 245(a) of the Internal Revenue Code. For taxable years ending on or after December 31, 2025, 50% of the amount of global intangible low-taxed income or net controlled foreign corporation (CFC) tested income received or deemed received or paid or deemed paid under Sections 951 through 965 ~~Section 951A~~ of the Internal Revenue Code. This subparagraph (O) is exempt from the provisions of Section 250 of this Act;

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

(Q) An amount equal to the amount of the deduction used to compute the federal income tax credit for

restoration of substantial amounts held under claim of right for the taxable year pursuant to Section 1341 of the Internal Revenue Code;

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

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

(T) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction is taken on the taxpayer's federal income tax return under subsection (k) or (n) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

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

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

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

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

(ii) for property on which a bonus depreciation deduction of 50% of the adjusted

basis was taken, "x" equals "y" multiplied by 1.0;

(iii) for property on which a bonus depreciation deduction of 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals the depreciation deduction that would be allowed on that property if the taxpayer had made the election under Section 168(k)(7) or Section 168(n)(6) of the Internal Revenue Code to not claim bonus depreciation on that property; and

(iv) for property on which a bonus depreciation deduction of a percentage other than 30%, 50% or 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals "y" multiplied by 100 times the percentage bonus depreciation on the property (that is, 100(bonus%)) and then divided by 100 times 1 minus the percentage bonus depreciation on the property (that is, 100(1-bonus%)).

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

(k) or (n) of Section 168 of the Internal Revenue Code. This subparagraph (T) is exempt from the provisions of Section 250;

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

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (T) and for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (E-10), then an amount equal to that addition modification.

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

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

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

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

(W) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with (i) a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of

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

(X) An amount equal to the income from intangible property taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with (i) a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being

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

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

(Z) The difference between the nondeductible

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

(AA) For taxable years beginning on or after January 1, 2023, for any cannabis establishment operating in this State and licensed under the Cannabis Regulation and Tax Act or any cannabis cultivation center or medical cannabis dispensing organization operating in this State and licensed under the Compassionate Use of Medical Cannabis Program Act, an amount equal to the deductions that were disallowed under Section 280E of the Internal Revenue Code for the taxable year and that would not be added back under this subsection. The provisions of this subparagraph (AA) are exempt from the provisions of Section 250.

(3) Special rule. For purposes of paragraph (2)(A), "gross income" in the case of a life insurance company, for tax years ending on and after December 31, 1994, and prior to December 31, 2011, shall mean the gross investment income for the taxable year and, for tax years ending on or after December 31, 2011, shall mean all

amounts included in life insurance gross income under Section 803(a)(3) of the Internal Revenue Code.

(c) Trusts and estates.

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

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

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

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

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

(D) The amount of any net operating loss deduction

taken in arriving at taxable income, other than a net operating loss carried forward from a taxable year ending prior to December 31, 1986;

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

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

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

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

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

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

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

(G-10) For taxable years 2001 through 2025 ~~and thereafter~~, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax

return for the taxable year under subsection (k) of Section 168 of the Internal Revenue Code; for taxable years 2026 and thereafter, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) or (n) of Section 168 of the Internal Revenue Code; and

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

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (R) and for which the taxpayer was allowed in any taxable year to make a subtraction modification under subparagraph (R), then an amount equal to that subtraction modification.

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

(G-12) An amount equal to the amount otherwise allowed as a deduction in computing base income for

interest paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. For taxable years ending on and after December 31, 2025, for purposes of applying this

paragraph in the case of a taxpayer to which Section 163(j) of the Internal Revenue Code applies for the taxable year, the reduction in the amount of interest for which a deduction is allowed by reason of Section 163(j) shall be treated as allocable first to persons who are not foreign persons referred to in this paragraph and then to such foreign persons.

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

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

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

(b) the transaction giving rise to the interest expense between the taxpayer and the person did not have as a principal purpose the

avoidance of Illinois income tax, and is paid pursuant to a contract or agreement that reflects an arm's-length interest rate and terms; or

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

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

(a) the person, during the same taxable

year, paid, accrued, or incurred, the interest to a person that is not a related member, and

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

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

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

(G-13) An amount equal to the amount of intangible

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

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

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

with respect to such item; or

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

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

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

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

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

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

(ii) any item of intangible expense or cost paid, accrued, or incurred, directly or indirectly, from a transaction with a person if the taxpayer establishes by clear and convincing evidence, that the adjustments are unreasonable; or if the taxpayer and the Director agree in writing to the application or use of an alternative method of apportionment under Section

304(f).

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

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

(including amounts included in gross income under Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the premiums and costs were directly or indirectly paid, incurred, or accrued. The preceding sentence does not apply to the extent that the same dividends caused a reduction to the addition modification required under Section 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this Act;

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

(G-16) For taxable years ending on or after December 31, 2017, an amount equal to the deduction allowed under Section 199 of the Internal Revenue Code for the taxable year;

(G-17) the amount that is claimed as a federal deduction when computing the taxpayer's federal taxable income for the taxable year and that is attributable to an endowment gift for which the taxpayer receives a credit under the Illinois Gives Tax Credit Act;

and by deducting from the total so obtained the sum of the

following amounts:

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

(I) The valuation limitation amount;

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

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

premium amortization;

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

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

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

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

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

(Q) For taxable year 1999 and thereafter, an amount equal to the amount of any (i) distributions, to the extent includible in gross income for federal income tax purposes, made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim and (ii) items of income, to the extent includible in gross income for federal income tax purposes, attributable to, derived

from or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II; provided, however, this subtraction from federal adjusted gross income does not apply to assets acquired with such assets or with the proceeds from the sale of such assets; provided, further, this paragraph shall only apply to a taxpayer who was the first recipient of such assets after their recovery and who is a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim. The amount of and the eligibility for any public assistance, benefit, or similar entitlement is not affected by the inclusion of items (i) and (ii) of this paragraph in gross income for federal income tax purposes. This paragraph is exempt from the provisions of Section 250;

(R) For taxable years 2001 and thereafter, for the taxable year in which the bonus depreciation deduction

is taken on the taxpayer's federal income tax return under subsection (k) or (n) of Section 168 of the Internal Revenue Code and for each applicable taxable year thereafter, an amount equal to "x", where:

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

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

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

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

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

(iii) for property on which a bonus depreciation deduction of 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals the depreciation deduction that would be allowed on that property if the taxpayer had made the election under Section 168(k)(7) or Section 168(n)(6) of the Internal Revenue Code to not claim bonus depreciation on that property; and

(iv) for property on which a bonus depreciation deduction of a percentage other than 30%, 50% or 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals "y" multiplied by 100 times the percentage bonus depreciation on the property (that is, 100(bonus%)) and then divided by 100 times 1 minus the percentage bonus depreciation on the property (that is, 100(1-bonus%)).

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

Section 250;

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

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (R) and for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (G-10), then an amount equal to that addition modification.

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

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

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

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

(U) An amount equal to the interest income taken into account for the taxable year (net of the deductions allocable thereto) with respect to transactions with (i) a foreign person who would be a member of the taxpayer's unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304, but not to exceed the addition modification required to be made for the same taxable year under Section 203(c)(2)(G-12) for

interest paid, accrued, or incurred, directly or indirectly, to the same person. This subparagraph (U) is exempt from the provisions of Section 250;

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

(W) in the case of an estate, an amount equal to all amounts included in such total pursuant to the

provisions of Section 111 of the Internal Revenue Code as a recovery of items previously deducted by the decedent from adjusted gross income in the computation of taxable income. This subparagraph (W) is exempt from Section 250;

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

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

(Z) For taxable years beginning after December 31, 2018 ~~and before January 1, 2026~~, the amount of excess business loss of the taxpayer disallowed as a deduction by Section 461(l)(1)(B) of the Internal Revenue Code; and

(AA) For taxable years beginning on or after January 1, 2023, for any cannabis establishment operating in this State and licensed under the Cannabis Regulation and Tax Act or any cannabis cultivation center or medical cannabis dispensing organization operating in this State and licensed under the Compassionate Use of Medical Cannabis Program Act, an amount equal to the deductions that were disallowed under Section 280E of the Internal Revenue Code for the taxable year and that would not be added back under this subsection. The provisions of this subparagraph (AA) are exempt from the provisions of Section 250.

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

(d) Partnerships.

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

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

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

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

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

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

(D-5) For taxable years 2001 <u>through 2025</u> ~~and thereafter~~, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) of

Section 168 of the Internal Revenue Code; for taxable years 2026 and thereafter, an amount equal to the bonus depreciation deduction taken on the taxpayer's federal income tax return for the taxable year under subsection (k) or (n) of Section 168 of the Internal Revenue Code;

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

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (O) and for which the taxpayer was allowed in any taxable year to make a subtraction modification under subparagraph (O), then an amount equal to that subtraction modification.

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

(D-7) An amount equal to the amount otherwise allowed as a deduction in computing base income for interest paid, accrued, or incurred, directly or

indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact the foreign person's business activity outside the United States is 80% or more of the foreign person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the interest was paid, accrued, or incurred. For taxable years ending on and after December 31, 2025, for purposes of applying this paragraph in the case of a taxpayer to which Section

163(j) of the Internal Revenue Code applies for the taxable year, the reduction in the amount of interest for which a deduction is allowed by reason of Section 163(j) shall be treated as allocable first to persons who are not foreign persons referred to in this paragraph and then to such foreign persons.

For taxable years ending before December 31, 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

(a) the person, during the same taxable year, paid, accrued, or incurred, the interest

to a person that is not a related member, and

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

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

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

(D-8) An amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in

computing base income, and that were paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) with respect to the stock of the same person to whom the intangible expenses and costs were directly or indirectly paid, incurred or accrued. The preceding

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

For taxable years ending on or after December 31, 2025, this paragraph shall not apply to the following:

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

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

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

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

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

For taxable years ending on or after December 31,

2025, this paragraph shall not apply to the following:

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

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

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

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

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

(D-9) For taxable years ending on or after December 31, 2008, an amount equal to the amount of insurance premium expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income under

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

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

(D-11) For taxable years ending on or after December 31, 2017, an amount equal to the deduction allowed under Section 199 of the Internal Revenue Code for the taxable year;

(D-12) the amount that is claimed as a federal deduction when computing the taxpayer's federal taxable income for the taxable year and that is attributable to an endowment gift for which the taxpayer receives a credit under the Illinois Gives Tax Credit Act;

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

(E) The valuation limitation amount;

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

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

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

(I) An amount equal to all amounts of income distributable to an entity subject to the Personal Property Tax Replacement Income Tax imposed by subsections (c) and (d) of Section 201 of this Act including amounts distributable to organizations

exempt from federal income tax by reason of Section 501(a) of the Internal Revenue Code; this subparagraph (I) is exempt from the provisions of Section 250;

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

(K) An amount equal to those dividends included in such total which were paid by a corporation which conducts business operations in a River Edge Redevelopment Zone or zones created under the River Edge Redevelopment Zone Act and conducts substantially all of its operations from a River Edge Redevelopment

Zone or zones. This subparagraph (K) is exempt from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

(iii) for property on which a bonus depreciation deduction of 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals the depreciation deduction that would be allowed

on that property if the taxpayer had made the election under Section 168(k)(7) or Section 168(n)(6) of the Internal Revenue Code to not claim bonus depreciation on that property; and

(iv) for property on which a bonus depreciation deduction of a percentage other than 30%, 50% or 100% of the adjusted basis was taken in a taxable year ending on or after December 31, 2021, "x" equals "y" multiplied by 100 times the percentage bonus depreciation on the property (that is, 100(bonus%)) and then divided by 100 times 1 minus the percentage bonus depreciation on the property (that is, 100(1-bonus%)).

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

(P) If the taxpayer sells, transfers, abandons, or otherwise disposes of property for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount

equal to that addition modification.

If the taxpayer continues to own property through the last day of the last tax year for which a subtraction is allowed with respect to that property under subparagraph (O) and for which the taxpayer was required in any taxable year to make an addition modification under subparagraph (D-5), then an amount equal to that addition modification.

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

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

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

203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or 203(d)(2)(D-8), but not to exceed the amount of such addition modification. This subparagraph (Q) is exempt from Section 250;

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

(S) An amount equal to the income from intangible property taken into account for the taxable year (net

of the deductions allocable thereto) with respect to transactions with (i) a foreign person who would be a member of the taxpayer's unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304, but not to exceed the addition modification required to be made for the same taxable year under Section 203(d)(2)(D-8) for intangible expenses and costs paid, accrued, or incurred, directly or indirectly, to the same person. This subparagraph (S) is exempt from Section 250;

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

company) that would have been taken into account as a deduction for federal income tax purposes if the expense or loss had been uninsured. If a taxpayer makes the election provided for by this subparagraph (T), the insurer to which the premiums were paid must add back to income the amount subtracted by the taxpayer pursuant to this subparagraph (T). This subparagraph (T) is exempt from the provisions of Section 250; and

(U) For taxable years beginning on or after January 1, 2023, for any cannabis establishment operating in this State and licensed under the Cannabis Regulation and Tax Act or any cannabis cultivation center or medical cannabis dispensing organization operating in this State and licensed under the Compassionate Use of Medical Cannabis Program Act, an amount equal to the deductions that were disallowed under Section 280E of the Internal Revenue Code for the taxable year and that would not be added back under this subsection. The provisions of this subparagraph (U) are exempt from the provisions of Section 250.

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

(1) In general. Subject to the provisions of paragraph (2) and subsection (b)(3), for purposes of this Section

and Section 803(e), a taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code. Taxable income may be less than zero. However, for taxable years ending on or after December 31, 1986, net operating loss carryforwards from taxable years ending prior to December 31, 1986, may not exceed the sum of federal taxable income for the taxable year before net operating loss deduction, plus the excess of addition modifications over subtraction modifications for the taxable year. For taxable years ending prior to December 31, 1986, taxable income may never be an amount in excess of the net operating loss for the taxable year as defined in subsections (c) and (d) of Section 172 of the Internal Revenue Code, provided that when taxable income of a corporation (other than a Subchapter S corporation), trust, or estate is less than zero and addition modifications, other than those provided by subparagraph (E) of paragraph (2) of subsection (b) for corporations or subparagraph (E) of paragraph (2) of subsection (c) for trusts and estates, exceed subtraction modifications, an addition modification must be made under those subparagraphs for any other taxable year to which the taxable income less than zero (net operating loss) is

applied under Section 172 of the Internal Revenue Code or under subparagraph (E) of paragraph (2) of this subsection (e) applied in conjunction with Section 172 of the Internal Revenue Code.

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

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

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

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

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

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

(F) Cooperatives. In the case of a cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of Section 1381 through 1388 of the Internal Revenue Code, but without regard to the prohibition against offsetting losses from patronage activities against income from nonpatronage activities; except that a cooperative corporation or association may make an election to follow its federal income tax treatment of patronage losses and nonpatronage losses. In the event such election is made, such losses shall be computed and carried over in a manner consistent with subsection (a) of Section

207 of this Act and apportioned by the apportionment factor reported by the cooperative on its Illinois income tax return filed for the taxable year in which the losses are incurred. The election shall be effective for all taxable years with original returns due on or after the date of the election. In addition, the cooperative may file an amended return or returns, as allowed under this Act, to provide that the election shall be effective for losses incurred or carried forward for taxable years occurring prior to the date of the election. Once made, the election may only be revoked upon approval of the Director. The Department shall adopt rules setting forth requirements for documenting the elections and any resulting Illinois net loss and the standards to be used by the Director in evaluating requests to revoke elections. Public Act 96-932 is declaratory of existing law;

(G) Subchapter S corporations. In the case of: (i) a Subchapter S corporation for which there is in effect an election for the taxable year under Section 1362 of the Internal Revenue Code, the taxable income of such corporation determined in accordance with Section 1363(b) of the Internal Revenue Code, except that taxable income shall take into account those items which are required by Section 1363(b)(1) of the

Internal Revenue Code to be separately stated; and (ii) a Subchapter S corporation for which there is in effect a federal election to opt out of the provisions of the Subchapter S Revision Act of 1982 and have applied instead the prior federal Subchapter S rules as in effect on July 1, 1982, the taxable income of such corporation determined in accordance with the federal Subchapter S rules as in effect on July 1, 1982; and

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

(3) Recapture of business expenses on disposition of asset or business. Notwithstanding any other law to the contrary, if in prior years income from an asset or business has been classified as business income and in a later year is demonstrated to be non-business income, then all expenses, without limitation, deducted in such later year and in the 2 immediately preceding taxable years related to that asset or business that generated the non-business income shall be added back and recaptured as business income in the year of the disposition of the

asset or business. Such amount shall be apportioned to Illinois using the greater of the apportionment fraction computed for the business under Section 304 of this Act for the taxable year or the average of the apportionment fractions computed for the business under Section 304 of this Act for the taxable year and for the 2 immediately preceding taxable years.

(f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

(Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592, Article 170, Section 170-90, eff. 6-7-24; 103-605, eff. 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417, eff. 8-15-25.)

(35 ILCS 5/701) (from Ch. 120, par. 7-701)

Sec. 701. Requirement and amount of withholding.

(a) In General. Every employer maintaining an office or transacting business within this State and required under the provisions of the Internal Revenue Code to withhold a tax on:

(1) compensation paid in this State (as determined

under Section 304(a)(2)(B)) to an individual; or

(2) payments described in subsection (b) shall deduct and withhold from such compensation for each payroll period (as defined in Section 3401 of the Internal Revenue Code) an amount equal to the amount by which such individual's compensation exceeds the proportionate part of this withholding exemption (computed as provided in Section 702) attributable to the payroll period for which such compensation is payable multiplied by a percentage equal to the percentage tax rate for individuals provided in subsection (b) of Section 201.

(a-5) Withholding from nonresident employees. For taxable years beginning on or after January 1, 2020, for purposes of determining compensation paid in this State under paragraph (B) of item (2) of subsection (a) of Section 304:

(1) If an employer maintains a time and attendance system that tracks where employees perform services on a daily basis, then data from the time and attendance system shall be used. For purposes of this paragraph, time and attendance system means a system:

(A) in which the employee is required, on a contemporaneous basis, to record the work location for every day worked outside of the State where the employment duties are primarily performed; and

(B) that is designed to allow the employer to allocate the employee's wages for income tax purposes

among all states in which the employee performs services.

(2) In all other cases, the employer shall obtain a written statement from the employee of the number of days reasonably expected to be spent performing services in this State during the taxable year. Absent the employer's actual knowledge of fraud or gross negligence by the employee in making the determination or collusion between the employer and the employee to evade tax, the certification so made by the employee and maintained in the employer's books and records shall be prima facie evidence and constitute a rebuttable presumption of the number of days spent performing services in this State.

(a-10) If the compensation is paid to a loan out company, as defined under Section 10 of the Film Production Services Tax Credit Act of 2008, if the compensation is considered compensation paid in this State under paragraph (B) of item (2) of subsection (a) of Section 304, and if the compensation is for in-State services performed for a production that is accredited under Section 10 of the Film Production Services Tax Credit Act of 2008 and commences on or after the effective date of this amendatory Act of the 104th General Assembly, then the production company or its authorized payroll service company shall withhold tax on that compensation under this Article 7 and shall withhold at the tax rate provided in subsection (b) of Section 201 on all payments to loan out

companies for services performed in Illinois by the loan out company's employees. Notwithstanding any other provision of law, nonresident employees of loan out companies who perform services in Illinois shall be considered taxable nonresidents and shall be subject to the tax under this Act in the taxable year in which the employee performs services in Illinois.

(b) Payment to Residents. Any payment (including compensation, but not including a payment from which withholding is required under Section 710 of this Act) to a resident by a payor maintaining an office or transacting business within this State (including any agency, officer, or employee of this State or of any political subdivision of this State) and on which withholding of tax is required under the provisions of the Internal Revenue Code shall be deemed to be compensation paid in this State by an employer to an employee for the purposes of Article 7 and Section 601(b)(1) to the extent such payment is included in the recipient's base income and not subjected to withholding by another state. Notwithstanding any other provision to the contrary, no amount shall be withheld from unemployment insurance benefit payments made to an individual pursuant to the Unemployment Insurance Act unless the individual has voluntarily elected the withholding pursuant to rules promulgated by the Director of Employment Security.

(c) Special Definitions. Withholding shall be considered required under the provisions of the Internal Revenue Code to

the extent the Internal Revenue Code either requires withholding or allows for voluntary withholding the payor and recipient have entered into such a voluntary withholding agreement. For the purposes of Article 7 and Section 1002(c) the term "employer" includes any payor who is required to withhold tax pursuant to this Section.

(d) Reciprocal Exemption. The Director may enter into an agreement with the taxing authorities of any state which imposes a tax on or measured by income to provide that compensation paid in such state to residents of this State shall be exempt from withholding of such tax; in such case, any compensation paid in this State to residents of such state shall be exempt from withholding. All reciprocal agreements shall be subject to the requirements of Section 2505-575 of the Department of Revenue Law (20 ILCS 2505/2505-575).

(e) Notwithstanding subsection (a)(2) of this Section, no withholding is required on payments for which withholding is required under Section 3405 or 3406 of the Internal Revenue Code.

(Source: P.A. 101-585, eff. 8-26-19; 102-558, eff. 8-20-21.)

Section 10-15. The Film Production Services Tax Credit Act of 2008 is amended by changing Sections 10 and 42 as follows:

(35 ILCS 16/10)

Sec. 10. Definitions. As used in this Act:

"Above-the-line spending" means all salary, wages, fees, and fringe benefits paid for services performed by personnel of the production that are considered above-the-line services in the film and television industry, including, but not limited to, services performed by a producer, executive producer, co-producer, director, screenwriter, lead cast, supporting cast, or day player.

"Accredited production" means: (i) for productions commencing before May 1, 2006, a film, video, or television production that has been certified by the Department in which the aggregate Illinois labor expenditures included in the cost of the production, in the period that ends 12 months after the time principal filming or taping of the production began, exceed $100,000 for productions of 30 minutes or longer, or $50,000 for productions of less than 30 minutes; and (ii) for productions commencing on or after May 1, 2006, a film, video, or television production that has been certified by the Department in which the Illinois production spending included in the cost of production in the period that ends 12 months after the time principal filming or taping of the production began exceeds $100,000 for productions of 30 minutes or longer or exceeds $50,000 for productions of less than 30 minutes. "Accredited production" does not include a production that:

(1) is news, current events, or public programming, or a program that includes weather or market reports;

(2) is a talk show produced for local or regional

markets;

(3) (blank);

(4) is a sports event or activity;

(5) is a gala presentation or awards show;

(6) is a finished production that solicits funds;

(7) is a production produced by a film production company if records, as required by 18 U.S.C. 2257, are to be maintained by that film production company with respect to any performer portrayed in that single media or multimedia program; or

(8) is a production produced primarily for industrial, corporate, or institutional purposes.

"Accredited animated production" means an accredited production in which movement and characters' performances are created using a frame-by-frame technique and a significant number of major characters are animated. Motion capture by itself is not an animation technique.

"Accredited production certificate" means a certificate issued by the Department certifying that the production is an accredited production that meets the guidelines of this Act.

"Applicant" means a taxpayer that is a film production company that is operating or has operated an accredited production located within the State of Illinois and that (i) owns the copyright in the accredited production throughout the Illinois production period or (ii) has contracted directly with the owner of the copyright in the accredited production

or a person acting on behalf of the owner to provide services for the production, where the owner of the copyright is not an eligible production corporation.

"Below-the-line spending" means salary, wages, fees, and fringe benefits paid for services performed by a person in a position that is off camera and who provides technical services during the physical production of a film. "Below-the-line spending" does not include salary, wages, fees, or fringe benefits paid to a person who is a producer, executive producer, co-producer, director, screenwriter, lead cast, supporting cast, or day player, or who performs other services that are customarily considered above-the-line services in the film and television industry.

"Credit" means:

(1) for an accredited production approved by the Department on or before January 1, 2005 and commencing before May 1, 2006, the amount equal to 25% of the Illinois labor expenditure approved by the Department. The applicant is deemed to have paid, on its balance due day for the year, an amount equal to 25% of its qualified Illinois labor expenditure for the tax year. For Illinois labor expenditures generated by the employment of residents of geographic areas of high poverty or high unemployment, as determined by the Department, in an accredited production commencing before May 1, 2006 and approved by the Department after January 1, 2005, the

applicant shall receive an enhanced credit of 10% in addition to the 25% credit; ~~and~~

(2) for an accredited production commencing on or after May 1, 2006 and before January 1, 2009, the amount equal to:

(i) 20% of the Illinois production spending for the taxable year; plus

(ii) 15% of the Illinois labor expenditures generated by the employment of residents of geographic areas of high poverty or high unemployment, as determined by the Department; ~~and~~

(3) for an accredited production commencing on or after January 1, 2009 and before July 1, 2025, the amount equal to:

(i) 30% of the Illinois production spending for the taxable year; plus

(ii) 15% of the Illinois labor expenditures generated by the employment of residents of geographic areas of high poverty or high unemployment, as determined by the Department; and ~~.~~

(4) for an accredited production commencing on or after July 1, 2025, the amount equal to:

(i) 35% of the Illinois production spending for the use of tangible personal property or the expenses to acquire services from vendors in Illinois and for Illinois labor expenditures generated by the

employment of Illinois residents; plus

(ii) 30% of the wages paid to nonresidents for services performed on an accredited production, subject to the limitations in Section 10; plus

(iii) 15% of the Illinois labor expenditures generated by the employment of residents of geographic areas of high poverty or high unemployment, as determined by the Department; plus

(iv) 5% of the Illinois labor expenditures generated by the employment of Illinois residents for services performed for an accredited production in one or more Illinois counties outside of Cook, DuPage, Kane, Lake, McHenry, and Will Counties; plus

(v) 5% of the Illinois production spending for television series relocating to Illinois from another jurisdiction. To qualify under this subparagraph (v), the production must be a television series in which all prior seasons of the series were filmed outside of Illinois; plus

(vi) 5% of the Illinois production spending for productions certified as green by the Department.

"Department" means the Department of Commerce and Economic Opportunity.

"Director" means the Director of Commerce and Economic Opportunity.

"Fair market value" means:

(1) for unrelated parties, the value established through comparable transactions between unrelated parties for substantially similar goods and services considering the geographic market and other pertinent variables as specified by the Department by rule; and

(2) for related parties, the value established through the related party's historical dealings with unrelated parties or established by comparable transactions between other unrelated parties for substantially similar goods and services considering the geographic market and other pertinent variables as specified by the Department by rule.

"Illinois labor expenditure" means salary or wages paid to employees of the applicant for services on the accredited production, subject to the following limitations: ~~.~~

~~To qualify as an Illinois labor expenditure, the expenditure must be:~~

(1) The expenditure must be reasonable ~~Reasonable~~ in the circumstances.

(2) The expenditure must be included ~~Included~~ in the federal income tax basis of the property.

(3) The expenditure must be incurred ~~Incurred~~ by the applicant for services on or after January 1, 2004.

(4) The expenditure must be incurred ~~Incurred~~ for the production stages of the accredited production, from the final script stage to the end of the post-production

stage.

(5) The expenditure is limited ~~Limited~~ to the first $25,000 of wages paid or incurred to each employee of a production commencing before May 1, 2006 and the first $100,000 of wages paid or incurred to each employee of a production commencing on or after May 1, 2006 and prior to July 1, 2022. For productions commencing on or after July 1, 2022, the expenditure is limited to the first $500,000 of wages paid or incurred to each eligible nonresident or resident employee of a production company or loan out company that provides in-State services to a production, whether those wages are paid or incurred by the production company, loan out company, or both, subject to withholding payments provided for in Article 7 of the Illinois Income Tax Act, including, for accredited productions commencing on or after the effective date of this amendatory Act of the 104th General Assembly, amounts withheld under subsection (a-10) of Section 701 of the Illinois Income Tax Act. For purposes of calculating Illinois labor expenditures for a television series, the eligible nonresident wage limitations provided under this subparagraph are applied per episode to the entire season. For the purpose of this paragraph (5), an eligible nonresident is a nonresident whose wages qualify as an Illinois labor expenditure under the provisions of paragraphs ~~paragraph~~ (9) through (9.3) that apply to that

production.

(6) For a production commencing before May 1, 2006, Illinois labor expenditures are exclusive of the salary or wages paid to or incurred for the 2 highest paid employees of the production.

(7) The expenditure must be directly ~~Directly~~ attributable to the accredited production.

(8) (Blank).

(8.5) For a production commencing on or after July 1, 2025, subject to the other limitations of this definition, wages paid to no more than 2 executive producers per accredited production may be considered Illinois labor expenditures. Notwithstanding that limitation, if an executive producer receives compensation for another position on the accredited production for services performed, including, but not limited to, writing services, and that compensation is otherwise considered an Illinois labor expenditure under the provisions of this definition, then, subject to the other limitations of this definition, that person's salary or wages may be considered an Illinois labor expenditure, and that person shall not be considered one of the 2 executive producers for the purposes of the limitation under this paragraph (8.5). In addition, line producers are not subject to the 2-producer limit of this paragraph (8.5). As used in this paragraph (8.5), the term "executive producer" means a

person who is responsible for overseeing the creative and managerial process of an accredited production. As used in this paragraph (8.5), the term "line producer" means a person who is responsible for the day-to-day operational management of the accredited production.

(9) Prior to July 1, 2022, the expenditure must be paid to persons resident in Illinois at the time the payments were made. For a production commencing on or after July 1, 2022, subject to the limitations of paragraphs (9.1) through (9.3), the expenditure may be paid to a person who is a ~~persons~~ resident in Illinois at the time the payment is made or to a person who is a nonresident ~~and nonresidents~~ at the time the payment is ~~payments were~~ made.

(9.1) For purposes of paragraph (9) ~~this subparagraph~~, if the production is accredited by the Department before the effective date of this amendatory Act of the 102nd General Assembly, only wages paid to nonresidents working in the following positions shall be considered Illinois labor expenditures: Writer, Director, Director of Photography, Production Designer, Costume Designer, Production Accountant, VFX Supervisor, Editor, Composer, and Actor, subject to the limitations set forth under this subparagraph. For an accredited Illinois production spending of $25,000,000 or less, no more than 2 nonresident actors' wages shall qualify as an Illinois

labor expenditure. For an accredited production with Illinois production spending of more than $25,000,000, no more than 4 nonresident actor's wages shall qualify as Illinois labor expenditures.

(9.2) For purposes of paragraph (9) ~~this subparagraph~~, if the production is accredited by the Department on or after the effective date of this amendatory Act of the 102nd General Assembly and before July 1, 2025, wages paid to nonresidents shall qualify as Illinois labor expenditures only under the following conditions:

(A) the nonresident must be employed in a qualified position;

(B) for each of those accredited productions, the wages of not more than 9 nonresidents who are employed in a qualified position other than Actor shall qualify as Illinois labor expenditures;

(C) for an accredited production with Illinois production spending of $25,000,000 or less, no more than 2 nonresident actors' wages shall qualify as Illinois labor expenditures; and

(D) for an accredited production with Illinois production spending of more than $25,000,000, no more than 4 nonresident actors' wages shall qualify as Illinois labor expenditures.

As used in this paragraph (9.2) ~~(9)~~, "qualified position" means: Writer, Director, Director of

Photography, Production Designer, Costume Designer, Production Accountant, VFX Supervisor, Editor, Composer, or Actor.

(9.3) For the purposes of paragraph (9), in the case of a production that commences on or after July 1, 2025, wages paid to nonresidents shall qualify as Illinois labor expenditures only under the following conditions:

(A) the wages of not more than 13 nonresidents who are selected by the accredited production and employed in a position other than Actor shall qualify as Illinois labor expenditures;

(B) for an accredited production with Illinois production spending of less than $20,000,000, no more than 4 nonresident actors' wages shall qualify as Illinois labor expenditures; and

(C) for an accredited production with Illinois production spending of more than $20,000,000 and less than $40,000,000, no more than 5 nonresident actors' wages shall qualify as Illinois labor expenditures; and

(D) for an accredited production with Illinois production spending of $40,000,000 or more, no more than 6 nonresident actors' wages shall qualify as Illinois labor expenditures.

(10) Paid for services rendered in Illinois.

For a production commencing on or after the effective date

of this amendatory Act of the 104th General Assembly, "Illinois labor expenditure" does not include:

(1) above-the-line spending exceeding 40% of the total Illinois production spending for the production, unless the Department determines, through a process specified by administrative rule, that inclusion as an Illinois labor expenditure of above-the-line spending for the production in an amount that exceeds 40% of the production's total Illinois production spending is necessary for the production to meet the conditions set forth in subsection (a) of Section 30;

(2) above-the-line spending paid to related parties that exceeds, in the aggregate, 12% of the total Illinois production spending for the production; or

(3) below-the-line spending paid to a related party that exceeds the fair market value of the transaction.

"Illinois production spending" means the expenses incurred by the applicant for an accredited production that are reasonable under the circumstances, but does not include any monetary prize or the cost of any non-monetary prize awarded pursuant to a production in respect of a game, questionnaire, or contest. "Illinois production spending" includes, without limitation, unless otherwise specified in this definition, all of the following:

(1) expenses to purchase, from vendors within Illinois, tangible personal property that is used in the

accredited production;

(2) expenses to acquire services, from vendors in Illinois, for film production, editing, or processing;

(2.1) airfare, if purchased from an airline domiciled in Illinois;

(3) for a production commencing before July 1, 2022, the compensation, not to exceed $100,000 for any one employee, for contractual or salaried employees who are Illinois residents performing services with respect to the accredited production. For a production commencing on or after July 1, 2022, Illinois labor expenditure compensation, not to exceed $500,000 for any one employee, for contractual or salaried employees who are Illinois residents or nonresident employees, subject to the limitations set forth under Section 10 of this Act; and

(4) for a production commencing on or after the effective date of this amendatory Act of the 104th General Assembly, the fair market value of any transaction that (i) is entered into between the taxpayer and a related party or the taxpayer and an unrelated party, (ii) is for the accredited production, and (iii) has terms that reflect the fair market value of the transaction.

"Loan out company" means a personal service corporation or other entity that is under contract with the taxpayer to provide specified individual personnel, such as artists, crew, actors, producers, or directors for the performance of

services used directly in a production. "Loan out company" does not include entities contracted with by the taxpayer to provide goods or ancillary contractor services such as catering, construction, trailers, equipment, or transportation.

"Qualified production facility" means stage facilities in the State in which television shows and films are or are intended to be regularly produced and that contain at least one sound stage of at least 15,000 square feet.

"Related party" means a party that is deemed to be related to the taxpayer by common ownership or control according to generally accepted accounting standards and generally accepted accounting principles.

"Unrelated party" means a party that is not a related party with respect to the taxpayer.

The Department shall adopt rules to implement the changes made to this Section within one year after the effective date of this amendatory Act of the 104th General Assembly.

(Source: P.A. 103-595, eff. 6-26-24; 104-6, eff. 6-16-25.)

(35 ILCS 16/42)

Sec. 42. Sunset of credits. The application of credits awarded pursuant to this Act shall be limited by a reasonable and appropriate sunset date. A taxpayer shall not be awarded any new credits pursuant to this Act for tax years beginning on or after January 1, 2039 ~~2033~~.

(Source: P.A. 101-178, eff. 8-1-19; 102-700, eff. 4-19-22; 102-1125, eff. 2-3-23.)

ARTICLE 99

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