



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5125

Introduced 2/10/2026, by Rep. Lindsey LaPointe

SYNOPSIS AS INTRODUCED:

20 ILCS 655/5.5	from Ch. 67 1/2, par. 609.1
20 ILCS 655/13	
35 ILCS 5/201	
35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/221	
35 ILCS 10/5-51	
35 ILCS 105/3-5	
35 ILCS 105/3-5.1	
35 ILCS 105/3-10	from Ch. 120, par. 439.33-10
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-10	
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-10	
35 ILCS 120/2-10	from Ch. 120, par. 441-10
35 ILCS 120/2-45	from Ch. 120, par. 441-45
65 ILCS 115/10-10.3	

Amends the Enterprise Zone Act. Provides that certain credits related to high impact businesses do not apply on or after the effective date of the amendatory Act. Amends the Illinois Income Tax Act. Provides that a construction jobs credit does not apply for taxable years ending on or after the effective date of the amendatory Act. Provides that a high impact business construction jobs credit does not apply for taxable years ending on or after the effective date of the amendatory Act. Makes changes concerning the business interest deduction. Creates an addition modification for the federal deduction for domestic research or experimental expenditures. Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Makes changes concerning incentives for biodiesel, renewable diesel, and biodiesel blends. Makes other changes.

LRB104 18246 HLH 31685 b

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Enterprise Zone Act is amended by
5 changing Sections 5.5 and 13 as follows:

6 (20 ILCS 655/5.5) (from Ch. 67 1/2, par. 609.1)

7 Sec. 5.5. High Impact Business.

8 (a) In order to respond to unique opportunities to assist
9 in the encouragement, development, growth, and expansion of
10 the private sector through large-scale ~~large-scale~~ investment
11 and development projects, the Department is authorized to
12 receive and approve applications for the designation of "High
13 Impact Businesses" in Illinois, for an initial term of 20
14 years with an option for renewal for a term not to exceed 20
15 years, subject to the following conditions:

16 (1) such applications may be submitted at any time
17 during the year;

18 (2) such business is not located, at the time of
19 designation, in an enterprise zone designated pursuant to
20 this Act, except for grocery stores, as defined in the
21 Grocery Initiative Act, and a new battery energy storage
22 solution facility, as defined by subparagraph (I) of
23 paragraph (3) of this subsection (a);

1 (3) the business intends to do, commits to do, or is
2 one or more of the following:

3 (A) the business intends to make a minimum
4 investment of \$12,000,000 which will be placed in
5 service in qualified property and intends to create
6 500 full-time equivalent jobs at a designated location
7 in Illinois or intends to make a minimum investment of
8 \$30,000,000 which will be placed in service in
9 qualified property and intends to retain 1,500
10 full-time retained jobs at a designated location in
11 Illinois. The terms "placed in service" and "qualified
12 property" have the same meanings as described in
13 subsection (h) of Section 201 of the Illinois Income
14 Tax Act; or

15 (B) the business intends to establish a new
16 electric generating facility at a designated location
17 in Illinois. "New electric generating facility", for
18 purposes of this Section, means a newly constructed
19 electric generation plant or a newly constructed
20 generation capacity expansion at an existing electric
21 generation plant, including the transmission lines and
22 associated equipment that transfers electricity from
23 points of supply to points of delivery, and for which
24 such new foundation construction commenced not sooner
25 than July 1, 2001. Such facility shall be designed to
26 provide baseload electric generation and shall operate

1 on a continuous basis throughout the year; and (i)
2 shall have an aggregate rated generating capacity of
3 at least 1,000 megawatts for all new units at one site
4 if it uses natural gas as its primary fuel and
5 foundation construction of the facility is commenced
6 on or before December 31, 2004, or shall have an
7 aggregate rated generating capacity of at least 400
8 megawatts for all new units at one site if it uses coal
9 or gases derived from coal as its primary fuel and
10 shall support the creation of at least 150 new
11 Illinois coal mining jobs, or (ii) shall be funded
12 through a federal Department of Energy grant before
13 December 31, 2010 and shall support the creation of
14 Illinois coal mining jobs, or (iii) shall use coal
15 gasification or integrated gasification-combined cycle
16 units that generate electricity or chemicals, or both,
17 and shall support the creation of Illinois coal mining
18 jobs. The term "placed in service" has the same
19 meaning as described in subsection (h) of Section 201
20 of the Illinois Income Tax Act; or

21 (B-5) the business intends to establish a new
22 gasification facility at a designated location in
23 Illinois. As used in this Section, "new gasification
24 facility" means a newly constructed coal gasification
25 facility that generates chemical feedstocks or
26 transportation fuels derived from coal (which may

1 include, but are not limited to, methane, methanol,
2 and nitrogen fertilizer), that supports the creation
3 or retention of Illinois coal mining jobs, and that
4 qualifies for financial assistance from the Department
5 before December 31, 2010. A new gasification facility
6 does not include a pilot project located within
7 Jefferson County or within a county adjacent to
8 Jefferson County for synthetic natural gas from coal;
9 or

10 (C) the business intends to establish production
11 operations at a new coal mine, re-establish production
12 operations at a closed coal mine, or expand production
13 at an existing coal mine at a designated location in
14 Illinois not sooner than July 1, 2001; provided that
15 the production operations result in the creation of
16 150 new Illinois coal mining jobs as described in
17 subdivision (a)(3)(B) of this Section, and further
18 provided that the coal extracted from such mine is
19 utilized as the predominant source for a new electric
20 generating facility. The term "placed in service" has
21 the same meaning as described in subsection (h) of
22 Section 201 of the Illinois Income Tax Act; or

23 (D) the business intends to construct new
24 transmission facilities or upgrade existing
25 transmission facilities at designated locations in
26 Illinois, for which construction commenced not sooner

1 than July 1, 2001. For the purposes of this Section,
2 "transmission facilities" means transmission lines
3 with a voltage rating of 115 kilovolts or above,
4 including associated equipment, that transfer
5 electricity from points of supply to points of
6 delivery and that transmit a majority of the
7 electricity generated by a new electric generating
8 facility designated as a High Impact Business in
9 accordance with this Section. The term "placed in
10 service" has the same meaning as described in
11 subsection (h) of Section 201 of the Illinois Income
12 Tax Act; or

13 (E) the business intends to establish a new wind
14 power facility at a designated location in Illinois.
15 For purposes of this Section, "new wind power
16 facility" means a newly constructed electric
17 generation facility, a newly constructed expansion of
18 an existing electric generation facility, or the
19 replacement of an existing electric generation
20 facility, including the demolition and removal of an
21 electric generation facility irrespective of whether
22 it will be replaced, placed in service or replaced on
23 or after July 1, 2009, that generates electricity
24 using wind energy devices, and such facility shall be
25 deemed to include any permanent structures associated
26 with the electric generation facility and all

1 associated transmission lines, substations, and other
2 equipment related to the generation of electricity
3 from wind energy devices. For purposes of this
4 Section, "wind energy device" means any device, with a
5 nameplate capacity of at least 0.5 megawatts, that is
6 used in the process of converting kinetic energy from
7 the wind to generate electricity; or

8 (E-5) the business intends to establish a new
9 utility-scale solar facility at a designated location
10 in Illinois. For purposes of this Section, "new
11 utility-scale solar power facility" means a newly
12 constructed electric generation facility, or a newly
13 constructed expansion of an existing electric
14 generation facility, placed in service on or after
15 July 1, 2021, that (i) generates electricity using
16 photovoltaic cells and (ii) has a nameplate capacity
17 that is greater than 5,000 kilowatts, and such
18 facility shall be deemed to include all associated
19 transmission lines, substations, energy storage
20 facilities, and other equipment related to the
21 generation and storage of electricity from
22 photovoltaic cells; or

23 (F) the business commits to (i) make a minimum
24 investment of \$500,000,000, which will be placed in
25 service in a qualified property, (ii) create 125
26 full-time equivalent jobs at a designated location in

1 Illinois, (iii) establish a fertilizer plant at a
2 designated location in Illinois that complies with the
3 set-back standards as described in Table 1: Initial
4 Isolation and Protective Action Distances in the 2012
5 Emergency Response Guidebook published by the United
6 States Department of Transportation, (iv) pay a
7 prevailing wage for employees at that location who are
8 engaged in construction activities, and (v) secure an
9 appropriate level of general liability insurance to
10 protect against catastrophic failure of the fertilizer
11 plant or any of its constituent systems; in addition,
12 the business must agree to enter into a construction
13 project labor agreement including provisions
14 establishing wages, benefits, and other compensation
15 for employees performing work under the project labor
16 agreement at that location; for the purposes of this
17 Section, "fertilizer plant" means a newly constructed
18 or upgraded plant utilizing gas used in the production
19 of anhydrous ammonia and downstream nitrogen
20 fertilizer products for resale; for the purposes of
21 this Section, "prevailing wage" means the hourly cash
22 wages plus fringe benefits for training and
23 apprenticeship programs approved by the U.S.
24 Department of Labor, Bureau of Apprenticeship and
25 Training, health and welfare, insurance, vacations and
26 pensions paid generally, in the locality in which the

1 work is being performed, to employees engaged in work
2 of a similar character on public works; this paragraph
3 (F) applies only to businesses that submit an
4 application to the Department within 60 days after
5 July 25, 2013 (the effective date of Public Act
6 98-109); or

7 (G) the business intends to establish a new
8 cultured cell material food production facility at a
9 designated location in Illinois. As used in this
10 paragraph (G):

11 "Cultured cell material food production facility"
12 means a facility (i) at which cultured animal cell
13 food is developed using animal cell culture
14 technology, (ii) at which production processes occur
15 that include the establishment of cell lines and cell
16 banks, manufacturing controls, and all components and
17 inputs, and (iii) that complies with all existing
18 registrations, inspections, licensing, and approvals
19 from all applicable and participating State and
20 federal food agencies, including the Department of
21 Agriculture, the Department of Public Health, and the
22 United States Food and Drug Administration, to ensure
23 that all food production is safe and lawful under
24 provisions of the Federal Food, Drug and Cosmetic Act
25 related to the development, production, and storage of
26 cultured animal cell food.

1 "New cultured cell material food production
2 facility" means a newly constructed cultured cell
3 material food production facility that is placed in
4 service on or after June 7, 2023 (the effective date of
5 Public Act 103-9) or a newly constructed expansion of
6 an existing cultured cell material food production
7 facility, in a controlled environment, when the
8 improvements are placed in service on or after June 7,
9 2023 (the effective date of Public Act 103-9); or

10 (H) the business is an existing or planned grocery
11 store, as that term is defined in Section 5 of the
12 Grocery Initiative Act, and receives financial support
13 under that Act within the 10 years before submitting
14 its application under this Act; or

15 (I) the business intends to establish a new
16 battery energy storage solution facility at a
17 designated location in Illinois. As used in this
18 paragraph (I):

19 "New battery energy storage solution facility"
20 means a newly constructed battery energy storage
21 facility, a newly constructed expansion of an existing
22 battery energy storage facility, or the replacement of
23 an existing battery energy storage facility that
24 stores electricity using battery devices and other
25 means. "New battery energy storage solution facility"
26 includes any permanent structures associated with the

1 new battery energy storage facility and all associated
2 transmission lines, substations, and other equipment
3 that is related to the storage and transmission of
4 electric power and that has a capacity of not less than
5 20 megawatt and storage capability of not less than 40
6 megawatt hours of energy; or

7 (J) the business intends to construct a new high
8 voltage direct current converter station at a
9 designated location in Illinois. As used in this
10 paragraph, "high voltage direct current converter
11 station" has the same meaning given to that term in
12 Section 1-10 of the Illinois Power Agency Act; or

13 (K) the business intends to construct a new high
14 voltage direct current converter station facility at a
15 designated location in Illinois. As used in this
16 paragraph, "high voltage direct current converter
17 station" has the same meaning given to that term in
18 Section 1-10 of the Illinois Power Agency Act; and

19 (4) no later than 90 days after an application is
20 submitted, the Department shall notify the applicant of
21 the Department's determination of the qualification of the
22 proposed High Impact Business under this Section.

23 (b) Businesses designated as High Impact Businesses
24 pursuant to subdivision (a)(3)(A) of this Section shall
25 qualify for the credits and exemptions described in the
26 following Acts: Section 9-222 and Section 9-222.1A of the

1 Public Utilities Act, subsection (h) of Section 201 of the
2 Illinois Income Tax Act, and Section 1d of the Retailers'
3 Occupation Tax Act; provided that these credits and exemptions
4 described in these Acts shall not be authorized until the
5 minimum investments set forth in subdivision (a)(3)(A) of this
6 Section have been placed in service in qualified properties
7 and, in the case of the exemptions described in the Public
8 Utilities Act and Section 1d of the Retailers' Occupation Tax
9 Act, the minimum full-time equivalent jobs or full-time
10 retained jobs set forth in subdivision (a)(3)(A) of this
11 Section have been created or retained. Businesses designated
12 as High Impact Businesses under this Section shall also
13 qualify for the exemption described in Section 51 of the
14 Retailers' Occupation Tax Act. The credit provided in
15 subsection (h) of Section 201 of the Illinois Income Tax Act
16 shall be applicable to investments in qualified property as
17 set forth in subdivision (a)(3)(A) of this Section.

18 (b-5) Businesses designated as High Impact Businesses
19 pursuant to subdivisions (a)(3)(B), (a)(3)(B-5), (a)(3)(C),
20 (a)(3)(D), (a)(3)(G), (a)(3)(H), and (a)(3)(K) of this Section
21 shall qualify for the credits and exemptions described in the
22 following Acts: Section 51 of the Retailers' Occupation Tax
23 Act, Section 9-222 and Section 9-222.1A of the Public
24 Utilities Act, and subsection (h) of Section 201 of the
25 Illinois Income Tax Act; however, the credits and exemptions
26 authorized under Section 9-222 and Section 9-222.1A of the

1 Public Utilities Act, and subsection (h) of Section 201 of the
2 Illinois Income Tax Act shall not be authorized until the new
3 electric generating facility, the new gasification facility,
4 the new transmission facility, the new, expanded, or reopened
5 coal mine, the new cultured cell material food production
6 facility, or the existing or planned grocery store is
7 operational, except that a new electric generating facility
8 whose primary fuel source is natural gas is eligible only for
9 the exemption under Section 51 of the Retailers' Occupation
10 Tax Act.

11 (b-6) Businesses designated as High Impact Businesses
12 pursuant to subdivision (a) (3) (E), (a) (3) (E-5), (A) (3) (I), or
13 (a) (3) (J) of this Section shall qualify for the exemptions
14 described in Section 51 of the Retailers' Occupation Tax Act;
15 any business so designated as a High Impact Business being,
16 for purposes of this Section, a "Wind Energy Business".

17 (b-7) Beginning on January 1, 2021 and ending on the
18 effective date of this amendatory Act of the 104th General
19 Assembly, businesses designated as High Impact Businesses by
20 the Department shall qualify for the High Impact Business
21 construction jobs credit under subsection (h-5) of Section 201
22 of the Illinois Income Tax Act if the business meets the
23 criteria set forth in subsection (i) of this Section. The
24 total aggregate amount of credits awarded under the Blue
25 Collar Jobs Act (Article 20 of Public Act 101-9) shall not
26 exceed \$20,000,000 in any State fiscal year.

1 (c) High Impact Businesses located in federally designated
2 foreign trade zones or sub-zones are also eligible for
3 additional credits, exemptions and deductions as described in
4 the following Acts: Section 9-221 and Section 9-222.1 of the
5 Public Utilities Act; and subsection (g) of Section 201, and
6 Section 203 of the Illinois Income Tax Act.

7 (d) Except for businesses contemplated under subdivision
8 (a) (3) (E), (a) (3) (E-5), (a) (3) (G), (a) (3) (H), (A) (3) (I),
9 (a) (3) (J), or (a) (3) (K) of this Section, existing Illinois
10 businesses which apply for designation as a High Impact
11 Business must provide the Department with the prospective plan
12 for which 1,500 full-time retained jobs would be eliminated in
13 the event that the business is not designated.

14 (e) Except for new businesses contemplated under
15 subdivision (a) (3) (E), subdivision (a) (3) (G), subdivision
16 (a) (3) (H), or subdivision (a) (3) (J) of this Section, new
17 proposed facilities which apply for designation as High Impact
18 Business must provide the Department with proof of alternative
19 non-Illinois sites which would receive the proposed investment
20 and job creation in the event that the business is not
21 designated as a High Impact Business.

22 (f) Except for businesses contemplated under subdivision
23 (a) (3) (E), subdivision (a) (3) (G), subdivision (a) (3) (H),
24 subdivision (a) (3) (J), or (a) (3) (K) of this Section, in the
25 event that a business is designated a High Impact Business and
26 it is later determined after reasonable notice and an

1 opportunity for a hearing as provided under the Illinois
2 Administrative Procedure Act, that the business would have
3 placed in service in qualified property the investments and
4 created or retained the requisite number of jobs without the
5 benefits of the High Impact Business designation, the
6 Department shall be required to immediately revoke the
7 designation and notify the Director of the Department of
8 Revenue who shall begin proceedings to recover all wrongfully
9 exempted State taxes with interest.

10 (g) The Department shall revoke a High Impact Business
11 designation if the participating business fails to comply with
12 the terms and conditions of the designation.

13 (h) Prior to designating a business, the Department shall
14 provide the members of the General Assembly and Commission on
15 Government Forecasting and Accountability with a report
16 setting forth the terms and conditions of the designation and
17 guarantees that have been received by the Department in
18 relation to the proposed business being designated.

19 (i) High Impact Business construction jobs credit.
20 Beginning on January 1, 2021 and ending on the effective date
21 of this amendatory Act of the 104th General Assembly, a High
22 Impact Business may receive a tax credit against the tax
23 imposed under subsections (a) and (b) of Section 201 of the
24 Illinois Income Tax Act in an amount equal to 50% of the amount
25 of the incremental income tax attributable to High Impact
26 Business construction jobs credit employees employed in the

1 course of completing a High Impact Business construction jobs
2 project. However, the High Impact Business construction jobs
3 credit may equal 75% of the amount of the incremental income
4 tax attributable to High Impact Business construction jobs
5 credit employees if the High Impact Business construction jobs
6 credit project is located in an underserved area.

7 The Department shall certify to the Department of Revenue:
8 (1) the identity of taxpayers that are eligible for the High
9 Impact Business construction jobs credit; and (2) the amount
10 of High Impact Business construction jobs credits that are
11 claimed pursuant to subsection (h-5) of Section 201 of the
12 Illinois Income Tax Act in each taxable year.

13 As used in this subsection (i):

14 "High Impact Business construction jobs credit" means an
15 amount equal to 50% (or 75% if the High Impact Business
16 construction project is located in an underserved area) of the
17 incremental income tax attributable to High Impact Business
18 construction job employees. The total aggregate amount of
19 credits awarded under the Blue Collar Jobs Act (Article 20 of
20 Public Act 101-9) shall not exceed \$20,000,000 in any State
21 fiscal year

22 "High Impact Business construction job employee" means a
23 laborer or worker who is employed by a contractor or
24 subcontractor in the actual construction work on the site of a
25 High Impact Business construction job project.

26 "High Impact Business construction jobs project" means

1 building a structure or building or making improvements of any
2 kind to real property, undertaken and commissioned by a
3 business that was designated as a High Impact Business by the
4 Department. The term "High Impact Business construction jobs
5 project" does not include the routine operation, routine
6 repair, or routine maintenance of existing structures,
7 buildings, or real property.

8 "Incremental income tax" means the total amount withheld
9 during the taxable year from the compensation of High Impact
10 Business construction job employees.

11 "Underserved area" means a geographic area that meets one
12 or more of the following conditions:

13 (1) the area has a poverty rate of at least 20%
14 according to the latest American Community Survey;

15 (2) 35% or more of the families with children in the
16 area are living below 130% of the poverty line, according
17 to the latest American Community Survey;

18 (3) at least 20% of the households in the area receive
19 assistance under the Supplemental Nutrition Assistance
20 Program (SNAP); or

21 (4) the area has an average unemployment rate, as
22 determined by the Illinois Department of Employment
23 Security, that is more than 120% of the national
24 unemployment average, as determined by the U.S. Department
25 of Labor, for a period of at least 2 consecutive calendar
26 years preceding the date of the application.

1 (j) (Blank).

2 (j-5) Annually, until construction is completed, a company
3 seeking High Impact Business Construction Job credits shall
4 submit a report that, at a minimum, describes the projected
5 project scope, timeline, and anticipated budget. Once the
6 project has commenced, the annual report shall include actual
7 data for the prior year as well as projections for each
8 additional year through completion of the project. The
9 Department shall issue detailed reporting guidelines
10 prescribing the requirements of construction-related reports.

11 In order to receive credit for construction expenses, the
12 company must provide the Department with evidence that a
13 certified third-party executed an Agreed-Upon Procedure (AUP)
14 verifying the construction expenses or accept the standard
15 construction wage expense estimated by the Department.

16 Upon review of the final project scope, timeline, budget,
17 and AUP, the Department shall issue a tax credit certificate
18 reflecting a percentage of the total construction job wages
19 paid throughout the completion of the project.

20 (k) Upon 7 business days' notice, each taxpayer shall make
21 available to each State agency and to federal, State, or local
22 law enforcement agencies and prosecutors for inspection and
23 copying at a location within this State during reasonable
24 hours, the report under subsection (j-5).

25 (l) The changes made to this Section by Public Act
26 102-1125, other than the changes in subsection (a), apply to

1 High Impact Businesses that submit applications on or after
2 February 3, 2023 (the effective date of Public Act 102-1125).
3 (Source: P.A. 103-9, eff. 6-7-23; 103-561, eff. 1-1-24;
4 103-595, eff. 6-26-24; 103-605, eff. 7-1-24; 103-1066, eff.
5 2-20-25; 104-6, eff. 6-16-25; revised 12-12-25.)

6 (20 ILCS 655/13)

7 Sec. 13. Enterprise Zone construction jobs credit.

8 (a) Beginning on January 1, 2021 and ending on the
9 effective date of this amendatory Act of the 104th General
10 Assembly, a business entity in a certified Enterprise Zone
11 that makes a capital investment of at least \$10,000,000 in an
12 Enterprise Zone construction jobs project may receive an
13 Enterprise Zone construction jobs credit against the tax
14 imposed under subsections (a) and (b) of Section 201 of the
15 Illinois Income Tax Act in an amount equal to 50% of the amount
16 of the incremental income tax attributable to Enterprise Zone
17 construction jobs credit employees employed in the course of
18 completing an Enterprise Zone construction jobs project.
19 However, the Enterprise Zone construction jobs credit may
20 equal 75% of the amount of the incremental income tax
21 attributable to Enterprise Zone construction jobs credit
22 employees if the project is located in an underserved area.

23 (b) A business entity seeking a credit under this Section
24 must submit an application to the Department and must receive
25 approval from the designating municipality or county and the

1 Department for the Enterprise Zone construction jobs credit
2 project. The application must describe the nature and benefit
3 of the project to the certified Enterprise Zone and its
4 potential contributors. The total aggregate amount of credits
5 awarded under the Blue Collar Jobs Act (Article 20 of Public
6 Act 101-9) shall not exceed \$20,000,000 in any State fiscal
7 year.

8 Within 45 days after receipt of an application, the
9 Department shall give notice to the applicant as to whether
10 the application has been approved or disapproved. If the
11 Department disapproves the application, it shall specify the
12 reasons for this decision and allow 60 days for the applicant
13 to amend and resubmit its application. The Department shall
14 provide assistance upon request to applicants. Resubmitted
15 applications shall receive the Department's approval or
16 disapproval within 30 days after the application is
17 resubmitted. Those resubmitted applications satisfying initial
18 Department objectives shall be approved unless reasonable
19 circumstances warrant disapproval.

20 On an annual basis, the designated zone organization shall
21 furnish a statement to the Department on the programmatic and
22 financial status of any approved project and an audited
23 financial statement of the project.

24 The Department shall certify to the Department of Revenue
25 the identity of taxpayers who are eligible for the credits and
26 the amount of credits that are claimed pursuant to

1 subparagraph (8) of subsection (f) of Section 201 the Illinois
2 Income Tax Act.

3 The Enterprise Zone construction jobs credit project must
4 be undertaken by the business entity in the course of
5 completing a project that complies with the criteria contained
6 in Section 4 of this Act and is undertaken in a certified
7 Enterprise Zone. The Department shall adopt any necessary
8 rules for the implementation of this subsection (b).

9 (c) (Blank).

10 (d) Annually, until construction is completed, a company
11 seeking Enterprise Zone construction job credits shall submit
12 a report that, at a minimum, describes the projected project
13 scope, timeline, and anticipated budget. Once the project has
14 commenced, the annual report shall include actual data for the
15 prior year as well as projections for each additional year
16 through completion of the project. The Department shall issue
17 detailed reporting guidelines prescribing the requirements of
18 construction-related reports.

19 In order to receive credit for construction expenses, the
20 company must provide the Department with evidence that a
21 certified third-party executed an Agreed-Upon Procedure (AUP)
22 verifying the construction expenses or accept the standard
23 construction wage expense estimated by the Department.

24 Upon review of the final project scope, timeline, budget,
25 and AUP, the Department shall issue a tax credit certificate
26 reflecting a percentage of the total construction job wages

1 paid throughout the completion of the project.

2 Upon 7 business days' notice, the taxpayer shall make
3 available to any State agency and to federal, State, or local
4 law enforcement agencies and prosecutors for inspection and
5 copying at a location within this State during reasonable
6 hours, the report under this subsection (d).

7 (e) As used in this Section:

8 "Enterprise Zone construction jobs credit" means an amount
9 equal to 50% (or 75% if the project is located in an
10 underserved area) of the incremental income tax attributable
11 to Enterprise Zone construction jobs credit employees.

12 "Enterprise Zone construction jobs credit employee" means
13 a laborer or worker who is employed by a contractor or
14 subcontractor in the actual construction work on the site of
15 an Enterprise Zone construction jobs credit project.

16 "Enterprise Zone construction jobs credit project" means
17 building a structure or building or making improvements of any
18 kind to real property commissioned and paid for by a business
19 that has applied and been approved for an Enterprise Zone
20 construction jobs credit pursuant to this Section. "Enterprise
21 Zone construction jobs credit project" does not include the
22 routine operation, routine repair, or routine maintenance of
23 existing structures, buildings, or real property.

24 "Incremental income tax" means the total amount withheld
25 during the taxable year from the compensation of Enterprise
26 Zone construction jobs credit employees.

1 "Underserved area" means a geographic area that meets one
2 or more of the following conditions:

3 (1) the area has a poverty rate of at least 20%
4 according to the latest American Community Survey;

5 (2) 35% or more of the families with children in the
6 area are living below 130% of the poverty line, according
7 to the latest American Community Survey;

8 (3) at least 20% of the households in the area receive
9 assistance under the Supplemental Nutrition Assistance
10 Program (SNAP); or

11 (4) the area has an average unemployment rate, as
12 determined by the Illinois Department of Employment
13 Security, that is more than 120% of the national
14 unemployment average, as determined by the U.S. Department
15 of Labor, for a period of at least 2 consecutive calendar
16 years preceding the date of the application.

17 (Source: P.A. 102-108, eff. 1-1-22; 102-558, eff. 8-20-21;
18 103-595, eff. 6-26-24.)

19 Section 10. The Illinois Income Tax Act is amended by
20 changing Sections 201, 203, and 221 as follows:

21 (35 ILCS 5/201)

22 Sec. 201. Tax imposed.

23 (a) In general. A tax measured by net income is hereby
24 imposed on every individual, corporation, trust and estate for

1 each taxable year ending after July 31, 1969 on the privilege
2 of earning or receiving income in or as a resident of this
3 State. Such tax shall be in addition to all other occupation or
4 privilege taxes imposed by this State or by any municipal
5 corporation or political subdivision thereof.

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

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

13 (2) In the case of an individual, trust or estate, for
14 taxable years beginning prior to July 1, 1989 and ending
15 after June 30, 1989, an amount equal to the sum of (i) 2
16 1/2% of the taxpayer's net income for the period prior to
17 July 1, 1989, as calculated under Section 202.3, and (ii)
18 3% of the taxpayer's net income for the period after June
19 30, 1989, as calculated under Section 202.3.

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

24 (4) In the case of an individual, trust, or estate,
25 for taxable years beginning prior to January 1, 2011, and
26 ending after December 31, 2010, an amount equal to the sum

1 of (i) 3% of the taxpayer's net income for the period prior
2 to January 1, 2011, as calculated under Section 202.5, and
3 (ii) 5% of the taxpayer's net income for the period after
4 December 31, 2010, as calculated under Section 202.5.

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

9 (5.1) In the case of an individual, trust, or estate,
10 for taxable years beginning prior to January 1, 2015, and
11 ending after December 31, 2014, an amount equal to the sum
12 of (i) 5% of the taxpayer's net income for the period prior
13 to January 1, 2015, as calculated under Section 202.5, and
14 (ii) 3.75% of the taxpayer's net income for the period
15 after December 31, 2014, as calculated under Section
16 202.5.

17 (5.2) In the case of an individual, trust, or estate,
18 for taxable years beginning on or after January 1, 2015,
19 and ending prior to July 1, 2017, an amount equal to 3.75%
20 of the taxpayer's net income for the taxable year.

21 (5.3) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to July 1, 2017, and
23 ending after June 30, 2017, an amount equal to the sum of
24 (i) 3.75% of the taxpayer's net income for the period
25 prior to July 1, 2017, as calculated under Section 202.5,
26 and (ii) 4.95% of the taxpayer's net income for the period

1 after June 30, 2017, as calculated under Section 202.5.

2 (5.4) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after July 1, 2017, an
4 amount equal to 4.95% of the taxpayer's net income for the
5 taxable year.

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

9 (7) In the case of a corporation, for taxable years
10 beginning prior to July 1, 1989 and ending after June 30,
11 1989, an amount equal to the sum of (i) 4% of the
12 taxpayer's net income for the period prior to July 1,
13 1989, as calculated under Section 202.3, and (ii) 4.8% of
14 the taxpayer's net income for the period after June 30,
15 1989, as calculated under Section 202.3.

16 (8) In the case of a corporation, for taxable years
17 beginning after June 30, 1989, and ending prior to January
18 1, 2011, an amount equal to 4.8% of the taxpayer's net
19 income for the taxable year.

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

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

5 (11) In the case of a corporation, for taxable years
6 beginning prior to January 1, 2015, and ending after
7 December 31, 2014, an amount equal to the sum of (i) 7% of
8 the taxpayer's net income for the period prior to January
9 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
10 of the taxpayer's net income for the period after December
11 31, 2014, as calculated under Section 202.5.

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

16 (13) In the case of a corporation, for taxable years
17 beginning prior to July 1, 2017, and ending after June 30,
18 2017, an amount equal to the sum of (i) 5.25% of the
19 taxpayer's net income for the period prior to July 1,
20 2017, as calculated under Section 202.5, and (ii) 7% of
21 the taxpayer's net income for the period after June 30,
22 2017, as calculated under Section 202.5.

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

26 The rates under this subsection (b) are subject to the

1 provisions of Section 201.5.

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

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

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

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

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

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

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

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

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

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

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

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

1 subsection.

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

15 (d) Additional Personal Property Tax Replacement Income
16 Tax Rates. The personal property tax replacement income tax
17 imposed by this subsection and subsection (c) of this Section
18 in the case of a corporation, other than a Subchapter S
19 corporation and except as adjusted by subsection (d-1), shall
20 be an additional amount equal to 2.85% of such taxpayer's net
21 income for the taxable year, except that beginning on January
22 1, 1981, and thereafter, the rate of 2.85% specified in this
23 subsection shall be reduced to 2.5%, and in the case of a
24 partnership, trust or a Subchapter S corporation shall be an
25 additional amount equal to 1.5% of such taxpayer's net income
26 for the taxable year.

1 (d-1) Rate reduction for certain foreign insurers. In the
2 case of a foreign insurer, as defined by Section 35A-5 of the
3 Illinois Insurance Code, whose state or country of domicile
4 imposes on insurers domiciled in Illinois a retaliatory tax
5 (excluding any insurer whose premiums from reinsurance assumed
6 are 50% or more of its total insurance premiums as determined
7 under paragraph (2) of subsection (b) of Section 304, except
8 that for purposes of this determination premiums from
9 reinsurance do not include premiums from inter-affiliate
10 reinsurance arrangements), beginning with taxable years ending
11 on or after December 31, 1999, the sum of the rates of tax
12 imposed by subsections (b) and (d) shall be reduced (but not
13 increased) to the rate at which the total amount of tax imposed
14 under this Act, net of all credits allowed under this Act,
15 shall equal (i) the total amount of tax that would be imposed
16 on the foreign insurer's net income allocable to Illinois for
17 the taxable year by such foreign insurer's state or country of
18 domicile if that net income were subject to all income taxes
19 and taxes measured by net income imposed by such foreign
20 insurer's state or country of domicile, net of all credits
21 allowed or (ii) a rate of zero if no such tax is imposed on
22 such income by the foreign insurer's state of domicile. For
23 the purposes of this subsection (d-1), an inter-affiliate
24 includes a mutual insurer under common management.

25 (1) For the purposes of subsection (d-1), in no event
26 shall the sum of the rates of tax imposed by subsections

1 (b) and (d) be reduced below the rate at which the sum of:

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

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

11 equals 1.25% for taxable years ending prior to December
12 31, 2003, or 1.75% for taxable years ending on or after
13 December 31, 2003, of the net taxable premiums written for
14 the taxable year, as described by subsection (1) of
15 Section 409 of the Illinois Insurance Code. This paragraph
16 will in no event increase the rates imposed under
17 subsections (b) and (d).

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

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

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

4 (1) A taxpayer shall be allowed a credit equal to .5%
5 of the basis of qualified property placed in service
6 during the taxable year, provided such property is placed
7 in service on or after July 1, 1984. There shall be allowed
8 an additional credit equal to .5% of the basis of
9 qualified property placed in service during the taxable
10 year, provided such property is placed in service on or
11 after July 1, 1986, and the taxpayer's base employment
12 within Illinois has increased by 1% or more over the
13 preceding year as determined by the taxpayer's employment
14 records filed with the Illinois Department of Employment
15 Security. Taxpayers who are new to Illinois shall be
16 deemed to have met the 1% growth in base employment for the
17 first year in which they file employment records with the
18 Illinois Department of Employment Security. The provisions
19 added to this Section by Public Act 85-1200 (and restored
20 by Public Act 87-895) shall be construed as declaratory of
21 existing law and not as a new enactment. If, in any year,
22 the increase in base employment within Illinois over the
23 preceding year is less than 1%, the additional credit
24 shall be limited to that percentage times a fraction, the
25 numerator of which is .5% and the denominator of which is
26 1%, but shall not exceed .5%. The investment credit shall

1 not be allowed to the extent that it would reduce a
2 taxpayer's liability in any tax year below zero, nor may
3 any credit for qualified property be allowed for any year
4 other than the year in which the property was placed in
5 service in Illinois. For tax years ending on or after
6 December 31, 1987, and on or before December 31, 1988, the
7 credit shall be allowed for the tax year in which the
8 property is placed in service, or, if the amount of the
9 credit exceeds the tax liability for that year, whether it
10 exceeds the original liability or the liability as later
11 amended, such excess may be carried forward and applied to
12 the tax liability of the 5 taxable years following the
13 excess credit years if the taxpayer (i) makes investments
14 which cause the creation of a minimum of 2,000 full-time
15 equivalent jobs in Illinois, (ii) is located in an
16 enterprise zone established pursuant to the Illinois
17 Enterprise Zone Act and (iii) is certified by the
18 Department of Commerce and Community Affairs (now
19 Department of Commerce and Economic Opportunity) as
20 complying with the requirements specified in clause (i)
21 and (ii) by July 1, 1986. The Department of Commerce and
22 Community Affairs (now Department of Commerce and Economic
23 Opportunity) shall notify the Department of Revenue of all
24 such certifications immediately. For tax years ending
25 after December 31, 1988, the credit shall be allowed for
26 the tax year in which the property is placed in service,

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

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

12 (A) is tangible, whether new or used, including
13 buildings and structural components of buildings and
14 signs that are real property, but not including land
15 or improvements to real property that are not a
16 structural component of a building such as
17 landscaping, sewer lines, local access roads, fencing,
18 parking lots, and other appurtenances;

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

24 (C) is acquired by purchase as defined in Section
25 179(d) of the Internal Revenue Code;

26 (D) is used in Illinois by a taxpayer who is

1 primarily engaged in manufacturing, or in mining coal
2 or fluorite, or in retailing, or was placed in service
3 on or after July 1, 2006 in a River Edge Redevelopment
4 Zone established pursuant to the River Edge
5 Redevelopment Zone Act; and

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

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

1 does not include the generation, transmission, or
2 distribution of electricity.

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

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

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

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

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

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

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

25 For taxable years ending on or after December 31,
26 2000, a partner that qualifies its partnership for a

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

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

15 (1) A taxpayer shall be allowed a credit against the
16 tax imposed by subsections (a) and (b) of this Section for
17 investment in qualified property which is placed in
18 service in an Enterprise Zone created pursuant to the
19 Illinois Enterprise Zone Act or, for property placed in
20 service on or after July 1, 2006, a River Edge
21 Redevelopment Zone established pursuant to the River Edge
22 Redevelopment Zone Act. For partners, shareholders of
23 Subchapter S corporations, and owners of limited liability
24 companies, if the liability company is treated as a
25 partnership for purposes of federal and State income
26 taxation, for taxable years ending before December 31,

1 2023, there shall be allowed a credit under this
2 subsection (f) to be determined in accordance with the
3 determination of income and distributive share of income
4 under Sections 702 and 704 and Subchapter S of the
5 Internal Revenue Code. For taxable years ending on or
6 after December 31, 2023, for partners and shareholders of
7 Subchapter S corporations, the provisions of Section 251
8 shall apply with respect to the credit under this
9 subsection. The credit shall be .5% of the basis for such
10 property. The credit shall be available only in the
11 taxable year in which the property is placed in service in
12 the Enterprise Zone or River Edge Redevelopment Zone and
13 shall not be allowed to the extent that it would reduce a
14 taxpayer's liability for the tax imposed by subsections
15 (a) and (b) of this Section to below zero. For tax years
16 ending on or after December 31, 1985, the credit shall be
17 allowed for the tax year in which the property is placed in
18 service, or, if the amount of the credit exceeds the tax
19 liability for that year, whether it exceeds the original
20 liability or the liability as later amended, such excess
21 may be carried forward and applied to the tax liability of
22 the 5 taxable years following the excess credit year. The
23 credit shall be applied to the earliest year for which
24 there is a liability. If there is credit from more than one
25 tax year that is available to offset a liability, the
26 credit accruing first in time shall be applied first.

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

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

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

9 (C) is acquired by purchase as defined in Section
10 179(d) of the Internal Revenue Code;

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

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

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

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

26 (5) The term "placed in service" shall have the same

1 meaning as under Section 46 of the Internal Revenue Code.

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

20 (7) There shall be allowed an additional credit equal
21 to 0.5% of the basis of qualified property placed in
22 service during the taxable year in a River Edge
23 Redevelopment Zone, provided such property is placed in
24 service on or after July 1, 2006, and the taxpayer's base
25 employment within Illinois has increased by 1% or more
26 over the preceding year as determined by the taxpayer's

1 employment records filed with the Illinois Department of
2 Employment Security. Taxpayers who are new to Illinois
3 shall be deemed to have met the 1% growth in base
4 employment for the first year in which they file
5 employment records with the Illinois Department of
6 Employment Security. If, in any year, the increase in base
7 employment within Illinois over the preceding year is less
8 than 1%, the additional credit shall be limited to that
9 percentage times a fraction, the numerator of which is
10 0.5% and the denominator of which is 1%, but shall not
11 exceed 0.5%.

12 (8) For taxable years beginning on or after January 1,
13 2021 and ending on or before the effective date of this
14 amendatory Act of the 104th General Assembly, there shall
15 be allowed an Enterprise Zone construction jobs credit
16 against the taxes imposed under subsections (a) and (b) of
17 this Section as provided in Section 13 of the Illinois
18 Enterprise Zone Act.

19 The credit or credits may not reduce the taxpayer's
20 liability to less than zero. If the amount of the credit or
21 credits exceeds the taxpayer's liability, the excess may
22 be carried forward and applied against the taxpayer's
23 liability in succeeding calendar years in the same manner
24 provided under paragraph (4) of Section 211 of this Act.
25 The credit or credits shall be applied to the earliest
26 year for which there is a tax liability. If there are

1 credits from more than one taxable year that are available
2 to offset a liability, the earlier credit shall be applied
3 first.

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

17 The total aggregate amount of credits awarded under
18 the Blue Collar Jobs Act (Article 20 of Public Act 101-9)
19 shall not exceed \$20,000,000 in any State fiscal year.

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

22 (g) (Blank).

23 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

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

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

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

1 Section.

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

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

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

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

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

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

15 (h-5) High Impact Business construction jobs credit. For
16 taxable years beginning on or after January 1, 2021 and ending
17 on or before the effective date of this amendatory Act of the
18 104th General Assembly, there shall also be allowed a High
19 Impact Business construction jobs credit against the tax
20 imposed under subsections (a) and (b) of this Section as
21 provided in subsections (i) and (j) of Section 5.5 of the
22 Illinois Enterprise Zone Act.

23 The credit or credits may not reduce the taxpayer's
24 liability to less than zero. If the amount of the credit or
25 credits exceeds the taxpayer's liability, the excess may be
26 carried forward and applied against the taxpayer's liability

1 in succeeding calendar years in the manner provided under
2 paragraph (4) of Section 211 of this Act. The credit or credits
3 shall be applied to the earliest year for which there is a tax
4 liability. If there are credits from more than one taxable
5 year that are available to offset a liability, the earlier
6 credit shall be applied first.

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

19 The total aggregate amount of credits awarded under the
20 Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall not
21 exceed \$20,000,000 in any State fiscal year.

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

24 (i) Credit for Personal Property Tax Replacement Income
25 Tax. For tax years ending prior to December 31, 2003, a credit
26 shall be allowed against the tax imposed by subsections (a)

1 and (b) of this Section for the tax imposed by subsections (c)
2 and (d) of this Section. This credit shall be computed by
3 multiplying the tax imposed by subsections (c) and (d) of this
4 Section by a fraction, the numerator of which is base income
5 allocable to Illinois and the denominator of which is Illinois
6 base income, and further multiplying the product by the tax
7 rate imposed by subsections (a) and (b) of this Section.

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

22 If, during any taxable year ending on or after December
23 31, 1986, the tax imposed by subsections (c) and (d) of this
24 Section for which a taxpayer has claimed a credit under this
25 subsection (i) is reduced, the amount of credit for such tax
26 shall also be reduced. Such reduction shall be determined by

1 recomputing the credit to take into account the reduced tax
2 imposed by subsections (c) and (d). If any portion of the
3 reduced amount of credit has been carried to a different
4 taxable year, an amended return shall be filed for such
5 taxable year to reduce the amount of credit claimed.

6 (j) Training expense credit. Beginning with tax years
7 ending on or after December 31, 1986 and prior to December 31,
8 2003, a taxpayer shall be allowed a credit against the tax
9 imposed by subsections (a) and (b) under this Section for all
10 amounts paid or accrued, on behalf of all persons employed by
11 the taxpayer in Illinois or Illinois residents employed
12 outside of Illinois by a taxpayer, for educational or
13 vocational training in semi-technical or technical fields or
14 semi-skilled or skilled fields, which were deducted from gross
15 income in the computation of taxable income. The credit
16 against the tax imposed by subsections (a) and (b) shall be
17 1.6% of such training expenses. For partners, shareholders of
18 subchapter S corporations, and owners of limited liability
19 companies, if the liability company is treated as a
20 partnership for purposes of federal and State income taxation,
21 for taxable years ending before December 31, 2023, there shall
22 be allowed a credit under this subsection (j) to be determined
23 in accordance with the determination of income and
24 distributive share of income under Sections 702 and 704 and
25 subchapter S of the Internal Revenue Code. For taxable years
26 ending on or after December 31, 2023, for partners and

1 shareholders of Subchapter S corporations, the provisions of
2 Section 251 shall apply with respect to the credit under this
3 subsection.

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

14 (k) Research and development credit. For tax years ending
15 after July 1, 1990 and prior to December 31, 2003, and
16 beginning again for tax years ending on or after December 31,
17 2004, and ending prior to January 1, 2032, a taxpayer shall be
18 allowed a credit against the tax imposed by subsections (a)
19 and (b) of this Section for increasing research activities in
20 this State. The credit allowed against the tax imposed by
21 subsections (a) and (b) shall be equal to 6 1/2% of the
22 qualifying expenditures for increasing research activities in
23 this State. For partners, shareholders of subchapter S
24 corporations, and owners of limited liability companies, if
25 the liability company is treated as a partnership for purposes
26 of federal and State income taxation, for taxable years ending

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

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

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

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

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

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

19 It is the intent of the General Assembly that the research
20 and development credit under this subsection (k) shall apply
21 continuously for all tax years ending on or after December 31,
22 2004 and ending prior to January 1, 2032, including, but not
23 limited to, the period beginning on January 1, 2016 and ending
24 on July 6, 2017 (the effective date of Public Act 100-22). All
25 actions taken in reliance on the continuation of the credit
26 under this subsection (k) by any taxpayer are hereby

1 validated.

2 (1) Environmental Remediation Tax Credit.

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

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

24 (ii) A credit allowed under this subsection that is
25 unused in the year the credit is earned may be carried
26 forward to each of the 5 taxable years following the year

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

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

1 (m) Education expense credit. Beginning with tax years
2 ending after December 31, 1999, a taxpayer who is the
3 custodian of one or more qualifying pupils shall be allowed a
4 credit against the tax imposed by subsections (a) and (b) of
5 this Section for qualified education expenses incurred on
6 behalf of the qualifying pupils. The credit shall be equal to
7 25% of qualified education expenses, but in no event may the
8 total credit under this subsection claimed by a family that is
9 the custodian of qualifying pupils exceed (i) \$500 for tax
10 years ending prior to December 31, 2017, and (ii) \$750 for tax
11 years ending on or after December 31, 2017. In no event shall a
12 credit under this subsection reduce the taxpayer's liability
13 under this Act to less than zero. Notwithstanding any other
14 provision of law, for taxable years beginning on or after
15 January 1, 2017, no taxpayer may claim a credit under this
16 subsection (m) if the taxpayer's adjusted gross income for the
17 taxable year exceeds (i) \$500,000, in the case of spouses
18 filing a joint federal tax return or (ii) \$250,000, in the case
19 of all other taxpayers. This subsection is exempt from the
20 provisions of Section 250 of this Act.

21 For purposes of this subsection:

22 "Qualifying pupils" means individuals who (i) are
23 residents of the State of Illinois, (ii) are under the age of
24 21 at the close of the school year for which a credit is
25 sought, and (iii) during the school year for which a credit is
26 sought were full-time pupils enrolled in a kindergarten

1 through twelfth grade education program at any school, as
2 defined in this subsection.

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

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

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

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

19 (i) For tax years ending on or after December 31,
20 2006, a taxpayer shall be allowed a credit against the tax
21 imposed by subsections (a) and (b) of this Section for
22 certain amounts paid for unreimbursed eligible remediation
23 costs, as specified in this subsection. For purposes of
24 this Section, "unreimbursed eligible remediation costs"
25 means costs approved by the Illinois Environmental
26 Protection Agency ("Agency") under Section 58.14a of the

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

1 shall be equal to 25% of the unreimbursed eligible
2 remediation costs in excess of \$100,000 per site.

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

25 (iii) For purposes of this Section, the term "site"
26 shall have the same meaning as under Section 58.2 of the

1 Environmental Protection Act.

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

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

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

20 (B) cancellation, revocation, or termination of
21 any registration by the Illinois Department of Public
22 Health;

23 (C) a determination by the Illinois Department of
24 Public Health that transfer of the registration is in
25 the best interests of Illinois qualifying patients as
26 defined by the Compassionate Use of Medical Cannabis

1 Program Act;

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

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

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

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

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

20 (p) Pass-through entity tax.

21 (1) For taxable years ending on or after December 31,
22 2021, a partnership (other than a publicly traded
23 partnership under Section 7704 of the Internal Revenue
24 Code) or Subchapter S corporation may elect to apply the
25 provisions of this subsection. A separate election shall
26 be made for each taxable year. Such election shall be made

1 at such time, and in such form and manner as prescribed by
2 the Department, and, once made, is irrevocable.

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

9 (3) Net income defined.

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

19 (i) the standard exemption allowed under
20 Section 204;

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

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

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

1 Section 203(d)(2)(I).

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

12 (4) Credit for entity level tax. Each partner or
13 shareholder of a taxpayer making the election under this
14 Section shall be allowed a credit against the tax imposed
15 under subsections (a) and (b) of Section 201 of this Act
16 for the taxable year of the partnership or Subchapter S
17 corporation for which an election is in effect ending
18 within or with the taxable year of the partner or
19 shareholder in an amount equal to 4.95% times the partner
20 or shareholder's distributive share of the net income of
21 the electing partnership or Subchapter S corporation, but
22 not to exceed the partner's or shareholder's share of the
23 tax imposed under paragraph (1) which is actually paid by
24 the partnership or Subchapter S corporation. If the
25 taxpayer is a partnership or Subchapter S corporation that
26 is itself a partner of a partnership making the election

1 under paragraph (1), the credit under this paragraph shall
2 be allowed to the taxpayer's partners or shareholders (or
3 if the partner is a partnership or Subchapter S
4 corporation then its partners or shareholders) in
5 accordance with the determination of income and
6 distributive share of income under Sections 702 and 704
7 and Subchapter S of the Internal Revenue Code. If the
8 amount of the credit allowed under this paragraph exceeds
9 the partner's or shareholder's liability for tax imposed
10 under subsections (a) and (b) of Section 201 of this Act
11 for the taxable year, such excess shall be treated as an
12 overpayment for purposes of Section 909 of this Act.

13 (5) Nonresidents. A nonresident individual who is a
14 partner or shareholder of a partnership or Subchapter S
15 corporation for a taxable year for which an election is in
16 effect under paragraph (1) shall not be required to file
17 an income tax return under this Act for such taxable year
18 if the only source of net income of the individual (or the
19 individual and the individual's spouse in the case of a
20 joint return) is from an entity making the election under
21 paragraph (1) and the credit allowed to the partner or
22 shareholder under paragraph (4) equals or exceeds the
23 individual's liability for the tax imposed under
24 subsections (a) and (b) of Section 201 of this Act for the
25 taxable year.

26 (6) Liability for tax. Except as provided in this

1 paragraph, a partnership or Subchapter S making the
2 election under paragraph (1) is liable for the
3 entity-level tax imposed under paragraph (2). If the
4 electing partnership or corporation fails to pay the full
5 amount of tax deemed assessed under paragraph (2), the
6 partners or shareholders shall be liable to pay the tax
7 assessed (including penalties and interest). Each partner
8 or shareholder shall be liable for the unpaid assessment
9 based on the ratio of the partner's or shareholder's share
10 of the net income of the partnership over the total net
11 income of the partnership. If the partnership or
12 Subchapter S corporation fails to pay the tax assessed
13 (including penalties and interest) and thereafter an
14 amount of such tax is paid by the partners or
15 shareholders, such amount shall not be collected from the
16 partnership or corporation.

17 (7) Foreign tax. For purposes of the credit allowed
18 under Section 601(b)(3) of this Act, tax paid by a
19 partnership or Subchapter S corporation to another state
20 which, as determined by the Department, is substantially
21 similar to the tax imposed under this subsection, shall be
22 considered tax paid by the partner or shareholder to the
23 extent that the partner's or shareholder's share of the
24 income of the partnership or Subchapter S corporation
25 allocated and apportioned to such other state bears to the
26 total income of the partnership or Subchapter S

1 corporation allocated or apportioned to such other state.

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

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

12 (10) The provisions of this subsection shall apply
13 only with respect to taxable years for which the
14 limitation on individual deductions applies under Section
15 164(b)(6) of the Internal Revenue Code.

16 (Source: P.A. 103-9, eff. 6-7-23; 103-396, eff. 1-1-24;
17 103-595, eff. 6-26-24; 103-605, eff. 7-1-24; 104-453, eff.
18 12-12-25.)

19 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

20 Sec. 203. Base income defined.

21 (a) Individuals.

22 (1) In general. In the case of an individual, base
23 income means an amount equal to the taxpayer's adjusted
24 gross income for the taxable year as modified by paragraph
25 (2).

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

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

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

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

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

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

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

19 (D-15) For taxable years 2001 through 2025, an
20 amount equal to the bonus depreciation deduction taken
21 on the taxpayer's federal income tax return for the
22 taxable year under subsection (k) of Section 168 of
23 the Internal Revenue Code; for taxable years 2026 and
24 thereafter, an amount equal to the bonus depreciation
25 deduction taken on the taxpayer's federal income tax
26 return for the taxable year under subsection (k) or

1 (n) of Section 168 of the Internal Revenue Code;

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

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

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

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

1 person's total business activity and (ii) for taxable
2 years ending on or after December 31, 2008, to a person
3 who would be a member of the same unitary business
4 group but for the fact that the person is prohibited
5 under Section 1501(a)(27) from being included in the
6 unitary business group because he or she is ordinarily
7 required to apportion business income under different
8 subsections of Section 304. The addition modification
9 required by this subparagraph shall be reduced to the
10 extent that dividends were included in base income of
11 the unitary group for the same taxable year and
12 received by the taxpayer or by a member of the
13 taxpayer's unitary business group (including amounts
14 included in gross income under Sections 951 through
15 964 of the Internal Revenue Code and amounts included
16 in gross income under Section 78 of the Internal
17 Revenue Code) with respect to the stock of the same
18 person to whom the interest was paid, accrued, or
19 incurred. For taxable years ending on and after
20 December 31, 2025, for purposes of applying this
21 paragraph in the case of a taxpayer to which Section
22 163(j) of the Internal Revenue Code applies for the
23 taxable year, the reduction in the amount of interest
24 for which a deduction is allowed by reason of Section
25 163(j) shall be treated as allocable first to persons
26 who are not foreign persons referred to in this

1 paragraph and then to such foreign persons.

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

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

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

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

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

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

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

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

13 For taxable years ending on or after December 31,
14 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

20 (D-18) An amount equal to the amount of intangible
21 expenses and costs otherwise allowed as a deduction in
22 computing base income, and that were paid, accrued, or
23 incurred, directly or indirectly, (i) for taxable
24 years ending on or after December 31, 2004, to a
25 foreign person who would be a member of the same
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United
2 States is 80% or more of that person's total business
3 activity and (ii) for taxable years ending on or after
4 December 31, 2008, to a person who would be a member of
5 the same unitary business group but for the fact that
6 the person is prohibited under Section 1501(a)(27)
7 from being included in the unitary business group
8 because he or she is ordinarily required to apportion
9 business income under different subsections of Section
10 304. The addition modification required by this
11 subparagraph shall be reduced to the extent that
12 dividends were included in base income of the unitary
13 group for the same taxable year and received by the
14 taxpayer or by a member of the taxpayer's unitary
15 business group (including amounts included in gross
16 income under Sections 951 through 964 of the Internal
17 Revenue Code and amounts included in gross income
18 under Section 78 of the Internal Revenue Code) with
19 respect to the stock of the same person to whom the
20 intangible expenses and costs were directly or
21 indirectly paid, incurred, or accrued. The preceding
22 sentence does not apply to the extent that the same
23 dividends caused a reduction to the addition
24 modification required under Section 203(a)(2)(D-17) of
25 this Act. As used in this subparagraph, the term
26 "intangible expenses and costs" includes (1) expenses,

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

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

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

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

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

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

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

21 For taxable years ending on or after December 31,
22 2025, this paragraph shall not apply to the following:

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

1 following:

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

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

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

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

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

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

1 accrued. The preceding sentence does not apply to the
2 extent that the same dividends caused a reduction to
3 the addition modification required under Section
4 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
5 Act;

6 (D-20) For taxable years beginning on or after
7 January 1, 2002 and ending on or before December 31,
8 2006, in the case of a distribution from a qualified
9 tuition program under Section 529 of the Internal
10 Revenue Code, other than (i) a distribution from a
11 College Savings Pool created under Section 16.5 of the
12 State Treasurer Act or (ii) a distribution from the
13 Illinois Prepaid Tuition Trust Fund, an amount equal
14 to the amount excluded from gross income under Section
15 529(c)(3)(B). For taxable years beginning on or after
16 January 1, 2007, in the case of a distribution from a
17 qualified tuition program under Section 529 of the
18 Internal Revenue Code, other than (i) a distribution
19 from a College Savings Pool created under Section 16.5
20 of the State Treasurer Act, (ii) a distribution from
21 the Illinois Prepaid Tuition Trust Fund, or (iii) a
22 distribution from a qualified tuition program under
23 Section 529 of the Internal Revenue Code that (I)
24 adopts and determines that its offering materials
25 comply with the College Savings Plans Network's
26 disclosure principles and (II) has made reasonable

1 efforts to inform in-state residents of the existence
2 of in-state qualified tuition programs by informing
3 Illinois residents directly and, where applicable, to
4 inform financial intermediaries distributing the
5 program to inform in-state residents of the existence
6 of in-state qualified tuition programs at least
7 annually, an amount equal to the amount excluded from
8 gross income under Section 529(c)(3)(B).

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

21 (D-20.5) For taxable years beginning on or after
22 January 1, 2018, in the case of a distribution from a
23 qualified ABLE program under Section 529A of the
24 Internal Revenue Code, other than a distribution from
25 a qualified ABLE program created under Section 16.6 of
26 the State Treasurer Act, an amount equal to the amount

1 excluded from gross income under Section 529A(c)(1)(B)
2 of the Internal Revenue Code;

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

10 (D-21.5) For taxable years beginning on or after
11 January 1, 2018, in the case of the transfer of moneys
12 from a qualified tuition program under Section 529 or
13 a qualified ABLE program under Section 529A of the
14 Internal Revenue Code that is administered by this
15 State to an ABLE account established under an
16 out-of-state ABLE account program, an amount equal to
17 the contribution component of the transferred amount
18 that was previously deducted from base income under
19 subsection (a)(2)(Y) or subsection (a)(2)(HH) of this
20 Section;

21 (D-22) For taxable years beginning on or after
22 January 1, 2009, and prior to January 1, 2018, in the
23 case of a nonqualified withdrawal or refund of moneys
24 from a qualified tuition program under Section 529 of
25 the Internal Revenue Code administered by the State
26 that is not used for qualified expenses at an eligible

1 education institution, an amount equal to the
2 contribution component of the nonqualified withdrawal
3 or refund that was previously deducted from base
4 income under subsection (a)(2)(y) of this Section,
5 provided that the withdrawal or refund did not result
6 from the beneficiary's death or disability. For
7 taxable years beginning on or after January 1, 2018:
8 (1) in the case of a nonqualified withdrawal or
9 refund, as defined under Section 16.5 of the State
10 Treasurer Act, of moneys from a qualified tuition
11 program under Section 529 of the Internal Revenue Code
12 administered by the State, an amount equal to the
13 contribution component of the nonqualified withdrawal
14 or refund that was previously deducted from base
15 income under subsection (a)(2)(Y) of this Section, and
16 (2) in the case of a nonqualified withdrawal or refund
17 from a qualified ABLE program under Section 529A of
18 the Internal Revenue Code administered by the State
19 that is not used for qualified disability expenses, an
20 amount equal to the contribution component of the
21 nonqualified withdrawal or refund that was previously
22 deducted from base income under subsection (a)(2)(HH)
23 of this Section;

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

1 Act;

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

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

9 (D-26) For taxable years ending on or after
10 December 31, 2025, the amount of business interest
11 deduction taken after application of subsection (j) of
12 Section 163 of the Internal Revenue Code minus the
13 amount of business interest deduction that could have
14 been taken after application of subsection (j) of
15 Section 163 of the Internal Revenue Code if the
16 taxpayer's adjusted taxable income had been computed
17 taking into account the items described at
18 163(j) (8) (A) (v);

19 (D-27) For taxable years 2026 and thereafter, an
20 amount equal to the deduction for domestic research or
21 experimental expenditures taken under subsection (a)
22 of Section 174A of the Internal Revenue Code on the
23 taxpayer's federal income tax return. For taxable
24 years 2026 and thereafter, an amount equal to the
25 amortization deduction for domestic research or
26 experimental expenditures paid or incurred in taxable

1 year 2026 or after taken under subsection (c) of
2 Section 174A of the Internal Revenue Code on the
3 taxpayer's federal income tax return. For taxable
4 years 2026 and thereafter, in the case of the
5 disposition, retirement, or abandonment of any
6 property with respect to which domestic research or
7 experimental expenditures are paid or incurred in
8 taxable years 2026 or after during the period in which
9 those expenditures are allowed as an amortization
10 deduction under subsection (c) of Section 174A of the
11 Internal Revenue Code, an amount equal to any
12 deduction taken or reduction to amount realized on the
13 taxpayer's federal income tax with respect to those
14 expenditures on account of such disposition,
15 retirement, or abandonment;

16 (D-28) For taxable years ending on or after
17 December 31, 2025, the amount of any deduction under
18 Section 179 of the Internal Revenue Code in excess of
19 the product of \$1,000,000 multiplied by one plus the
20 cost of living adjustment determined under Internal
21 Revenue Code Section 1(f)(3) for the calendar year in
22 which the taxable year begins, with "calendar year
23 2017" substituted for "calendar year 2016" in
24 subparagraph (A)(ii) of that Section;

25 (D-29) For taxable years 2026 and thereafter, in
26 the case of a qualified small business stock gain

1 under subparagraph (a)(1)(B) of Section 1202 of the
2 Internal Revenue Code:

3 (1) An amount equal to the amount excluded
4 from gross income under paragraph (1) of
5 subsection (a) of Section 1202 if:

6 (i) the qualified small business stock
7 gain is from the sale or exchange of stock
8 held for less than 5 years; or

9 (ii) the qualified small business stock
10 gain is from the sale or exchange of stock in a
11 corporation that would not be considered
12 qualified small business stock under
13 subsection (c) of Section 1202 of the Internal
14 Revenue Code if that stock had been acquired
15 prior to the applicable date due to such
16 corporation's aggregate gross assets, as
17 defined in paragraph (2) of subsection (d) of
18 Section 1202 of the Internal Revenue Code,
19 exceeding \$50,000,000 at some time on or after
20 the date of the enactment of the Revenue
21 Reconciliation Act of 1993.

22 (2) If the taxpayer is not required to make an
23 addition modification under item (1), and the
24 amount excluded from gross income under paragraph
25 (1) of subsection (a) of Section 1202 of the
26 Internal Revenue Code would exceed the per-issuer

1 limitation on taxpayer's eligible gain set forth
2 in subsection (b) of Section 1202 of the Internal
3 Revenue Code had the qualified small business
4 stock been acquired on or before the applicable
5 date, an amount equal to the amount excluded from
6 gross income less the per-issuer limitation on
7 taxpayer's eligible gain had the qualified small
8 business stock been acquired on or before the
9 applicable date.

10 As used in this subparagraph, the term "applicable
11 date" is as defined in paragraph (6) of subsection (a)
12 of Section 1202 of the Internal Revenue Code;

13 (D-30) For taxable years beginning after December
14 31, 2026, the sum of (i) current year capital gains
15 deferred for federal income tax purposes by placement
16 in a Qualified Opportunity Fund in accordance with
17 Section 1400Z-2 of the Internal Revenue Code; and (ii)
18 for any gain or loss from the sale or exchange of an
19 investment made on or after December 31, 2026 in
20 Opportunity Zone property, the amount of the
21 taxpayer's basis in the investment pursuant to
22 subsections (b) or (c) of Section 1400Z-2 of the
23 Internal Revenue Code, net of what the amount of the
24 taxpayer's basis would be if computed under clause
25 (b) (2) (B) (ii) of Section 1400Z-2 of the Internal
26 Revenue Code.

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

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

1 was a prisoner of war or missing in action, and in
2 respect of any compensation paid to a resident in 2001
3 or thereafter by reason of being a member of the
4 Illinois National Guard or, beginning with taxable
5 years ending on or after December 31, 2007, the
6 National Guard of any other state. The provisions of
7 this subparagraph (E) are exempt from the provisions
8 of Section 250;

9 (F) An amount equal to all amounts included in
10 such total pursuant to the provisions of Sections
11 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
12 408 of the Internal Revenue Code, or included in such
13 total as distributions under the provisions of any
14 retirement or disability plan for employees of any
15 governmental agency or unit, or retirement payments to
16 retired partners, which payments are excluded in
17 computing net earnings from self employment by Section
18 1402 of the Internal Revenue Code and regulations
19 adopted pursuant thereto;

20 (G) The valuation limitation amount;

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

24 (I) An amount equal to all amounts included in
25 such total pursuant to the provisions of Section 111
26 of the Internal Revenue Code as a recovery of items

1 previously deducted from adjusted gross income in the
2 computation of taxable income;

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

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

20 (L) For taxable years ending after December 31,
21 1983, an amount equal to all social security benefits
22 and railroad retirement benefits included in such
23 total pursuant to Sections 72(r) and 86 of the
24 Internal Revenue Code;

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

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

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

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

1 Increment Allocation Redevelopment Act;

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

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

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

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

26 (T) An amount, to the extent included in adjusted

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

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

13 (V) Beginning with tax years ending on or after
14 December 31, 1995 and ending with tax years ending on
15 or before December 31, 2004, an amount equal to the
16 amount paid by a taxpayer who is a self-employed
17 taxpayer, a partner of a partnership, or a shareholder
18 in a Subchapter S corporation for health insurance or
19 long-term care insurance for that taxpayer or that
20 taxpayer's spouse or dependents, to the extent that
21 the amount paid for that health insurance or long-term
22 care insurance may be deducted under Section 213 of
23 the Internal Revenue Code, has not been deducted on
24 the federal income tax return of the taxpayer, and
25 does not exceed the taxable income attributable to
26 that taxpayer's income, self-employment income, or

1 Subchapter S corporation income; except that no
2 deduction shall be allowed under this item (V) if the
3 taxpayer is eligible to participate in any health
4 insurance or long-term care insurance plan of an
5 employer of the taxpayer or the taxpayer's spouse. The
6 amount of the health insurance and long-term care
7 insurance subtracted under this item (V) shall be
8 determined by multiplying total health insurance and
9 long-term care insurance premiums paid by the taxpayer
10 times a number that represents the fractional
11 percentage of eligible medical expenses under Section
12 213 of the Internal Revenue Code of 1986 not actually
13 deducted on the taxpayer's federal income tax return;

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

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

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

1 (Y) For taxable years beginning on or after
2 January 1, 2002 and ending on or before December 31,
3 2004, moneys contributed in the taxable year to a
4 College Savings Pool account under Section 16.5 of the
5 State Treasurer Act, except that amounts excluded from
6 gross income under Section 529(c)(3)(C)(i) of the
7 Internal Revenue Code shall not be considered moneys
8 contributed under this subparagraph (Y). For taxable
9 years beginning on or after January 1, 2005, a maximum
10 of \$10,000 contributed in the taxable year to (i) a
11 College Savings Pool account under Section 16.5 of the
12 State Treasurer Act or (ii) the Illinois Prepaid
13 Tuition Trust Fund, except that amounts excluded from
14 gross income under Section 529(c)(3)(C)(i) of the
15 Internal Revenue Code shall not be considered moneys
16 contributed under this subparagraph (Y). For purposes
17 of this subparagraph, contributions made by an
18 employer on behalf of an employee, or matching
19 contributions made by an employee, shall be treated as
20 made by the employee. This subparagraph (Y) is exempt
21 from the provisions of Section 250;

22 (Z) For taxable years 2001 and thereafter, for the
23 taxable year in which the bonus depreciation deduction
24 is taken on the taxpayer's federal income tax return
25 under subsection (k) or (n) of Section 168 of the
26 Internal Revenue Code and for each applicable taxable

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

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

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

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

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

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

24 (iii) for property on which a bonus
25 depreciation deduction of 100% of the adjusted
26 basis was taken in a taxable year ending on or

1 after December 31, 2021, "x" equals the
2 depreciation deduction that would be allowed
3 on that property if the taxpayer had made the
4 election under Section 168(k)(7) or Section
5 168(n)(6) of the Internal Revenue Code to not
6 claim bonus depreciation on that property; and

7 (iv) for property on which a bonus
8 depreciation deduction of a percentage other
9 than 30%, 50% or 100% of the adjusted basis
10 was taken in a taxable year ending on or after
11 December 31, 2021, "x" equals "y" multiplied
12 by 100 times the percentage bonus depreciation
13 on the property (that is, $100(\text{bonus}\%)$) and
14 then divided by 100 times 1 minus the
15 percentage bonus depreciation on the property
16 (that is, $100(1-\text{bonus}\%)$).

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

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

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

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

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

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

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

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

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

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

1 203(a)(2)(D-17) for interest paid, accrued, or
2 incurred, directly or indirectly, to the same person.
3 This subparagraph (DD) is exempt from the provisions
4 of Section 250;

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

26 (FF) An amount equal to any amount awarded to the

1 taxpayer during the taxable year by the Court of
2 Claims under subsection (c) of Section 8 of the Court
3 of Claims Act for time unjustly served in a State
4 prison. This subparagraph (FF) is exempt from the
5 provisions of Section 250;

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

22 (HH) For taxable years beginning on or after
23 January 1, 2018 and prior to January 1, 2028, a maximum
24 of \$10,000 contributed in the taxable year to a
25 qualified ABLE account under Section 16.6 of the State
26 Treasurer Act, except that amounts excluded from gross

1 income under Section 529(c)(3)(C)(i) or Section
2 529A(c)(1)(C) of the Internal Revenue Code shall not
3 be considered moneys contributed under this
4 subparagraph (HH). For purposes of this subparagraph
5 (HH), contributions made by an employer on behalf of
6 an employee, or matching contributions made by an
7 employee, shall be treated as made by the employee;

8 (II) For taxable years that begin on or after
9 January 1, 2021 and begin before January 1, 2026, the
10 amount that is included in the taxpayer's federal
11 adjusted gross income pursuant to Section 61 of the
12 Internal Revenue Code as discharge of indebtedness
13 attributable to student loan forgiveness and that is
14 not excluded from the taxpayer's federal adjusted
15 gross income pursuant to paragraph (5) of subsection
16 (f) of Section 108 of the Internal Revenue Code;

17 (JJ) For taxable years beginning on or after
18 January 1, 2023, for any cannabis establishment
19 operating in this State and licensed under the
20 Cannabis Regulation and Tax Act or any cannabis
21 cultivation center or medical cannabis dispensing
22 organization operating in this State and licensed
23 under the Compassionate Use of Medical Cannabis
24 Program Act, an amount equal to the deductions that
25 were disallowed under Section 280E of the Internal
26 Revenue Code for the taxable year and that would not be

1 added back under this subsection. The provisions of
2 this subparagraph (JJ) are exempt from the provisions
3 of Section 250;

4 (KK) To the extent includible in gross income for
5 federal income tax purposes, any amount awarded or
6 paid to the taxpayer as a result of a judgment or
7 settlement for fertility fraud as provided in Section
8 15 of the Illinois Fertility Fraud Act, donor
9 fertility fraud as provided in Section 20 of the
10 Illinois Fertility Fraud Act, or similar action in
11 another state;

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

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

24 (MM) For taxable years beginning on or after
25 January 1, 2025, if the taxpayer is an eligible
26 resident as defined in the Medical Debt Relief Act, an

1 amount equal to the amount included in the taxpayer's
2 federal adjusted gross income that is attributable to
3 medical debt relief received by the taxpayer during
4 the taxable year from a nonprofit medical debt relief
5 coordinator under the provisions of the Medical Debt
6 Relief Act. This subparagraph (MM) is exempt from the
7 provisions of Section 250.

8 (NN) For taxable years 2026 and thereafter, for
9 the taxable year where a deduction was taken for
10 domestic research or experimental expenditures paid or
11 incurred in that taxable year on the taxpayer's
12 federal income tax return under subsection (a) or (c)
13 of Section 174A of the Internal Revenue Code and for
14 each applicable taxable year thereafter:

15 (1) If a deduction was taken under subsection
16 (a) of Section 174A of the Internal Revenue Code,
17 an amount equal to 20% of the amount deducted on
18 the taxpayer's federal income tax return. For
19 domestic research or experimental expenditures
20 paid or incurred by the taxpayer during a given
21 taxable year, the aggregate amount deducted under
22 this subparagraph in all taxable years shall not
23 exceed the amount deducted under subsection (a) of
24 Section 174A on the taxpayer's federal income tax
25 return.

26 (2) If a deduction was taken under subsection

1 (c) of Section 174A, an amount equal to 20% of the
2 applicable amortizable amount on the taxpayer's
3 federal income tax return. For domestic research
4 or experimental expenditures paid or incurred by
5 the taxpayer during a given taxable year, the
6 aggregate amount deducted under this subparagraph
7 in all taxable years shall not exceed the
8 applicable amortizable amount on the taxpayer's
9 federal income tax return.

10 This subparagraph (NN) is exempt from the
11 provisions of Section 250.

12 (b) Corporations.

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

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

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

24 (B) An amount equal to the amount of tax imposed by
25 this Act to the extent deducted from gross income in

1 the computation of taxable income for the taxable
2 year;

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

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

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

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

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

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

21 (E-5) For taxable years ending after December 31,
22 1997, an amount equal to any eligible remediation
23 costs that the corporation deducted in computing
24 adjusted gross income and for which the corporation
25 claims a credit under subsection (1) of Section 201;

26 (E-10) For taxable years 2001 through 2025, an

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

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

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

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

26 (E-12) An amount equal to the amount otherwise

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

1 after December 31, 2025, for purposes of applying this
2 paragraph in the case of a taxpayer to which Section
3 163(j) of the Internal Revenue Code applies for the
4 taxable year, the reduction in the amount of interest
5 for which a deduction is allowed by reason of Section
6 163(j) shall be treated as allocable first to persons
7 who are not foreign persons referred to in this
8 paragraph and then to such foreign persons.

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

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

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

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

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

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

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

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

20 For taxable years ending on or after December 31,
21 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

1 reporting, to a tax on or measured by net income
2 with respect to such item; or

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

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

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

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

1 304(f);

2 For taxable years ending on or after December 31,
3 2025, this paragraph shall not apply to the following:

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

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

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

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

1 alternative method of apportionment under Section
2 304(f).

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

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

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

13 (E-15) For taxable years beginning after December
14 31, 2008, any deduction for dividends paid by a
15 captive real estate investment trust that is allowed
16 to a real estate investment trust under Section
17 857(b)(2)(B) of the Internal Revenue Code for
18 dividends paid;

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

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

1 (E-18) for taxable years beginning after December
2 31, 2018, an amount equal to the deduction allowed
3 under Section 250(a)(1)(A) of the Internal Revenue
4 Code for the taxable year;

5 (E-19) for taxable years ending on or after June
6 30, 2021, an amount equal to the deduction allowed
7 under Section 250(a)(1)(B)(i) of the Internal Revenue
8 Code for the taxable year;

9 (E-20) for taxable years ending on or after June
10 30, 2021, an amount equal to the deduction allowed
11 under Sections 243(e) and 245A(a) of the Internal
12 Revenue Code for the taxable year;

13 (E-21) the amount that is claimed as a federal
14 deduction when computing the taxpayer's federal
15 taxable income for the taxable year and that is
16 attributable to an endowment gift for which the
17 taxpayer receives a credit under the Illinois Gives
18 Tax Credit Act;

19 (E-22) For taxable years ending on or after
20 December 31, 2025, the amount of business interest
21 deduction taken after application of subsection (j) of
22 Section 163 of the Internal Revenue Code minus the
23 amount of business interest deduction that could have
24 been taken after application of subsection (j) of
25 Section 163 of the Internal Revenue Code if the
26 taxpayer's adjusted taxable income had been computed

1 taking into account the items described at
2 163(j)(8)(A)(v);

3 (E-23) For taxable years 2026 and thereafter, an
4 amount equal to the deduction for domestic research or
5 experimental expenditures taken under subsection (a)
6 of Section 174A of the Internal Revenue Code on the
7 taxpayer's federal income tax return. For taxable
8 years 2026 and thereafter, an amount equal to the
9 amortization deduction for domestic research or
10 experimental expenditures paid or incurred in taxable
11 years 2026 or after taken under subsection (c) of
12 Section 174A of the Internal Revenue Code on the
13 taxpayer's federal income tax return. For taxable
14 years 2026 and thereafter, in the case of the
15 disposition, retirement, or abandonment of any
16 property with respect to which domestic research or
17 experimental expenditures are paid or incurred in
18 taxable years 2026 or after during the period in which
19 such expenditures are allowed as an amortization
20 deduction under subsection (c) of Section 174A of the
21 Internal Revenue Code, an amount equal to any
22 deduction taken or reduction to amount realized on the
23 taxpayer's federal tax income tax with respect to such
24 expenditures on account of such disposition,
25 retirement, or abandonment;

26 (E-24) For taxable years ending on or after

1 December 31, 2025, the amount of any deduction under
2 Section 179 of the Internal Revenue Code in excess of
3 the product of \$1,000,000 multiplied by one plus the
4 cost of living adjustment determined under Internal
5 Revenue Code Section 1(f)(3) for the calendar year in
6 which the taxable year begins, with "calendar year
7 2017" substituted for "calendar year 2016" in
8 subparagraph (A)(ii) of that Section;

9 (E-25) For taxable years beginning after December
10 31, 2026, the sum of (i) current year capital gains
11 deferred for federal income tax purposes by placement
12 in a Qualified Opportunity Fund in accordance with
13 Section 1400Z-2 of the Internal Revenue Code; and (ii)
14 for any gain or loss from sale or exchange of an
15 investment made on or after December 31, 2026 in
16 Opportunity Zone property, the amount of the
17 taxpayer's basis in the investment pursuant to
18 subsections (b) or (c) of Section 1400Z-2 of the
19 Internal Revenue Code, net of what the amount of the
20 taxpayer's basis would be if computed under clause
21 (b)(2)(B)(ii) of Section 1400Z-2 of the Internal
22 Revenue Code.

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

25 (F) An amount equal to the amount of any tax
26 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

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

4 (H) In the case of a regulated investment company,
5 an amount equal to the amount of exempt interest
6 dividends as defined in subsection (b)(5) of Section
7 852 of the Internal Revenue Code, paid to shareholders
8 for the taxable year;

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

1 Section 807(a)(2)(B) of the Internal Revenue Code (in
2 the case of a life insurance company with gross income
3 from a decrease in reserves for the tax year) or
4 Section 807(b)(1)(B) of the Internal Revenue Code (in
5 the case of a life insurance company allowed a
6 deduction for an increase in reserves for the tax
7 year); the provisions of this subparagraph are exempt
8 from the provisions of Section 250;

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

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

26 (L) An amount equal to those dividends included in

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

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

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

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

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

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

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

1 December 31, 1988, dividends received or deemed
2 received or paid or deemed paid under Sections 951
3 through 965 of the Internal Revenue Code, exceed the
4 amount of the modification provided under subparagraph
5 (G) of paragraph (2) of this subsection (b) which is
6 related to such dividends, and including, for taxable
7 years ending on or after December 31, 2008, dividends
8 received from a captive real estate investment trust;
9 plus (ii) 100% of the amount by which dividends,
10 included in taxable income and received, including,
11 for taxable years ending on or after December 31,
12 1988, dividends received or deemed received or paid or
13 deemed paid under Sections 951 through 964 of the
14 Internal Revenue Code and including, for taxable years
15 ending on or after December 31, 2008, dividends
16 received from a captive real estate investment trust,
17 from any such corporation specified in clause (i) that
18 would but for the provisions of Section 1504(b)(3) of
19 the Internal Revenue Code be treated as a member of the
20 affiliated group which includes the dividend
21 recipient, exceed the amount of the modification
22 provided under subparagraph (G) of paragraph (2) of
23 this subsection (b) which is related to such
24 dividends. For taxable years ending on or after June
25 30, 2021, (i) for purposes of this subparagraph, the
26 term "dividend" does not include any amount treated as

1 a dividend under Section 1248 of the Internal Revenue
2 Code, and (ii) this subparagraph shall not apply to
3 dividends for which a deduction is allowed under
4 Section 245(a) of the Internal Revenue Code. For
5 taxable years ending on or after December 31, 2025,
6 50% of the amount of global intangible low-taxed
7 income or net controlled foreign corporation (CFC)
8 tested income received or deemed received or paid or
9 deemed paid under Sections 951 through 965 of the
10 Internal Revenue Code. This subparagraph (O) is exempt
11 from the provisions of Section 250 of this Act;

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

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

20 (R) On and after July 20, 1999, in the case of an
21 attorney-in-fact with respect to whom an interinsurer
22 or a reciprocal insurer has made the election under
23 Section 835 of the Internal Revenue Code, 26 U.S.C.
24 835, an amount equal to the excess, if any, of the
25 amounts paid or incurred by that interinsurer or
26 reciprocal insurer in the taxable year to the

1 attorney-in-fact over the deduction allowed to that
2 interinsurer or reciprocal insurer with respect to the
3 attorney-in-fact under Section 835(b) of the Internal
4 Revenue Code for the taxable year; the provisions of
5 this subparagraph are exempt from the provisions of
6 Section 250;

7 (S) For taxable years ending on or after December
8 31, 1997, in the case of a Subchapter S corporation, an
9 amount equal to all amounts of income allocable to a
10 shareholder subject to the Personal Property Tax
11 Replacement Income Tax imposed by subsections (c) and
12 (d) of Section 201 of this Act, including amounts
13 allocable to organizations exempt from federal income
14 tax by reason of Section 501(a) of the Internal
15 Revenue Code. This subparagraph (S) is exempt from the
16 provisions of Section 250;

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

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

1 taken in any year under subsection (k) or (n) of
2 Section 168 of the Internal Revenue Code, but not
3 including the bonus depreciation deduction;

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

8 (3) for taxable years ending after December
9 31, 2005:

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

15 (ii) for property on which a bonus
16 depreciation deduction of 50% of the adjusted
17 basis was taken, "x" equals "y" multiplied by
18 1.0;

19 (iii) for property on which a bonus
20 depreciation deduction of 100% of the adjusted
21 basis was taken in a taxable year ending on or
22 after December 31, 2021, "x" equals the
23 depreciation deduction that would be allowed
24 on that property if the taxpayer had made the
25 election under Section 168(k)(7) or Section
26 168(n)(6) of the Internal Revenue Code to not

1 claim bonus depreciation on that property; and
2 (iv) for property on which a bonus
3 depreciation deduction of a percentage other
4 than 30%, 50% or 100% of the adjusted basis
5 was taken in a taxable year ending on or after
6 December 31, 2021, "x" equals "y" multiplied
7 by 100 times the percentage bonus depreciation
8 on the property (that is, $100(\text{bonus}\%)$) and
9 then divided by 100 times 1 minus the
10 percentage bonus depreciation on the property
11 (that is, $100(1-\text{bonus}\%)$).

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

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

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

1 subtraction is allowed with respect to that property
2 under subparagraph (T) and for which the taxpayer was
3 required in any taxable year to make an addition
4 modification under subparagraph (E-10), then an amount
5 equal to that addition modification.

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

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

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

1 income (net of deductions allocable thereto) taken
2 into account for the taxable year with respect to a
3 transaction with a taxpayer that is required to make
4 an addition modification with respect to such
5 transaction under Section 203(a)(2)(D-19), Section
6 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
7 203(d)(2)(D-9), but not to exceed the amount of that
8 addition modification. This subparagraph (V) is exempt
9 from the provisions of Section 250;

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

1 203(b) (2) (E-12) for interest paid, accrued, or
2 incurred, directly or indirectly, to the same person.
3 This subparagraph (W) is exempt from the provisions of
4 Section 250;

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

26 (Y) For taxable years ending on or after December

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

16 (Z) The difference between the nondeductible
17 controlled foreign corporation dividends under Section
18 965(e)(3) of the Internal Revenue Code over the
19 taxable income of the taxpayer, computed without
20 regard to Section 965(e)(2)(A) of the Internal Revenue
21 Code, and without regard to any net operating loss
22 deduction. This subparagraph (Z) is exempt from the
23 provisions of Section 250; ~~and~~

24 (AA) For taxable years beginning on or after
25 January 1, 2023, for any cannabis establishment
26 operating in this State and licensed under the

1 Cannabis Regulation and Tax Act or any cannabis
2 cultivation center or medical cannabis dispensing
3 organization operating in this State and licensed
4 under the Compassionate Use of Medical Cannabis
5 Program Act, an amount equal to the deductions that
6 were disallowed under Section 280E of the Internal
7 Revenue Code for the taxable year and that would not be
8 added back under this subsection. The provisions of
9 this subparagraph (AA) are exempt from the provisions
10 of Section 250; and -

11 (BB) For taxable years 2026 and thereafter, for
12 the taxable year where a deduction was taken for
13 domestic research or experimental expenditures paid or
14 incurred in that taxable year on the taxpayer's
15 federal income tax return under subsection (a) or (c)
16 of Section 174A of the Internal Revenue Code and for
17 each applicable taxable year thereafter:

18 (1) If a deduction was taken under subsection
19 (a) of Section 174A of the Internal Revenue Code,
20 an amount equal to 20% of the amount deducted on
21 the taxpayer's federal income tax return. For
22 domestic research or experimental expenditures
23 paid or incurred by the taxpayer during a given
24 taxable year, the aggregate amount deducted under
25 this subparagraph in all taxable years shall not
26 exceed the amount deducted under subsection (a) of

1 Section 174A on the taxpayer's federal income tax
2 return.

3 (2) If a deduction was taken under subsection
4 (c) of Section 174A, an amount equal to 20% of the
5 applicable amortizable amount on the taxpayer's
6 federal income tax return. For domestic research
7 or experimental expenditures paid or incurred by
8 the taxpayer during a given taxable year, the
9 aggregate amount deducted under this subparagraph
10 in all taxable years shall not exceed the
11 applicable amortizable amount on the taxpayer's
12 federal income tax return.

13 This subparagraph (BB) is exempt from the
14 provisions of Section 250.

15 (3) Special rule. For purposes of paragraph (2) (A),
16 "gross income" in the case of a life insurance company,
17 for tax years ending on and after December 31, 1994, and
18 prior to December 31, 2011, shall mean the gross
19 investment income for the taxable year and, for tax years
20 ending on or after December 31, 2011, shall mean all
21 amounts included in life insurance gross income under
22 Section 803(a) (3) of the Internal Revenue Code.

23 (c) Trusts and estates.

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

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

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

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

10 (B) In the case of (i) an estate, \$600; (ii) a
11 trust which, under its governing instrument, is
12 required to distribute all of its income currently,
13 \$300; and (iii) any other trust, \$100, but in each such
14 case, only to the extent such amount was deducted in
15 the computation of taxable income;

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

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

24 (E) For taxable years in which a net operating
25 loss carryback or carryforward from a taxable year
26 ending prior to December 31, 1986 is an element of

1 taxable income under paragraph (1) of subsection (e)
2 or subparagraph (E) of paragraph (2) of subsection
3 (e), the amount by which addition modifications other
4 than those provided by this subparagraph (E) exceeded
5 subtraction modifications in such taxable year, with
6 the following limitations applied in the order that
7 they are listed:

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

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

21 For taxable years in which there is a net
22 operating loss carryback or carryforward from more
23 than one other taxable year ending prior to December
24 31, 1986, the addition modification provided in this
25 subparagraph (E) shall be the sum of the amounts
26 computed independently under the preceding provisions

1 of this subparagraph (E) for each such taxable year;

2 (F) For taxable years ending on or after January
3 1, 1989, an amount equal to the tax deducted pursuant
4 to Section 164 of the Internal Revenue Code if the
5 trust or estate is claiming the same tax for purposes
6 of the Illinois foreign tax credit under Section 601
7 of this Act;

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

12 (G-5) For taxable years ending after December 31,
13 1997, an amount equal to any eligible remediation
14 costs that the trust or estate deducted in computing
15 adjusted gross income and for which the trust or
16 estate claims a credit under subsection (l) of Section
17 201;

18 (G-10) For taxable years 2001 through 2025, an
19 amount equal to the bonus depreciation deduction taken
20 on the taxpayer's federal income tax return for the
21 taxable year under subsection (k) of Section 168 of
22 the Internal Revenue Code; for taxable years 2026 and
23 thereafter, an amount equal to the bonus depreciation
24 deduction taken on the taxpayer's federal income tax
25 return for the taxable year under subsection (k) or
26 (n) of Section 168 of the Internal Revenue Code; and

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

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

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

18 (G-12) An amount equal to the amount otherwise
19 allowed as a deduction in computing base income for
20 interest paid, accrued, or incurred, directly or
21 indirectly, (i) for taxable years ending on or after
22 December 31, 2004, to a foreign person who would be a
23 member of the same unitary business group but for the
24 fact that the foreign person's business activity
25 outside the United States is 80% or more of the foreign
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304. The addition modification
8 required by this subparagraph shall be reduced to the
9 extent that dividends were included in base income of
10 the unitary group for the same taxable year and
11 received by the taxpayer or by a member of the
12 taxpayer's unitary business group (including amounts
13 included in gross income pursuant to Sections 951
14 through 964 of the Internal Revenue Code and amounts
15 included in gross income under Section 78 of the
16 Internal Revenue Code) with respect to the stock of
17 the same person to whom the interest was paid,
18 accrued, or incurred. For taxable years ending on and
19 after December 31, 2025, for purposes of applying this
20 paragraph in the case of a taxpayer to which Section
21 163(j) of the Internal Revenue Code applies for the
22 taxable year, the reduction in the amount of interest
23 for which a deduction is allowed by reason of Section
24 163(j) shall be treated as allocable first to persons
25 who are not foreign persons referred to in this
26 paragraph and then to such foreign persons.

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

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

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

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

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

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

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

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

12 For taxable years ending on or after December 31,
13 2025, this paragraph shall not apply to the following:

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

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

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

1 reflects an arm's-length interest rate and
2 terms; or

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

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

19 (G-13) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

1 States is 80% or more of that person's total business
2 activity and (ii) for taxable years ending on or after
3 December 31, 2008, to a person who would be a member of
4 the same unitary business group but for the fact that
5 the person is prohibited under Section 1501(a)(27)
6 from being included in the unitary business group
7 because he or she is ordinarily required to apportion
8 business income under different subsections of Section
9 304. The addition modification required by this
10 subparagraph shall be reduced to the extent that
11 dividends were included in base income of the unitary
12 group for the same taxable year and received by the
13 taxpayer or by a member of the taxpayer's unitary
14 business group (including amounts included in gross
15 income pursuant to Sections 951 through 964 of the
16 Internal Revenue Code and amounts included in gross
17 income under Section 78 of the Internal Revenue Code)
18 with respect to the stock of the same person to whom
19 the intangible expenses and costs were directly or
20 indirectly paid, incurred, or accrued. The preceding
21 sentence shall not apply to the extent that the same
22 dividends caused a reduction to the addition
23 modification required under Section 203(c)(2)(G-12) of
24 this Act. As used in this subparagraph, the term
25 "intangible expenses and costs" includes: (1)
26 expenses, losses, and costs for or related to the

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

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

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

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

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

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

20 For taxable years ending on or after December 31,
21 2025, this paragraph shall not apply to the following:

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

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

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

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

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

1 regulations provide methods and standards by which the
2 Department will utilize its authority under Section
3 404 of this Act;

4 (G-14) For taxable years ending on or after
5 December 31, 2008, an amount equal to the amount of
6 insurance premium expenses and costs otherwise allowed
7 as a deduction in computing base income, and that were
8 paid, accrued, or incurred, directly or indirectly, to
9 a person who would be a member of the same unitary
10 business group but for the fact that the person is
11 prohibited under Section 1501(a)(27) from being
12 included in the unitary business group because he or
13 she is ordinarily required to apportion business
14 income under different subsections of Section 304. The
15 addition modification required by this subparagraph
16 shall be reduced to the extent that dividends were
17 included in base income of the unitary group for the
18 same taxable year and received by the taxpayer or by a
19 member of the taxpayer's unitary business group
20 (including amounts included in gross income under
21 Sections 951 through 964 of the Internal Revenue Code
22 and amounts included in gross income under Section 78
23 of the Internal Revenue Code) with respect to the
24 stock of the same person to whom the premiums and costs
25 were directly or indirectly paid, incurred, or
26 accrued. The preceding sentence does not apply to the

1 extent that the same dividends caused a reduction to
2 the addition modification required under Section
3 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this
4 Act;

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

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

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

19 (G-18) For taxable years ending on or after
20 December 31, 2025, the amount of business interest
21 deduction taken after application of subsection (j) of
22 Section 163 of the Internal Revenue Code minus the
23 amount of business interest deduction that could have
24 been taken after application of subsection 163(j) of
25 the Internal Revenue Code if the taxpayer's adjusted
26 taxable income had been computed taking into account

1 the items described at 163(j)(8)(A)(v);

2 (G-19) For taxable years 2026 and thereafter, an
3 amount equal to the deduction for domestic research or
4 experimental expenditures taken under subsection (a)
5 of Section 174A of the Internal Revenue Code on the
6 taxpayer's federal income tax return. For taxable
7 years 2026 and thereafter, an amount equal to the
8 amortization deduction for domestic research or
9 experimental expenditures paid or incurred in taxable
10 years 2026 or after taken under subsection (c) of
11 Section 174A of the Internal Revenue Code on the
12 taxpayer's federal income tax return. For taxable
13 years 2026 and thereafter, in the case of the
14 disposition, retirement, or abandonment of any
15 property with respect to which domestic research or
16 experimental expenditures are paid or incurred in
17 taxable years 2026 or after during the period in which
18 such expenditures are allowed as an amortization
19 deduction under subsection (c) of Section 174A of the
20 Internal Revenue Code, an amount equal to any
21 deduction taken or reduction to amount realized on the
22 taxpayer's federal tax income tax with respect to such
23 expenditures on account of such disposition,
24 retirement, or abandonment;

25 (G-20) For taxable years 2026 and thereafter, in
26 the case of a qualified small business stock gain

1 under subparagraph (a) (1) (B) of Section 1202 of the
2 Internal Revenue Code:

3 (1) An amount equal to the amount excluded
4 from gross income under paragraph (1) of
5 subsection (a) of Section 1202 if:

6 (i) the qualified small business stock
7 gain is from the sale or exchange of stock
8 held for less than 5 years; or

9 (ii) the qualified small business stock
10 gain is from the sale or exchange of stock in a
11 corporation that would not be considered
12 qualified small business stock under
13 subsection (c) of Section 1202 of the Internal
14 Revenue Code if such stock had been acquired
15 prior to the applicable date due to such
16 corporation's aggregate gross assets, as
17 defined in paragraph (2) of subsection (d) of
18 Section 1202 of the Internal Revenue Code,
19 exceeding \$50,000,000 at some time on or after
20 the date of the enactment of the Revenue
21 Reconciliation Act of 1993.

22 (2) If the taxpayer is not required to make an
23 addition modification under item (1) of this
24 subparagraph (subpar.), and the amount excluded
25 from gross income under paragraph (1) of
26 subsection (a) of Section 1202 of the Internal

1 Revenue Code would exceed the per-issuer
2 limitation on taxpayer's eligible gain set forth
3 in subsection (b) of Section 1202 of the Internal
4 Revenue Code had the qualified small business
5 stock been acquired on or before the applicable
6 date, an amount equal to the amount excluded from
7 gross income less the per-issuer limitation on
8 taxpayer's eligible gain had the qualified small
9 business stock been acquired on or before the
10 applicable date.

11 As used in this subparagraph, the term "applicable
12 date" is as defined in paragraph (6) of subsection (a)
13 of Section 1202 of the Internal Revenue Code;

14 (G-21) For taxable years beginning after December
15 31, 2026, the sum of (i) current year capital gains
16 deferred for federal income tax purposes by placement
17 in a Qualified Opportunity Fund in accordance with
18 Section 1400Z-2 of the Internal Revenue Code; and (ii)
19 for any gain or loss from sale or exchange of an
20 investment made on or after December 31, 2026 in
21 Opportunity Zone property, the amount of the
22 taxpayer's basis in the investment pursuant to
23 subsections (b) or (c) of Section 1400Z-2 of the
24 Internal Revenue Code, net of what the amount of the
25 taxpayer's basis would be if computed under clause
26 (b) (2) (B) (ii) of Section 1400Z-2 of the Internal

1 Revenue Code.

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

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

15 (I) The valuation limitation amount;

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

19 (K) An amount equal to all amounts included in
20 taxable income as modified by subparagraphs (A), (B),
21 (C), (D), (E), (F) and (G) which are exempt from
22 taxation by this State either by reason of its
23 statutes or Constitution or by reason of the
24 Constitution, treaties or statutes of the United
25 States; provided that, in the case of any statute of
26 this State that exempts income derived from bonds or

1 other obligations from the tax imposed under this Act,
2 the amount exempted shall be the interest net of bond
3 premium amortization;

4 (L) With the exception of any amounts subtracted
5 under subparagraph (K), an amount equal to the sum of
6 all amounts disallowed as deductions by (i) Sections
7 171(a)(2) and 265(a)(2) of the Internal Revenue Code,
8 and all amounts of expenses allocable to interest and
9 disallowed as deductions by Section 265(a)(1) of the
10 Internal Revenue Code; and (ii) for taxable years
11 ending on or after August 13, 1999, Sections
12 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
13 Internal Revenue Code, plus, (iii) for taxable years
14 ending on or after December 31, 2011, Section
15 45G(e)(3) of the Internal Revenue Code and, for
16 taxable years ending on or after December 31, 2008,
17 any amount included in gross income under Section 87
18 of the Internal Revenue Code; the provisions of this
19 subparagraph are exempt from the provisions of Section
20 250;

21 (M) An amount equal to those dividends included in
22 such total which were paid by a corporation which
23 conducts business operations in a River Edge
24 Redevelopment Zone or zones created under the River
25 Edge Redevelopment Zone Act and conducts substantially
26 all of its operations in a River Edge Redevelopment

1 Zone or zones. This subparagraph (M) is exempt from
2 the provisions of Section 250;

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

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

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

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

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

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

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

14 (2) for taxable years ending on or before
15 December 31, 2005, "x" equals "y" multiplied by 30
16 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (3) for taxable years ending after December
19 31, 2005:

20 (i) for property on which a bonus
21 depreciation deduction of 30% of the adjusted
22 basis was taken, "x" equals "y" multiplied by
23 30 and then divided by 70 (or "y" multiplied
24 by 0.429);

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

1 basis was taken, "x" equals "y" multiplied by
2 1.0;

3 (iii) for property on which a bonus
4 depreciation deduction of 100% of the adjusted
5 basis was taken in a taxable year ending on or
6 after December 31, 2021, "x" equals the
7 depreciation deduction that would be allowed
8 on that property if the taxpayer had made the
9 election under Section 168(k)(7) or Section
10 168(n)(6) of the Internal Revenue Code to not
11 claim bonus depreciation on that property; and

12 (iv) for property on which a bonus
13 depreciation deduction of a percentage other
14 than 30%, 50% or 100% of the adjusted basis
15 was taken in a taxable year ending on or after
16 December 31, 2021, "x" equals "y" multiplied
17 by 100 times the percentage bonus depreciation
18 on the property (that is, $100(\text{bonus}\%)$) and
19 then divided by 100 times 1 minus the
20 percentage bonus depreciation on the property
21 (that is, $100(1-\text{bonus}\%)$).

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

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

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

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

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

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

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

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

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

1 addition modification required to be made for the same
2 taxable year under Section 203(c)(2)(G-12) for
3 interest paid, accrued, or incurred, directly or
4 indirectly, to the same person. This subparagraph (U)
5 is exempt from the provisions of Section 250;

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

1 (W) in the case of an estate, an amount equal to
2 all amounts included in such total pursuant to the
3 provisions of Section 111 of the Internal Revenue Code
4 as a recovery of items previously deducted by the
5 decedent from adjusted gross income in the computation
6 of taxable income. This subparagraph (W) is exempt
7 from Section 250;

8 (X) an amount equal to the refund included in such
9 total of any tax deducted for federal income tax
10 purposes, to the extent that deduction was added back
11 under subparagraph (F). This subparagraph (X) is
12 exempt from the provisions of Section 250;

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

1 subparagraph (Y) is exempt from the provisions of
2 Section 250;

3 (Z) For taxable years beginning after December 31,
4 2018, the amount of excess business loss of the
5 taxpayer disallowed as a deduction by Section
6 461(1)(1)(B) of the Internal Revenue Code; ~~and~~

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

20 (BB) For taxable years 2026 and thereafter, for
21 the taxable year where a deduction was taken for
22 domestic research or experimental expenditures paid or
23 incurred in that taxable year on the taxpayer's
24 federal income tax return under subsection (a) or (c)
25 of Section 174A of the Internal Revenue Code and for
26 each applicable taxable year thereafter:

1 (1) If a deduction was taken under subsection
2 (a) of Section 174A of the Internal Revenue Code,
3 an amount equal to 20% of the amount deducted on
4 the taxpayer's federal income tax return. For
5 domestic research or experimental expenditures
6 paid or incurred by the taxpayer during a given
7 taxable year, the aggregate amount deducted under
8 this subparagraph in all taxable years shall not
9 exceed the amount deducted under subsection (a) of
10 Section 174A on the taxpayer's federal income tax
11 return.

12 (2) If a deduction was taken under subsection
13 (c) of Section 174A, an amount equal to 20% of the
14 applicable amortizable amount on the taxpayer's
15 federal income tax return. For domestic research
16 or experimental expenditures paid or incurred by
17 the taxpayer during a given taxable year, the
18 aggregate amount deducted under this subparagraph
19 in all taxable years shall not exceed the
20 applicable amortizable amount on the taxpayer's
21 federal income tax return.

22 This subparagraph (BB) is exempt from the
23 provisions of Section 250.

24 (3) Limitation. The amount of any modification
25 otherwise required under this subsection shall, under
26 regulations prescribed by the Department, be adjusted by

1 any amounts included therein which were properly paid,
2 credited, or required to be distributed, or permanently
3 set aside for charitable purposes pursuant to Internal
4 Revenue Code Section 642(c) during the taxable year.

5 (d) Partnerships.

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

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

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

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

19 (C) The amount of deductions allowed to the
20 partnership pursuant to Section 707 (c) of the
21 Internal Revenue Code in calculating its taxable
22 income;

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

1 computation of taxable income;

2 (D-5) For taxable years 2001 through 2025, an
3 amount equal to the bonus depreciation deduction taken
4 on the taxpayer's federal income tax return for the
5 taxable year under subsection (k) of Section 168 of
6 the Internal Revenue Code; for taxable years 2026 and
7 thereafter, an amount equal to the bonus depreciation
8 deduction taken on the taxpayer's federal income tax
9 return for the taxable year under subsection (k) or
10 (n) of Section 168 of the Internal Revenue Code;

11 (D-6) If the taxpayer sells, transfers, abandons,
12 or otherwise disposes of property for which the
13 taxpayer was required in any taxable year to make an
14 addition modification under subparagraph (D-5), then
15 an amount equal to the aggregate amount of the
16 deductions taken in all taxable years under
17 subparagraph (O) with respect to that property.

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

25 The taxpayer is required to make the addition
26 modification under this subparagraph only once with

1 respect to any one piece of property;

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

1 the same person to whom the interest was paid,
2 accrued, or incurred. For taxable years ending on and
3 after December 31, 2025, for purposes of applying this
4 paragraph in the case of a taxpayer to which Section
5 163(j) of the Internal Revenue Code applies for the
6 taxable year, the reduction in the amount of interest
7 for which a deduction is allowed by reason of Section
8 163(j) shall be treated as allocable first to persons
9 who are not foreign persons referred to in this
10 paragraph and then to such foreign persons.

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

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

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

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

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

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

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

22 For taxable years ending on or after December 31,
23 2025, this paragraph shall not apply to the following:

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

1 preponderance of the evidence, both of the
2 following:

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

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

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

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

1 Department will utilize its authority under Section
2 404 of this Act; and

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

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

22 For taxable years ending on or after December 31,
23 2025, this paragraph shall not apply to the following:

- 24 (i) any item of intangible expenses or costs
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person who

1 is subject in a foreign country or state, other
2 than a state which requires mandatory unitary
3 reporting, to a tax on or measured by net income
4 with respect to such item; or

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

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

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

20 or

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

1 writing to the application or use of an
2 alternative method of apportionment under Section
3 304(f);

4 For taxable years ending on or after December 31,
5 2025, this paragraph shall not apply to the following:

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

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

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

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

1 or if the taxpayer and the Director agree in
2 writing to the application or use of an
3 alternative method of apportionment under Section
4 304(f).

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

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

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

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

18 (D-11) For taxable years ending on or after
19 December 31, 2017, an amount equal to the deduction
20 allowed under Section 199 of the Internal Revenue Code
21 for the taxable year;

22 (D-12) the amount that is claimed as a federal
23 deduction when computing the taxpayer's federal
24 taxable income for the taxable year and that is
25 attributable to an endowment gift for which the
26 taxpayer receives a credit under the Illinois Gives

1 Tax Credit Act;

2 (D-13) For taxable years ending on or after
3 December 31, 2025, the amount of business interest
4 deduction taken after application of subsection (j) of
5 Section 163 of the Internal Revenue Code minus the
6 amount of business interest deduction that could have
7 been taken after application of subsection 163(j) of
8 the Internal Revenue Code if the taxpayer's adjusted
9 taxable income had been computed taking into account
10 the items described at 163(j) (8) (A) (v);

11 (D-14) For taxable years 2026 and thereafter, an
12 amount equal to the deduction for domestic research or
13 experimental expenditures taken under subsection (a)
14 of Section 174A of the Internal Revenue Code on the
15 taxpayer's federal income tax return. For taxable
16 years 2026 and thereafter, an amount equal to the
17 amortization deduction for domestic research or
18 experimental expenditures paid or incurred in taxable
19 years 2026 or after taken under subsection (c) of
20 Section 174A of the Internal Revenue Code on the
21 taxpayer's federal income tax return. For taxable
22 years 2026 and thereafter, in the case of the
23 disposition, retirement, or abandonment of any
24 property with respect to which domestic research or
25 experimental expenditures are paid or incurred in
26 taxable years 2026 or after during the period in which

1 such expenditures are allowed as an amortization
2 deduction under subsection (c) of Section 174A of the
3 Internal Revenue Code, an amount equal to any
4 deduction taken or reduction to amount realized on the
5 taxpayer's federal tax income tax with respect to such
6 expenditures on account of such disposition,
7 retirement, or abandonment;

8 (D-15) For taxable years ending on or after
9 December 31, 2025, the amount of any deduction under
10 Section 179 of the Internal Revenue Code in excess of
11 the product of \$1,000,000 multiplied by one plus the
12 cost of living adjustment determined under Internal
13 Revenue Code Section 1(f)(3) for the calendar year in
14 which the taxable year begins, with "calendar year
15 2017" substituted for "calendar year 2016" in
16 subparagraph (A)(ii) of that Section;

17 (D-16) For taxable years 2026 and thereafter, in
18 the case of a qualified small business stock gain
19 under subparagraph (a)(1)(B) of Section 1202 of the
20 Internal Revenue Code:

21 (1) An amount equal to the amount excluded
22 from gross income under paragraph (1) of
23 subsection (a) of Section 1202 if:

24 (i) the qualified small business stock
25 gain is from the sale or exchange of stock
26 held for less than five years; or

1 (ii) the qualified small business stock
2 gain is from the sale or exchange of stock in a
3 corporation that would not be considered
4 qualified small business stock under
5 subsection (c) of Section 1202 of the Internal
6 Revenue Code if such stock had been acquired
7 prior to the applicable date due to such
8 corporation's aggregate gross assets, as
9 defined in paragraph (2) of subsection (d) of
10 Section 1202 of the Internal Revenue Code,
11 exceeding \$50,000,000 at some time on or after
12 the date of the enactment of the Revenue
13 Reconciliation Act of 1993.

14 (2) If the taxpayer is not required to make an
15 addition modification under item (1) of this
16 subparagraph (subpar.), and the amount excluded
17 from gross income under paragraph (1) of
18 subsection (a) of Section 1202 of the Internal
19 Revenue Code would exceed the per-issuer
20 limitation on taxpayer's eligible gain set forth
21 in subsection (b) of Section 1202 of the Internal
22 Revenue Code had the qualified small business
23 stock been acquired on or before the applicable
24 date, an amount equal to the amount excluded from
25 gross income less the per-issuer limitation on
26 taxpayer's eligible gain had the qualified small

1 business stock been acquired on or before the
2 applicable date.

3 As used in this subparagraph, the term "applicable
4 date" is as defined in paragraph (6) of subsection (a)
5 of Section 1202 of the Internal Revenue Code;

6 (D-17) For taxable years beginning after December
7 31, 2026, the sum of (i) current year capital gains
8 deferred for federal income tax purposes by placement
9 in a Qualified Opportunity Fund in accordance with
10 Section 1400Z-2 of the Internal Revenue Code; and (ii)
11 for any gain or loss from sale or exchange of an
12 investment made on or after December 31, 2026 in
13 Opportunity Zone property, the amount of the
14 taxpayer's basis in the investment pursuant to
15 subsections (b) or (c) of Section 1400Z-2 of the
16 Internal Revenue Code, net of what the amount of the
17 taxpayer's basis would be if computed under clause
18 (b) (2) (B) (ii) of Section 1400Z-2 of the Internal
19 Revenue Code.

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

22 (E) The valuation limitation amount;

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

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

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

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

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

26 (J) With the exception of any amounts subtracted

1 under subparagraph (G), an amount equal to the sum of
2 all amounts disallowed as deductions by (i) Sections
3 171(a)(2) and 265(a)(2) of the Internal Revenue Code,
4 and all amounts of expenses allocable to interest and
5 disallowed as deductions by Section 265(a)(1) of the
6 Internal Revenue Code; and (ii) for taxable years
7 ending on or after August 13, 1999, Sections
8 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
9 Internal Revenue Code, plus, (iii) for taxable years
10 ending on or after December 31, 2011, Section
11 45G(e)(3) of the Internal Revenue Code and, for
12 taxable years ending on or after December 31, 2008,
13 any amount included in gross income under Section 87
14 of the Internal Revenue Code; the provisions of this
15 subparagraph are exempt from the provisions of Section
16 250;

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

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

1 Property Tax Increment Allocation Redevelopment Act;

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

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

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

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

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

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

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

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

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

18 (iii) for property on which a bonus
19 depreciation deduction of 100% of the adjusted
20 basis was taken in a taxable year ending on or
21 after December 31, 2021, "x" equals the
22 depreciation deduction that would be allowed
23 on that property if the taxpayer had made the
24 election under Section 168(k)(7) or Section
25 168(n)(6) of the Internal Revenue Code to not
26 claim bonus depreciation on that property; and

1 (iv) for property on which a bonus
2 depreciation deduction of a percentage other
3 than 30%, 50% or 100% of the adjusted basis
4 was taken in a taxable year ending on or after
5 December 31, 2021, "x" equals "y" multiplied
6 by 100 times the percentage bonus depreciation
7 on the property (that is, $100(\text{bonus}\%)$) and
8 then divided by 100 times 1 minus the
9 percentage bonus depreciation on the property
10 (that is, $100(1-\text{bonus}\%)$).

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

19 (P) If the taxpayer sells, transfers, abandons, or
20 otherwise disposes of property for which the taxpayer
21 was required in any taxable year to make an addition
22 modification under subparagraph (D-5), then an amount
23 equal to that addition modification.

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which a
26 subtraction is allowed with respect to that property

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

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

8 This subparagraph (P) is exempt from the
9 provisions of Section 250;

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

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

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

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

16 (T) For taxable years ending on or after December
17 31, 2011, in the case of a taxpayer who was required to
18 add back any insurance premiums under Section
19 203(d)(2)(D-9), such taxpayer may elect to subtract
20 that part of a reimbursement received from the
21 insurance company equal to the amount of the expense
22 or loss (including expenses incurred by the insurance
23 company) that would have been taken into account as a
24 deduction for federal income tax purposes if the
25 expense or loss had been uninsured. If a taxpayer
26 makes the election provided for by this subparagraph

1 (T), the insurer to which the premiums were paid must
2 add back to income the amount subtracted by the
3 taxpayer pursuant to this subparagraph (T). This
4 subparagraph (T) is exempt from the provisions of
5 Section 250; and

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

19 (V) For taxable years 2026 and thereafter, for the
20 taxable year where a deduction was taken for domestic
21 research or experimental expenditures paid or incurred
22 in that taxable year on the taxpayer's federal income
23 tax return under subsection (a) or (c) of Section 174A
24 of the Internal Revenue Code and for each applicable
25 taxable year thereafter:

26 (1) If a deduction was taken under subsection

1 (a) of Section 174A of the Internal Revenue Code,
2 an amount equal to 20% of the amount deducted on
3 the taxpayer's federal income tax return. For
4 domestic research or experimental expenditures
5 paid or incurred by the taxpayer during a given
6 taxable year, the aggregate amount deducted under
7 this subparagraph in all taxable years shall not
8 exceed the amount deducted under subsection (a) of
9 Section 174A on the taxpayer's federal income tax
10 return.

11 (2) If a deduction was taken under subsection
12 (c) of Section 174A, an amount equal to 20% of the
13 applicable amortizable amount on the taxpayer's
14 federal income tax return. For domestic research
15 or experimental expenditures paid or incurred by
16 the taxpayer during a given taxable year, the
17 aggregate amount deducted under this subparagraph
18 in all taxable years shall not exceed the
19 applicable amortizable amount on the taxpayer's
20 federal income tax return.

21 This subparagraph (V) is exempt from the
22 provisions of Section 250.

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

24 (1) In general. Subject to the provisions of paragraph

25 (2) and subsection (b) (3), for purposes of this Section

1 and Section 803(e), a taxpayer's gross income, adjusted
2 gross income, or taxable income for the taxable year shall
3 mean the amount of gross income, adjusted gross income or
4 taxable income properly reportable for federal income tax
5 purposes for the taxable year under the provisions of the
6 Internal Revenue Code. Taxable income may be less than
7 zero. However, for taxable years ending on or after
8 December 31, 1986, net operating loss carryforwards from
9 taxable years ending prior to December 31, 1986, may not
10 exceed the sum of federal taxable income for the taxable
11 year before net operating loss deduction, plus the excess
12 of addition modifications over subtraction modifications
13 for the taxable year. For taxable years ending prior to
14 December 31, 1986, taxable income may never be an amount
15 in excess of the net operating loss for the taxable year as
16 defined in subsections (c) and (d) of Section 172 of the
17 Internal Revenue Code, provided that when taxable income
18 of a corporation (other than a Subchapter S corporation),
19 trust, or estate is less than zero and addition
20 modifications, other than those provided by subparagraph
21 (E) of paragraph (2) of subsection (b) for corporations or
22 subparagraph (E) of paragraph (2) of subsection (c) for
23 trusts and estates, exceed subtraction modifications, an
24 addition modification must be made under those
25 subparagraphs for any other taxable year to which the
26 taxable income less than zero (net operating loss) is

1 applied under Section 172 of the Internal Revenue Code or
2 under subparagraph (E) of paragraph (2) of this subsection
3 (e) applied in conjunction with Section 172 of the
4 Internal Revenue Code.

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

8 (A) Certain life insurance companies. In the case
9 of a life insurance company subject to the tax imposed
10 by Section 801 of the Internal Revenue Code, life
11 insurance company taxable income, plus the amount of
12 distribution from pre-1984 policyholder surplus
13 accounts as calculated under Section 815a of the
14 Internal Revenue Code;

15 (B) Certain other insurance companies. In the case
16 of mutual insurance companies subject to the tax
17 imposed by Section 831 of the Internal Revenue Code,
18 insurance company taxable income;

19 (C) Regulated investment companies. In the case of
20 a regulated investment company subject to the tax
21 imposed by Section 852 of the Internal Revenue Code,
22 investment company taxable income;

23 (D) Real estate investment trusts. In the case of
24 a real estate investment trust subject to the tax
25 imposed by Section 857 of the Internal Revenue Code,
26 real estate investment trust taxable income;

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

14 (F) Cooperatives. In the case of a cooperative
15 corporation or association, the taxable income of such
16 organization determined in accordance with the
17 provisions of Section 1381 through 1388 of the
18 Internal Revenue Code, but without regard to the
19 prohibition against offsetting losses from patronage
20 activities against income from nonpatronage
21 activities; except that a cooperative corporation or
22 association may make an election to follow its federal
23 income tax treatment of patronage losses and
24 nonpatronage losses. In the event such election is
25 made, such losses shall be computed and carried over
26 in a manner consistent with subsection (a) of Section

1 207 of this Act and apportioned by the apportionment
2 factor reported by the cooperative on its Illinois
3 income tax return filed for the taxable year in which
4 the losses are incurred. The election shall be
5 effective for all taxable years with original returns
6 due on or after the date of the election. In addition,
7 the cooperative may file an amended return or returns,
8 as allowed under this Act, to provide that the
9 election shall be effective for losses incurred or
10 carried forward for taxable years occurring prior to
11 the date of the election. Once made, the election may
12 only be revoked upon approval of the Director. The
13 Department shall adopt rules setting forth
14 requirements for documenting the elections and any
15 resulting Illinois net loss and the standards to be
16 used by the Director in evaluating requests to revoke
17 elections. Public Act 96-932 is declaratory of
18 existing law;

19 (G) Subchapter S corporations. In the case of: (i)
20 a Subchapter S corporation for which there is in
21 effect an election for the taxable year under Section
22 1362 of the Internal Revenue Code, the taxable income
23 of such corporation determined in accordance with
24 Section 1363(b) of the Internal Revenue Code, except
25 that taxable income shall take into account those
26 items which are required by Section 1363(b)(1) of the

1 Internal Revenue Code to be separately stated; and
2 (ii) a Subchapter S corporation for which there is in
3 effect a federal election to opt out of the provisions
4 of the Subchapter S Revision Act of 1982 and have
5 applied instead the prior federal Subchapter S rules
6 as in effect on July 1, 1982, the taxable income of
7 such corporation determined in accordance with the
8 federal Subchapter S rules as in effect on July 1,
9 1982; and

10 (H) Partnerships. In the case of a partnership,
11 taxable income determined in accordance with Section
12 703 of the Internal Revenue Code, except that taxable
13 income shall take into account those items which are
14 required by Section 703(a)(1) to be separately stated
15 but which would be taken into account by an individual
16 in calculating his taxable income.

17 (3) Recapture of business expenses on disposition of
18 asset or business. Notwithstanding any other law to the
19 contrary, if in prior years income from an asset or
20 business has been classified as business income and in a
21 later year is demonstrated to be non-business income, then
22 all expenses, without limitation, deducted in such later
23 year and in the 2 immediately preceding taxable years
24 related to that asset or business that generated the
25 non-business income shall be added back and recaptured as
26 business income in the year of the disposition of the

1 asset or business. Such amount shall be apportioned to
2 Illinois using the greater of the apportionment fraction
3 computed for the business under Section 304 of this Act
4 for the taxable year or the average of the apportionment
5 fractions computed for the business under Section 304 of
6 this Act for the taxable year and for the 2 immediately
7 preceding taxable years.

8 (f) Valuation limitation amount.

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

12 (A) The sum of the pre-August 1, 1969 appreciation
13 amounts (to the extent consisting of gain reportable
14 under the provisions of Section 1245 or 1250 of the
15 Internal Revenue Code) for all property in respect of
16 which such gain was reported for the taxable year;
17 plus

18 (B) The lesser of (i) the sum of the pre-August 1,
19 1969 appreciation amounts (to the extent consisting of
20 capital gain) for all property in respect of which
21 such gain was reported for federal income tax purposes
22 for the taxable year, or (ii) the net capital gain for
23 the taxable year, reduced in either case by any amount
24 of such gain included in the amount determined under
25 subsection (a)(2)(F) or (c)(2)(H).

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

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

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

24 (C) The Department shall prescribe such
25 regulations as may be necessary to carry out the
26 purposes of this paragraph.

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

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

13 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
14 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
15 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
16 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
17 eff. 8-15-25; 104-453, eff. 12-12-25.)

18 (35 ILCS 5/221)

19 Sec. 221. Rehabilitation costs; qualified historic
20 properties; River Edge Redevelopment Zone.

21 (a) For taxable years that begin on or after January 1,
22 2012 and begin prior to January 1, 2018, there shall be allowed
23 a tax credit against the tax imposed by subsections (a) and (b)

1 of Section 201 of this Act in an amount equal to 25% of
2 qualified expenditures incurred by a qualified taxpayer during
3 the taxable year in the restoration and preservation of a
4 qualified historic structure located in a River Edge
5 Redevelopment Zone pursuant to a qualified rehabilitation
6 plan, provided that the total amount of such expenditures (i)
7 must equal \$5,000 or more and (ii) must exceed 50% of the
8 purchase price of the property.

9 (a-1) For taxable years that begin on or after January 1,
10 2018 and end prior to January 1, 2029, there shall be allowed a
11 tax credit against the tax imposed by subsections (a) and (b)
12 of Section 201 of this Act in an aggregate amount equal to 25%
13 of qualified expenditures incurred by a qualified taxpayer in
14 the restoration and preservation of a qualified historic
15 structure located in a River Edge Redevelopment Zone pursuant
16 to a qualified rehabilitation plan, provided that the total
17 amount of such expenditures must (i) equal \$5,000 or more and
18 (ii) exceed the adjusted basis of the qualified historic
19 structure on the first day the qualified rehabilitation plan
20 begins. For any rehabilitation project, regardless of duration
21 or number of phases, the project's compliance with the
22 foregoing provisions (i) and (ii) shall be determined based on
23 the aggregate amount of qualified expenditures for the entire
24 project and may include expenditures incurred under subsection
25 (a), this subsection, or both subsection (a) and this
26 subsection. If the qualified rehabilitation plan spans

1 multiple years, the aggregate credit for the entire project
2 shall be allowed in the last taxable year, except for phased
3 rehabilitation projects, which may receive credits upon
4 completion of each phase. Before obtaining the first phased
5 credit: (A) the total amount of such expenditures must meet
6 the requirements of provisions (i) and (ii) of this
7 subsection; (B) the rehabilitated portion of the qualified
8 historic structure must be placed in service; and (C) the
9 requirements of subsection (b) must be met.

10 (a-2) For taxable years beginning on or after January 1,
11 2021 and ending on or before the effective date of this
12 amendatory Act of the 104th General Assembly ~~prior to January~~
13 ~~1, 2029~~, there shall be allowed a tax credit against the tax
14 imposed by subsections (a) and (b) of Section 201 as provided
15 in Section 10-10.3 of the River Edge Redevelopment Zone Act.
16 The credit allowed under this subsection (a-2) shall apply
17 only to taxpayers that make a capital investment of at least
18 \$1,000,000 in a qualified rehabilitation plan.

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

1 year that are available to offset a liability, the earlier
2 credit shall be applied first.

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

11 The total aggregate amount of credits awarded under the
12 Blue Collar Jobs Act (Article 20 of this amendatory Act of the
13 101st General Assembly) shall not exceed \$20,000,000 in any
14 State fiscal year.

15 (b) To obtain a tax credit pursuant to this Section, the
16 taxpayer must apply with the Department of Natural Resources.
17 The Department of Natural Resources shall determine the amount
18 of eligible rehabilitation costs and expenses in addition to
19 the amount of the River Edge construction jobs credit within
20 45 days of receipt of a complete application. The taxpayer
21 must submit a certification of costs prepared by an
22 independent certified public accountant that certifies (i) the
23 project expenses, (ii) whether those expenses are qualified
24 expenditures, and (iii) that the qualified expenditures exceed
25 the adjusted basis of the qualified historic structure on the
26 first day the qualified rehabilitation plan commenced. The

1 Department of Natural Resources is authorized, but not
2 required, to accept this certification of costs to determine
3 the amount of qualified expenditures and the amount of the
4 credit. The Department of Natural Resources shall provide
5 guidance as to the minimum standards to be followed in the
6 preparation of such certification. The Department of Natural
7 Resources and the National Park Service shall determine
8 whether the rehabilitation is consistent with the United
9 States Secretary of the Interior's Standards for
10 Rehabilitation.

11 (b-1) Upon completion of the project and approval of the
12 complete application, the Department of Natural Resources
13 shall issue a single certificate in the amount of the eligible
14 credits equal to 25% of qualified expenditures incurred during
15 the eligible taxable years, as defined in subsections (a) and
16 (a-1), excepting any credits awarded under subsection (a)
17 prior to January 1, 2019 (the effective date of Public Act
18 100-629) and any phased credits issued prior to the eligible
19 taxable year under subsection (a-1). At the time the
20 certificate is issued, an issuance fee up to the maximum
21 amount of 2% of the amount of the credits issued by the
22 certificate may be collected from the applicant to administer
23 the provisions of this Section. If collected, this issuance
24 fee shall be deposited into the Historic Property
25 Administrative Fund, a special fund created in the State
26 treasury. Subject to appropriation, moneys in the Historic

1 Property Administrative Fund shall be provided to the
2 Department of Natural Resources as reimbursement for the costs
3 associated with administering this Section.

4 (c) The taxpayer must attach the certificate to the tax
5 return on which the credits are to be claimed. The tax credit
6 under this Section may not reduce the taxpayer's liability to
7 less than zero. If the amount of the credit exceeds the tax
8 liability for the year, the excess credit may be carried
9 forward and applied to the tax liability of the 5 taxable years
10 following the excess credit year.

11 (c-1) Subject to appropriation, moneys in the Historic
12 Property Administrative Fund shall be used, on a biennial
13 basis beginning at the end of the second fiscal year after
14 January 1, 2019 (the effective date of Public Act 100-629), to
15 hire a qualified third party to prepare a biennial report to
16 assess the overall economic impact to the State from the
17 qualified rehabilitation projects under this Section completed
18 in that year and in previous years. The overall economic
19 impact shall include at least: (1) the direct and indirect or
20 induced economic impacts of completed projects; (2) temporary,
21 permanent, and construction jobs created; (3) sales, income,
22 and property tax generation before, during construction, and
23 after completion; and (4) indirect neighborhood impact after
24 completion. The report shall be submitted to the Governor and
25 the General Assembly. The report to the General Assembly shall
26 be filed with the Clerk of the House of Representatives and the

1 Secretary of the Senate in electronic form only, in the manner
2 that the Clerk and the Secretary shall direct.

3 (c-2) The Department of Natural Resources may adopt rules
4 to implement this Section in addition to the rules expressly
5 authorized in this Section.

6 (d) As used in this Section, the following terms have the
7 following meanings.

8 "Phased rehabilitation" means a project that is completed
9 in phases, as defined under Section 47 of the federal Internal
10 Revenue Code and pursuant to National Park Service regulations
11 at 36 C.F.R. 67.

12 "Placed in service" means the date when the property is
13 placed in a condition or state of readiness and availability
14 for a specifically assigned function as defined under Section
15 47 of the federal Internal Revenue Code and federal Treasury
16 Regulation Sections 1.46 and 1.48.

17 "Qualified expenditure" means all the costs and expenses
18 defined as qualified rehabilitation expenditures under Section
19 47 of the federal Internal Revenue Code that were incurred in
20 connection with a qualified historic structure.

21 "Qualified historic structure" means a certified historic
22 structure as defined under Section 47(c)(3) of the federal
23 Internal Revenue Code.

24 "Qualified rehabilitation plan" means a project that is
25 approved by the Department of Natural Resources and the
26 National Park Service as being consistent with the United

1 States Secretary of the Interior's Standards for
2 Rehabilitation.

3 "Qualified taxpayer" means the owner of the qualified
4 historic structure or any other person who qualifies for the
5 federal rehabilitation credit allowed by Section 47 of the
6 federal Internal Revenue Code with respect to that qualified
7 historic structure. Partners, shareholders of subchapter S
8 corporations, and owners of limited liability companies (if
9 the limited liability company is treated as a partnership for
10 purposes of federal and State income taxation) are entitled to
11 a credit under this Section to be determined in accordance
12 with the determination of income and distributive share of
13 income under Sections 702 and 703 and subchapter S of the
14 Internal Revenue Code, provided that credits granted to a
15 partnership, a limited liability company taxed as a
16 partnership, or other multiple owners of property shall be
17 passed through to the partners, members, or owners
18 respectively on a pro rata basis or pursuant to an executed
19 agreement among the partners, members, or owners documenting
20 any alternate distribution method.

21 (Source: P.A. 104-434, eff. 11-21-25.)

22 Section 15. The Economic Development for a Growing Economy
23 Tax Credit Act is amended by changing Section 5-51 as follows:

24 (35 ILCS 10/5-51)

1 (2) the duration of the New Construction EDGE Credit
2 and the first taxable year for which the Credit may be
3 claimed;

4 (3) the New Construction EDGE Credit amount that will
5 be allowed for each taxable year;

6 (4) a requirement that the Director is authorized to
7 verify with the appropriate State agencies the amount of
8 the incremental income tax withheld by a Taxpayer, and
9 after doing so, shall issue a certificate to the Taxpayer
10 stating that the amounts have been verified;

11 (5) the amount of the capital investment, which may at
12 no point be less than \$10,000,000, the time period of
13 placing the New Construction EDGE Project in service, and
14 the designated location in Illinois for the investment;

15 (6) a requirement that the Taxpayer shall provide
16 written notification to the Director not more than 30 days
17 after the Taxpayer determines that the capital investment
18 of at least \$10,000,000 is not or will not be achieved or
19 maintained as set forth in the terms and conditions of the
20 Agreement;

21 (7) a detailed provision that the Taxpayer shall be
22 awarded a New Construction EDGE Credit upon the verified
23 completion and occupancy of a New Construction EDGE
24 Project; and

25 (8) any other performance conditions, including the
26 ability to verify that a New Construction EDGE Project is

1 built and completed, or that contract provisions as the
2 Department determines are appropriate.

3 (c) The Department shall post on its website the terms of
4 each New Construction EDGE Agreement entered into under this
5 Act on or after June 5, 2019 (the effective date of Public Act
6 101-9). Such information shall be posted within 10 days after
7 entering into the Agreement and must include the following:

8 (1) the name of the recipient business;

9 (2) the location of the project;

10 (3) the estimated value of the credit; and

11 (4) whether or not the project is located in an
12 underserved area.

13 (d) The Department, in collaboration with the Department
14 of Labor, shall require that certified payroll reporting,
15 pursuant to Section 5-56 of this Act, be completed in order to
16 verify the wages and any other necessary information which the
17 Department may deem necessary to ascertain and certify the
18 total number of New Construction EDGE Employees subject to a
19 New Construction EDGE Agreement and amount of a New
20 Construction EDGE Credit.

21 (e) The total aggregate amount of credits awarded under
22 the Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall
23 not exceed \$20,000,000 in any State fiscal year.

24 (Source: P.A. 101-9, eff. 6-5-19; 102-558, eff. 8-20-21.)

25 Section 20. The Use Tax Act is amended by changing

1 Sections 3-5, 3-5.1, 3-10, and 3-50 as follows:

2 (35 ILCS 105/3-5)

3 Sec. 3-5. Exemptions. Use, which, on and after January 1,
4 2025, includes use by a lessee, of the following tangible
5 personal property is exempt from the tax imposed by this Act:

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

13 (2) Personal property purchased by a not-for-profit
14 Illinois county fair association for use in conducting,
15 operating, or promoting the county fair.

16 (3) Personal property purchased by a not-for-profit arts
17 or cultural organization that establishes, by proof required
18 by the Department by rule, that it has received an exemption
19 under Section 501(c)(3) of the Internal Revenue Code and that
20 is organized and operated primarily for the presentation or
21 support of arts or cultural programming, activities, or
22 services. These organizations include, but are not limited to,
23 music and dramatic arts organizations such as symphony
24 orchestras and theatrical groups, arts and cultural service
25 organizations, local arts councils, visual arts organizations,

1 and media arts organizations. On and after July 1, 2001 (the
2 effective date of Public Act 92-35), however, an entity
3 otherwise eligible for this exemption shall not make tax-free
4 purchases unless it has an active identification number issued
5 by the Department.

6 (4) Except as otherwise provided in this Act, personal
7 property purchased by a governmental body, by a corporation,
8 society, association, foundation, or institution organized and
9 operated exclusively for charitable, religious, or educational
10 purposes, or by a not-for-profit corporation, society,
11 association, foundation, institution, or organization that has
12 no compensated officers or employees and that is organized and
13 operated primarily for the recreation of persons 55 years of
14 age or older. A limited liability company may qualify for the
15 exemption under this paragraph only if the limited liability
16 company is organized and operated exclusively for educational
17 purposes. On and after July 1, 1987, however, no entity
18 otherwise eligible for this exemption shall make tax-free
19 purchases unless it has an active exemption identification
20 number issued by the Department.

21 (5) Until July 1, 2003, a passenger car that is a
22 replacement vehicle to the extent that the purchase price of
23 the car is subject to the Replacement Vehicle Tax.

24 (6) Until July 1, 2003 and beginning again on September 1,
25 2004 through August 30, 2014, graphic arts machinery and
26 equipment, including repair and replacement parts, both new

1 and used, and including that manufactured on special order,
2 certified by the purchaser to be used primarily for graphic
3 arts production, and including machinery and equipment
4 purchased for lease. Equipment includes chemicals or chemicals
5 acting as catalysts but only if the chemicals or chemicals
6 acting as catalysts effect a direct and immediate change upon
7 a graphic arts product. Beginning on July 1, 2017, graphic
8 arts machinery and equipment is included in the manufacturing
9 and assembling machinery and equipment exemption under
10 paragraph (18).

11 (7) Farm chemicals.

12 (8) Legal tender, currency, medallions, or gold or silver
13 coinage issued by the State of Illinois, the government of the
14 United States of America, or the government of any foreign
15 country, and bullion.

16 (9) Personal property purchased from a teacher-sponsored
17 student organization affiliated with an elementary or
18 secondary school located in Illinois.

19 (10) A motor vehicle that is used for automobile renting,
20 as defined in the Automobile Renting Occupation and Use Tax
21 Act.

22 (11) Farm machinery and equipment, both new and used,
23 including that manufactured on special order, certified by the
24 purchaser to be used primarily for production agriculture or
25 State or federal agricultural programs, including individual
26 replacement parts for the machinery and equipment, including

1 machinery and equipment purchased for lease, and including
2 implements of husbandry defined in Section 1-130 of the
3 Illinois Vehicle Code, farm machinery and agricultural
4 chemical and fertilizer spreaders, and nurse wagons required
5 to be registered under Section 3-809 of the Illinois Vehicle
6 Code, but excluding other motor vehicles required to be
7 registered under the Illinois Vehicle Code. Horticultural
8 polyhouses or hoop houses used for propagating, growing, or
9 overwintering plants shall be considered farm machinery and
10 equipment under this item (11). Agricultural chemical tender
11 tanks and dry boxes shall include units sold separately from a
12 motor vehicle required to be licensed and units sold mounted
13 on a motor vehicle required to be licensed if the selling price
14 of the tender is separately stated.

15 Farm machinery and equipment shall include precision
16 farming equipment that is installed or purchased to be
17 installed on farm machinery and equipment, including, but not
18 limited to, tractors, harvesters, sprayers, planters, seeders,
19 or spreaders. Precision farming equipment includes, but is not
20 limited to, soil testing sensors, computers, monitors,
21 software, global positioning and mapping systems, and other
22 such equipment.

23 Farm machinery and equipment also includes computers,
24 sensors, software, and related equipment used primarily in the
25 computer-assisted operation of production agriculture
26 facilities, equipment, and activities such as, but not limited

1 to, the collection, monitoring, and correlation of animal and
2 crop data for the purpose of formulating animal diets and
3 agricultural chemicals.

4 Beginning on January 1, 2024, farm machinery and equipment
5 also includes electrical power generation equipment used
6 primarily for production agriculture.

7 This item (11) is exempt from the provisions of Section
8 3-90.

9 (12) Until June 30, 2013, fuel and petroleum products sold
10 to or used by an air common carrier, certified by the carrier
11 to be used for consumption, shipment, or storage in the
12 conduct of its business as an air common carrier, for a flight
13 destined for or returning from a location or locations outside
14 the United States without regard to previous or subsequent
15 domestic stopovers.

16 Beginning July 1, 2013, fuel and petroleum products sold
17 to or used by an air carrier, certified by the carrier to be
18 used for consumption, shipment, or storage in the conduct of
19 its business as an air common carrier, for a flight that (i) is
20 engaged in foreign trade or is engaged in trade between the
21 United States and any of its possessions and (ii) transports
22 at least one individual or package for hire from the city of
23 origination to the city of final destination on the same
24 aircraft, without regard to a change in the flight number of
25 that aircraft.

26 (13) Proceeds of mandatory service charges separately

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

8 (14) Until July 1, 2003, oil field exploration, drilling,
9 and production equipment, including (i) rigs and parts of
10 rigs, rotary rigs, cable tool rigs, and workover rigs, (ii)
11 pipe and tubular goods, including casing and drill strings,
12 (iii) pumps and pump-jack units, (iv) storage tanks and flow
13 lines, (v) any individual replacement part for oil field
14 exploration, drilling, and production equipment, and (vi)
15 machinery and equipment purchased for lease; but excluding
16 motor vehicles required to be registered under the Illinois
17 Vehicle Code.

18 (15) Photoprocessing machinery and equipment, including
19 repair and replacement parts, both new and used, including
20 that manufactured on special order, certified by the purchaser
21 to be used primarily for photoprocessing, and including
22 photoprocessing machinery and equipment purchased for lease.

23 (16) Until July 1, 2028, coal and aggregate exploration,
24 mining, off-highway hauling, processing, maintenance, and
25 reclamation equipment, including replacement parts and
26 equipment, and including equipment purchased for lease, but

1 excluding motor vehicles required to be registered under the
2 Illinois Vehicle Code. The changes made to this Section by
3 Public Act 97-767 apply on and after July 1, 2003, but no claim
4 for credit or refund is allowed on or after August 16, 2013
5 (the effective date of Public Act 98-456) for such taxes paid
6 during the period beginning July 1, 2003 and ending on August
7 16, 2013 (the effective date of Public Act 98-456).

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

14 (18) Manufacturing and assembling machinery and equipment
15 used primarily in the process of manufacturing or assembling
16 tangible personal property for wholesale or retail sale or
17 lease, whether that sale or lease is made directly by the
18 manufacturer or by some other person, whether the materials
19 used in the process are owned by the manufacturer or some other
20 person, or whether that sale or lease is made apart from or as
21 an incident to the seller's engaging in the service occupation
22 of producing machines, tools, dies, jigs, patterns, gauges, or
23 other similar items of no commercial value on special order
24 for a particular purchaser. The exemption provided by this
25 paragraph (18) includes production related tangible personal
26 property, as defined in Section 3-50, purchased on or after

1 July 1, 2019 and on or before the effective date of this
2 amendatory Act of the 104th General Assembly. The exemption
3 provided by this paragraph (18) does not include machinery and
4 equipment used in (i) the generation of electricity for
5 wholesale or retail sale; (ii) the generation or treatment of
6 natural or artificial gas for wholesale or retail sale that is
7 delivered to customers through pipes, pipelines, or mains; or
8 (iii) the treatment of water for wholesale or retail sale that
9 is delivered to customers through pipes, pipelines, or mains.
10 The provisions of Public Act 98-583 are declaratory of
11 existing law as to the meaning and scope of this exemption.
12 Beginning on July 1, 2017, the exemption provided by this
13 paragraph (18) includes, but is not limited to, graphic arts
14 machinery and equipment, as defined in paragraph (6) of this
15 Section.

16 (19) Personal property delivered to a purchaser or
17 purchaser's donee inside Illinois when the purchase order for
18 that personal property was received by a florist located
19 outside Illinois who has a florist located inside Illinois
20 deliver the personal property.

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

23 (21) Horses, or interests in horses, registered with and
24 meeting the requirements of any of the Arabian Horse Club
25 Registry of America, Appaloosa Horse Club, American Quarter
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes. This item (21) is exempt from the
3 provisions of Section 3-90, and the exemption provided for
4 under this item (21) applies for all periods beginning May 30,
5 1995, but no claim for credit or refund is allowed on or after
6 January 1, 2008 for such taxes paid during the period
7 beginning May 30, 2000 and ending on January 1, 2008.

8 (22) Computers and communications equipment utilized for
9 any hospital purpose and equipment used in the diagnosis,
10 analysis, or treatment of hospital patients purchased by a
11 lessor who leases the equipment, under a lease of one year or
12 longer executed or in effect at the time the lessor would
13 otherwise be subject to the tax imposed by this Act, to a
14 hospital that has been issued an active tax exemption
15 identification number by the Department under Section 1g of
16 the Retailers' Occupation Tax Act. If the equipment is leased
17 in a manner that does not qualify for this exemption or is used
18 in any other non-exempt manner, the lessor shall be liable for
19 the tax imposed under this Act or the Service Use Tax Act, as
20 the case may be, based on the fair market value of the property
21 at the time the non-qualifying use occurs. No lessor shall
22 collect or attempt to collect an amount (however designated)
23 that purports to reimburse that lessor for the tax imposed by
24 this Act or the Service Use Tax Act, as the case may be, if the
25 tax has not been paid by the lessor. If a lessor improperly
26 collects any such amount from the lessee, the lessee shall

1 have a legal right to claim a refund of that amount from the
2 lessor. If, however, that amount is not refunded to the lessee
3 for any reason, the lessor is liable to pay that amount to the
4 Department.

5 (23) Personal property purchased by a lessor who leases
6 the property, under a lease of one year or longer executed or
7 in effect at the time the lessor would otherwise be subject to
8 the tax imposed by this Act, to a governmental body that has
9 been issued an active sales tax exemption identification
10 number by the Department under Section 1g of the Retailers'
11 Occupation Tax Act. If the property is leased in a manner that
12 does not qualify for this exemption or used in any other
13 non-exempt manner, the lessor shall be liable for the tax
14 imposed under this Act or the Service Use Tax Act, as the case
15 may be, based on the fair market value of the property at the
16 time the non-qualifying use occurs. No lessor shall collect or
17 attempt to collect an amount (however designated) that
18 purports to reimburse that lessor for the tax imposed by this
19 Act or the Service Use Tax Act, as the case may be, if the tax
20 has not been paid by the lessor. If a lessor improperly
21 collects any such amount from the lessee, the lessee shall
22 have a legal right to claim a refund of that amount from the
23 lessor. If, however, that amount is not refunded to the lessee
24 for any reason, the lessor is liable to pay that amount to the
25 Department.

26 (24) Beginning with taxable years ending on or after

1 December 31, 1995 and ending with taxable years ending on or
2 before December 31, 2004, personal property that is donated
3 for disaster relief to be used in a State or federally declared
4 disaster area in Illinois or bordering Illinois by a
5 manufacturer or retailer that is registered in this State to a
6 corporation, society, association, foundation, or institution
7 that has been issued a sales tax exemption identification
8 number by the Department that assists victims of the disaster
9 who reside within the declared disaster area.

10 (25) Beginning with taxable years ending on or after
11 December 31, 1995 and ending with taxable years ending on or
12 before December 31, 2004, personal property that is used in
13 the performance of infrastructure repairs in this State,
14 including, but not limited to, municipal roads and streets,
15 access roads, bridges, sidewalks, waste disposal systems,
16 water and sewer line extensions, water distribution and
17 purification facilities, storm water drainage and retention
18 facilities, and sewage treatment facilities, resulting from a
19 State or federally declared disaster in Illinois or bordering
20 Illinois when such repairs are initiated on facilities located
21 in the declared disaster area within 6 months after the
22 disaster.

23 (26) Beginning July 1, 1999, game or game birds purchased
24 at a "game breeding and hunting preserve area" as that term is
25 used in the Wildlife Code. This paragraph is exempt from the
26 provisions of Section 3-90.

1 (27) A motor vehicle, as that term is defined in Section
2 1-146 of the Illinois Vehicle Code, that is donated to a
3 corporation, limited liability company, society, association,
4 foundation, or institution that is determined by the
5 Department to be organized and operated exclusively for
6 educational purposes. For purposes of this exemption, "a
7 corporation, limited liability company, society, association,
8 foundation, or institution organized and operated exclusively
9 for educational purposes" means all tax-supported public
10 schools, private schools that offer systematic instruction in
11 useful branches of learning by methods common to public
12 schools and that compare favorably in their scope and
13 intensity with the course of study presented in tax-supported
14 schools, and vocational or technical schools or institutes
15 organized and operated exclusively to provide a course of
16 study of not less than 6 weeks duration and designed to prepare
17 individuals to follow a trade or to pursue a manual,
18 technical, mechanical, industrial, business, or commercial
19 occupation.

20 (28) Beginning January 1, 2000, personal property,
21 including food, purchased through fundraising events for the
22 benefit of a public or private elementary or secondary school,
23 a group of those schools, or one or more school districts if
24 the events are sponsored by an entity recognized by the school
25 district that consists primarily of volunteers and includes
26 parents and teachers of the school children. This paragraph

1 does not apply to fundraising events (i) for the benefit of
2 private home instruction or (ii) for which the fundraising
3 entity purchases the personal property sold at the events from
4 another individual or entity that sold the property for the
5 purpose of resale by the fundraising entity and that profits
6 from the sale to the fundraising entity. This paragraph is
7 exempt from the provisions of Section 3-90.

8 (29) Beginning January 1, 2000 and through December 31,
9 2001, new or used automatic vending machines that prepare and
10 serve hot food and beverages, including coffee, soup, and
11 other items, and replacement parts for these machines.
12 Beginning January 1, 2002 and through June 30, 2003, machines
13 and parts for machines used in commercial, coin-operated
14 amusement and vending business if a use or occupation tax is
15 paid on the gross receipts derived from the use of the
16 commercial, coin-operated amusement and vending machines. This
17 paragraph is exempt from the provisions of Section 3-90.

18 (30) Beginning January 1, 2001 and through June 30, 2016,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages,
21 soft drinks, and food that has been prepared for immediate
22 consumption) and prescription and nonprescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article V of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act, or in a licensed facility as defined
3 in the ID/DD Community Care Act, the MC/DD Act, or the
4 Specialized Mental Health Rehabilitation Act of 2013.

5 (31) Beginning on August 2, 2001 (the effective date of
6 Public Act 92-227), computers and communications equipment
7 utilized for any hospital purpose and equipment used in the
8 diagnosis, analysis, or treatment of hospital patients
9 purchased by a lessor who leases the equipment, under a lease
10 of one year or longer executed or in effect at the time the
11 lessor would otherwise be subject to the tax imposed by this
12 Act, to a hospital that has been issued an active tax exemption
13 identification number by the Department under Section 1g of
14 the Retailers' Occupation Tax Act. If the equipment is leased
15 in a manner that does not qualify for this exemption or is used
16 in any other nonexempt manner, the lessor shall be liable for
17 the tax imposed under this Act or the Service Use Tax Act, as
18 the case may be, based on the fair market value of the property
19 at the time the nonqualifying use occurs. No lessor shall
20 collect or attempt to collect an amount (however designated)
21 that purports to reimburse that lessor for the tax imposed by
22 this Act or the Service Use Tax Act, as the case may be, if the
23 tax has not been paid by the lessor. If a lessor improperly
24 collects any such amount from the lessee, the lessee shall
25 have a legal right to claim a refund of that amount from the
26 lessor. If, however, that amount is not refunded to the lessee

1 for any reason, the lessor is liable to pay that amount to the
2 Department. This paragraph is exempt from the provisions of
3 Section 3-90.

4 (32) Beginning on August 2, 2001 (the effective date of
5 Public Act 92-227), personal property purchased by a lessor
6 who leases the property, under a lease of one year or longer
7 executed or in effect at the time the lessor would otherwise be
8 subject to the tax imposed by this Act, to a governmental body
9 that has been issued an active sales tax exemption
10 identification number by the Department under Section 1g of
11 the Retailers' Occupation Tax Act. If the property is leased
12 in a manner that does not qualify for this exemption or used in
13 any other nonexempt manner, the lessor shall be liable for the
14 tax imposed under this Act or the Service Use Tax Act, as the
15 case may be, based on the fair market value of the property at
16 the time the nonqualifying use occurs. No lessor shall collect
17 or attempt to collect an amount (however designated) that
18 purports to reimburse that lessor for the tax imposed by this
19 Act or the Service Use Tax Act, as the case may be, if the tax
20 has not been paid by the lessor. If a lessor improperly
21 collects any such amount from the lessee, the lessee shall
22 have a legal right to claim a refund of that amount from the
23 lessor. If, however, that amount is not refunded to the lessee
24 for any reason, the lessor is liable to pay that amount to the
25 Department. This paragraph is exempt from the provisions of
26 Section 3-90.

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

20 (34) Beginning January 1, 2008, tangible personal property
21 used in the construction or maintenance of a community water
22 supply, as defined under Section 3.145 of the Environmental
23 Protection Act, that is operated by a not-for-profit
24 corporation that holds a valid water supply permit issued
25 under Title IV of the Environmental Protection Act. This
26 paragraph is exempt from the provisions of Section 3-90.

1 (35) Beginning January 1, 2010 and continuing through
2 December 31, 2029, materials, parts, equipment, components,
3 and furnishings incorporated into or upon an aircraft as part
4 of the modification, refurbishment, completion, replacement,
5 repair, or maintenance of the aircraft. This exemption
6 includes consumable supplies used in the modification,
7 refurbishment, completion, replacement, repair, and
8 maintenance of aircraft. However, until January 1, 2024, this
9 exemption excludes any materials, parts, equipment,
10 components, and consumable supplies used in the modification,
11 replacement, repair, and maintenance of aircraft engines or
12 power plants, whether such engines or power plants are
13 installed or uninstalled upon any such aircraft. "Consumable
14 supplies" include, but are not limited to, adhesive, tape,
15 sandpaper, general purpose lubricants, cleaning solution,
16 latex gloves, and protective films.

17 Beginning January 1, 2010 and continuing through December
18 31, 2023, this exemption applies only to the use of qualifying
19 tangible personal property by persons who modify, refurbish,
20 complete, repair, replace, or maintain aircraft and who (i)
21 hold an Air Agency Certificate and are empowered to operate an
22 approved repair station by the Federal Aviation
23 Administration, (ii) have a Class IV Rating, and (iii) conduct
24 operations in accordance with Part 145 of the Federal Aviation
25 Regulations. From January 1, 2024 through December 31, 2029,
26 this exemption applies only to the use of qualifying tangible

1 personal property by: (A) persons who modify, refurbish,
2 complete, repair, replace, or maintain aircraft and who (i)
3 hold an Air Agency Certificate and are empowered to operate an
4 approved repair station by the Federal Aviation
5 Administration, (ii) have a Class IV Rating, and (iii) conduct
6 operations in accordance with Part 145 of the Federal Aviation
7 Regulations; and (B) persons who engage in the modification,
8 replacement, repair, and maintenance of aircraft engines or
9 power plants without regard to whether or not those persons
10 meet the qualifications of item (A).

11 The exemption does not include aircraft operated by a
12 commercial air carrier providing scheduled passenger air
13 service pursuant to authority issued under Part 121 or Part
14 129 of the Federal Aviation Regulations. The changes made to
15 this paragraph (35) by Public Act 98-534 are declarative of
16 existing law. It is the intent of the General Assembly that the
17 exemption under this paragraph (35) applies continuously from
18 January 1, 2010 through December 31, 2024; however, no claim
19 for credit or refund is allowed for taxes paid as a result of
20 the disallowance of this exemption on or after January 1, 2015
21 and prior to February 5, 2020 (the effective date of Public Act
22 101-629).

23 (36) Tangible personal property purchased by a
24 public-facilities corporation, as described in Section
25 11-65-10 of the Illinois Municipal Code, for purposes of
26 constructing or furnishing a municipal convention hall, but

1 only if the legal title to the municipal convention hall is
2 transferred to the municipality without any further
3 consideration by or on behalf of the municipality at the time
4 of the completion of the municipal convention hall or upon the
5 retirement or redemption of any bonds or other debt
6 instruments issued by the public-facilities corporation in
7 connection with the development of the municipal convention
8 hall. This exemption includes existing public-facilities
9 corporations as provided in Section 11-65-25 of the Illinois
10 Municipal Code. This paragraph is exempt from the provisions
11 of Section 3-90.

12 (37) Beginning January 1, 2017 and through December 31,
13 2026, menstrual pads, tampons, and menstrual cups.

14 (38) Merchandise that is subject to the Rental Purchase
15 Agreement Occupation and Use Tax. The purchaser must certify
16 that the item is purchased to be rented subject to a
17 rental-purchase agreement, as defined in the Rental-Purchase
18 Agreement Act, and provide proof of registration under the
19 Rental Purchase Agreement Occupation and Use Tax Act. This
20 paragraph is exempt from the provisions of Section 3-90.

21 (39) Tangible personal property purchased by a purchaser
22 who is exempt from the tax imposed by this Act by operation of
23 federal law. This paragraph is exempt from the provisions of
24 Section 3-90.

25 (40) Qualified tangible personal property used in the
26 construction or operation of a data center that has been

1 granted a certificate of exemption by the Department of
2 Commerce and Economic Opportunity, whether that tangible
3 personal property is purchased by the owner, operator, or
4 tenant of the data center or by a contractor or subcontractor
5 of the owner, operator, or tenant. Data centers that would
6 have qualified for a certificate of exemption prior to January
7 1, 2020 had Public Act 101-31 been in effect may apply for and
8 obtain an exemption for subsequent purchases of computer
9 equipment or enabling software purchased or leased to upgrade,
10 supplement, or replace computer equipment or enabling software
11 purchased or leased in the original investment that would have
12 qualified.

13 The Department of Commerce and Economic Opportunity shall
14 grant a certificate of exemption under this item (40) to
15 qualified data centers as defined by Section 605-1025 of the
16 Department of Commerce and Economic Opportunity Law of the
17 Civil Administrative Code of Illinois.

18 For the purposes of this item (40):

19 "Data center" means a building or a series of
20 buildings rehabilitated or constructed to house working
21 servers in one physical location or multiple sites within
22 the State of Illinois.

23 "Qualified tangible personal property" means:
24 electrical systems and equipment; climate control and
25 chilling equipment and systems; mechanical systems and
26 equipment; monitoring and secure systems; emergency

1 generators; hardware; computers; servers; data storage
2 devices; network connectivity equipment; racks; cabinets;
3 telecommunications cabling infrastructure; raised floor
4 systems; peripheral components or systems; software;
5 mechanical, electrical, or plumbing systems; battery
6 systems; cooling systems and towers; temperature control
7 systems; other cabling; and other data center
8 infrastructure equipment and systems necessary to operate
9 qualified tangible personal property, including fixtures;
10 and component parts of any of the foregoing, including
11 installation, maintenance, repair, refurbishment, and
12 replacement of qualified tangible personal property to
13 generate, transform, transmit, distribute, or manage
14 electricity necessary to operate qualified tangible
15 personal property; and all other tangible personal
16 property that is essential to the operations of a computer
17 data center. The term "qualified tangible personal
18 property" also includes building materials physically
19 incorporated into the qualifying data center. To document
20 the exemption allowed under this Section, the retailer
21 must obtain from the purchaser a copy of the certificate
22 of eligibility issued by the Department of Commerce and
23 Economic Opportunity.

24 This item (40) is exempt from the provisions of Section
25 3-90.

26 (41) Beginning July 1, 2022, breast pumps, breast pump

1 collection and storage supplies, and breast pump kits. This
2 item (41) is exempt from the provisions of Section 3-90. As
3 used in this item (41):

4 "Breast pump" means an electrically controlled or
5 manually controlled pump device designed or marketed to be
6 used to express milk from a human breast during lactation,
7 including the pump device and any battery, AC adapter, or
8 other power supply unit that is used to power the pump
9 device and is packaged and sold with the pump device at the
10 time of sale.

11 "Breast pump collection and storage supplies" means
12 items of tangible personal property designed or marketed
13 to be used in conjunction with a breast pump to collect
14 milk expressed from a human breast and to store collected
15 milk until it is ready for consumption.

16 "Breast pump collection and storage supplies"
17 includes, but is not limited to: breast shields and breast
18 shield connectors; breast pump tubes and tubing adapters;
19 breast pump valves and membranes; backflow protectors and
20 backflow protector adaptors; bottles and bottle caps
21 specific to the operation of the breast pump; and breast
22 milk storage bags.

23 "Breast pump collection and storage supplies" does not
24 include: (1) bottles and bottle caps not specific to the
25 operation of the breast pump; (2) breast pump travel bags
26 and other similar carrying accessories, including ice

1 packs, labels, and other similar products; (3) breast pump
2 cleaning supplies; (4) nursing bras, bra pads, breast
3 shells, and other similar products; and (5) creams,
4 ointments, and other similar products that relieve
5 breastfeeding-related symptoms or conditions of the
6 breasts or nipples, unless sold as part of a breast pump
7 kit that is pre-packaged by the breast pump manufacturer
8 or distributor.

9 "Breast pump kit" means a kit that: (1) contains no
10 more than a breast pump, breast pump collection and
11 storage supplies, a rechargeable battery for operating the
12 breast pump, a breastmilk cooler, bottle stands, ice
13 packs, and a breast pump carrying case; and (2) is
14 pre-packaged as a breast pump kit by the breast pump
15 manufacturer or distributor.

16 (42) Tangible personal property sold by or on behalf of
17 the State Treasurer pursuant to the Revised Uniform Unclaimed
18 Property Act. This item (42) is exempt from the provisions of
19 Section 3-90.

20 (43) Beginning on January 1, 2024, tangible personal
21 property purchased by an active duty member of the armed
22 forces of the United States who presents valid military
23 identification and purchases the property using a form of
24 payment where the federal government is the payor. The member
25 of the armed forces must complete, at the point of sale, a form
26 prescribed by the Department of Revenue documenting that the

1 transaction is eligible for the exemption under this
2 paragraph. Retailers must keep the form as documentation of
3 the exemption in their records for a period of not less than 6
4 years. "Armed forces of the United States" means the United
5 States Army, Navy, Air Force, Space Force, Marine Corps, or
6 Coast Guard. This paragraph is exempt from the provisions of
7 Section 3-90.

8 (44) Beginning July 1, 2024, home-delivered meals provided
9 to Medicare or Medicaid recipients when payment is made by an
10 intermediary, such as a Medicare Administrative Contractor, a
11 Managed Care Organization, or a Medicare Advantage
12 Organization, pursuant to a government contract. This item
13 (44) is exempt from the provisions of Section 3-90.

14 (45) Beginning on January 1, 2026, as further defined in
15 Section 3-10, food for human consumption that is to be
16 consumed off the premises where it is sold (other than
17 alcoholic beverages, food consisting of or infused with adult
18 use cannabis, soft drinks, candy, and food that has been
19 prepared for immediate consumption). This item (45) is exempt
20 from the provisions of Section 3-90.

21 (46) Use by the lessee of the following leased tangible
22 personal property:

23 (1) software transferred subject to a license that
24 meets the following requirements:

25 (A) it is evidenced by a written agreement signed
26 by the licensor and the customer;

1 (i) an electronic agreement in which the
2 customer accepts the license by means of an
3 electronic signature that is verifiable and can be
4 authenticated and is attached to or made part of
5 the license will comply with this requirement;

6 (ii) a license agreement in which the customer
7 electronically accepts the terms by clicking "I
8 agree" does not comply with this requirement;

9 (B) it restricts the customer's duplication and
10 use of the software;

11 (C) it prohibits the customer from licensing,
12 sublicensing, or transferring the software to a third
13 party (except to a related party) without the
14 permission and continued control of the licensor;

15 (D) the licensor has a policy of providing another
16 copy at minimal or no charge if the customer loses or
17 damages the software, or of permitting the licensee to
18 make and keep an archival copy, and such policy is
19 either stated in the license agreement, supported by
20 the licensor's books and records, or supported by a
21 notarized statement made under penalties of perjury by
22 the licensor; and

23 (E) the customer must destroy or return all copies
24 of the software to the licensor at the end of the
25 license period; this provision is deemed to be met, in
26 the case of a perpetual license, without being set

1 forth in the license agreement; and

2 (2) property that is subject to a tax on lease
3 receipts imposed by a home rule unit of local government
4 if the ordinance imposing that tax was adopted prior to
5 January 1, 2023.

6 (Source: P.A. 103-9, Article 5, Section 5-5, eff. 6-7-23;
7 103-9, Article 15, Section 15-5, eff. 6-7-23; 103-154, eff.
8 6-30-23; 103-384, eff. 1-1-24; 103-592, eff. 1-1-25; 103-605,
9 eff. 7-1-24; 103-643, eff. 7-1-24; 103-746, eff. 1-1-25;
10 103-781, eff. 8-5-24; 104-417, eff. 8-15-25.)

11 (35 ILCS 105/3-5.1)

12 Sec. 3-5.1. Biodiesel, renewable diesel, and biodiesel
13 blends.

14 (a) On and after the effective date of this amendatory act
15 of the 104th General Assembly January 1, 2024 and on or before
16 ~~December 31, 2030~~, the taxes imposed by this Act, the Service
17 Use Tax Act, the Service Occupation Tax Act, or the Retailers'
18 Occupation Tax Act apply to 100% of the proceeds of sales of
19 biodiesel, renewable diesel, and biodiesel blends. ~~(i)~~
20 ~~biodiesel blends with no less than 1% and no more than 10% of~~
21 ~~biodiesel and (ii) any diesel fuel containing no less than 1%~~
22 ~~and no more than 10% of renewable diesel.~~

23 ~~(b) From January 1, 2024 through March 31, 2024, the taxes~~
24 ~~imposed by this Act, the Service Use Tax Act, the Service~~
25 ~~Occupation Tax Act, or the Retailers' Occupation Tax Act do~~

1 ~~not apply to the proceeds of sales of any diesel fuel~~
2 ~~containing more than 10% biodiesel or renewable diesel.~~

3 ~~(c) From April 1, 2024 through November 30, 2024, the~~
4 ~~taxes imposed by this Act, the Service Use Tax Act, the Service~~
5 ~~Occupation Tax Act, or the Retailers' Occupation Tax Act do~~
6 ~~not apply to the proceeds of sales of any diesel fuel~~
7 ~~containing more than 13% biodiesel or renewable diesel.~~

8 ~~(d) From December 1, 2024 through March 31, 2025, the~~
9 ~~taxes imposed by this Act, the Service Use Tax Act, the Service~~
10 ~~Occupation Tax Act, or the Retailers' Occupation Tax Act do~~
11 ~~not apply to the proceeds of sales of any diesel fuel~~
12 ~~containing more than 10% biodiesel or renewable diesel.~~

13 ~~(e) From April 1, 2025 through November 30, 2025, the~~
14 ~~taxes imposed by this Act, the Service Use Tax Act, the Service~~
15 ~~Occupation Tax Act, or the Retailers' Occupation Tax Act do~~
16 ~~not apply to the proceeds of sales of any diesel fuel~~
17 ~~containing more than 16% biodiesel or renewable diesel.~~

18 ~~(f) From December 1, 2025 through March 31, 2026, the~~
19 ~~taxes imposed by this Act, the Service Use Tax Act, the Service~~
20 ~~Occupation Tax Act, or the Retailers' Occupation Tax Act do~~
21 ~~not apply to the proceeds of sales of any diesel fuel~~
22 ~~containing more than 10% biodiesel or renewable diesel.~~

23 ~~(g) On and after April 1, 2026 and on or before November~~
24 ~~30, 2030, the taxes imposed by this Act, the Service Use Tax~~
25 ~~Act, the Service Occupation Tax Act, or the Retailers'~~
26 ~~Occupation Tax Act do not apply to the proceeds of sales of any~~

1 ~~diesel fuel containing more than 19% biodiesel or renewable~~
2 ~~diesel; except that, from December 1 of calendar years 2026,~~
3 ~~2027, 2028, and 2029 through March 31 of the following~~
4 ~~calendar year, and from December 1, 2030 through December 31,~~
5 ~~2030, the taxes imposed by this Act, the Service Use Tax Act,~~
6 ~~the Service Occupation Tax Act, or the Retailers' Occupation~~
7 ~~Tax Act do not apply to the proceeds of sales of any diesel~~
8 ~~fuel containing more than 10% biodiesel or renewable diesel.~~

9 ~~(h) This Section is exempt from the provisions of Section~~
10 ~~3-90 of this Act, Section 3-75 of the Service Use Tax Act,~~
11 ~~Section 3-55 of the Service Occupation Tax Act, and Section~~
12 ~~2-70 of the Retailers' Occupation Tax Act.~~

13 (Source: P.A. 102-700, eff. 4-19-22.)

14 (35 ILCS 105/3-10) from Ch. 120, par. 439.33-10

15 Sec. 3-10. Rate of tax. Unless otherwise provided in this
16 Section, the tax imposed by this Act is at the rate of 6.25% of
17 either the selling price or the fair market value, if any, of
18 the tangible personal property, which, on and after January 1,
19 2025, includes leases of tangible personal property. In all
20 cases where property functionally used or consumed is the same
21 as the property that was purchased at retail, then the tax is
22 imposed on the selling price of the property. In all cases
23 where property functionally used or consumed is a by-product
24 or waste product that has been refined, manufactured, or
25 produced from property purchased at retail, then the tax is

1 imposed on the lower of the fair market value, if any, of the
2 specific property so used in this State or on the selling price
3 of the property purchased at retail. For purposes of this
4 Section "fair market value" means the price at which property
5 would change hands between a willing buyer and a willing
6 seller, neither being under any compulsion to buy or sell and
7 both having reasonable knowledge of the relevant facts. The
8 fair market value shall be established by Illinois sales by
9 the taxpayer of the same property as that functionally used or
10 consumed, or if there are no such sales by the taxpayer, then
11 comparable sales or purchases of property of like kind and
12 character in Illinois.

13 Beginning on July 1, 2000 and through December 31, 2000,
14 with respect to motor fuel, as defined in Section 1.1 of the
15 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
16 the Use Tax Act, the tax is imposed at the rate of 1.25%.

17 Beginning on August 6, 2010 through August 15, 2010, and
18 beginning again on August 5, 2022 through August 14, 2022,
19 with respect to sales tax holiday items as defined in Section
20 3-6 of this Act, the tax is imposed at the rate of 1.25%.

21 With respect to gasohol, the tax imposed by this Act
22 applies to (i) 70% of the proceeds of sales made on or after
23 January 1, 1990, and before July 1, 2003, (ii) 80% of the
24 proceeds of sales made on or after July 1, 2003 and on or
25 before July 1, 2017, (iii) 100% of the proceeds of sales made
26 after July 1, 2017 and prior to January 1, 2024, (iv) 90% of

1 the proceeds of sales made on or after January 1, 2024 and on
2 or before December 31, 2028, and (v) 100% of the proceeds of
3 sales made after December 31, 2028. If, at any time, however,
4 the tax under this Act on sales of gasohol is imposed at the
5 rate of 1.25%, then the tax imposed by this Act applies to 100%
6 of the proceeds of sales of gasohol made during that time.

7 With respect to mid-range ethanol blends, the tax imposed
8 by this Act applies to (i) 80% of the proceeds of sales made on
9 or after January 1, 2024 and on or before December 31, 2028 and
10 (ii) 100% of the proceeds of sales made thereafter. If, at any
11 time, however, the tax under this Act on sales of mid-range
12 ethanol blends is imposed at the rate of 1.25%, then the tax
13 imposed by this Act applies to 100% of the proceeds of sales of
14 mid-range ethanol blends made during that time.

15 With respect to majority blended ethanol fuel, the tax
16 imposed by this Act does not apply to the proceeds of sales
17 made on or after July 1, 2003 and on or before December 31,
18 2028 but applies to 100% of the proceeds of sales made
19 thereafter.

20 With respect to biodiesel blends with no less than 1% and
21 no more than 10% biodiesel, the tax imposed by this Act applies
22 to (i) 80% of the proceeds of sales made on or after July 1,
23 2003 and on or before December 31, 2018 and (ii) 100% of the
24 proceeds of sales made after December 31, 2018 and before
25 January 1, 2024. On and after January 1, 2024 ~~and on or before~~
26 ~~December 31, 2030~~, the taxation of biodiesel, renewable

1 diesel, and biodiesel blends shall be as provided in Section
2 3-5.1. If, at any time, however, the tax under this Act on
3 sales of biodiesel blends with no less than 1% and no more than
4 10% biodiesel is imposed at the rate of 1.25%, then the tax
5 imposed by this Act applies to 100% of the proceeds of sales of
6 biodiesel blends with no less than 1% and no more than 10%
7 biodiesel made during that time.

8 With respect to biodiesel and biodiesel blends with more
9 than 10% but no more than 99% biodiesel, the tax imposed by
10 this Act does not apply to the proceeds of sales made on or
11 after July 1, 2003 and on or before December 31, 2023. On and
12 after January 1, 2024 ~~and on or before December 31, 2030~~, the
13 taxation of biodiesel, renewable diesel, and biodiesel blends
14 shall be as provided in Section 3-5.1.

15 Until July 1, 2022 and from July 1, 2023 through December
16 31, 2025, with respect to food for human consumption that is to
17 be consumed off the premises where it is sold (other than
18 alcoholic beverages, food consisting of or infused with adult
19 use cannabis, soft drinks, and food that has been prepared for
20 immediate consumption), the tax is imposed at the rate of 1%.
21 Beginning on July 1, 2022 and until July 1, 2023, with respect
22 to food for human consumption that is to be consumed off the
23 premises where it is sold (other than alcoholic beverages,
24 food consisting of or infused with adult use cannabis, soft
25 drinks, and food that has been prepared for immediate
26 consumption), the tax is imposed at the rate of 0%. On and

1 after January 1, 2026, food for human consumption that is to be
2 consumed off the premises where it is sold (other than
3 alcoholic beverages, food consisting of or infused with adult
4 use cannabis, soft drinks, candy, and food that has been
5 prepared for immediate consumption) is exempt from the tax
6 imposed by this Act.

7 With respect to prescription and nonprescription
8 medicines, drugs, medical appliances, products classified as
9 Class III medical devices by the United States Food and Drug
10 Administration that are used for cancer treatment pursuant to
11 a prescription, as well as any accessories and components
12 related to those devices, modifications to a motor vehicle for
13 the purpose of rendering it usable by a person with a
14 disability, and insulin, blood sugar testing materials,
15 syringes, and needles used by human diabetics, the tax is
16 imposed at the rate of 1%. For the purposes of this Section,
17 until September 1, 2009: the term "soft drinks" means any
18 complete, finished, ready-to-use, non-alcoholic drink, whether
19 carbonated or not, including, but not limited to, soda water,
20 cola, fruit juice, vegetable juice, carbonated water, and all
21 other preparations commonly known as soft drinks of whatever
22 kind or description that are contained in any closed or sealed
23 bottle, can, carton, or container, regardless of size; but
24 "soft drinks" does not include coffee, tea, non-carbonated
25 water, infant formula, milk or milk products as defined in the
26 Grade A Pasteurized Milk and Milk Products Act, or drinks

1 containing 50% or more natural fruit or vegetable juice.

2 Notwithstanding any other provisions of this Act,
3 beginning September 1, 2009, "soft drinks" means non-alcoholic
4 beverages that contain natural or artificial sweeteners. "Soft
5 drinks" does not include beverages that contain milk or milk
6 products, soy, rice or similar milk substitutes, or greater
7 than 50% of vegetable or fruit juice by volume.

8 Until August 1, 2009, and notwithstanding any other
9 provisions of this Act, "food for human consumption that is to
10 be consumed off the premises where it is sold" includes all
11 food sold through a vending machine, except soft drinks and
12 food products that are dispensed hot from a vending machine,
13 regardless of the location of the vending machine. Beginning
14 August 1, 2009, and notwithstanding any other provisions of
15 this Act, "food for human consumption that is to be consumed
16 off the premises where it is sold" includes all food sold
17 through a vending machine, except soft drinks, candy, and food
18 products that are dispensed hot from a vending machine,
19 regardless of the location of the vending machine.

20 Notwithstanding any other provisions of this Act,
21 beginning September 1, 2009, "food for human consumption that
22 is to be consumed off the premises where it is sold" does not
23 include candy. For purposes of this Section, "candy" means a
24 preparation of sugar, honey, or other natural or artificial
25 sweeteners in combination with chocolate, fruits, nuts or
26 other ingredients or flavorings in the form of bars, drops, or

1 pieces. "Candy" does not include any preparation that contains
2 flour or requires refrigeration.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "nonprescription medicines and
5 drugs" does not include grooming and hygiene products. For
6 purposes of this Section, "grooming and hygiene products"
7 includes, but is not limited to, soaps and cleaning solutions,
8 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
9 lotions and screens, unless those products are available by
10 prescription only, regardless of whether the products meet the
11 definition of "over-the-counter-drugs". For the purposes of
12 this paragraph, "over-the-counter-drug" means a drug for human
13 use that contains a label that identifies the product as a drug
14 as required by 21 CFR 201.66. The "over-the-counter-drug"
15 label includes:

- 16 (A) a "Drug Facts" panel; or
17 (B) a statement of the "active ingredient(s)" with a
18 list of those ingredients contained in the compound,
19 substance or preparation.

20 Beginning on January 1, 2014 (the effective date of Public
21 Act 98-122), "prescription and nonprescription medicines and
22 drugs" includes medical cannabis purchased from a registered
23 dispensing organization under the Compassionate Use of Medical
24 Cannabis Program Act.

25 As used in this Section, "adult use cannabis" means
26 cannabis subject to tax under the Cannabis Cultivation

1 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
2 and does not include cannabis subject to tax under the
3 Compassionate Use of Medical Cannabis Program Act.

4 If the property that is purchased at retail from a
5 retailer is acquired outside Illinois and used outside
6 Illinois before being brought to Illinois for use here and is
7 taxable under this Act, the "selling price" on which the tax is
8 computed shall be reduced by an amount that represents a
9 reasonable allowance for depreciation for the period of prior
10 out-of-state use. No depreciation is allowed in cases where
11 the tax under this Act is imposed on lease receipts.

12 (Source: P.A. 103-9, eff. 6-7-23; 103-154, eff. 6-30-23;
13 103-592, eff. 1-1-25; 103-781, eff. 8-5-24; 104-417, eff.
14 8-15-25.)

15 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

16 Sec. 3-50. Manufacturing and assembly exemption. The
17 manufacturing and assembling machinery and equipment exemption
18 includes machinery and equipment that replaces machinery and
19 equipment in an existing manufacturing facility as well as
20 machinery and equipment that are for use in an expanded or new
21 manufacturing facility. The machinery and equipment exemption
22 also includes machinery and equipment used in the general
23 maintenance or repair of exempt machinery and equipment or for
24 in-house manufacture of exempt machinery and equipment.
25 Beginning on July 1, 2017, the manufacturing and assembling

1 machinery and equipment exemption also includes graphic arts
2 machinery and equipment, as defined in paragraph (6) of
3 Section 3-5. The machinery and equipment exemption does not
4 include machinery and equipment used in (i) the generation of
5 electricity for wholesale or retail sale; (ii) the generation
6 or treatment of natural or artificial gas for wholesale or
7 retail sale that is delivered to customers through pipes,
8 pipelines, or mains; or (iii) the treatment of water for
9 wholesale or retail sale that is delivered to customers
10 through pipes, pipelines, or mains. The provisions of this
11 amendatory Act of the 98th General Assembly are declaratory of
12 existing law as to the meaning and scope of this exemption. For
13 the purposes of this exemption, terms have the following
14 meanings:

15 (1) "Manufacturing process" means the production of an
16 article of tangible personal property, whether the article
17 is a finished product or an article for use in the process
18 of manufacturing or assembling a different article of
19 tangible personal property, by a procedure commonly
20 regarded as manufacturing, processing, fabricating, or
21 refining that changes some existing material into a
22 material with a different form, use, or name. In relation
23 to a recognized integrated business composed of a series
24 of operations that collectively constitute manufacturing,
25 or individually constitute manufacturing operations, the
26 manufacturing process commences with the first operation

1 or stage of production in the series and does not end until
2 the completion of the final product in the last operation
3 or stage of production in the series. For purposes of this
4 exemption, photoprocessing is a manufacturing process of
5 tangible personal property for wholesale or retail sale.

6 (2) "Assembling process" means the production of an
7 article of tangible personal property, whether the article
8 is a finished product or an article for use in the process
9 of manufacturing or assembling a different article of
10 tangible personal property, by the combination of existing
11 materials in a manner commonly regarded as assembling that
12 results in an article or material of a different form,
13 use, or name.

14 (3) "Machinery" means major mechanical machines or
15 major components of those machines contributing to a
16 manufacturing or assembling process.

17 (4) "Equipment" includes an independent device or tool
18 separate from machinery but essential to an integrated
19 manufacturing or assembly process; including computers
20 used primarily in a manufacturer's computer assisted
21 design, computer assisted manufacturing (CAD/CAM) system;
22 any subunit or assembly comprising a component of any
23 machinery or auxiliary, adjunct, or attachment parts of
24 machinery, such as tools, dies, jigs, fixtures, patterns,
25 and molds; and any parts that require periodic replacement
26 in the course of normal operation; but does not include

1 hand tools. Equipment includes chemicals or chemicals
2 acting as catalysts but only if the chemicals or chemicals
3 acting as catalysts effect a direct and immediate change
4 upon a product being manufactured or assembled for
5 wholesale or retail sale or lease.

6 (5) "Production related tangible personal property"
7 means all tangible personal property that is used or
8 consumed by the purchaser in a manufacturing facility in
9 which a manufacturing process takes place and includes,
10 without limitation, tangible personal property that is
11 purchased for incorporation into real estate within a
12 manufacturing facility, supplies and consumables used in a
13 manufacturing facility including fuels, coolants,
14 solvents, oils, lubricants, and adhesives, hand tools,
15 protective apparel, and fire and safety equipment used or
16 consumed within a manufacturing facility, and tangible
17 personal property that is used or consumed in activities
18 such as research and development, preproduction material
19 handling, receiving, quality control, inventory control,
20 storage, staging, and packaging for shipping and
21 transportation purposes. "Production related tangible
22 personal property" does not include (i) tangible personal
23 property that is used, within or without a manufacturing
24 facility, in sales, purchasing, accounting, fiscal
25 management, marketing, personnel recruitment or selection,
26 or landscaping or (ii) tangible personal property that is

1 required to be titled or registered with a department,
2 agency, or unit of federal, State, or local government.

3 The manufacturing and assembling machinery and equipment
4 exemption includes production related tangible personal
5 property that is purchased on or after July 1, 2007 and on or
6 before June 30, 2008 and on or after July 1, 2019 and on or
7 before the effective date of this amendatory Act of the 104th
8 General Assembly. The exemption for production related
9 tangible personal property purchased on or after July 1, 2007
10 and on or before June 30, 2008 is subject to both of the
11 following limitations:

12 (1) The maximum amount of the exemption for any one
13 taxpayer may not exceed 5% of the purchase price of
14 production related tangible personal property that is
15 purchased on or after July 1, 2007 and on or before June
16 30, 2008. A credit under Section 3-85 of this Act may not
17 be earned by the purchase of production related tangible
18 personal property for which an exemption is received under
19 this Section.

20 (2) The maximum aggregate amount of the exemptions for
21 production related tangible personal property purchased on
22 or after July 1, 2007 and on or before June 30, 2008
23 awarded under this Act and the Retailers' Occupation Tax
24 Act to all taxpayers may not exceed \$10,000,000. If the
25 claims for the exemption exceed \$10,000,000, then the
26 Department shall reduce the amount of the exemption to

1 each taxpayer on a pro rata basis.

2 The Department shall adopt rules to implement and administer
3 the exemption for production related tangible personal
4 property.

5 The manufacturing and assembling machinery and equipment
6 exemption includes the sale of materials to a purchaser who
7 produces exempted types of machinery, equipment, or tools and
8 who rents or leases that machinery, equipment, or tools to a
9 manufacturer of tangible personal property. This exemption
10 also includes the sale of materials to a purchaser who
11 manufactures those materials into an exempted type of
12 machinery, equipment, or tools that the purchaser uses himself
13 or herself in the manufacturing of tangible personal property.
14 This exemption includes the sale of exempted types of
15 machinery or equipment to a purchaser who is not the
16 manufacturer, but who rents or leases the use of the property
17 to a manufacturer. The purchaser of the machinery and
18 equipment who has an active resale registration number shall
19 furnish that number to the seller at the time of purchase. A
20 purchaser of the machinery, equipment, or tools without an
21 active resale registration number shall prepare a certificate
22 of exemption stating facts establishing the exemption, and
23 that certificate shall be available to the Department for
24 inspection or audit. The Department shall prescribe the form
25 of the certificate. Informal rulings, opinions, or letters
26 issued by the Department in response to an inquiry or request

1 for an opinion from any person regarding the coverage and
2 applicability of this exemption to specific devices shall be
3 published, maintained as a public record, and made available
4 for public inspection and copying. If the informal ruling,
5 opinion, or letter contains trade secrets or other
6 confidential information, where possible, the Department shall
7 delete that information before publication. Whenever informal
8 rulings, opinions, or letters contain a policy of general
9 applicability, the Department shall formulate and adopt that
10 policy as a rule in accordance with the Illinois
11 Administrative Procedure Act.

12 The manufacturing and assembling machinery and equipment
13 exemption is exempt from the provisions of Section 3-90.

14 (Source: P.A. 100-22, eff. 7-6-17; 101-9, eff. 6-5-19;
15 101-604, eff. 12-13-19.)

16 Section 25. The Service Use Tax Act is amended by changing
17 Sections 2 and 3-10 as follows:

18 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

19 Sec. 2. Definitions. In this Act:

20 "Use" means the exercise by any person of any right or
21 power over tangible personal property incident to the
22 ownership of that property, or, on and after January 1, 2025,
23 incident to the possession or control of, the right to possess
24 or control, or a license to use that property through a lease,

1 but does not include the sale or use for demonstration by him
2 of that property in any form as tangible personal property in
3 the regular course of business. "Use" does not mean the
4 interim use of tangible personal property. On and after
5 January 1, 2025, the lease of tangible personal property to a
6 lessee by a serviceman who is subject to tax on lease receipts
7 under this amendatory Act of the 103rd General Assembly does
8 not qualify as demonstration use or interim use of that
9 property. "Use" does not mean the physical incorporation of
10 tangible personal property, as an ingredient or constituent,
11 into other tangible personal property, (a) which is sold in
12 the regular course of business or (b) which the person
13 incorporating such ingredient or constituent therein has
14 undertaken at the time of such purchase to cause to be
15 transported in interstate commerce to destinations outside the
16 State of Illinois.

17 "Lease" means a transfer of the possession or control of,
18 the right to possess or control, or a license to use, but not
19 title to, tangible personal property for a fixed or
20 indeterminate term for consideration, regardless of the name
21 by which the transaction is called. "Lease" does not include a
22 lease entered into merely as a security agreement that does
23 not involve a transfer of possession from the lessor to the
24 lessee.

25 On and after January 1, 2025, the term "sale", when used in
26 this Act with respect to tangible personal property, includes

1 a lease.

2 "Purchased from a serviceman" means the acquisition of the
3 ownership of, the title to, the possession or control of, the
4 right to possess or control, or a license to use, tangible
5 personal property through a sale of service.

6 "Purchaser" means any person who, through a sale of
7 service, acquires the ownership of, the title to, the
8 possession or control of, the right to possess or control, or a
9 license to use, any tangible personal property.

10 "Cost price" means the consideration paid by the
11 serviceman for a purchase, including, on and after January 1,
12 2025, a lease, valued in money, whether paid in money or
13 otherwise, including cash, credits and services, and shall be
14 determined without any deduction on account of the supplier's
15 cost of the property sold or on account of any other expense
16 incurred by the supplier. When a serviceman contracts out part
17 or all of the services required in his sale of service, it
18 shall be presumed that the cost price to the serviceman of the
19 property transferred to him or her by his or her subcontractor
20 is equal to 50% of the subcontractor's charges to the
21 serviceman in the absence of proof of the consideration paid
22 by the subcontractor for the purchase of such property.

23 "Selling price" means the consideration for a sale,
24 including, on and after January 1, 2025, a lease, valued in
25 money whether received in money or otherwise, including cash,
26 credits and service, and shall be determined without any

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

8 "Department" means the Department of Revenue.

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

14 "Sale of service" means any transaction except:

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

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

21 (3) except as hereinafter provided, a sale or transfer
22 of tangible personal property as an incident to the
23 rendering of service for or by any governmental body, or
24 for or by any corporation, society, association,
25 foundation or institution organized and operated
26 exclusively for charitable, religious or educational

1 purposes or any not-for-profit corporation, society,
2 association, foundation, institution or organization which
3 has no compensated officers or employees and which is
4 organized and operated primarily for the recreation of
5 persons 55 years of age or older. A limited liability
6 company may qualify for the exemption under this paragraph
7 only if the limited liability company is organized and
8 operated exclusively for educational purposes.

9 (4) (blank).

10 (4a) a sale or transfer of tangible personal property
11 as an incident to the rendering of service for owners or
12 lessors, lessees, or shippers of tangible personal
13 property which is utilized by interstate carriers for hire
14 for use as rolling stock moving in interstate commerce so
15 long as so used by interstate carriers for hire, and
16 equipment operated by a telecommunications provider,
17 licensed as a common carrier by the Federal Communications
18 Commission, which is permanently installed in or affixed
19 to aircraft moving in interstate commerce.

20 (4a-5) on and after July 1, 2003 and through June 30,
21 2004, a sale or transfer of a motor vehicle of the second
22 division with a gross vehicle weight in excess of 8,000
23 pounds as an incident to the rendering of service if that
24 motor vehicle is subject to the commercial distribution
25 fee imposed under Section 3-815.1 of the Illinois Vehicle
26 Code. Beginning on July 1, 2004 and through June 30, 2005,

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

15 (5) a sale or transfer of machinery and equipment used
16 primarily in the process of the manufacturing or
17 assembling, either in an existing, an expanded or a new
18 manufacturing facility, of tangible personal property for
19 wholesale or retail sale or lease, whether such sale or
20 lease is made directly by the manufacturer or by some
21 other person, whether the materials used in the process
22 are owned by the manufacturer or some other person, or
23 whether such sale or lease is made apart from or as an
24 incident to the seller's engaging in a service occupation
25 and the applicable tax is a Service Use Tax or Service
26 Occupation Tax, rather than Use Tax or Retailers'

1 Occupation Tax. The exemption provided by this paragraph
2 (5) includes production related tangible personal
3 property, as defined in Section 3-50 of the Use Tax Act,
4 purchased on or after July 1, 2019 and on or before the
5 effective date of this amendatory Act of the 104th General
6 Assembly. The exemption provided by this paragraph (5)
7 does not include machinery and equipment used in (i) the
8 generation of electricity for wholesale or retail sale;
9 (ii) the generation or treatment of natural or artificial
10 gas for wholesale or retail sale that is delivered to
11 customers through pipes, pipelines, or mains; or (iii) the
12 treatment of water for wholesale or retail sale that is
13 delivered to customers through pipes, pipelines, or mains.
14 The provisions of Public Act 98-583 are declaratory of
15 existing law as to the meaning and scope of this
16 exemption. The exemption under this paragraph (5) is
17 exempt from the provisions of Section 3-75.

18 (5a) the repairing, reconditioning or remodeling, for
19 a common carrier by rail, of tangible personal property
20 which belongs to such carrier for hire, and as to which
21 such carrier receives the physical possession of the
22 repaired, reconditioned or remodeled item of tangible
23 personal property in Illinois, and which such carrier
24 transports, or shares with another common carrier in the
25 transportation of such property, out of Illinois on a
26 standard uniform bill of lading showing the person who

1 repaired, reconditioned or remodeled the property to a
2 destination outside Illinois, for use outside Illinois.

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

16 (6) until July 1, 2003, a sale or transfer of
17 distillation machinery and equipment, sold as a unit or
18 kit and assembled or installed by the retailer, which
19 machinery and equipment is certified by the user to be
20 used only for the production of ethyl alcohol that will be
21 used for consumption as motor fuel or as a component of
22 motor fuel for the personal use of such user and not
23 subject to sale or resale.

24 (7) at the election for each fiscal year of any
25 serviceman not required to be otherwise registered as a
26 retailer under Section 2a of the Retailers' Occupation Tax

1 Act or, beginning January 1, 2026, any serviceman
2 maintaining a place of business in this State who does not
3 make any retail sales of tangible personal property to
4 purchasers in Illinois, sales of service in which the
5 aggregate annual cost price of tangible personal property
6 transferred as an incident to the sales of service is less
7 than 35%, or 75% in the case of servicemen transferring
8 prescription drugs or servicemen engaged in graphic arts
9 production, of the aggregate annual total gross receipts
10 from all sales of service. The purchase of such tangible
11 personal property by the serviceman shall be subject to
12 tax under the Retailers' Occupation Tax Act and the Use
13 Tax Act. However, if a primary serviceman who has made the
14 election described in this paragraph subcontracts service
15 work to a secondary serviceman who has also made the
16 election described in this paragraph, the primary
17 serviceman does not incur a Use Tax liability if the
18 secondary serviceman (i) has paid or will pay Use Tax on
19 his or her cost price of any tangible personal property
20 transferred to the primary serviceman and (ii) certifies
21 that fact in writing to the primary serviceman. Beginning
22 January 1, 2026, this election shall not apply to any sale
23 of service through a marketplace that has met the
24 threshold in subsection (b-5) of Section 2d of this Act.
25 All transactions over such a marketplace shall be subject
26 to the tax imposed under Section 3-10 of this Act.

1 Tangible personal property transferred incident to the
2 completion of a maintenance agreement is exempt from the tax
3 imposed pursuant to this Act.

4 Exemption (5) also includes machinery and equipment used
5 in the general maintenance or repair of such exempt machinery
6 and equipment or for in-house manufacture of exempt machinery
7 and equipment. On and after July 1, 2017, exemption (5) also
8 includes graphic arts machinery and equipment, as defined in
9 paragraph (5) of Section 3-5. The machinery and equipment
10 exemption does not include machinery and equipment used in (i)
11 the generation of electricity for wholesale or retail sale;
12 (ii) the generation or treatment of natural or artificial gas
13 for wholesale or retail sale that is delivered to customers
14 through pipes, pipelines, or mains; or (iii) the treatment of
15 water for wholesale or retail sale that is delivered to
16 customers through pipes, pipelines, or mains. The provisions
17 of Public Act 98-583 are declaratory of existing law as to the
18 meaning and scope of this exemption. For the purposes of
19 exemption (5), each of these terms shall have the following
20 meanings: (1) "manufacturing process" shall mean the
21 production of any article of tangible personal property,
22 whether such article is a finished product or an article for
23 use in the process of manufacturing or assembling a different
24 article of tangible personal property, by procedures commonly
25 regarded as manufacturing, processing, fabricating, or
26 refining which changes some existing material or materials

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

1 machinery or auxiliary, adjunct or attachment parts of
2 machinery, such as tools, dies, jigs, fixtures, patterns and
3 molds; or any parts which require periodic replacement in the
4 course of normal operation; but shall not include hand tools.
5 Equipment includes chemicals or chemicals acting as catalysts
6 but only if the chemicals or chemicals acting as catalysts
7 effect a direct and immediate change upon a product being
8 manufactured or assembled for wholesale or retail sale or
9 lease. The purchaser of such machinery and equipment who has
10 an active resale registration number shall furnish such number
11 to the seller at the time of purchase. The purchaser of such
12 machinery and equipment and tools without an active resale
13 registration number shall prepare a certificate of exemption
14 stating facts establishing the exemption, which certificate
15 shall be available to the Department for inspection or audit.
16 The Department shall prescribe the form of the certificate.

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

1 applicability, the Department shall formulate and adopt such
2 policy as a rule in accordance with the provisions of the
3 Illinois Administrative Procedure Act.

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

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

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

15 "Sale at retail" means "sale at retail" as defined in the
16 Retailers' Occupation Tax Act, which, on and after January 1,
17 2025, is defined to include leases.

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

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

23 (1) Having or maintaining within this State, directly
24 or by a subsidiary, an office, distribution house, sales
25 house, warehouse or other place of business, or any agent
26 or other representative operating within this State under

1 the authority of the serviceman or its subsidiary,
2 irrespective of whether such place of business or agent or
3 other representative is located here permanently or
4 temporarily, or whether such serviceman or subsidiary is
5 licensed to do business in this State;

6 (1.1) Having a contract with a person located in this
7 State under which the person, for a commission or other
8 consideration based on the sale of service by the
9 serviceman, directly or indirectly refers potential
10 customers to the serviceman by providing to the potential
11 customers a promotional code or other mechanism that
12 allows the serviceman to track purchases referred by such
13 persons. Examples of mechanisms that allow the serviceman
14 to track purchases referred by such persons include but
15 are not limited to the use of a link on the person's
16 Internet website, promotional codes distributed through
17 the person's hand-delivered or mailed material, and
18 promotional codes distributed by the person through radio
19 or other broadcast media. The provisions of this paragraph
20 (1.1) shall apply only if the cumulative gross receipts
21 from sales of service by the serviceman to customers who
22 are referred to the serviceman by all persons in this
23 State under such contracts exceed \$10,000 during the
24 preceding 4 quarterly periods ending on the last day of
25 March, June, September, and December; a serviceman meeting
26 the requirements of this paragraph (1.1) shall be presumed

1 to be maintaining a place of business in this State but may
2 rebut this presumption by submitting proof that the
3 referrals or other activities pursued within this State by
4 such persons were not sufficient to meet the nexus
5 standards of the United States Constitution during the
6 preceding 4 quarterly periods;

7 (1.2) Beginning July 1, 2011, having a contract with a
8 person located in this State under which:

9 (A) the serviceman sells the same or substantially
10 similar line of services as the person located in this
11 State and does so using an identical or substantially
12 similar name, trade name, or trademark as the person
13 located in this State; and

14 (B) the serviceman provides a commission or other
15 consideration to the person located in this State
16 based upon the sale of services by the serviceman.

17 The provisions of this paragraph (1.2) shall apply only if
18 the cumulative gross receipts from sales of service by the
19 serviceman to customers in this State under all such
20 contracts exceed \$10,000 during the preceding 4 quarterly
21 periods ending on the last day of March, June, September,
22 and December;

23 (2) (Blank).

24 (3) (Blank).

25 (4) (Blank).

26 (5) (Blank).

1 (6) (Blank).

2 (7) (Blank).

3 (8) (Blank).

4 (9) Beginning October 1, 2018 and through December 31,
5 2025, making sales of service to purchasers in Illinois
6 from outside of Illinois if:

7 (A) the cumulative gross receipts from sales of
8 service to purchasers in Illinois are \$100,000 or
9 more; or

10 (B) the serviceman enters into 200 or more
11 separate transactions for sales of service to
12 purchasers in Illinois.

13 The serviceman shall determine on a quarterly basis,
14 ending on the last day of March, June, September, and
15 December, whether he or she meets the threshold of either
16 subparagraph (A) or (B) of this paragraph (9) for the
17 preceding 12-month period. If the serviceman meets the
18 threshold of either subparagraph (A) or (B) for a 12-month
19 period, he or she is considered a serviceman maintaining a
20 place of business in this State and is required to collect
21 and remit the tax imposed under this Act and file returns
22 for one year. At the end of that one-year period, the
23 serviceman shall determine whether the serviceman met the
24 threshold of either subparagraph (A) or (B) during the
25 preceding 12-month period. If the serviceman met the
26 threshold in either subparagraph (A) or (B) for the

1 preceding 12-month period, he or she is considered a
2 serviceman maintaining a place of business in this State
3 and is required to collect and remit the tax imposed under
4 this Act and file returns for the subsequent year. If at
5 the end of a one-year period a serviceman that was
6 required to collect and remit the tax imposed under this
7 Act determines that he or she did not meet the threshold in
8 either subparagraph (A) or (B) during the preceding
9 12-month period, the serviceman subsequently shall
10 determine on a quarterly basis, ending on the last day of
11 March, June, September, and December, whether he or she
12 meets the threshold of either subparagraph (A) or (B) for
13 the preceding 12-month period.

14 (9.1) Beginning January 1, 2026, making sales of
15 service to purchasers in Illinois from outside of Illinois
16 if the cumulative gross receipts from sales of service to
17 purchasers in Illinois are \$100,000 or more.

18 The serviceman shall determine on a quarterly basis,
19 ending on the last day of March, June, September, and
20 December, whether the serviceman meets the threshold in
21 this paragraph (9.1) for the preceding 12-month period. If
22 the serviceman meets the threshold for a 12-month period,
23 the serviceman is considered a serviceman maintaining a
24 place of business in this State and is required to collect
25 and remit the tax imposed under this Act and file returns
26 for one year. At the end of the one-year period, the

1 serviceman shall determine whether the serviceman met the
2 threshold during the preceding 12-month period. If the
3 serviceman met the threshold for the preceding 12-month
4 period, the serviceman is considered a serviceman
5 maintaining a place of business in this State and is
6 required to collect and remit the tax imposed under this
7 Act and file returns for the subsequent year. If at the end
8 of a one-year period a serviceman that was required to
9 collect and remit the tax imposed under this Act
10 determines that the serviceman did not meet the threshold
11 during the preceding 12-month period, the serviceman shall
12 subsequently determine on a quarterly basis, ending on the
13 last day of March, June, September, and December, whether
14 the serviceman meets the threshold for the preceding
15 12-month period.

16 Beginning January 1, 2020, neither the gross receipts
17 from nor the number of separate transactions for sales of
18 service to purchasers in Illinois that a serviceman makes
19 through a marketplace facilitator and for which the
20 serviceman has received a certification from the
21 marketplace facilitator pursuant to Section 2d of this Act
22 shall be included for purposes of determining whether he
23 or she has met a threshold of paragraph (9) or this
24 paragraph (9.1).

25 (10) Beginning January 1, 2020, a marketplace
26 facilitator that meets a threshold set forth in either

1 subsection (b) or (b-5) of Section 2d of this Act.

2 (Source: P.A. 103-592, eff. 1-1-25; 104-6, eff. 6-16-25.)

3 (35 ILCS 110/3-10)

4 Sec. 3-10. Rate of tax. Unless otherwise provided in this
5 Section, the tax imposed by this Act is at the rate of 6.25% of
6 the selling price of tangible personal property transferred,
7 including, on and after January 1, 2025, transferred by lease,
8 as an incident to the sale of service, but, for the purpose of
9 computing this tax, in no event shall the selling price be less
10 than the cost price of the property to the serviceman.

11 Beginning on July 1, 2000 and through December 31, 2000,
12 with respect to motor fuel, as defined in Section 1.1 of the
13 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
14 the Use Tax Act, the tax is imposed at the rate of 1.25%.

15 With respect to gasohol, as defined in the Use Tax Act, the
16 tax imposed by this Act applies to (i) 70% of the selling price
17 of property transferred as an incident to the sale of service
18 on or after January 1, 1990, and before July 1, 2003, (ii) 80%
19 of the selling price of property transferred as an incident to
20 the sale of service on or after July 1, 2003 and on or before
21 July 1, 2017, (iii) 100% of the selling price of property
22 transferred as an incident to the sale of service after July 1,
23 2017 and before January 1, 2024, (iv) 90% of the selling price
24 of property transferred as an incident to the sale of service
25 on or after January 1, 2024 and on or before December 31, 2028,

1 and (v) 100% of the selling price of property transferred as an
2 incident to the sale of service after December 31, 2028. If, at
3 any time, however, the tax under this Act on sales of gasohol,
4 as defined in the Use Tax Act, is imposed at the rate of 1.25%,
5 then the tax imposed by this Act applies to 100% of the
6 proceeds of sales of gasohol made during that time.

7 With respect to mid-range ethanol blends, as defined in
8 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
9 applies to (i) 80% of the selling price of property
10 transferred as an incident to the sale of service on or after
11 January 1, 2024 and on or before December 31, 2028 and (ii)
12 100% of the selling price of property transferred as an
13 incident to the sale of service after December 31, 2028. If, at
14 any time, however, the tax under this Act on sales of mid-range
15 ethanol blends is imposed at the rate of 1.25%, then the tax
16 imposed by this Act applies to 100% of the selling price of
17 mid-range ethanol blends transferred as an incident to the
18 sale of service during that time.

19 With respect to majority blended ethanol fuel, as defined
20 in the Use Tax Act, the tax imposed by this Act does not apply
21 to the selling price of property transferred as an incident to
22 the sale of service on or after July 1, 2003 and on or before
23 December 31, 2028 but applies to 100% of the selling price
24 thereafter.

25 With respect to biodiesel blends, as defined in the Use
26 Tax Act, with no less than 1% and no more than 10% biodiesel,

1 the tax imposed by this Act applies to (i) 80% of the selling
2 price of property transferred as an incident to the sale of
3 service on or after July 1, 2003 and on or before December 31,
4 2018 and (ii) 100% of the proceeds of the selling price after
5 December 31, 2018 and before January 1, 2024. On and after
6 January 1, 2024 ~~and on or before December 31, 2030~~, the
7 taxation of biodiesel, renewable diesel, and biodiesel blends
8 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
9 at any time, however, the tax under this Act on sales of
10 biodiesel blends, as defined in the Use Tax Act, with no less
11 than 1% and no more than 10% biodiesel is imposed at the rate
12 of 1.25%, then the tax imposed by this Act applies to 100% of
13 the proceeds of sales of biodiesel blends with no less than 1%
14 and no more than 10% biodiesel made during that time.

15 With respect to biodiesel, as defined in the Use Tax Act,
16 and biodiesel blends, as defined in the Use Tax Act, with more
17 than 10% but no more than 99% biodiesel, the tax imposed by
18 this Act does not apply to the proceeds of the selling price of
19 property transferred as an incident to the sale of service on
20 or after July 1, 2003 and on or before December 31, 2023. On
21 and after January 1, 2024 ~~and on or before December 31, 2030~~,
22 the taxation of biodiesel, renewable diesel, and biodiesel
23 blends shall be as provided in Section 3-5.1 of the Use Tax
24 Act.

25 At the election of any registered serviceman made for each
26 fiscal year, for whom the aggregate annual cost price of

1 tangible personal property transferred as an incident to the
2 sales of service is less than 35%, or 75% in the case of
3 servicemen transferring prescription drugs or servicemen
4 engaged in graphic arts production, of the aggregate annual
5 total gross receipts from all sales of service, the tax
6 imposed by this Act shall be based on the serviceman's cost
7 price of the tangible personal property transferred as an
8 incident to the sale of those services. This election may also
9 be made by any serviceman maintaining a place of business in
10 this State who makes retail sales from outside of this State to
11 Illinois customers but is not required to be registered under
12 Section 2a of the Retailers' Occupation Tax Act. Beginning
13 January 1, 2026, this election shall not apply to any sale of
14 service made through a marketplace that has met the threshold
15 in subsection (b-5) of Section 2d of this Act.

16 Beginning January 1, 2026, the tax shall be imposed at the
17 rate of 6.25% of 50% of the entire billing to the service
18 customer for all sales of service made through a marketplace
19 that has met the threshold in subsection (b-5) of Section 2d of
20 this Act. In no event shall 50% of the entire billing be less
21 than the cost price of the property to the marketplace
22 serviceman or the marketplace facilitator on its own sales of
23 service.

24 Until July 1, 2022 and from July 1, 2023 through December
25 31, 2025, the tax shall be imposed at the rate of 1% on food
26 prepared for immediate consumption and transferred incident to

1 a sale of service subject to this Act or the Service Occupation
2 Tax Act by an entity licensed under the Hospital Licensing
3 Act, the Nursing Home Care Act, the Assisted Living and Shared
4 Housing Act, the ID/DD Community Care Act, the MC/DD Act, the
5 Specialized Mental Health Rehabilitation Act of 2013, or the
6 Child Care Act of 1969, or an entity that holds a permit issued
7 pursuant to the Life Care Facilities Act. Until July 1, 2022
8 and from July 1, 2023 through December 31, 2025, the tax shall
9 also be imposed at the rate of 1% on food for human consumption
10 that is to be consumed off the premises where it is sold (other
11 than alcoholic beverages, food consisting of or infused with
12 adult use cannabis, soft drinks, and food that has been
13 prepared for immediate consumption and is not otherwise
14 included in this paragraph).

15 Beginning on July 1, 2022 and until July 1, 2023, the tax
16 shall be imposed at the rate of 0% on food prepared for
17 immediate consumption and transferred incident to a sale of
18 service subject to this Act or the Service Occupation Tax Act
19 by an entity licensed under the Hospital Licensing Act, the
20 Nursing Home Care Act, the Assisted Living and Shared Housing
21 Act, the ID/DD Community Care Act, the MC/DD Act, the
22 Specialized Mental Health Rehabilitation Act of 2013, or the
23 Child Care Act of 1969, or an entity that holds a permit issued
24 pursuant to the Life Care Facilities Act. Beginning on July 1,
25 2022 and until July 1, 2023, the tax shall also be imposed at
26 the rate of 0% on food for human consumption that is to be

1 consumed off the premises where it is sold (other than
2 alcoholic beverages, food consisting of or infused with adult
3 use cannabis, soft drinks, and food that has been prepared for
4 immediate consumption and is not otherwise included in this
5 paragraph).

6 On and after January 1, 2026, food prepared for immediate
7 consumption and transferred incident to a sale of service
8 subject to this Act or the Service Occupation Tax Act by an
9 entity licensed under the Hospital Licensing Act, the Nursing
10 Home Care Act, the Assisted Living and Shared Housing Act, the
11 ID/DD Community Care Act, the MC/DD Act, the Specialized
12 Mental Health Rehabilitation Act of 2013, or the Child Care
13 Act of 1969, or by an entity that holds a permit issued
14 pursuant to the Life Care Facilities Act is exempt from the tax
15 under this Act. On and after January 1, 2026, food for human
16 consumption that is to be consumed off the premises where it is
17 sold (other than alcoholic beverages, food consisting of or
18 infused with adult use cannabis, soft drinks, candy, and food
19 that has been prepared for immediate consumption and is not
20 otherwise included in this paragraph) is exempt from the tax
21 under this Act.

22 The tax shall be imposed at the rate of 1% on prescription
23 and nonprescription medicines, drugs, medical appliances,
24 products classified as Class III medical devices by the United
25 States Food and Drug Administration that are used for cancer
26 treatment pursuant to a prescription, as well as any

1 accessories and components related to those devices,
2 modifications to a motor vehicle for the purpose of rendering
3 it usable by a person with a disability, and insulin, blood
4 sugar testing materials, syringes, and needles used by human
5 diabetics. For the purposes of this Section, until September
6 1, 2009: the term "soft drinks" means any complete, finished,
7 ready-to-use, non-alcoholic drink, whether carbonated or not,
8 including, but not limited to, soda water, cola, fruit juice,
9 vegetable juice, carbonated water, and all other preparations
10 commonly known as soft drinks of whatever kind or description
11 that are contained in any closed or sealed bottle, can,
12 carton, or container, regardless of size; but "soft drinks"
13 does not include coffee, tea, non-carbonated water, infant
14 formula, milk or milk products as defined in the Grade A
15 Pasteurized Milk and Milk Products Act, or drinks containing
16 50% or more natural fruit or vegetable juice.

17 Notwithstanding any other provisions of this Act,
18 beginning September 1, 2009, "soft drinks" means non-alcoholic
19 beverages that contain natural or artificial sweeteners. "Soft
20 drinks" does not include beverages that contain milk or milk
21 products, soy, rice or similar milk substitutes, or greater
22 than 50% of vegetable or fruit juice by volume.

23 Until August 1, 2009, and notwithstanding any other
24 provisions of this Act, "food for human consumption that is to
25 be consumed off the premises where it is sold" includes all
26 food sold through a vending machine, except soft drinks and

1 food products that are dispensed hot from a vending machine,
2 regardless of the location of the vending machine. Beginning
3 August 1, 2009, and notwithstanding any other provisions of
4 this Act, "food for human consumption that is to be consumed
5 off the premises where it is sold" includes all food sold
6 through a vending machine, except soft drinks, candy, and food
7 products that are dispensed hot from a vending machine,
8 regardless of the location of the vending machine.

9 Notwithstanding any other provisions of this Act,
10 beginning September 1, 2009, "food for human consumption that
11 is to be consumed off the premises where it is sold" does not
12 include candy. For purposes of this Section, "candy" means a
13 preparation of sugar, honey, or other natural or artificial
14 sweeteners in combination with chocolate, fruits, nuts or
15 other ingredients or flavorings in the form of bars, drops, or
16 pieces. "Candy" does not include any preparation that contains
17 flour or requires refrigeration.

18 Notwithstanding any other provisions of this Act,
19 beginning September 1, 2009, "nonprescription medicines and
20 drugs" does not include grooming and hygiene products. For
21 purposes of this Section, "grooming and hygiene products"
22 includes, but is not limited to, soaps and cleaning solutions,
23 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
24 lotions and screens, unless those products are available by
25 prescription only, regardless of whether the products meet the
26 definition of "over-the-counter-drugs". For the purposes of

1 this paragraph, "over-the-counter-drug" means a drug for human
2 use that contains a label that identifies the product as a drug
3 as required by 21 CFR 201.66. The "over-the-counter-drug"
4 label includes:

5 (A) a "Drug Facts" panel; or

6 (B) a statement of the "active ingredient(s)" with a
7 list of those ingredients contained in the compound,
8 substance or preparation.

9 Beginning on January 1, 2014 (the effective date of Public
10 Act 98-122), "prescription and nonprescription medicines and
11 drugs" includes medical cannabis purchased from a registered
12 dispensing organization under the Compassionate Use of Medical
13 Cannabis Program Act.

14 As used in this Section, "adult use cannabis" means
15 cannabis subject to tax under the Cannabis Cultivation
16 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
17 and does not include cannabis subject to tax under the
18 Compassionate Use of Medical Cannabis Program Act.

19 If the property that is acquired from a serviceman is
20 acquired outside Illinois and used outside Illinois before
21 being brought to Illinois for use here and is taxable under
22 this Act, the "selling price" on which the tax is computed
23 shall be reduced by an amount that represents a reasonable
24 allowance for depreciation for the period of prior
25 out-of-state use. No depreciation is allowed in cases where
26 the tax under this Act is imposed on lease receipts.

1 (Source: P.A. 103-9, eff. 6-7-23; 103-154, eff. 6-30-23;
2 103-592, eff. 1-1-25; 103-781, eff. 8-5-24; 104-6, eff.
3 6-16-25; 104-417, eff. 8-15-25.)

4 Section 30. The Service Occupation Tax Act is amended by
5 changing Sections 2 and 3-10 as follows:

6 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

7 Sec. 2. In this Act:

8 "Transfer" means any transfer of the title to property or
9 of the ownership of property whether or not the transferor
10 retains title as security for the payment of amounts due him
11 from the transferee. On and after January 1, 2025, "transfer"
12 also means any transfer of the possession or control of, the
13 right to possess or control, or a license to use, but not title
14 to, tangible personal property.

15 "Lease" means a transfer of the possession or control of,
16 the right to possess or control, or a license to use, but not
17 title to, tangible personal property for a fixed or
18 indeterminate term for consideration, regardless of the name
19 by which the transaction is called. "Lease" does not include a
20 lease entered into merely as a security agreement that does
21 not involve a transfer of possession or control from the
22 lessor to the lessee.

23 On and after January 1, 2025, the term "sale", when used in
24 this Act with respect to tangible personal property, includes

1 a lease.

2 "Cost Price" means the consideration paid by the
3 serviceman for a purchase, including, on and after January 1,
4 2025, a lease, valued in money, whether paid in money or
5 otherwise, including cash, credits and services, and shall be
6 determined without any deduction on account of the supplier's
7 cost of the property sold or on account of any other expense
8 incurred by the supplier. When a serviceman contracts out part
9 or all of the services required in his sale of service, it
10 shall be presumed that the cost price to the serviceman of the
11 property transferred to him by his or her subcontractor is
12 equal to 50% of the subcontractor's charges to the serviceman
13 in the absence of proof of the consideration paid by the
14 subcontractor for the purchase of such property.

15 "Department" means the Department of Revenue.

16 "Person" means any natural individual, firm, partnership,
17 association, joint stock company, joint venture, public or
18 private corporation, limited liability company, and any
19 receiver, executor, trustee, guardian or other representative
20 appointed by order of any court.

21 "Sale of Service" means any transaction except:

22 (a) A retail sale of tangible personal property taxable
23 under the Retailers' Occupation Tax Act or under the Use Tax
24 Act.

25 (b) A sale of tangible personal property for the purpose
26 of resale made in compliance with Section 2c of the Retailers'

1 Occupation Tax Act.

2 (c) Except as hereinafter provided, a sale or transfer of
3 tangible personal property as an incident to the rendering of
4 service for or by any governmental body or for or by any
5 corporation, society, association, foundation or institution
6 organized and operated exclusively for charitable, religious
7 or educational purposes or any not-for-profit corporation,
8 society, association, foundation, institution or organization
9 which has no compensated officers or employees and which is
10 organized and operated primarily for the recreation of persons
11 55 years of age or older. A limited liability company may
12 qualify for the exemption under this paragraph only if the
13 limited liability company is organized and operated
14 exclusively for educational purposes.

15 (d) (Blank).

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

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

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

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

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

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

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

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

1 retail sale or lease, whether such sale or lease is made
2 directly by the manufacturer or by some other person, whether
3 the materials used in the process are owned by the
4 manufacturer or some other person, or whether such sale or
5 lease is made apart from or as an incident to the seller's
6 engaging in a service occupation and the applicable tax is a
7 Service Occupation Tax or Service Use Tax, rather than
8 Retailers' Occupation Tax or Use Tax. The exemption provided
9 by this paragraph (e) includes production related tangible
10 personal property, as defined in Section 3-50 of the Use Tax
11 Act, purchased on or after July 1, 2019 and on or before the
12 effective date of this amendatory Act of the 104th General
13 Assembly. The exemption provided by this paragraph (e) does
14 not include machinery and equipment used in (i) the generation
15 of electricity for wholesale or retail sale; (ii) the
16 generation or treatment of natural or artificial gas for
17 wholesale or retail sale that is delivered to customers
18 through pipes, pipelines, or mains; or (iii) the treatment of
19 water for wholesale or retail sale that is delivered to
20 customers through pipes, pipelines, or mains. The provisions
21 of Public Act 98-583 are declaratory of existing law as to the
22 meaning and scope of this exemption. The exemption under this
23 subsection (e) is exempt from the provisions of Section 3-75.

24 (f) Until July 1, 2003, the sale or transfer of
25 distillation machinery and equipment, sold as a unit or kit
26 and assembled or installed by the retailer, which machinery

1 and equipment is certified by the user to be used only for the
2 production of ethyl alcohol that will be used for consumption
3 as motor fuel or as a component of motor fuel for the personal
4 use of such user and not subject to sale or resale.

5 (g) At the election of (i) any serviceman not required to
6 be otherwise registered as a retailer under Section 2a of the
7 Retailers' Occupation Tax Act; or (ii) beginning January 1,
8 2026, any servicemen maintaining a place of business in this
9 State who does not make any retail sales of tangible personal
10 property to purchasers in Illinois, made for each fiscal year,
11 sales of service in which the aggregate annual cost price of
12 tangible personal property transferred as an incident to the
13 sales of service is less than 35% (75% in the case of
14 servicemen transferring prescription drugs or servicemen
15 engaged in graphic arts production) of the aggregate annual
16 total gross receipts from all sales of service. The purchase
17 of such tangible personal property by the serviceman shall be
18 subject to tax under the Retailers' Occupation Tax Act and the
19 Use Tax Act. However, if a primary serviceman who has made the
20 election described in this paragraph subcontracts service work
21 to a secondary serviceman who has also made the election
22 described in this paragraph, the primary serviceman does not
23 incur a Use Tax liability if the secondary serviceman (i) has
24 paid or will pay Use Tax on his or her cost price of any
25 tangible personal property transferred to the primary
26 serviceman and (ii) certifies that fact in writing to the

1 primary serviceman. Beginning January 1, 2026, this election
2 shall not apply to any sale of service through a marketplace
3 that has met the threshold in subsection (d) of Section 3 of
4 this Act. All transactions over such a marketplace shall be
5 subject to the tax imposed under Section 3-10 of this Act.

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

9 Exemption (e) also includes machinery and equipment used
10 in the general maintenance or repair of such exempt machinery
11 and equipment or for in-house manufacture of exempt machinery
12 and equipment. On and after July 1, 2017, exemption (e) also
13 includes graphic arts machinery and equipment, as defined in
14 paragraph (5) of Section 3-5. The machinery and equipment
15 exemption does not include machinery and equipment used in (i)
16 the generation of electricity for wholesale or retail sale;
17 (ii) the generation or treatment of natural or artificial gas
18 for wholesale or retail sale that is delivered to customers
19 through pipes, pipelines, or mains; or (iii) the treatment of
20 water for wholesale or retail sale that is delivered to
21 customers through pipes, pipelines, or mains. The provisions
22 of Public Act 98-583 are declaratory of existing law as to the
23 meaning and scope of this exemption. For the purposes of
24 exemption (e), each of these terms shall have the following
25 meanings: (1) "manufacturing process" shall mean the
26 production of any article of tangible personal property,

1 whether such article is a finished product or an article for
2 use in the process of manufacturing or assembling a different
3 article of tangible personal property, by procedures commonly
4 regarded as manufacturing, processing, fabricating, or
5 refining which changes some existing material or materials
6 into a material with a different form, use or name. In relation
7 to a recognized integrated business composed of a series of
8 operations which collectively constitute manufacturing, or
9 individually constitute manufacturing operations, the
10 manufacturing process shall be deemed to commence with the
11 first operation or stage of production in the series, and
12 shall not be deemed to end until the completion of the final
13 product in the last operation or stage of production in the
14 series; and further for purposes of exemption (e),
15 photoprocessing is deemed to be a manufacturing process of
16 tangible personal property for wholesale or retail sale; (2)
17 "assembling process" shall mean the production of any article
18 of tangible personal property, whether such article is a
19 finished product or an article for use in the process of
20 manufacturing or assembling a different article of tangible
21 personal property, by the combination of existing materials in
22 a manner commonly regarded as assembling which results in a
23 material of a different form, use or name; (3) "machinery"
24 shall mean major mechanical machines or major components of
25 such machines contributing to a manufacturing or assembling
26 process; and (4) "equipment" shall include any independent

1 device or tool separate from any machinery but essential to an
2 integrated manufacturing or assembly process; including
3 computers used primarily in a manufacturer's computer assisted
4 design, computer assisted manufacturing (CAD/CAM) system; or
5 any subunit or assembly comprising a component of any
6 machinery or auxiliary, adjunct or attachment parts of
7 machinery, such as tools, dies, jigs, fixtures, patterns and
8 molds; or any parts which require periodic replacement in the
9 course of normal operation; but shall not include hand tools.

10 Equipment includes chemicals or chemicals acting as catalysts
11 but only if the chemicals or chemicals acting as catalysts
12 effect a direct and immediate change upon a product being
13 manufactured or assembled for wholesale or retail sale or
14 lease. The purchaser of such machinery and equipment who has
15 an active resale registration number shall furnish such number
16 to the seller at the time of purchase. The purchaser of such
17 machinery and equipment and tools without an active resale
18 registration number shall furnish to the seller a certificate
19 of exemption stating facts establishing the exemption, which
20 certificate shall be available to the Department for
21 inspection or audit.

22 Except as provided in Section 2d of this Act, the rolling
23 stock exemption applies to rolling stock used by an interstate
24 carrier for hire, even just between points in Illinois, if
25 such rolling stock transports, for hire, persons whose
26 journeys or property whose shipments originate or terminate

1 outside Illinois.

2 Any informal rulings, opinions or letters issued by the
3 Department in response to an inquiry or request for any
4 opinion from any person regarding the coverage and
5 applicability of exemption (e) to specific devices shall be
6 published, maintained as a public record, and made available
7 for public inspection and copying. If the informal ruling,
8 opinion or letter contains trade secrets or other confidential
9 information, where possible the Department shall delete such
10 information prior to publication. Whenever such informal
11 rulings, opinions, or letters contain any policy of general
12 applicability, the Department shall formulate and adopt such
13 policy as a rule in accordance with the provisions of the
14 Illinois Administrative Procedure Act.

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

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

21 "Sale at Retail" means "sale at retail" as defined in the
22 Retailers' Occupation Tax Act, which, on and after January 1,
23 2025, is defined to include leases.

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

1 "Serviceman maintaining a place of business in this State"
2 has the meaning given to that term in Section 2 of the Service
3 Use Tax Act.

4 "Marketplace" means a physical or electronic place, forum,
5 platform, application, or other method by which a marketplace
6 serviceman makes or offers to make sales of service.

7 "Marketplace facilitator" means a person who, pursuant to
8 an agreement with an unrelated third-party marketplace
9 serviceman, directly or indirectly through one or more
10 affiliates facilitates sales of service by the unrelated
11 third-party marketplace serviceman through:

12 (1) listing or advertising for sale by the marketplace
13 serviceman in a marketplace, sales of service that are
14 subject to tax under this Act; and

15 (2) either directly or indirectly, through agreements
16 or arrangements with third parties, collecting payment
17 from the customer and transmitting that payment to the
18 marketplace serviceman regardless of whether the
19 marketplace facilitator receives compensation or other
20 consideration in exchange for its services.

21 "Marketplace serviceman" means a person that makes or
22 offers to make a sale of service through a marketplace
23 operated by an unrelated third-party marketplace facilitator.

24 (Source: P.A. 103-592, eff. 1-1-25; 104-6, eff. 6-16-25.)

1 Sec. 3-10. Rate of tax. Unless otherwise provided in this
2 Section, the tax imposed by this Act is at the rate of 6.25% of
3 the "selling price", as defined in Section 2 of the Service Use
4 Tax Act, of the tangible personal property, including, on and
5 after January 1, 2025, tangible personal property transferred
6 by lease. For the purpose of computing this tax, in no event
7 shall the "selling price" be less than the cost price to the
8 serviceman of the tangible personal property transferred. The
9 selling price of each item of tangible personal property
10 transferred as an incident of a sale of service may be shown as
11 a distinct and separate item on the serviceman's billing to
12 the service customer. If the selling price is not so shown, the
13 selling price of the tangible personal property is deemed to
14 be 50% of the serviceman's entire billing to the service
15 customer. When, however, a serviceman contracts to design,
16 develop, and produce special order machinery or equipment, the
17 tax imposed by this Act shall be based on the serviceman's cost
18 price of the tangible personal property transferred incident
19 to the completion of the contract.

20 Beginning on July 1, 2000 and through December 31, 2000,
21 with respect to motor fuel, as defined in Section 1.1 of the
22 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
23 the Use Tax Act, the tax is imposed at the rate of 1.25%.

24 With respect to gasohol, as defined in the Use Tax Act, the
25 tax imposed by this Act shall apply to (i) 70% of the cost
26 price of property transferred as an incident to the sale of

1 service on or after January 1, 1990, and before July 1, 2003,
2 (ii) 80% of the selling price of property transferred as an
3 incident to the sale of service on or after July 1, 2003 and on
4 or before July 1, 2017, (iii) 100% of the selling price of
5 property transferred as an incident to the sale of service
6 after July 1, 2017 and prior to January 1, 2024, (iv) 90% of
7 the selling price of property transferred as an incident to
8 the sale of service on or after January 1, 2024 and on or
9 before December 31, 2028, and (v) 100% of the selling price of
10 property transferred as an incident to the sale of service
11 after December 31, 2028. If, at any time, however, the tax
12 under this Act on sales of gasohol, as defined in the Use Tax
13 Act, is imposed at the rate of 1.25%, then the tax imposed by
14 this Act applies to 100% of the proceeds of sales of gasohol
15 made during that time.

16 With respect to mid-range ethanol blends, as defined in
17 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
18 applies to (i) 80% of the selling price of property
19 transferred as an incident to the sale of service on or after
20 January 1, 2024 and on or before December 31, 2028 and (ii)
21 100% of the selling price of property transferred as an
22 incident to the sale of service after December 31, 2028. If, at
23 any time, however, the tax under this Act on sales of mid-range
24 ethanol blends is imposed at the rate of 1.25%, then the tax
25 imposed by this Act applies to 100% of the selling price of
26 mid-range ethanol blends transferred as an incident to the

1 sale of service during that time.

2 With respect to majority blended ethanol fuel, as defined
3 in the Use Tax Act, the tax imposed by this Act does not apply
4 to the selling price of property transferred as an incident to
5 the sale of service on or after July 1, 2003 and on or before
6 December 31, 2028 but applies to 100% of the selling price
7 thereafter.

8 With respect to biodiesel blends, as defined in the Use
9 Tax Act, with no less than 1% and no more than 10% biodiesel,
10 the tax imposed by this Act applies to (i) 80% of the selling
11 price of property transferred as an incident to the sale of
12 service on or after July 1, 2003 and on or before December 31,
13 2018 and (ii) 100% of the proceeds of the selling price after
14 December 31, 2018 and before January 1, 2024. On and after
15 January 1, 2024 ~~and on or before December 31, 2030~~, the
16 taxation of biodiesel, renewable diesel, and biodiesel blends
17 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
18 at any time, however, the tax under this Act on sales of
19 biodiesel blends, as defined in the Use Tax Act, with no less
20 than 1% and no more than 10% biodiesel is imposed at the rate
21 of 1.25%, then the tax imposed by this Act applies to 100% of
22 the proceeds of sales of biodiesel blends with no less than 1%
23 and no more than 10% biodiesel made during that time.

24 With respect to biodiesel, as defined in the Use Tax Act,
25 and biodiesel blends, as defined in the Use Tax Act, with more
26 than 10% but no more than 99% biodiesel material, the tax

1 imposed by this Act does not apply to the proceeds of the
2 selling price of property transferred as an incident to the
3 sale of service on or after July 1, 2003 and on or before
4 December 31, 2023. On and after January 1, 2024 ~~and on or~~
5 ~~before December 31, 2030~~, the taxation of biodiesel, renewable
6 diesel, and biodiesel blends shall be as provided in Section
7 3-5.1 of the Use Tax Act.

8 At the election of any registered serviceman made for each
9 fiscal year, for whom the aggregate annual cost price of
10 tangible personal property transferred as an incident to the
11 sales of service is less than 35%, or 75% in the case of
12 servicemen transferring prescription drugs or servicemen
13 engaged in graphic arts production, of the aggregate annual
14 total gross receipts from all sales of service, the tax
15 imposed by this Act shall be based on the serviceman's cost
16 price of the tangible personal property transferred incident
17 to the sale of those services. This election may also be made
18 by a serviceman maintaining a place of business in this State
19 who makes retail sales from outside of this State to Illinois
20 customers but is not required to be registered under Section
21 2a of the Retailers' Occupation Tax Act. Beginning January 1,
22 2026, this election shall not apply to any sale of service made
23 through a marketplace that has met the threshold in subsection
24 (d) of Section 3 of this Act.

25 Beginning January 1, 2026, the tax shall be imposed at the
26 rate of 6.25% of 50% of the entire billing to the service

1 customer for all sales of service made through a marketplace
2 that has met the threshold in subsection (d) of Section 3 of
3 this Act. In no event shall 50% of the entire billing be less
4 than the cost price of the property to the marketplace
5 serviceman or the marketplace facilitator on its own sales of
6 service.

7 Until July 1, 2022 and from July 1, 2023 through December
8 31, 2025, the tax shall be imposed at the rate of 1% on food
9 prepared for immediate consumption and transferred incident to
10 a sale of service subject to this Act or the Service Use Tax
11 Act by an entity licensed under the Hospital Licensing Act,
12 the Nursing Home Care Act, the Assisted Living and Shared
13 Housing Act, the ID/DD Community Care Act, the MC/DD Act, the
14 Specialized Mental Health Rehabilitation Act of 2013, or the
15 Child Care Act of 1969, or an entity that holds a permit issued
16 pursuant to the Life Care Facilities Act. Until July 1, 2022
17 and from July 1, 2023 through December 31, 2025, the tax shall
18 also be imposed at the rate of 1% on food for human consumption
19 that is to be consumed off the premises where it is sold (other
20 than alcoholic beverages, food consisting of or infused with
21 adult use cannabis, soft drinks, and food that has been
22 prepared for immediate consumption and is not otherwise
23 included in this paragraph).

24 Beginning on July 1, 2022 and until July 1, 2023, the tax
25 shall be imposed at the rate of 0% on food prepared for
26 immediate consumption and transferred incident to a sale of

1 service subject to this Act or the Service Use Tax Act by an
2 entity licensed under the Hospital Licensing Act, the Nursing
3 Home Care Act, the Assisted Living and Shared Housing Act, the
4 ID/DD Community Care Act, the MC/DD Act, the Specialized
5 Mental Health Rehabilitation Act of 2013, or the Child Care
6 Act of 1969, or an entity that holds a permit issued pursuant
7 to the Life Care Facilities Act. Beginning July 1, 2022 and
8 until July 1, 2023, the tax shall also be imposed at the rate
9 of 0% on food for human consumption that is to be consumed off
10 the premises where it is sold (other than alcoholic beverages,
11 food consisting of or infused with adult use cannabis, soft
12 drinks, and food that has been prepared for immediate
13 consumption and is not otherwise included in this paragraph).

14 On and after January 1, 2026, food prepared for immediate
15 consumption and transferred incident to a sale of service
16 subject to this Act or the Service Use Tax Act by an entity
17 licensed under the Hospital Licensing Act, the Nursing Home
18 Care Act, the Assisted Living and Shared Housing Act, the
19 ID/DD Community Care Act, the MC/DD Act, the Specialized
20 Mental Health Rehabilitation Act of 2013, or the Child Care
21 Act of 1969, or an entity that holds a permit issued pursuant
22 to the Life Care Facilities Act is exempt from the tax imposed
23 by this Act. On and after January 1, 2026, food for human
24 consumption that is to be consumed off the premises where it is
25 sold (other than alcoholic beverages, food consisting of or
26 infused with adult use cannabis, soft drinks, candy, and food

1 that has been prepared for immediate consumption and is not
2 otherwise included in this paragraph) is exempt from the tax
3 imposed by this Act.

4 The tax shall be imposed at the rate of 1% on prescription
5 and nonprescription medicines, drugs, medical appliances,
6 products classified as Class III medical devices by the United
7 States Food and Drug Administration that are used for cancer
8 treatment pursuant to a prescription, as well as any
9 accessories and components related to those devices,
10 modifications to a motor vehicle for the purpose of rendering
11 it usable by a person with a disability, and insulin, blood
12 sugar testing materials, syringes, and needles used by human
13 diabetics. For the purposes of this Section, until September
14 1, 2009: the term "soft drinks" means any complete, finished,
15 ready-to-use, non-alcoholic drink, whether carbonated or not,
16 including, but not limited to, soda water, cola, fruit juice,
17 vegetable juice, carbonated water, and all other preparations
18 commonly known as soft drinks of whatever kind or description
19 that are contained in any closed or sealed can, carton, or
20 container, regardless of size; but "soft drinks" does not
21 include coffee, tea, non-carbonated water, infant formula,
22 milk or milk products as defined in the Grade A Pasteurized
23 Milk and Milk Products Act, or drinks containing 50% or more
24 natural fruit or vegetable juice.

25 Notwithstanding any other provisions of this Act,
26 beginning September 1, 2009, "soft drinks" means non-alcoholic

1 beverages that contain natural or artificial sweeteners. "Soft
2 drinks" does not include beverages that contain milk or milk
3 products, soy, rice or similar milk substitutes, or greater
4 than 50% of vegetable or fruit juice by volume.

5 Until August 1, 2009, and notwithstanding any other
6 provisions of this Act, "food for human consumption that is to
7 be consumed off the premises where it is sold" includes all
8 food sold through a vending machine, except soft drinks and
9 food products that are dispensed hot from a vending machine,
10 regardless of the location of the vending machine. Beginning
11 August 1, 2009, and notwithstanding any other provisions of
12 this Act, "food for human consumption that is to be consumed
13 off the premises where it is sold" includes all food sold
14 through a vending machine, except soft drinks, candy, and food
15 products that are dispensed hot from a vending machine,
16 regardless of the location of the vending machine.

17 Notwithstanding any other provisions of this Act,
18 beginning September 1, 2009, "food for human consumption that
19 is to be consumed off the premises where it is sold" does not
20 include candy. For purposes of this Section, "candy" means a
21 preparation of sugar, honey, or other natural or artificial
22 sweeteners in combination with chocolate, fruits, nuts or
23 other ingredients or flavorings in the form of bars, drops, or
24 pieces. "Candy" does not include any preparation that contains
25 flour or requires refrigeration.

26 Notwithstanding any other provisions of this Act,

1 beginning September 1, 2009, "nonprescription medicines and
2 drugs" does not include grooming and hygiene products. For
3 purposes of this Section, "grooming and hygiene products"
4 includes, but is not limited to, soaps and cleaning solutions,
5 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
6 lotions and screens, unless those products are available by
7 prescription only, regardless of whether the products meet the
8 definition of "over-the-counter-drugs". For the purposes of
9 this paragraph, "over-the-counter-drug" means a drug for human
10 use that contains a label that identifies the product as a drug
11 as required by 21 CFR 201.66. The "over-the-counter-drug"
12 label includes:

13 (A) a "Drug Facts" panel; or

14 (B) a statement of the "active ingredient(s)" with a
15 list of those ingredients contained in the compound,
16 substance or preparation.

17 Beginning on January 1, 2014 (the effective date of Public
18 Act 98-122), "prescription and nonprescription medicines and
19 drugs" includes medical cannabis purchased from a registered
20 dispensing organization under the Compassionate Use of Medical
21 Cannabis Program Act.

22 As used in this Section, "adult use cannabis" means
23 cannabis subject to tax under the Cannabis Cultivation
24 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
25 and does not include cannabis subject to tax under the
26 Compassionate Use of Medical Cannabis Program Act.

1 (Source: P.A. 103-9, eff. 6-7-23; 103-154, eff. 6-30-23;
2 103-592, eff. 1-1-25; 103-781, eff. 8-5-24; 104-6, eff.
3 6-16-25; 104-417, eff. 8-15-25.)

4 Section 35. The Retailers' Occupation Tax Act is amended
5 by changing Sections 2-10 and 2-45 as follows:

6 (35 ILCS 120/2-10) from Ch. 120, par. 441-10

7 Sec. 2-10. Rate of tax. Unless otherwise provided in this
8 Section, the tax imposed by this Act is at the rate of 6.25% of
9 gross receipts from sales, which, on and after January 1,
10 2025, includes leases, of tangible personal property made in
11 the course of business.

12 Beginning on July 1, 2000 and through December 31, 2000,
13 with respect to motor fuel, as defined in Section 1.1 of the
14 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
15 the Use Tax Act, the tax is imposed at the rate of 1.25%.

16 Beginning on August 6, 2010 through August 15, 2010, and
17 beginning again on August 5, 2022 through August 14, 2022,
18 with respect to sales tax holiday items as defined in Section
19 2-8 of this Act, the tax is imposed at the rate of 1.25%.

20 Within 14 days after July 1, 2000 (the effective date of
21 Public Act 91-872), each retailer of motor fuel and gasohol
22 shall cause the following notice to be posted in a prominently
23 visible place on each retail dispensing device that is used to
24 dispense motor fuel or gasohol in the State of Illinois: "As of

1 July 1, 2000, the State of Illinois has eliminated the State's
2 share of sales tax on motor fuel and gasohol through December
3 31, 2000. The price on this pump should reflect the
4 elimination of the tax." The notice shall be printed in bold
5 print on a sign that is no smaller than 4 inches by 8 inches.
6 The sign shall be clearly visible to customers. Any retailer
7 who fails to post or maintain a required sign through December
8 31, 2000 is guilty of a petty offense for which the fine shall
9 be \$500 per day per each retail premises where a violation
10 occurs.

11 With respect to gasohol, as defined in the Use Tax Act, the
12 tax imposed by this Act applies to (i) 70% of the proceeds of
13 sales made on or after January 1, 1990, and before July 1,
14 2003, (ii) 80% of the proceeds of sales made on or after July
15 1, 2003 and on or before July 1, 2017, (iii) 100% of the
16 proceeds of sales made after July 1, 2017 and prior to January
17 1, 2024, (iv) 90% of the proceeds of sales made on or after
18 January 1, 2024 and on or before December 31, 2028, and (v)
19 100% of the proceeds of sales made after December 31, 2028. If,
20 at any time, however, the tax under this Act on sales of
21 gasohol, as defined in the Use Tax Act, is imposed at the rate
22 of 1.25%, then the tax imposed by this Act applies to 100% of
23 the proceeds of sales of gasohol made during that time.

24 With respect to mid-range ethanol blends, as defined in
25 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
26 applies to (i) 80% of the proceeds of sales made on or after

1 January 1, 2024 and on or before December 31, 2028 and (ii)
2 100% of the proceeds of sales made after December 31, 2028. If,
3 at any time, however, the tax under this Act on sales of
4 mid-range ethanol blends is imposed at the rate of 1.25%, then
5 the tax imposed by this Act applies to 100% of the proceeds of
6 sales of mid-range ethanol blends made during that time.

7 With respect to majority blended ethanol fuel, as defined
8 in the Use Tax Act, the tax imposed by this Act does not apply
9 to the proceeds of sales made on or after July 1, 2003 and on
10 or before December 31, 2028 but applies to 100% of the proceeds
11 of sales made thereafter.

12 With respect to biodiesel blends, as defined in the Use
13 Tax Act, with no less than 1% and no more than 10% biodiesel,
14 the tax imposed by this Act applies to (i) 80% of the proceeds
15 of sales made on or after July 1, 2003 and on or before
16 December 31, 2018 and (ii) 100% of the proceeds of sales made
17 after December 31, 2018 and before January 1, 2024. On and
18 after January 1, 2024 ~~and on or before December 31, 2030~~, the
19 taxation of biodiesel, renewable diesel, and biodiesel blends
20 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
21 at any time, however, the tax under this Act on sales of
22 biodiesel blends, as defined in the Use Tax Act, with no less
23 than 1% and no more than 10% biodiesel is imposed at the rate
24 of 1.25%, then the tax imposed by this Act applies to 100% of
25 the proceeds of sales of biodiesel blends with no less than 1%
26 and no more than 10% biodiesel made during that time.

1 With respect to biodiesel, as defined in the Use Tax Act,
2 and biodiesel blends, as defined in the Use Tax Act, with more
3 than 10% but no more than 99% biodiesel, the tax imposed by
4 this Act does not apply to the proceeds of sales made on or
5 after July 1, 2003 and on or before December 31, 2023. On and
6 after January 1, 2024 ~~and on or before December 31, 2030~~, the
7 taxation of biodiesel, renewable diesel, and biodiesel blends
8 shall be as provided in Section 3-5.1 of the Use Tax Act.

9 Until July 1, 2022 and from July 1, 2023 through December
10 31, 2025, with respect to food for human consumption that is to
11 be consumed off the premises where it is sold (other than
12 alcoholic beverages, food consisting of or infused with adult
13 use cannabis, soft drinks, and food that has been prepared for
14 immediate consumption), the tax is imposed at the rate of 1%.
15 Beginning July 1, 2022 and until July 1, 2023, with respect to
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages,
18 food consisting of or infused with adult use cannabis, soft
19 drinks, and food that has been prepared for immediate
20 consumption), the tax is imposed at the rate of 0%. On and
21 after January 1, 2026, food for human consumption that is to be
22 consumed off the premises where it is sold (other than
23 alcoholic beverages, food consisting of or infused with adult
24 use cannabis, soft drinks, candy, and food that has been
25 prepared for immediate consumption) is exempt from the tax
26 imposed by this Act.

1 With respect to prescription and nonprescription
2 medicines, drugs, medical appliances, products classified as
3 Class III medical devices by the United States Food and Drug
4 Administration that are used for cancer treatment pursuant to
5 a prescription, as well as any accessories and components
6 related to those devices, modifications to a motor vehicle for
7 the purpose of rendering it usable by a person with a
8 disability, and insulin, blood sugar testing materials,
9 syringes, and needles used by human diabetics, the tax is
10 imposed at the rate of 1%. For the purposes of this Section,
11 until September 1, 2009: the term "soft drinks" means any
12 complete, finished, ready-to-use, non-alcoholic drink, whether
13 carbonated or not, including, but not limited to, soda water,
14 cola, fruit juice, vegetable juice, carbonated water, and all
15 other preparations commonly known as soft drinks of whatever
16 kind or description that are contained in any closed or sealed
17 bottle, can, carton, or container, regardless of size; but
18 "soft drinks" does not include coffee, tea, non-carbonated
19 water, infant formula, milk or milk products as defined in the
20 Grade A Pasteurized Milk and Milk Products Act, or drinks
21 containing 50% or more natural fruit or vegetable juice.

22 Notwithstanding any other provisions of this Act,
23 beginning September 1, 2009, "soft drinks" means non-alcoholic
24 beverages that contain natural or artificial sweeteners. "Soft
25 drinks" does not include beverages that contain milk or milk
26 products, soy, rice or similar milk substitutes, or greater

1 than 50% of vegetable or fruit juice by volume.

2 Until August 1, 2009, and notwithstanding any other
3 provisions of this Act, "food for human consumption that is to
4 be consumed off the premises where it is sold" includes all
5 food sold through a vending machine, except soft drinks and
6 food products that are dispensed hot from a vending machine,
7 regardless of the location of the vending machine. Beginning
8 August 1, 2009, and notwithstanding any other provisions of
9 this Act, "food for human consumption that is to be consumed
10 off the premises where it is sold" includes all food sold
11 through a vending machine, except soft drinks, candy, and food
12 products that are dispensed hot from a vending machine,
13 regardless of the location of the vending machine.

14 Notwithstanding any other provisions of this Act,
15 beginning September 1, 2009, "food for human consumption that
16 is to be consumed off the premises where it is sold" does not
17 include candy. For purposes of this Section, "candy" means a
18 preparation of sugar, honey, or other natural or artificial
19 sweeteners in combination with chocolate, fruits, nuts or
20 other ingredients or flavorings in the form of bars, drops, or
21 pieces. "Candy" does not include any preparation that contains
22 flour or requires refrigeration.

23 Notwithstanding any other provisions of this Act,
24 beginning September 1, 2009, "nonprescription medicines and
25 drugs" does not include grooming and hygiene products. For
26 purposes of this Section, "grooming and hygiene products"

1 includes, but is not limited to, soaps and cleaning solutions,
2 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
3 lotions and screens, unless those products are available by
4 prescription only, regardless of whether the products meet the
5 definition of "over-the-counter-drugs". For the purposes of
6 this paragraph, "over-the-counter-drug" means a drug for human
7 use that contains a label that identifies the product as a drug
8 as required by 21 CFR 201.66. The "over-the-counter-drug"
9 label includes:

10 (A) a "Drug Facts" panel; or

11 (B) a statement of the "active ingredient(s)" with a
12 list of those ingredients contained in the compound,
13 substance or preparation.

14 Beginning on January 1, 2014 (the effective date of Public
15 Act 98-122), "prescription and nonprescription medicines and
16 drugs" includes medical cannabis purchased from a registered
17 dispensing organization under the Compassionate Use of Medical
18 Cannabis Program Act.

19 As used in this Section, "adult use cannabis" means
20 cannabis subject to tax under the Cannabis Cultivation
21 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
22 and does not include cannabis subject to tax under the
23 Compassionate Use of Medical Cannabis Program Act.

24 (Source: P.A. 103-9, eff. 6-7-23; 103-154, eff. 6-30-23;
25 103-592, eff. 1-1-25; 103-781, eff. 8-5-24; 104-417, eff.
26 8-15-25.)

1 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

2 Sec. 2-45. Manufacturing and assembly exemption. The
3 manufacturing and assembly machinery and equipment exemption
4 includes machinery and equipment that replaces machinery and
5 equipment in an existing manufacturing facility as well as
6 machinery and equipment that are for use in an expanded or new
7 manufacturing facility.

8 The machinery and equipment exemption also includes
9 machinery and equipment used in the general maintenance or
10 repair of exempt machinery and equipment or for in-house
11 manufacture of exempt machinery and equipment. Beginning on
12 July 1, 2017, the manufacturing and assembling machinery and
13 equipment exemption also includes graphic arts machinery and
14 equipment, as defined in paragraph (4) of Section 2-5. The
15 machinery and equipment exemption does not include machinery
16 and equipment used in (i) the generation of electricity for
17 wholesale or retail sale; (ii) the generation or treatment of
18 natural or artificial gas for wholesale or retail sale that is
19 delivered to customers through pipes, pipelines, or mains; or
20 (iii) the treatment of water for wholesale or retail sale that
21 is delivered to customers through pipes, pipelines, or mains.
22 The provisions of this amendatory Act of the 98th General
23 Assembly are declaratory of existing law as to the meaning and
24 scope of this exemption. For the purposes of this exemption,
25 terms have the following meanings:

1 (1) "Manufacturing process" means the production of an
2 article of tangible personal property, whether the article
3 is a finished product or an article for use in the process
4 of manufacturing or assembling a different article of
5 tangible personal property, by a procedure commonly
6 regarded as manufacturing, processing, fabricating, or
7 refining that changes some existing material or materials
8 into a material with a different form, use, or name. In
9 relation to a recognized integrated business composed of a
10 series of operations that collectively constitute
11 manufacturing, or individually constitute manufacturing
12 operations, the manufacturing process commences with the
13 first operation or stage of production in the series and
14 does not end until the completion of the final product in
15 the last operation or stage of production in the series.
16 For purposes of this exemption, photoprocessing is a
17 manufacturing process of tangible personal property for
18 wholesale or retail sale.

19 (2) "Assembling process" means the production of an
20 article of tangible personal property, whether the article
21 is a finished product or an article for use in the process
22 of manufacturing or assembling a different article of
23 tangible personal property, by the combination of existing
24 materials in a manner commonly regarded as assembling that
25 results in a material of a different form, use, or name.

26 (3) "Machinery" means major mechanical machines or

1 major components of those machines contributing to a
2 manufacturing or assembling process.

3 (4) "Equipment" includes an independent device or tool
4 separate from machinery but essential to an integrated
5 manufacturing or assembly process; including computers
6 used primarily in a manufacturer's computer assisted
7 design, computer assisted manufacturing (CAD/CAM) system;
8 any subunit or assembly comprising a component of any
9 machinery or auxiliary, adjunct, or attachment parts of
10 machinery, such as tools, dies, jigs, fixtures, patterns,
11 and molds; and any parts that require periodic replacement
12 in the course of normal operation; but does not include
13 hand tools. Equipment includes chemicals or chemicals
14 acting as catalysts but only if the chemicals or chemicals
15 acting as catalysts effect a direct and immediate change
16 upon a product being manufactured or assembled for
17 wholesale or retail sale or lease.

18 (5) "Production related tangible personal property"
19 means all tangible personal property that is used or
20 consumed by the purchaser in a manufacturing facility in
21 which a manufacturing process takes place and includes,
22 without limitation, tangible personal property that is
23 purchased for incorporation into real estate within a
24 manufacturing facility, supplies and consumables used in a
25 manufacturing facility including fuels, coolants,
26 solvents, oils, lubricants, and adhesives, hand tools,

1 protective apparel, and fire and safety equipment used or
2 consumed within a manufacturing facility, and tangible
3 personal property that is used or consumed in activities
4 such as research and development, preproduction material
5 handling, receiving, quality control, inventory control,
6 storage, staging, and packaging for shipping and
7 transportation purposes. "Production related tangible
8 personal property" does not include (i) tangible personal
9 property that is used, within or without a manufacturing
10 facility, in sales, purchasing, accounting, fiscal
11 management, marketing, personnel recruitment or selection,
12 or landscaping or (ii) tangible personal property that is
13 required to be titled or registered with a department,
14 agency, or unit of federal, State, or local government.

15 The manufacturing and assembling machinery and equipment
16 exemption includes production related tangible personal
17 property that is purchased on or after July 1, 2007 and on or
18 before June 30, 2008 and on or after July 1, 2019 and on or
19 before the effective date of this amendatory Act of the 104th
20 General Assembly. The exemption for production related
21 tangible personal property purchased on or after July 1, 2007
22 and before June 30, 2008 is subject to both of the following
23 limitations:

24 (1) The maximum amount of the exemption for any one
25 taxpayer may not exceed 5% of the purchase price of
26 production related tangible personal property that is

1 purchased on or after July 1, 2007 and on or before June
2 30, 2008. A credit under Section 3-85 of this Act may not
3 be earned by the purchase of production related tangible
4 personal property for which an exemption is received under
5 this Section.

6 (2) The maximum aggregate amount of the exemptions for
7 production related tangible personal property awarded
8 under this Act and the Use Tax Act to all taxpayers may not
9 exceed \$10,000,000. If the claims for the exemption exceed
10 \$10,000,000, then the Department shall reduce the amount
11 of the exemption to each taxpayer on a pro rata basis.

12 The Department shall adopt rules to implement and administer
13 the exemption for production related tangible personal
14 property.

15 The manufacturing and assembling machinery and equipment
16 exemption includes the sale of materials to a purchaser who
17 produces exempted types of machinery, equipment, or tools and
18 who rents or leases that machinery, equipment, or tools to a
19 manufacturer of tangible personal property. This exemption
20 also includes the sale of materials to a purchaser who
21 manufactures those materials into an exempted type of
22 machinery, equipment, or tools that the purchaser uses himself
23 or herself in the manufacturing of tangible personal property.
24 The purchaser of the machinery and equipment who has an active
25 resale registration number shall furnish that number to the
26 seller at the time of purchase. A purchaser of the machinery,

1 equipment, and tools without an active resale registration
2 number shall furnish to the seller a certificate of exemption
3 stating facts establishing the exemption, and that certificate
4 shall be available to the Department for inspection or audit.
5 Informal rulings, opinions, or letters issued by the
6 Department in response to an inquiry or request for an opinion
7 from any person regarding the coverage and applicability of
8 this exemption to specific devices shall be published,
9 maintained as a public record, and made available for public
10 inspection and copying. If the informal ruling, opinion, or
11 letter contains trade secrets or other confidential
12 information, where possible, the Department shall delete that
13 information before publication. Whenever informal rulings,
14 opinions, or letters contain a policy of general
15 applicability, the Department shall formulate and adopt that
16 policy as a rule in accordance with the Illinois
17 Administrative Procedure Act.

18 The manufacturing and assembling machinery and equipment
19 exemption is exempt from the provisions of Section 2-70.

20 (Source: P.A. 100-22, eff. 7-6-17; 101-9, eff. 6-5-19;
21 101-604, eff. 12-13-19.)

22 Section 40. The River Edge Redevelopment Zone Act is
23 amended by changing Section 10-10.3 as follows:

24 (65 ILCS 115/10-10.3)

1 Sec. 10-10.3. River Edge Construction Jobs Credit.

2 (a) Beginning on January 1, 2021 and ending on the
3 effective date of this amendatory Act of the 104th General
4 Assembly, a business entity may receive a tax credit against
5 the tax imposed under subsections (a) and (b) of Section 201 in
6 an amount equal to 50% (or 75% if the project is located in an
7 underserved area) of the amount of the incremental income tax
8 attributable to River Edge construction jobs employees
9 employed in the course of completing a River Edge construction
10 jobs project. The credit allowed under this Section shall
11 apply only to taxpayers that make a capital investment of at
12 least \$1,000,000 in a qualified rehabilitation plan.

13 (b) A business entity seeking a credit under this Section
14 must submit an application to the Department describing the
15 nature and benefit of the River Edge construction jobs project
16 to the qualified rehabilitation project and the River Edge
17 Redevelopment Zone. The Department may adopt any necessary
18 rules in order to administer the provisions of this Section.

19 (c) Within 45 days after the receipt of an application,
20 the Department shall give notice to the applicant as to
21 whether the application has been approved or disapproved. If
22 the Department disapproves the application, it shall specify
23 the reasons for this decision and allow 60 days for the
24 applicant to amend and resubmit its application. The
25 Department shall provide assistance upon request to
26 applicants. Resubmitted applications shall receive the

1 Department's approval or disapproval within 30 days of
2 resubmission. Those resubmitted applications satisfying
3 initial Department objectives shall be approved unless
4 reasonable circumstances warrant disapproval.

5 (d) On an annual basis, the designated zone organization
6 shall furnish a statement to the Department on the
7 programmatic and financial status of any approved project and
8 an audited financial statement of the project.

9 (e) The Department shall certify to the Department of
10 Revenue the identity of the taxpayers who are eligible for
11 River Edge construction jobs credits and the amounts of River
12 Edge construction jobs credits awarded in each taxable year.

13 (f) (Blank).

14 (g) The total aggregate amount of credits awarded under
15 the Blue Collar Jobs Act (Article 20 of this amendatory Act of
16 the 101st General Assembly) shall not exceed \$20,000,000 in
17 any State fiscal year.

18 (Source: P.A. 103-595, eff. 6-26-24.)